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

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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.

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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.

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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

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- ☐ 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.
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中国民生银行
CHINA MINSHENG BANK

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

Stock Code：01988　　USD Preference Share Stock Code：04609

改革转型
行稳致速



2018 ANNUAL REPORT

Important Notice

The Board, the Board of Supervisors, 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 29 March 2019 at the 14th meeting of the seventh session of the Board of the Company. Of the 15 Directors who were entitled to attend the meeting, seven Directors attended the meeting in person, and eight Directors, being the Vice Chairmen Zhang Hongwei, Lu Zhiqiang and Liu Yonghao as well as the Directors Shi Yuzhu, Wu Di, Liu Jipeng, Xie Zhichun and Tian Suning, attended the meeting by teleconference. Of the eight Supervisors who were entitled to attend the meeting as non-voting delegates, eight Supervisors attended the meeting as non-voting delegates.

The profit distribution plan for 2018 was approved by the Board, pursuant to which a cash dividend of RMB3.45 (tax inclusive) will be distributed to all shareholders for every 10 shares being held on the record date. The above profit distribution plan is subject to approval by the shareholders' 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 ("IFRSs"). 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 2018 prepared in accordance with the Chinese Accounting Standards ("CAS") and the IFRSs, 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.

Contents

Important Notice	
Definitions	2
Material Risks Warning	4
Message from the Chairman	5
Message from the President	10
Strategic Positioning and Reform and Transformation of the Company	15
Annual Awards	18
Bank Profile	19
Summary of Accounting Data and Financial Indicators	21
Discussion and Analysis on Business Operation	24
Changes in Share Capital and Information on Shareholders	100
Directors, Supervisors, Senior Management and Employees	126
Corporate Governance	154
Report of the Board of Directors	214
Report of the Board of Supervisors	223
Major Events	231
Financial Reports	245
Organisation Structure	501
List of Entities	502
Statistics of Correspondent Banks	

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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)
"Articles of Association"	the Articles of Association of China Minsheng Banking Corp., Ltd.
"Bank" or "Company" or "China Minsheng Bank" or "Minsheng Bank"	China Minsheng Banking Corp., Ltd.
"Board"	Board of Directors of the Company
"Board of Supervisors"	Board of Supervisors of the Company
"CBIRC"	China Banking and Insurance Regulatory Commission
"CMBC International"	CMBC International Holdings Limited
"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
"former CBRC"	former China Banking Regulatory Commission
"former CIRC"	former China Insurance Regulatory Commission
"Group"	the Company and its subsidiaries
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on SEHK
"Minsheng Financial Leasing"	Minsheng Financial Leasing Co., Ltd.
"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 transformation for growth model and reform of corporate governance of the Company in response to the liberalisation of interest rate and other changes in the external environment
"Reporting Period"	the period from 1 January 2018 to 31 December 2018
"SBU(s)"	Strategic business unit(s)
"SEHK"	The Stock Exchange of Hong Kong Limited
"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(s)"	Supervisor(s) of the Company
"SZSE"	Shenzhen Stock Exchange

Material Risks Warning

The Company has no foreseeable material risks. Please refer to the section headed "Discussion and Analysis on Business Operation — XI. Prospects and Measures — (III) Potential Risks" for details of the potential risks.



Chairman **Mr. HONG Qi**

Message from the Chairman

2018 marked the beginning of implementation of the spirit of the 19th CPC National Congress. According to the Central Economic Work Conference, the macro control targets for 2018 have been generally achieved. Initial progress was made in the material risks prevention and mitigation, targeted poverty alleviation and pollution prevention and control. Sustainable and healthy economic growth and stable social order were maintained with the deepening supply-side structural reform, higher level of reform and opening-up, proper settlement of China-United States trade friction as well as improvements in people's livelihood. These achievements took China a step closer to building a moderately prosperous society.

Despite these hard-won achievements, China experienced numerous new economic challenges in 2018. Domestically, the economic growth rate of China slowed down from 6.8% in 2017 to 6.6% in 2018. Higher volatility took hold of the stock market, bond market, foreign exchange market and other financial markets. Non-state-owned enterprises (NSOEs) faced greater operation pressure, financing difficulties and liquidity crisis. Internationally, the escalating China-United States trade friction imposed significant impacts on the production and operation of import and export trading enterprises and export-oriented enterprises. Dramatic changes in economic and market conditions put certain industries and many NSOEs in difficulty. Coupled with the rapid development of fintech enterprises and the rising market participation of internet giants in the financial sector, the banking industry was under severe pressure in terms of performance, operation, risk and competition.

China Minsheng Bank is deeply aware that, in the face of macro-economic changes, financial market fluctuation, information technology reform, intensified interbank competition and cross-industry competition, not only will the traditional operating philosophies, business models and technology systems of banks be challenged, but they will also be changed eventually. Only through systematic reform and transformation can banks turn challenges into opportunities to rebuild competitiveness, regain growth momentum and maximise market value. As at the end of 2017, based on the core achievements of the Phoenix Project and with reference to international advanced practice, the Board of China Minsheng Bank considered and approved the Scheme for Reform and Transformation and the Three-year Development Plan (《改革轉型暨三年發展規劃方案》), which specified the three major strategic positionings of becoming "a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services". Reform and transformation blueprints for business and management were formulated as the basis for developing corresponding organisation system, supervision and inspection mechanism as well as appraisal mechanisms so as to eventually realise the expected goals of reform and transformation.

In 2018, the overall operation and management of Minsheng Bank was carried out smoothly with strategic positionings and reform and transformation as the focus. Remarkable results have been achieved with stronger operation characteristics and more competitive edges.

Message from the Chairman

In 2018, operating income of the Group exceeded RMB150 billion, amounting to RMB154.161 billion. Net profit attributable to the Company exceeded RMB50 billion, amounting to RMB50.327 billion.

Along with the breakthroughs made in operating results, the three major strategies of Minsheng Bank were effectively implemented:

To become "a bank for the NSOEs": in 2018, Minsheng Bank extended a total of RMB1.37 trillion loans to NSOEs, accounting for 66.74% of total corporate loans (including discounted bills). As at the end of 2018, the total loans to NSOEs accounted for 55% of total corporate loans. Based on its 23 years of experience in serving NSOEs since its establishment, as well as the operation characteristics and development trends of NSOEs in the new era, Minsheng Bank formulated a comprehensive financial service plan for NSOEs: in line with its NSOE business strategy, Minsheng Bank focused on four major NSOE customer groups, namely strategic, niche, emerging and fundamental NSOEs, and provided segmented services accordingly. In respect of products and services, Minsheng Bank refined its five major product systems, namely scenarised transaction bank, customised investment bank, personalised entrepreneur services, convenient online bank and integrated wealth management while developing a featured service model. According to the requirements of the central government and arrangements of regulatory authorities, Minsheng Bank improved the overall quality, efficiency and effectiveness of its financial services for NSOEs. The strategy of becoming "a bank for the NSOEs" significantly enhanced the competitiveness of corporate banking of Minsheng Bank. In 2018, the interest rate of new RMB corporate loans of Minsheng Bank continued to rank among top of comparable joint stock banks. The annual growth of both corporate deposits denominated in RMB and foreign currencies and RMB corporate deposits ranked second among all joint-stock banks. As at the end of 2018, the total number of corporate customers and its growth ranked first and second among all joint-stock banks, respectively.

Small and micro enterprises accounted for the majority of NSOEs. Financial services for small and micro enterprises have always been the golden brand of Minsheng Bank. In 2018, after years of customer restructuring and business model upgrading, small business finance of Minsheng Bank resumed its peak level. Total loans to small and micro enterprises amounted to RMB471,405 million in 2018. As at the end of 2018, total outstanding balance of loans to small and micro enterprises amounted to RMB406,938 million, representing an increase of 13.31% as compared with the end of the previous year and accounting for 13.38% of total outstanding balance of loans of the Bank. The deposits from small and micro enterprises amounted to RMB209,000 million, representing an increase of 11.4% as compared with the end of the previous year. In 2018, Minsheng Bank accelerated the implementation of the Small Business Model 3.0. Leveraging on its data, tools and system platforms, with customer group segmentation as the core, the Bank strengthened its technology support for the transformation of its small business finance. Greater efforts were made to improve the Bank's differentiated and refined customer services, comprehensive risk management and professional capabilities of its service teams in a bid to strengthen the core competitiveness of its small business finance. The upgrading of small business finance model significantly improved asset quality. Since 2016, Minsheng Bank has recorded non-performing loan (NPL) ratio and overdue ratio of new loans to small and micro enterprises at 0.19% and 0.42%, respectively.

Message from the Chairman

To become "a fintech-based bank": Minsheng Bank was committed to fintech development dually driven by "data + technology". As the first bank offering direct bank in China, the direct bank of the Bank actively supported the implementation of fintech strategies. The Bank set up the first "4 Clouds + Open-ended + Linker (4朵雲+開放式+鏈接器)" BBC open-ended integrated financial cloud service platform in China with the application of distributed core system. The ISV open-ended banking finance was adopted and has been upgraded to version 3.0, serving almost 20 million customers. In 2018, Minsheng Bank introduced the new "Remote Banking 1.0 (遠程銀行1.0)" which provided all existing customers with remote video-aided services, improving the capabilities of the Bank to serve existing customers.

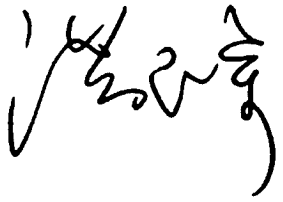
To become "a bank of comprehensive services": In 2018, Minsheng Bank accelerated the diversification of its business layout and promoted cross-selling and coordination among all business lines, business units, and Minsheng Bank and its subsidiaries. All these efforts were aimed to provide customers with comprehensive "finance + intelligence + business" financial services. The non-bank financial subsidiaries, namely Minsheng Financial Leasing, Minsheng Royal Fund and CMBC International, enjoyed healthy business development. The capital increase of CMBC International was approved by regulatory authorities. In 2018, according to new regulatory requirements and integrated operation trends, the Board of Minsheng Bank approved the resolutions on the establishment of asset management subsidiary and financial asset investment company, gradually building up an integrated service system.

In 2019, the central government has prioritised the prevention and mitigation of material risks among the three major challenges. It is suggested that structural deleveraging shall be carried out while abnormal fluctuations and instability of the financial markets shall be prevented. Risks arising from debts of local governments shall be properly managed in a steady, controllable, orderly and moderate manner. In view of the macro-economic conditions, in 2019, the banking industry of China will undertake missions and challenges in respect of preventing and mitigating risks, structural deleveraging, supporting the development of the real economy, strategic transformation and changing business models. The pressure on profit growth and risk control will be significant.

In response to changes in macro-economic conditions and challenges faced by banks, in 2019, the crucial year of reform and transformation, Minsheng Bank will focus on the following tasks based on the three major strategic positionings. To become "a bank for the NSOEs", Minsheng Bank will implement the NSOE strategy with an emphasis on serving strategic and niche NSOEs. Minsheng Bank will continue to implement the Small Business Model 3.0, step up product innovation, strengthen risk control and further improve its comprehensive services. To become "a fintech-based bank": Minsheng Bank will refine its strategies of fintech and new technology, allocate adequate resources and establish supporting systems and mechanisms. Efforts will be made to strengthen coordinated data management of business and technology, improve data quality and speed up platform development and upgrading and effective application of key platforms. Minsheng Bank will carry out independent operation of direct bank and significantly increase support from internet finance to online digitalised transformation. To

become "a bank of comprehensive services", Minsheng Bank will offer customer-centric comprehensive solutions along its value chain. Supporting system and mechanism for comprehensive services will be set up to continuously improve the "One Minsheng" coordination mechanism and the cross-selling system. In addition, supporting mechanisms such as coordination between risks and businesses, key talent development, resource allocation and appraisal coordination will also be improved.

In view of the current profound changes and reform in the macro-economy and the financial sector, it is the mission and true value of Minsheng Bank to strive to explore a new development path for the transformation and upgrading of the banking industry and for its own survival and development as well. I firmly believe that so long as we are unswervingly committed to reform and transformation, our strategic transformation goals will be successfully achieved, and Minsheng Bank will become a revitalised benchmark bank with distinctive features, increased value and continuous innovation.



HONG Qi
Chairman of the Board of Directors
China Minsheng Banking Corp., Ltd.
29 March 2019



President **Mr. ZHENG Wanchun**

Message from the President

The year of 2018 marked the starting year of implementing the spirit of the 19th CPC National Congress and was the 40th anniversary of the reform and opening-up of China. It was also the first year for China Minsheng Bank to launch its comprehensive reform and transformation. The economy remained stable in general but some changes were seen. The banking industry was increasingly competitive and various internal and external risk-related issues emerged during the year. Minsheng Bank focused on the supply-side structural reform in strict compliance with national policies. In addition to serving the real economy, the Company also exerted great efforts in the prevention of financial risks, implementation of comprehensive reform and transformation and high-quality development. The Company achieved excellent operating results for the investors and the community.

1. Promoting high-quality development driven by reform and transformation. Adhering to its strategic positionings of becoming "a bank for NSOEs, a fintech-based bank and a bank of comprehensive services", the Company formulated the business strategies of "developing light-capital business, optimising liabilities, adjusting structure, restructuring, promoting synergy and maintaining high quality". The Company carried out a significant structural reform and achieved breakthrough in the overall business structure, which facilitated high-quality development of the Company. In 2018, breakthroughs in four aspects were made for the first time, namely, net profit attributable to shareholders of the parent Company and operating income of the Company amounted to more than RMB50 billion and RMB150 billion, respectively for the first time, exceeding their historical records before the replacement of business tax with value-added tax. Both daily average domestic and foreign deposits and outstanding balance of loans of the bank as at the end of the year hit their respective records of more than RMB3 trillion for the first time. In addition, the return on weighted average equity (ROAE) and average return on assets (ROA) of the Group were 12.94% and 0.85%, respectively. The earnings per share and net asset per share of the Group amounted to RMB1.14 and RMB9.37, respectively. New drivers for business growth were generated through reform and transformation. The direct bank of the Company has ranked top among the peers for four consecutive years. The Company has developed "digital finance" business for small and micro enterprises to improve its comprehensive services of financing and wealth management and provide small and micro enterprises with more convenient, exclusive and comprehensive financial services. Through optimisation of the operation of investment banking business, an integrated investment banking product system comprising equity, debts, investment, loan and financial consultation was improved for customised investment banking services. The digital marketing system of credit card business was optimised and the cross-selling capabilities of the Company were strengthened to meet the diversified financing needs of customers. A comprehensive supply chain financing platform was established with enriched variety of products and services to provide financing solutions for upstream and downstream enterprises. The new capital requirements were complied with in asset management. By introducing innovative business and services, the Company has proactively reformed to offer net-value products. Meanwhile, Minsheng Bank continued to increase its investment in fintech, so as to improve its research and development capabilities and efficiency. Its domestically leading self-developed distributed core system reduced cost and enhanced efficiency significantly. Several major projects were launched, including new supply-chain finance, mobile banking 4.0, 24-hour remote banking and corporate direct bank. The Bank has endeavoured to make concrete efforts to develop fintech business.

Message from the President

2. Strengthening unique position by providing services to NSOEs and small and micro enterprises. Minsheng Bank regarded the implementation of the proposition of the central government at the Symposium on NSOEs as its major political mission and precious opportunity. Based on its operating strategies and conditions, the Company actively supported the development of NSOEs and small and micro enterprises. On one hand, it deepened the strategy of cooperating with NSOEs and extended the service chains. With professional, passionate, effective and down-to-earth services, the Company successfully expanded the coverage of its services to large, medium and small and micro enterprises. For those in good condition, the Company provided more credit facilities and integrated finance services, and for those in temporary difficulties, the Company provided help and assistance. In 2018, total loans to NSOEs amounted to RMB1.37 trillion, accounting for 66.74% of total corporate loans (including discounted bills). On the other hand, the Company implemented the national inclusive finance strategy. With its 10 years of experience of small business finance, it played an active role in changing the status of marginalisation of small and micro enterprises in modern finance industry. With "small drips (小滴灌)" of the Company's sophisticated services reaped "a good harvest (大豐收)" in small business finance; the Company's "micro-environment (小環境)" cultivated a "macro-environment (大氣候)" of the development of small and micro enterprises; the Company's continuous efforts in promoting small business finance (小買賣)" won "great popularity (大反響)" in the society. In 2018, the aggregated amount of loans to small and micro enterprises amounted to RMB471,405 million, and outstanding balance of loans to small and micro enterprises as at the end of the year amounted to RMB406,938 million, representing an increase of 13.31% as compared with the end of the previous year, accounting for 13.38% of total loans of the Company. Total loans to small and micro enterprises and number of customers maintained fast growth.

3. Maintaining steady and healthy asset quality to prevent financial risks. Facing the challenges from various risks and risk events in the banking industry, Minsheng Bank properly performed its responsibilities of risk management by transforming to active risk management. The Bank continuously refined its long-term comprehensive risk management mechanism, with clear division of responsibilities and accountability. With coordinated defense system consisting of internal control and compliance, risk approval, discipline supervision, legal affairs and auditing, the Bank maintained law-abiding operation and management. The law-abiding and strict bank governance were reinforced at all levels. The Bank put more attention and resources into collection and disposal of assets by setting up the Special Assets Department which is responsible for the management of non-performing assets. By strengthening the centralised collection and disposal of non-performing assets and putting more effort in disposal of non-performing assets, the development of business of the Bank has been safeguarded. The Bank implemented various measures to promote capital saving and strictly control the growth of risk assets, so as to significantly improve its risk resistance. As at the end of 2018, the NPL ratio of the Bank was 1.75%. The difference between NPLs and overdue loans of the Group continued to narrow. As at the end of the year (data of the Bank), the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Bank was 8.87%, 9.09% and 11.71%, respectively, which remained unchanged in general as compared with the beginning of the year. The liquidity coverage ratio and liquidity ratio of the Bank reached 121% and 51.64%, respectively. The liquidity of the Bank improved significantly.

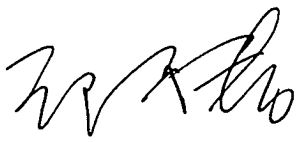
4. Sincerely performing corporate social responsibilities by focusing on targeted poverty alleviation. Minsheng Bank has constantly adhered to its mission of "From the People, For the People (為民而生、與民共生)" bore in mind its core value of "Minsheng (well-being of the public)". The Company implemented the national policy of "three main tasks (三大攻堅戰)", and explored the rules for financial poverty alleviation. Based on the features of poverty-striken areas, the Company proactively commenced targeted poverty alleviation by putting efforts in cultivating and activating local productivity. A multi-level "six-in-one (六位一體)" system of poverty alleviation with broad coverage and strong penetration were formed, with education as the basis, health care as the focus, equity interests as the breakthrough, financial services as the support, skill training as the approach, and e-commerce as a testing move. In 2018, total loans granted for targeted poverty alleviation amounted to RMB6,752 million, representing an increase of RMB2,610 million as compared with the corresponding period of the previous year. As at the end of 2018, loans granted for targeted poverty alleviation amounted to RMB3,096 million, representing an increase of RMB1,021 million as compared with the end of the previous year. Hua County in Henan Province, a target of poverty alleviation of Minsheng Bank, shook off poverty successfully. The Company's targeted poverty alleviation was recognised by the central government. It had won the "Chinese Charity Award (中華慈善獎)" for five times, obtained the "Outstanding Poverty Alleviation Case (優秀扶貧案例獎)" by the Leading Group Office of Poverty Alleviation and Development of the State Council for several times, ranked first in the "Social Responsibility Development Index of Top 100 NSOEs (中國民營企業社會責任100強)" by the Chinese Academy of Social Sciences obtaining and won the "Best Charity Contribution Award (最佳公益慈善貢獻獎)" by China Banking Association.

5. Continuously strengthening the strict corporate governance by adhering to the leadership of the Party. Minsheng Bank has adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a new era. The Company has seriously learnt and implemented spirit of the 19th CPC National Congress and reinforced "four concepts (四個意識)" and persisted in "four confidence (四個自信)" so as to comprehensively push forward the regulations regarding politics, mindset, organisation, conducts and probity of the Party. The Bank has emphasised the political construction of the Party in order to comprehensively practice law-abiding and strict corporate governance and combine centralised leadership of the Party with refined corporate governance. The Bank continued to carry out anti-corruption measures and commenced inspections and stressed on accountability to rectify formalism, bureaucracy, hedonism and extravagance, which aimed to foster a clean and honest business environment. The Bank insisted that the Party building should lead group building and strengthened the Party's guidance on the work of the Labor Union, the Youth League and the Women's Federation and other organisations, so that the political advantages of Party building works can be transformed into management achievements. In 2018, Minsheng Bank ranked 251st in the "Fortune Global 500" by Fortune and ranked 30th in the "Top 1000 World Banks" by The Banker, maintaining stable world influence and global competitiveness.

Message from the President

The above achievements are attributable to the supervision and management of regulatory authorities, the leadership and guidance of the Board, the dedication and hard-work of all of the staff, and most importantly, the continuous faith in and support of the customers and parties from various sectors of the community. On behalf of the management of Minsheng Bank, I would like to express my sincere gratitude to those who care about and support the development of China Minsheng Bank!

The Bank is taking on a new journey full of opportunities and challenges. In 2019. Minsheng Bank will focus on the three tasks of serving the real economy, preventing financial risks and deepening financial reform. It will also stabilise employment, finance, foreign trade, foreign capital, investment and work expectations. The Bank will stick to its strategic positionings as "a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services" and improve its three featured businesses of direct bank, small business finance and investment banking. The Bank will also continue to develop its three leading businesses of credit card business, supply chain finance and asset management and consolidate the five major businesses of corporate banking, retail banking, financial markets, internet finance and comprehensive services. The Bank will optimise the management of risks, human resources, asset and liability and information technology. Those who are hard-working make progress. In 2019, Minsheng Bank will continue to work hard in reform and transformation to promote the development of the Bank to a higher level, create greater value for the shareholders and celebrate the 70th anniversary of the founding of the PRC with more outstanding achievements!



ZHENG Wanchun
President
China Minsheng Banking Corp., Ltd.
29 March 2019

Strategic Positioning and Reform and Transformation of the Company

I. Mission

In view of the macro economic situation with significant changes in economic development and economic structure and in response to the challenges arising from liberalisation of interest rates, emergence of financial technology, acceleration of financial disintermediation and increasingly stringent regulation, the Company optimised its management structure by further improving its corporate governance. In particular, the Company put efforts in accelerating transformation and renovation and innovating services modes and approaches. The Company also enhanced its capability and strength to cope with challenges and serve the real economy. In addition, the Company strengthened business adjustment and transformation and focused on its development strategies, with an aim to become a bank for NSOEs, a fintech-based bank and a bank of comprehensive services, taking its sound and sustainable development to a new level.

II. Strategic Positionings and Targets

(I) Strategic positionings

The Company aims to become a bank for NSOEs, a fintech-based bank and a bank of comprehensive services.

(II) Strategic targets

Adhering to the customer-centric philosophy and to realise the goals of high-quality development and profitability, the Company strives to transform itself into a digitalised, light-capital benchmark bank of comprehensive services, so as to further increase its corporate value.

III. Reform and Transformation

Commercial banks are facing a growing number of challenges when China's banking industry entered into a new stage of development, including the slow-down in macro-economic growth, accelerated liberalisation of interest rates, easier access to financial market, opening-up of capital market and the rising of internet finance. Traditional extensive operation model can no longer accommodate with the market development. The management should be improved and refined in a professional manner in line with customer-centric operation philosophy. From the internal perspective, the Bank is under pressure posed by capital constraints, assets quality and operating cost, which requires the upgrading and optimisation of business model so as to strengthen weak points in management and consolidate the foundation of development.

Strategic Positioning and Reform and Transformation of the Company

In order to take the initiatives in response to various internal and external challenges, and to promote the transformation of the business development path and operation and management model of the Bank, the Bank launched the Phoenix Project in June 2015. Two years after the launch of the Phoenix Project, 30 sub-projects under the Phoenix Project were successfully completed and desirable results were achieved as expected by the end of 2017.

Based on the core achievements of the Phoenix Project and the Three-Year Development Plan, the Board of the Company considered and approved the Overall Implementation Scheme for Reform and Transformation and the Three-year Development Plan of China Minsheng Bank (《中國民生銀行改革轉型暨三年發展規劃整體實施方案》) (the "Implementation Scheme") on 27 April 2018, targeting to develop the Company into a benchmark bank with distinctive features, increasing values and continuous innovation and to maximise its market value through reform and transformation in three years to improve the development quality and efficiency under the customer-centric principle in line with the three strategic positionings, namely a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services.

During the Reporting Period, under the leadership of the Board and the management, the Implementation Scheme was carried out orderly and remarkable results of reform and transformation were achieved.

Firstly, the Company strives to develop into a bank for the NSOEs. In 2018, the Company focused on four major NSOE customer groups, namely strategic, niche, emerging and fundamental NSOE customers. A designated service model for NSOE customers has been developed. The Company further explored the implementation of its NSOE strategy by making breakthroughs in system establishment, human resources allocation, development model, product development, cooperation mechanism and online platforms, the results were significant. The Company has maintained a white name list of large-sized strategic NSOE customers and continuously improved its comprehensive solutions to facilitate the development and expansion of NSOEs by providing support in capital, credit, finance and technologies. The Company had developed solutions for six major industries for niche NSOE customers and established an advanced supply-chain financial service platform by creating the "Minsheng E Chain (民生E鏈)" brand. For small and medium-size NSOEs, by focusing on eight key industries and four major customer groups, the service efficiency of the Company has been greatly improved. The Small Business Model 3.0 was fully implemented and significant achievements were made in batch acquisition of customers, comprehensive development of customer groups, optimisation of the operating income structure as well as accelerated development of online banking business. In private banking sector, the synergy between corporate customers and individual customers as well as the establishment of private banking centers further facilitated the acquisition of entrepreneur-level private banking customers. For agency business and asset management, by concentrating on targeted customers, particularly the NSOE customers, the Company has noticeably expanded its customer base of strategic NSOEs for its financial markets business through product innovation and cross-selling.

Secondly, the Company strives to develop into a fintech-based bank. In 2018, dually supported by the two driving forces of "data and technology", the Company actively carried out reform and transformation, promoted the development of digitalised and smart bank, established a large-scale big data platform and introduced advanced technologies in targeted marketing, innovated risk control and refined management. All these efforts have brought new driving force to the transformation of business model and delicacy management of the Company. Significant progress was made in development of data-driven marketing management and control system, which further facilitated the innovations in wealth management model. The Company took the lead in the sector to launch "Remote Banking 1.0" and achieved full coverage of remote video-aided service for all existing customers. The leading position in internet finance has been further consolidated with its direct bank brand and customer satisfaction ranking top among its peers. The internet finance provided significant support for the online transformation of various business segments. The Company continued to enhance the development of innovative technologies and allocate extra resources in new technologies to facilitate the reform and transformation. The Company was the owner to various new technologies with independent intellectual property rights, such as distributed core financial cloud platform (分佈式核心金融雲平台), big data platform and artificial intelligence service system. The Company has also joined the international blockchain alliance and has been engaged to formulate blockchain technology standards applicable to the banking industry together with the regulatory authorities.

Thirdly, the Company strives to develop into a bank of comprehensive services. In 2018, adhering to the customer-centric operation philosophy, the Company continued to improve product structure and internal management procedures in line with customer demands. To further diversify businesses and promote integrated operation, One Minsheng coordination system was established so as to provide more diversified and better services, thus enhance the overall profitability. From the perspective of the Bank, to provide customers with one-stop comprehensive financial services, the Company continued to promote coordination among different business lines, improve cross-selling and coordination, and strengthen the comprehensive acquisition and management of customers across different business segments. To refine the management of offline distribution channel, the Company established customer-friendly bank halls. Comprehensive services and marketing in the halls were further improved, resulting in leaping growth of productivity. From the perspective of the Group, coordinated development between the Company and its subsidiaries has been reinforced. To cultivate its comprehensive financial competitiveness, the Group accelerated the diversification of business layout, put forward coordinated operation and improved services to target customers.

Annual Awards

Mr. Hong Qi, the Chairman, won the "Entrepreneur with Outstanding Contribution Award in Celebration of the 40th Anniversary of Reform and Opening Up (改革開放四十周年傑出貢獻企業家獎)" by the China Securities Golden Bauhinia Awards;

The Company was honoured as the "Best Bank in China for 2018 (2018年度中國最佳銀行)" by Asia Risk;

The Company won "The Listed Company with the Best Investor Relations Management Award (最佳投資者關係管理上市公司)" in the Golden Bauhinia Awards by China Securities;

The Company won the "Best SME Services Bank (最佳中小企業服務銀行)" in the Stars of China for 2018 awards by Global Finance;

The Company was honoured as the "Bank with the Most Outstanding Small Loan Services of the Year (年度卓越小微貸款服務銀行)" in the "China Financial Excellence Awards (中國卓越金融獎)" held by the Economic Observer;

The Company was named the "Bank for Small Business Finance of the Year (年度小微金融服務銀行)" in the Golden Cicadas awards hosted by China Times;

The Company was named the "Most Innovative Private Bank (最具創新性私人銀行)" by Caijing Magazine;

The Company won the "Outstanding Private Banking Brand Award of Chinese Pioneers for 2018 (2018領航中國傑出私人銀行品牌獎)" by JRJ.com.cn;

The Company was granted the "Outstanding Direct Bank Brand Award (傑出直銷銀行品牌獎)" by JRJ.com.cn;

The Company won the "Best Mobile Banking Award for 2018 (2018年最佳個人手機銀行獎)" by China Financial Certification Authority (CFCA);

The Company was awarded the "Best Fintech Bank (最佳品牌金融科技銀行)" at the Sixth Session of Comprehensive Bank Selection for 2018 (2018第六屆銀行綜合評選) held by Sina Finance;

The Company was presented with the "Hong Kong Investor Relations Awards — Certificate of Excellence (香港投資者關係大獎 — 卓越獎)" by Hong Kong Investor Relations Association;

The Company was honoured as one of the "Hong Kong Stock Connect Companies with Excellent Investment Returns (港股通公司投資回報實力排行榜)" in the "Golden Wing awards (金翼獎)" for 2018 held by Securities Times;

The Company was granted the "Annual Report Golden Award (年報金獎)" and "Technical Achievement Award (技術成就獎)" in the 2017 Annual Report Selection held by the League of American Communications Professionals (LACP);

The Company was granted the "Corporate Social Responsibility Award for 2018 (2018年度企業社會責任獎)" by Shanghai Securities News;

The Company was honoured with the 10th "China Charity Award (中華慈善獎)" by the Ministry of Civil Affairs of the PRC.

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.	Authorised Representatives of the Company:	Xie Zhichun Wong Wai Yee, Ella
4.	Board Secretary: Company Secretary: Representative of Securities Affairs:	Bai Dan 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

Bank Profile

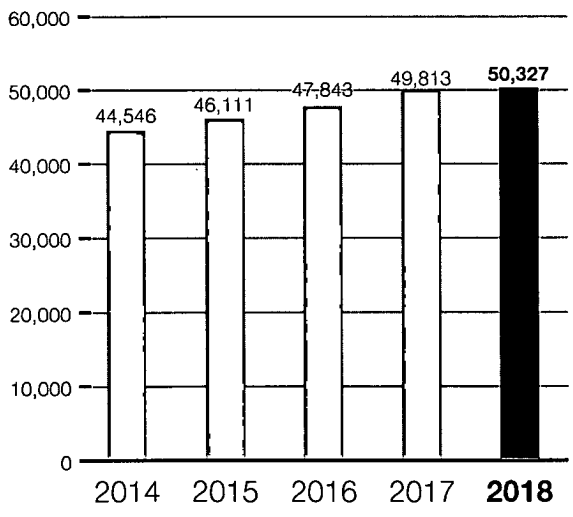
9.	Legal Adviser as to PRC Law:	Grandall Law Firm, Beijing Office
	Legal Adviser as to Hong Kong Law:	Clifford Chance
10.	Domestic Accounting Firm:	KPMG Huazhen LLP
	Office Address:	8th Floor, KPMG Tower Oriental Plaza, No. 1 East Chang An Avenue, Beijing, China
	International Accounting Firm:	KPMG Certified Public Accountants
	Office Address:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Signing Accountants:	Dou Youming and 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

Summary of Accounting Data and Financial Indicators

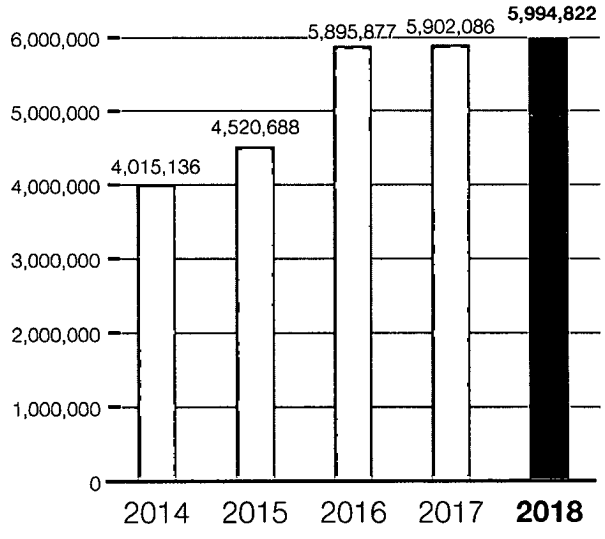
I. Major Accounting Data and Financial Indicators

	2018	2017	Changes of the Reporting Period over the corresponding period of the previous year	2016	2015	2014
Operating results (RMB million)			Increase/decrease (%)			
Net interest income	76,680	86,552	-11.41	94,684	94,268	92,136
Net interest income (after adjustment)	97,942	86,552	13.16	94,684	94,268	92,136
Net non-interest income	77,481	55,395	39.87	59,367	59,483	42,871
Operating income	154,161	141,947	8.60	154,051	153,751	135,007
Operating expenses	49,056	47,245	3.83	52,424	58,176	54,082
Impairment losses on loans and advances	43,611	32,180	35.52	41,214	33,029	19,928
Profit before income tax	58,785	60,562	-2.93	60,249	60,774	59,793
Net profit attributable to equity shareholders of the Company	50,327	49,813	1.03	47,843	46,111	44,546
Net cash flow from operating activities	-395,498	-257,059	Negative for both periods	1,028,855	225,121	229,163
Data per share (RMB)						
Basic earnings per share	1.14	1.13	0.88	1.09	1.08	1.09
Diluted earnings per share	1.14	1.13	0.88	1.09	1.06	1.03
Net cash flow per share from operating activities	-9.03	-5.87	Negative for both periods	23.50	5.14	5.59
Profitability indicators (%)			Changes in percentage point			
Return on average assets	0.85	0.86	-0.01	0.94	1.10	1.26
Return on weighted average equity	12.94	14.03	-1.09	15.13	16.98	20.41
Cost-to-income ratio	30.58	32.24	-1.66	31.21	31.35	33.39
Net fee and commission income to operating income ratio	31.22	33.63	-2.41	33.92	33.30	28.32
Net interest spread	1.64	1.35	0.29	1.74	2.10	2.41
Net interest margin	1.73	1.50	0.23	1.86	2.26	2.59

Net Profit Attributable to Equity Shareholders of the Company (RMB million)



Total Assets (RMB million)



Summary of Accounting Data and Financial Indicators

	31 December 2018	31 December 2017	Changes from the end of the previous year to the end of the Reporting Period	31 December 2016	31 December 2015	31 December 2014
Scale indicators (RMB million)			Increase/decrease (%)			
Total assets	5,994,822	5,902,086	1.57	5,895,877	4,520,688	4,015,136
Total loans and advances to customers	3,056,746	2,804,307	9.00	2,461,586	2,048,048	1,812,666
Total liabilities	5,563,821	5,512,274	0.94	5,543,850	4,210,905	3,767,380
Total deposits from customers	3,167,292	2,966,311	6.78	3,082,242	2,732,262	2,433,810
Share capital	43,782	36,485	20.00	36,485	36,485	34,153
Total equity attributable to equity shareholders of the Company	420,074	378,970	10.85	342,590	301,218	240,142
Total equity attributable to ordinary share holders of the Company	410,182	369,078	11.14	332,698	301,218	240,142
Net assets per share attributable to ordinary share holders of the Company (RMB)	9.37	8.43	11.15	7.60	6.88	5.86
Assets quality indicators (%)			Changes in percentage point			
NPL ratio	1.76	1.71	0.05	1.68	1.60	1.17
Allowance to NPLs	134.05	155.61	-21.56	155.41	153.63	182.20
Allowance to total loans	2.36	2.66	-0.30	2.62	2.46	2.12
Capital adequacy ratio indicators (%)						
Core tier-one capital adequacy ratio	8.93	8.63	0.30	8.95	9.17	8.58
Tier-one capital adequacy ratio	9.16	8.88	0.28	9.22	9.19	8.59
Capital adequacy ratio	11.75	11.85	-0.10	11.73	11.49	10.69
Total equity to total assets ratio	7.19	6.60	0.59	5.97	6.85	6.17

Notes: 1. During the comparative period, figures of earnings per share, net cash flow per share from operating activities and net assets per share attributable to holders of ordinary shares of the Company were restated based on the number of shares upon the completion of the capitalisation of the capital reserve in 2017.

2. The new accounting standards in relation to financial instruments have been adopted starting from 1 January 2018, pursuant to which, gains from the holding of financial assets at fair value through profit or loss will no longer be recorded as interest income. During the Reporting Period, the net interest income (after adjustment) amounted to RMB97,942 million, representing an increase of 13.16% as compared with the corresponding period of the previous year.

3. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.

4. Earnings per share and return on weighted average equity: calculated according to regulations including 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, etc. In December 2018, the Company distributed dividends of preference shares, the effect of which was taken into account in calculating the above indicators.

5. Cost-to-income ratio = (operating and other operating expenses – tax and surcharges)/operating income.

6. Net interest spread = average return ratio of interest-earning assets – average cost ratio of interest-bearing liabilities.

7. Net interest margin = net interest income/average balance of interest-earning assets.

8. Total loans and advances to customers and total deposits from customers did not include accrued interests.

9. NPL ratio = total NPLs/total loans and advances to customers.

10. Allowance to NPLs and allowance to total loans were calculated according to Notice on the Regulatory Requirement on Adjustment to Allowance for Impairment Losses on Loans of Commercial Banks (《關於調整商業行貸款損失準備監管要求的通知》) (Yin Jian Fa [2018] No.7) promulgated by the CBIRC. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; Allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

Summary of Accounting Data and Financial Indicators

II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicators		Benchmark	31 December 2018	31 December 2017	31 December 2016
Liquidity ratio	Consolidated in RMB	≥25	51.64	39.80	39.64

Note: The above data are information of the Company. The indicators were calculated based on the relevant regulations of the China's banking regulators.

改革轉型
行穩致遠





Discussion and Analysis on Business Operation

I. Review of Economic and Financial Conditions and Government Policies

During the Reporting Period, China's economy and financial market faced a more complicated environment as global economy recovery slowed down and the growth pace varied. On one hand, the growth of major economies continued to diverge. The United States continued with its trend of rapid growth and the Federal Reserve further increased interest rate and advanced shrinking of balance sheets. Economic growth of Eurozone slowed down. Uncertainties such as Brexit and financial budget issue of Italy hindered back the adoption of normal monetary policies. Affected by natural disasters, the economy of Japan experienced negative growth and price rise fell back. Japan's central bank continued to implement ultra-loose policies. The stronger US dollar and a decline in the risk appetite of global investors brought pressure on some emerging economies. On the other hand, negative factors including rising trade protectionism and escalating trade frictions between major economies deeply affected the global industrial division and the global value chain, which slowed down the growth of global trade and hindered the progress of economic recovery. Changes in global economic and financial trend have affected the China's economy through various ways including export changes, capital flow, fluctuation in exchange rates and price transmission. Uncertainties and challenges have correspondingly increased.

During the Reporting Period, against the backdrop of the complicated and changing internal and external environment, the economic development of China remained generally stable with higher quality and efficiency. Structural adjustment was further promoted through the replacement of old driving forces with new ones. Under multiple constraints, China's economy also faced changes and uncertainties. Negative factors including complicated external environment and the downward trend in economic growth led to operation difficulties of certain enterprises, which increased credit and liquidity risks and added burden to financial risks prevention and mitigation. China's government proactively adopted measures to tackle the difficulties. Works had been done to deepen the reform and opening up, advance supply-side structural reform and create a healthy and fair operating environment. The goal of monetary policies of the central bank of China had gradually changed from "ensuring reasonably stable liquidity" to "ensuring reasonably ample liquidity". Through "targeted drips (精準滴灌)" measures including additional investments in MLF, targeted reserve requirement ratio (RRR) cut, increasing refinancing and rediscounting limit, the central bank of China strove to solve NSOEs and small and micro enterprises' difficulties in and high cost of financing. Proactive fiscal policies were also adopted including reducing taxes and surcharges and strengthening areas of weakness in infrastructure investment. A series of initiatives were introduced to strengthen financial risk prevention and control and local debt management, mitigate stock pledge risks of listed companies and improve the long-term management mechanism of debts. The reform and opening-up of financial industry was accelerated to facilitate high-quality and efficient support to the real economy of the financial industry.

Discussion and Analysis on Business Operation

In face of increasingly favourable financial conditions, the scale of China's banking industry continued to grow steadily with expanding credit extension, stable net interest margin and enhancing profitability. However, there are problems as well. The operation of enterprises became less vigorous and society's capability of generating credits were weakened. Transmission mechanism of monetary policies performed unsmoothly and the banking industry met difficulties in increasing and maintaining deposits, tightening capital constraints and increasingly difficult liquidity management. To proactively cope with the changes in business environment, effectively support the development of real economy and prevent various types of financial risks, the Company has adopted the following measures and achieved good results:

1. The Company highly valued strategic guidelines and steadily continued the implementation of its reform and transformation. The Board approved the Overall Implementation Scheme for Reform and Transformation and the Three-year Development Plan of China Minsheng Bank (《中國民生銀行改革轉型暨三年發展規劃整體實施方案》). While promoting the application of the achievements of the Phoenix Project, the Company clarified the development strategies, business objectives and operating targets for the next three years. Adhering to its strategic positionings of becoming "a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services", the Company strove to establish a renowned brand of Minsheng Bank in China's banking industry.

2. Adhering to its historical mission of "From the People, For the People (為民而生，與民共生)", the Company has developed its distinctive competitiveness. The Company expanded the customer base with focus on NSOEs and further enhanced its capability to serve NSOEs, striving to become a host bank and preferred bank of high-quality NSOEs. The Company enhanced its core competitiveness in serving strategic NSOEs through various measures, including establishing core platforms, refining integrated systems, improving professional services, allocating additional resources and developing management systems concerning customer relationship. The Company focused on NSOEs and positioned itself as a scenarised transaction bank, a customised investment bank, a convenient online bank and a comprehensive wealth management bank. In respect of retail banking business, based on the "ecosystem of NSOEs", the Company developed three core customer bases including NSOEs, small and micro enterprises, and private banking entrepreneurs, and provided efficient, considerate, in-depth and valuable services for NSOEs and entrepreneurs.

3. The Company strove to develop new engines to reform and transformation with the support of dual driving forces of "data + technology". In active response to the opportunities and challenges arising from fintech development, the Company enhanced its smart services by promoting the development of direct bank, remote banking, online small business loans and credit card online services, with the transformation of distributed framework and data management acted as two driving forces to promote the implementations of strategies and reform and transformation.

Discussion and Analysis on Business Operation

4. To become a bank of comprehensive services and achieve high-quality growth, the Company established a "customer-centric" integrated service system. The Company strengthened the integrated operation among corporate, retail and financial markets businesses and emphasised the synergy between enterprises and individuals and business coordination. A cross-selling mechanism was also established. All these efforts were aimed to establish an integrated comprehensive business model with coordination between departments and business lines. Overseas network had been optimised so as to accelerate the group-based development and facilitate business coordination among the Head Office, overseas business units and subsidiaries.

5. The Company accelerated the implementation of the system and mechanism reform of SBUs. Ten SBUs were established, namely the Real Estate Finance SBU, Group Finance SBU, Credit Card Centre, Investment Banking SBU, Small Business Finance SBU, Private Banking SBU, Supply Chain Finance SBU, Financial Markets Department, Asset Management Department and Direct Bank SBU. To further improve the system and mechanism of SBUs, the Company adopted differentiated management based on segmentations, clarified the business scope and performance accounting and appraisal mechanism of each SBU, and adopted reasonable incentive and restraint mechanism for each SBU.

6. The Company optimised the allocation of assets, liabilities and financial resources. Efficient capital strategies, scientific pricing strategies and prudent liquidity strategies were formulated. The Company refined financial accounting, professional financial management and comprehensively enhanced the efficiency of its financial resources and financial platform support. The Company continued to push forward the implementation of cost reduction and efficiency improvement measures and the establishment of cost management system. Its budget, capital management as well as resource allocation were enhanced so as to support the reform and transformation as well as the development of major businesses.

7. The Company enhanced its comprehensive risk management. A risk management system was developed to adapt to, lead, promote and secure business development. Risk culture and legal compliance standards were strengthed. The Company adjusted and optimised duties of the Internal Control and Compliance Department, Legal Affairs Department and Audit Department, established an overall comprehensive internal control and compliance system, refined its risk management of strategic core businesses and duly fulfilled auditing responsibility. The Company also optimised business structure, innovated disposals of non-performing assets and steadily improved assets quality.

II. Overview of Operations

During the Reporting Period, the Company took proactive measures in coping with the adjustments and changes in the internal and external operating environment. According to the strategic positioning of becoming "a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services" and adhering to its customer-centric principle, the Company duly served the real economy and accelerated the implementation of reform and transformation. Significant results were achieved. The Company grasped market opportunities timely and continued to optimise its operational structure. The disposal of non-performing assets was enhanced, the assets quality remained stable and the profitability was improved steadily. A stable and healthy development was achieved in all business lines of the Company.

(I) Stable operation and profitability and continuous improvement of operating efficiency

During the Reporting Period, the Group recorded net profit attributable to equity shareholders of the Company of RMB50,327 million, representing an increase of RMB514 million, or 1.03%, as compared with the corresponding period of the previous year. Operating income amounted to RMB154,161 million, representing an increase of RMB12,214 million, or 8.60%, as compared with the corresponding period of the previous year. Net interest margin was 1.73%, representing an increase of 0.23 percentage points as compared with the corresponding period of the previous year. Return on weighted average equity and return on average assets were 12.94% and 0.85%, respectively, representing a decrease of 1.09 percentage points and 0.01 percentage points as compared with the corresponding period of the previous year, respectively. Basic earnings per share was RMB1.14, increased by RMB0.01 as compared with the corresponding period of the previous year. Net asset per share attributable to ordinary share holders of the Company amounted to RMB9.37, increased by RMB0.94 as compared with the end of the previous year.

Cost reduction and operation efficiency enhancement of the Company were under solid progress and profitability was improved. Cost management has been further refined and ratio of necessary operating cost has decreased. Cost structure continued to be optimised and operating efficiency has been further enhanced. During the Reporting Period, the cost-to-income ratio of the Group recorded at 30.58%, representing a decrease of 1.66 percentage points as compared with the corresponding period of the previous year.

(II) Coordinated growth of assets and liabilities and continuous optimisation of business structure

During the Reporting Period, the Group proactively adjusted the structure of its asset and liability business, and total assets of the Group increased moderately. As at the end of the Reporting Period, total assets of the Group amounted to RMB5,994,822 million, representing an increase of RMB92,736 million, or 1.57%, as compared with the end of the previous year. Among which, the total amount of loans was RMB3,056,746 million, representing an increase of RMB252,439 million, or 9.00%,

as compared with the end of the previous year. Total liabilities amounted to RMB5,563,821 million, representing an increase of RMB51,547 million, or 0.94%, as compared with the end of the previous year. Of which, total deposits amounted to RMB3,167,292 million, representing an increase of RMB200,981 million, or 6.78%, as compared with the end of the previous year.

For assets business, as at the end of the Reporting Period, total loans (including discounted bills) of the Group accounted for 50.99% of total assets, increased by 3.48 percentage points as compared with the end of the previous year. Total amount of loans to small and micro enterprises was RMB415,564 million, representing an increase of RMB42,302 million, or 11.33%, as compared with the end of the previous year. Among which, total lendings to small and micro enterprises with rating of grade 5 or above accounted for 86.25%, representing an increase of 4.92 percentage points as compared with the end of the previous year.

For liability business, as at the end of the Reporting Period, total deposits of the Group accounted for 56.93% of total liabilities, representing an increase of 3.12 percentage points as compared with the end of the previous year. Among which, retail deposits accounted for 18.16%, representing an increase of 1.57 percentage points as compared with the end of the previous year while total interbank liabilities (including interbank negotiable certificates of deposit (IBNCD)) accounted for 28.95%, representing a decrease of 2.95 percentage points as compared with the end of the previous year.

(III) Full implementation of reform and transformation and favourable development of major businesses

During the Reporting Period, the Company focused on major businesses and further advanced its reform and transformation. Key implementation measures were further clarified and supporting management system, coordination mechanism and organisation system were established to ensure a smooth implementation of the Company's reform and transformation.

On one hand, the Company continued to expand its customer base and consolidate its business foundation. In respect of corporate customers, the Company adhered to its NSOE strategy and continued to improve the efficiency and quality of financing services to NSOEs. As at the end of the Reporting Period, the total number of strategic NSOE customers was 354, with daily average deposits of RMB193,263 million and total loans of RMB204,910 million, representing an increase of 8.92% and 12.09%, respectively, as compared with the end of the previous year. Supply chain finance has introduced the industrial solutions of "Express" series (通系列) and the comprehensive financial services of the "E Series" had been completed. Ecological service system for supply chain customers groups has been initially formed. The number of core customers of supply chain finance increased by 121.43% as compared with the end of the previous year. The number of domestic corporate customers with deposit balance in the Company increased by 155.1 thousand, or 15.31%, to 1,167.9 thousand as compared

with the end of the previous year. The number of domestic customers with general loans balance of the Company was 9,926. Customer base was further consolidated. In respect of retail customers, the Company focused on major customer groups, including small and micro enterprise customers and VIP customers, and implemented a segmented management of different groups. The Company further deepened the comprehensive development of its retail customer base through wealth management. As at the end of the Reporting Period, VIP customers of retail banking business amounted to 2,933.0 thousand, representing an increase of 12.15% as compared with the end of the previous year. Private banking customers amounted to 19,250, representing an increase of 16.97% as compared with the end of the previous year. Financial assets of individual customers under management amounted to RMB1,650,120 million, representing an increase of RMB213,760 million as compared with the end of the previous year. Operating income of retail business amounted to RMB56,357 million, representing an increase of 17.02% as compared with the corresponding period of the previous year.

On the other hand, the Company continued to optimise its products and services and improved its integrated operating capability. For financial markets business, the Company proactively adapted to the trend of product standardisation, accelerated the transformation of its products and business model, and continued to enhance its capabilities in investment transactions and asset management. As at the end of the Reporting Period, total assets under custody of the Company (including various types of funds under supervision) was RMB8,714,750 million, representing an increase of 12.60% as compared with the end of the previous year. Total amount of pensions under the custody of the Company was RMB243,990 million, increased by RMB158,956 million, or 186.93%, as compared with the end of the previous year. The existing scale of wealth management products amounted to RMB1,440,555 million. The transaction amount of agency and proprietary trading of precious metals and foreign exchanges remained among top of the market. In respect of internet finance business, the Company proactively explored new development models of internet finance and continued to innovate products and services of direct bank, retail internet finance, corporate internet finance and online payment. The Company continued to rank among top in the banking industry in terms of transaction frequencies of customers. As at the end of the Reporting Period, the number of direct bank customers of the Company reached 19,171.3 thousand with financial assets of RMB132,291 million under the Company's management. As at the end of the Reporting Period, total number of corporate online banking customers was 1,161.8 thousand with total amount of RMB57.24 trillion in 99,097.3 thousand transactions during the Reporting Period. Total amount of Kua Hang Express (跨行通) transactions was RMB230,560 million, and the total amount of online payments was RMB6.20 trillion. In respect of integrated operation, relying on its overseas business platforms, the Company continued to expand its overseas business market, strengthen cross-selling and business coordination as well as improve cross-border financial services. International competitiveness and influence of the Company have been further enhanced. During the Reporting Period, net profit of the Hong Kong Branch of the Company amounted to HKD1,456 million, representing an increase of 37.88% as compared with the corresponding period of the previous year. Net profit of CMBC International amounted to HKD372 million, representing an increase of 65.33% as compared with the corresponding period of the previous year.

(IV) Enhanced risk management and basically stable asset quality

During the Reporting Period, the Group continued to improve its mechanisms in relation to regular and differentiated customer risk monitoring, assessment and classification, so as to further refine its post-loan management for existing loans and duly strengthen risk prevention in key areas. In addition, the Company continuously strengthened its disposal of NPLs to maintain stable asset quality. Total allowances used for writing off and transferring non-performing assets recorded RMB58,421 million.

As at the end of the Reporting Period, total outstanding balance of NPLs of the Group amounted to RMB53,866 million, increased by RMB5,977 million, or 12.48%, as compared with the end of the previous year. The NPL ratio was 1.76%, representing an increase of 0.05 percentage points as compared with the end of the previous year. The allowance to NPLs and the allowance to total loans were 134.05% and 2.36%, respectively, representing a decrease of 21.56 percentage points and 0.30 percentage points, respectively, as compared with the end of the previous year. The allowance to NPLs and allowance to total loans were in compliance with the Notice on the Regulatory Requirement on Adjustment to Allowance for Impairment Losses on Loans of Commercial Banks (《關於調整商業行貸款損失準備監管要求的通知》) (Yin Jian Fa [2018] No.7) issued by the CBIRC.

III. Analysis of Major Items of Statement of Profit or Loss

During the Reporting Period, the Group realised net profit attributable to equity shareholders of the Company of RMB50,327 million, maintaining a steady growth with an increase of RMB514 million, or 1.03%, as compared with the corresponding period of the previous year.

The major profit and loss items of the Group and their changes are listed below:

(Unit: RMB million)

Item	2018	2017	Change (%)
Operating income	154,161	141,947	8.60
Of which: Net interest income	76,680	86,552	-11.41
Net non-interest income	77,481	55,395	39.87
Operating expenses	49,056	47,245	3.83
Impairment losses on assets	46,320	34,140	35.68
Profit before income tax	58,785	60,562	-2.93
Less: Income tax expense	8,455	9,640	-12.29
Net profit	50,330	50,922	-1.16
Of which: Net profit attributable to equity shareholders of the Company	50,327	49,813	1.03
Profit or loss attributable to non-controlling interests	3	1,109	-99.73

Note: According to the Notice on Revising the Format of Financial Statements for 2018 of Financial Enterprises (Cai Kuai [2018] No.36) (《關於修訂印發2018年度金融企業財務報表格式的通知》(財會[2018]36號)), impairment losses on assets during the Reporting Period were presented in this report as impairment losses on credit and impairment losses on other assets, respectively, which were collectively referred to as impairment losses on assets in this chapter.

Discussion and Analysis on Business Operation

The amounts, percentages and changes of major items of the Group's operating income are as follows:

(Unit: RMB million)

Item	2018 Amount	2018 % of total	2017 Amount	2017 % of total	Change (%)
Net interest income	76,680	49.74	86,552	60.97	-11.41
Interest income	235,347	152.66	230,910	162.67	1.92
Of which: Interest income from loans and advances to customers	147,387	95.61	126,452	89.07	16.56
Interest income from investment	60,987	39.56	78,995	55.65	-22.80
Interest income from placements with banks and other financial institutions	10,051	6.52	6,708	4.73	49.84
Interest income from long-term receivables	6,733	4.37	6,431	4.53	4.70
Interest income from balances with central bank	5,768	3.74	6,870	4.84	-16.04
Interest income from financial assets held under resale agreements	3,321	2.15	2,662	1.88	24.76
Interest income from balances with banks and other financial institutions	1,100	0.71	2,792	1.97	-60.60
Interest expenses	-158,667	-102.92	-144,358	-101.70	9.91
Net non-interest income	77,481	50.26	55,395	39.03	39.87
Net fee and commission income	48,131	31.22	47,742	33.63	0.81
Other net non-interest income	29,350	19.04	7,653	5.40	283.51
Total	154,161	100.00	141,947	100.00	8.60

(I) Net interest income and net interest margin

After the adoption of new accounting standards for financial instruments, gains from the holding of financial assets at fair value through profit or loss will no longer be recorded as interest income. During the Reporting Period, net interest income of the Group was RMB76,680 million. After adjustment of the above income of RMB21,262 million, net interest income of the Group was RMB97,942 million, representing an increase of RMB11,390 million, or 13.16%, as compared with the corresponding period of the previous year. In accordance with the analysis of net interest income (after adjustment), the growth of business scale contributed to an increase of RMB495 million in net interest income, and the changes in interest rate contributed to an increase of RMB10,895 million in the net interest income.

During the Reporting Period, in accordance with the calculation of net interest income (after adjustment), net interest margin of the Group was 1.73%, representing an increase of 0.23 percentage points as compared with the corresponding period of the previous year, which was due to the rising interest spread.

The analysis of the net interest income (after adjustment) of the Group is listed below:

(Unit: RMB million)

Item	2018 Average balance	2018 Interest income (after adjustment)	2018 Average return (%)	2017 Average balance	2017 Interest income	2017 Average return (%)
Interest-earning assets						
Total loans and advances to customers	2,847,287	147,387	5.18	2,690,724	126,452	4.70
Of which: Corporate loans and advances	1,833,908	91,442	4.99	1,675,513	75,876	4.53
Personal loans and advances	1,013,379	55,945	5.52	1,015,211	50,576	4.98
Investment in trading and banking books	1,950,769	82,249	4.22	2,129,284	78,995	3.71
Balances with central bank	367,301	5,768	1.57	439,054	6,870	1.56
Placements with banks and other financial institutions	227,600	10,051	4.42	174,556	6,708	3.84
Long-term receivables	120,352	6,733	5.59	108,016	6,431	5.95
Financial assets held under resale agreements	88,113	3,321	3.77	68,431	2,662	3.89
Balances with banks and other financial institutions	59,164	1,100	1.86	144,389	2,792	1.93
Total	5,660,586	256,609	4.53	5,754,454	230,910	4.01

Discussion and Analysis on Business Operation

(Unit: RMB million)

Item	2018 Average balance	2018 Interest expenses	2018 Average cost (%)	2017 Average balance	2017 Interest expenses	2017 Average cost (%)
Interest-bearing liabilities						
Deposits from customers	3,065,952	66,431	2.17	2,970,088	52,244	1.76
Of which: Corporate deposits	2,532,141	56,173	2.22	2,446,634	43,531	1.78
Demand	1,061,651	10,252	0.97	1,109,744	9,999	0.90
Time	1,470,490	45,921	3.12	1,336,890	33,532	2.51
Personal deposits	533,811	10,258	1.92	523,454	8,713	1.66
Demand	188,747	727	0.39	173,884	816	0.47
Time	345,064	9,531	2.76	349,570	7,897	2.26
Balances from banks and other financial institutions	1,137,058	43,553	3.83	1,189,278	47,496	3.99
Debt securities issued	548,994	23,632	4.30	465,285	18,947	4.07
Borrowings from central bank and other financial institutions	464,152	17,336	3.73	453,317	15,882	3.50
Placements from banks and other financial institutions	158,220	4,466	2.82	194,973	4,337	2.22
Financial assets sold under repurchase agreements	108,585	3,249	2.99	152,284	5,452	3.58
Total	5,482,961	158,667	2.89	5,425,225	144,358	2.66
Net interest income		97,942			86,552	
Net interest spread			1.64			1.35
Net interest margin			1.73			1.50

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.

The impact of changes in scale of the Group and changes in interest rate on interest income and interest expenses were as follow:

(Unit: RMB million)

Item	Changes in scale from 2017 to 2018	Changes in interest rate from 2017 to 2018	Net increase/ decrease
Changes in interest income (after adjustment):			
Total loans and advances to customers	7,358	13,577	20,935
Investment in trading and banking books	-6,623	9,877	3,254
Balances with central bank	-1,123	21	-1,102
Placements with banks and other financial institutions	2,038	1,305	3,343
Long-term receivables	734	-432	302
Financial assets held under resale agreements	766	-107	659
Balances with banks and other financial institutions	-1,648	-44	-1,692
Subtotal	1,502	24,197	25,699
Changes in interest expenses:			
Deposits from customers	1,686	12,501	14,187
Deposits from banks and other financial institutions	-2,086	-1,857	-3,943
Debt securities issued	3,409	1,276	4,685
Borrowings from central bank and other financial institutions	380	1,074	1,454
Placements from banks and other financial institutions	-818	947	129
Financial assets sold under repurchase agreements	-1,564	-639	-2,203
Subtotal	1,007	13,302	14,309
Changes in net interest income (after adjustment)	495	10,895	11,390

Note: Change in scale is measured by the change of average balance; change in interest rate is measured by the change of average interest rate.

Discussion and Analysis on Business Operation

1. Interest income

During the Reporting Period, interest income of the Group was RMB235,347 million. After the adjustment of gains from the holding of financial assets at fair value through profit or loss of RMB21,262 million, interest income was RMB256,609 million, representing an increase of RMB25,699 million, or 11.13%, as compared with the corresponding period of the previous year, which was mainly due to the increases in interest income from loans and advances to customers of the Group.

(1) Interest income from loans and advances to customers

During the Reporting Period, interest income from loans and advances to customers of the Group recorded RMB147,387 million, representing an increase of RMB20,935 million, or 16.56%, as compared with the corresponding period of the previous year. In particular, interest income from corporate loans and advances amounted to RMB91,442 million, representing an increase of RMB15,566 million, or 20.52%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances amounted to RMB55,945 million, representing an increase of RMB5,369 million, or 10.62%, as compared with the corresponding period of the previous year.

(2) Interest income from investment

During the Reporting Period, interest income from investment of the Group was RMB60,987 million. After the adjustment of gains from the holding of financial assets at fair value through profit or loss of RMB21,262 million, interest income from investment was RMB82,249 million, representing an increase of RMB3,254 million, or 4.12%, as compared with the corresponding period of the previous year.

(3) Interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements

During the Reporting Period, interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group was RMB14,472 million, representing an increase of RMB2,310 million, or 18.99%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in the business scale and interest rate of the placements with banks.

(4) Interest income from long-term receivables

During the Reporting Period, interest income from long-term receivables of the Group amounted to RMB6,733 million, representing an increase of RMB302 million, or 4.70%, as compared with the corresponding period of the previous year.

(5) Interest income from balances with central bank

During the Reporting Period, interest income from balances with central bank of the Group was RMB5,768 million, representing a decrease of RMB1,102 million, or 16.04%, as compared with the corresponding period of the previous year.

2. Interest expenses

During the Reporting Period, interest expenses of the Group was RMB158,667 million, representing an increase of RMB14,309 million, or 9.91%, as compared with the corresponding period of the previous year. The increase was mainly due to the higher cost ratio of interest-bearing liabilities.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB66,431 million, representing an increase of RMB14,187 million, or 27.16%, 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 on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB51,268 million, representing a decrease of RMB6,017 million, or 10.50%, as compared with the corresponding period of the previous year.

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses on debt securities issued of the Group amounted to RMB23,632 million, representing an increase of RMB4,685 million, or 24.73%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the issuance scale of IBNCD and higher interest rate.

(4) Interest expenses on borrowings from central bank and other financial institutions and other interest expenses

During the Reporting Period, interest expenses on borrowings from central bank and other financial institutions and other interest expenses of the Group amounted to RMB17,336 million, representing an increase of RMB1,454 million, or 9.16%, as compared with the corresponding period of the previous year. The increase was mainly due to the higher interest rates of borrowings from central bank and other financial institutions.

(II) Net non-interest income

During the Reporting Period, net non-interest income of the Group amounted to RMB77,481 million. After deduction of gains from the holding of financial assets at fair value through profit or loss of RMB21,262 million, net non-interest income of the Group amounted to RMB56,219 million, representing an increase of RMB824 million, or 1.49%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2018	2017	Change (%)
Net fee and commission income	48,131	47,742	0.81
Other net non-interest income	29,350	7,653	283.51
Total	77,481	55,395	39.87

1. Net fee and commission income

During the Reporting Period, net fee and commission income of the Group amounted to RMB48,131 million, representing an increase of RMB389 million, or 0.81%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2018	2017	Change (%)
Bank card services	28,946	22,009	31.52
Agency services	8,869	11,648	-23.86
Trust and other fiduciary services	7,092	13,085	-45.80
Settlement services	3,415	3,028	12.78
Credit commitments	2,653	2,493	6.42
Others	1,709	1,805	-5.32
Fee and commission income	52,684	54,068	-2.56
Less: Fee and commission expenses	4,553	6,326	-28.03
Net fee and commission income	48,131	47,742	0.81

2. Other net non-interest income

During the Reporting Period, other net non-interest income of the Group was RMB29,350 million. After deduction of gains from the holding of financial assets at fair value through profit or loss of RMB21,262 million, other net non-interest income of the Group amounted to RMB8,088 million, representing an increase of RMB435 million, or 5.68%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2018	2017	Change (%)
Net trading gain	24,267	1,366	N/A
Net gain arising from disposals of securities and discounted bills	3,051	3,874	-21.24
Other operating income	2,032	2,413	-15.79
Total	29,350	7,653	283.51

Discussion and Analysis on Business Operation

(III) Operating expenses

During the Reporting Period, the Group continued to refine financial management and implement cost reduction and efficiency enhancement measures to improve its cost structure. Operating expenses amounted to RMB49,056 million, representing an increase of RMB1,811 million, or 3.83%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2018	2017	Change (%)
Staff cost (including Directors' emoluments)	25,882	25,119	3.04
Rental and property management expenses	4,101	4,337	-5.44
Depreciation and amortisation	3,118	3,350	-6.93
Office expenses	1,444	1,610	-10.31
Tax and surcharges	1,919	1,484	29.31
Business expenses and others	12,592	11,345	10.99
Total	49,056	47,245	3.83

(IV) Impairment losses on assets

During the Reporting Period, the Group recorded impairment losses on assets of RMB46,320 million, representing an increase of RMB12,180 million, or 35.68%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2018	2017	Change (%)
Loans and advances to customers	43,611	32,180	35.52
Financial assets at amortised cost	1,475	—	
Financial assets at fair value through other comprehensive income	747	—	N/A
Loans and receivables	—	634	
Long-term receivables	631	449	40.53
Others	-144	877	Negative for this period
Total	46,320	34,140	35.68

(V) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB8,455 million, representing a decrease of RMB1,185 million, or 12.29%, as compared with the corresponding period of the previous year.

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

During the Reporting Period, total assets of the Group maintained moderate growth. As at the end of the Reporting Period, total assets of the Group amounted to RMB5,994,822 million, representing an increase of RMB92,736 million, or 1.57%, as compared with the end of the previous year.

The components of the Group's total assets are listed below:

(Unit: RMB million)

Item	31 December 2018		31 December 2017		31 December 2016	
	Amount	% of total	Amount	% of total	Amount	% of total
Gross balance of loans and advances to customers	3,056,746	50.99	2,804,307	47.51	2,461,586	41.76
Add: Accrued interests on loans	22,742	0.38	—	—	—	—
Less: Allowance for impairment losses on loans at amortised cost	71,216	1.19	74,519	1.26	64,394	1.09
Net balance of loans and advances to customers	3,008,272	50.18	2,729,788	46.25	2,397,192	40.67
Net investment in trading and banking books	1,970,017	32.86	2,135,897	36.19	2,206,909	37.43
Cash and balances with central bank	389,281	6.49	442,938	7.50	524,239	8.89
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	337,869	5.64	271,274	4.60	461,837	7.83
Long-term receivables	110,824	1.85	101,304	1.72	94,791	1.61
Property and equipment	48,765	0.81	48,338	0.82	46,190	0.78
Others	129,794	2.17	172,547	2.92	164,719	2.79
Total	5,994,822	100.00	5,902,086	100.00	5,895,877	100.00

Note: Net investment in trading and banking books includes financial assets at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets at amortised cost during the Reporting period while financial assets at fair value through profit or loss, available-for-sale securities, held-to-maturity securities as well as loans and receivables in the comparative period.

Discussion and Analysis on Business Operation

1. Loans and advances to customers

As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB3,056,746 million, representing an increase of RMB252,439 million, or 9.00%, as compared with the end of the previous year. Total loans and advances to customers accounted for 50.99% of total assets, representing an increase of 3.48 percentage points as compared with the end of the previous year.

The breakdown of loans and advances by product type is as follows:

(Unit: RMB million)

Item	31 December 2018		31 December 2017		31 December 2016	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	1,826,201	59.74	1,698,480	60.57	1,560,664	63.40
Of which: Discounted bills	96,523	3.16	82,650	2.95	165,800	6.74
Personal loans and advances	1,230,545	40.26	1,105,827	39.43	900,922	36.60
Total	3,056,746	100.00	2,804,307	100.00	2,461,586	100.00

The breakdown of personal loans and advances is as follows:

(Unit: RMB million)

Item	31 December 2018		31 December 2017		31 December 2016	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	415,564	33.77	373,262	33.75	335,074	37.19
Credit card overdrafts	393,249	31.96	294,019	26.59	207,372	23.02
Residential mortgage	335,502	27.26	350,986	31.74	295,875	32.84
Others	86,230	7.01	87,560	7.92	62,601	6.95
Total	1,230,545	100.00	1,105,827	100.00	900,922	100.00

2. Investment in trading and banking books

As at the end of the Reporting Period, net investment in trading and banking books of the Group amounted to RMB1,970,017 million, representing a decrease of RMB165,880 million, or 7.77%, as compared with the end of the previous year, and accounted for 32.86% of the total assets, representing a decrease of 3.33 percentage points as compared with the end of the previous year.

(1) Structure of investment in trading and banking books

The structure of investment in trading and banking books of the Group is as follows:

(Unit: RMB million)

	31 December 2018		31 December 2017	
Item	Amount	% of total	Amount	% of total
Financial assets at amortised cost	1,127,231	57.22	—	—
Financial assets at fair value through other comprehensive income	461,693	23.44	—	—
Financial assets at fair value through profit or loss	381,093	19.34	74,601	3.49
Loans and receivables	—	—	974,163	45.61
Held-to-maturity securities	—	—	708,244	33.16
Available-for-sale securities	—	—	378,889	17.74
Total	1,970,017	100.00	2,135,897	100.00

(2) Holdings of financial bonds

As at the end of the Reporting Period, financial bonds held by the Group were mainly debt securities of commercial banks and policy financial bonds. The top ten financial bonds in terms of par value are as follows:

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses
2016 financial bonds	3,432	3.43	2019-09-29	1.11
2016 financial bonds	3,330	3.18	2026-04-05	0.59
2017 financial bonds	3,000	4.20	2020-04-17	1.80
2016 financial bonds	2,890	3.20	2019-07-18	1.01
2017 financial bonds	2,840	4.02	2022-04-17	0.51
2018 financial bonds	2,510	4.69	2023-03-23	0.46
2017 financial bonds	2,500	4.30	2020-09-05	1.50
2013 financial bonds	2,480	3.03	2020-04-08	0.45
2018 financial bonds	2,460	3.68	2021-09-07	0.39
2018 financial bonds	2,430	3.76	2023-08-14	0.44
Total	27,872			8.26

3. Balances and placements with banks and other financial institutions and financial assets held under resale agreements

As at the end of the Reporting Period, balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB337,869 million, representing an increase of RMB66,595 million, or 24.55%, as compared with the end of the previous year, and accounted for 5.64% of the total assets, representing an increase of 1.04 percentage points as compared with the end of the previous year.

4. Derivative financial instruments

(Unit: RMB million)

Item	31 December 2018		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	1,620,687	1,807	461
Currency swaps	1,406,375	15,092	13,847
Currency options	166,808	1,171	1,139
Precious metal derivatives	122,197	14,080	1,934
Currency forwards	66,739	343	614
Extension options	5,000	—	—
Commodity options	3,700	596	3
Credit derivatives	137	3	—
Others	590	20	2
Total		33,112	18,000

(II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB5,563,821 million, representing an increase of RMB51,547 million, or 0.94%, 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 2018		31 December 2017		31 December 2016	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	3,194,441	57.41	2,966,311	53.81	3,082,242	55.60
Of which: total deposits from customers (excluding accrued interests)	3,167,292	56.93	2,966,311	53.81	3,082,242	55.60
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,181,547	21.24	1,423,515	25.82	1,521,274	27.44
Debt securities issued	674,523	12.12	501,927	9.11	398,376	7.19
Borrowings from central bank and other financial institutions	429,366	7.72	482,172	8.75	437,912	7.90
Others	83,944	1.51	138,349	2.51	104,046	1.87
Total	5,563,821	100.00	5,512,274	100.00	5,543,850	100.00

Discussion and Analysis on Business Operation

1. Deposits from customers

As at the end of the Reporting Period, deposits from customers of the Group (excluding accrued interests) amounted to RMB3,167,292 million, representing an increase of RMB200,981 million, or 6.78%, as compared with the end of the previous year. In respect of customer structure, the proportions of corporate deposits, personal deposits and other deposits in total deposits were 81.42%, 18.16% and 0.42%, respectively. In respect of maturity structure, the proportions of demand deposits, time deposits and other deposits in total deposits were 41.13%, 58.45% and 0.42%, respectively.

(Unit: RMB million)

	31 December 2018		31 December 2017		31 December 2016	
Item	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	2,578,613	81.42	2,455,247	82.77	2,522,232	81.83
Demand	1,104,706	34.88	1,187,367	40.03	1,141,097	37.02
Time	1,473,907	46.54	1,267,880	42.74	1,381,135	44.81
Personal deposits	575,289	18.16	492,008	16.59	540,548	17.54
Demand	197,933	6.25	182,652	6.16	167,686	5.44
Time	377,356	11.91	309,356	10.43	372,862	12.10
Certificates of deposit	10,444	0.33	12,069	0.41	12,792	0.42
Outward remittance and remittance payables	2,946	0.09	6,987	0.23	6,670	0.21
Total deposits from customers	3,167,292	100.00	2,966,311	100.00	3,082,242	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 RMB1,181,547 million, representing a decrease of RMB241,968 million, or 17.00%, as compared with the end of the previous year.

3. Debt securities issued

As at the end of the Reporting Period, total debt securities issued by the Group amounted to RMB674,523 million, representing an increase of RMB172,596 million, or 34.39%, as compared with the end of the previous year. The increase was mainly due to the increase in the issuance scale of IBNCD and special financial bonds for small and micro enterprises.

(III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB431,001 million, representing an increase of RMB41,189 million, or 10.57%, as compared with the end of the previous year. Among which, total equity attributable to equity shareholders of the Company amounted to RMB420,074 million, representing an increase of RMB41,104 million, or 10.85%, as compared with the end of the previous year. The increase in the shareholders' equity was mainly due to the increase of net profit of the Group.

(Unit: RMB million)

Item	31 December 2018	31 December 2017	Change (%)
Share capital	43,782	36,485	20.00
Other equity instruments	9,892	9,892	—
Of which: Preference shares	9,892	9,892	—
Reserves	173,269	169,173	2.42
Of which: Capital reserve	57,470	64,753	-11.25
Surplus reserve	39,911	34,914	14.31
General reserve	74,370	74,168	0.27
Other reserves	1,518	-4,662	Negative for previous period
Retained earnings	193,131	163,420	18.18
Total equity attributable to equity shareholders of the Company	420,074	378,970	10.85
Non-controlling interests	10,927	10,842	0.78
Total	431,001	389,812	10.57

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 2018	31 December 2017	Change (%)
Bank acceptances	518,408	461,630	12.30
Guarantees	136,864	141,929	-3.57
Letters of credit	113,207	107,523	5.29
Unused credit card commitments	231,054	100,714	129.42
Capital commitments	18,412	19,116	-3.68
Operating lease commitments	14,149	14,003	1.04
Finance lease commitments	3,193	3,160	1.04
Irrevocable loan commitments	3,988	4,286	-6.95

(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 2018, 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 amounted to 12.81%, representing a decrease of 0.33 percentage points as compared with the end of the previous year. Among nine national joint-stock commercial banks in China, the market share of total loans of the Company amounted to 13.14%, representing a decrease of 0.34 percentage points as compared with the end of the 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 from and placements with non-deposit-taking financial institutions in "Total Deposits" and "Total Loans", respectively, for statistical purpose.)

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Real estate	387,942	12.69	256,127	9.13
Leasing and commercial services	344,669	11.28	275,289	9.82
Manufacturing	305,767	10.00	335,206	11.95
Wholesale and retail	185,485	6.07	221,770	7.91
Mining	117,374	3.84	125,949	4.49
Water, environment and public utilities management	101,924	3.33	89,079	3.18
Construction	94,069	3.08	75,924	2.71
Financial services	85,139	2.79	103,672	3.70
Transportation, storage and postal service	69,469	2.27	81,176	2.89
Production and supply of electric power, heat, gas and water	48,948	1.60	52,021	1.86
Agriculture, forestry, animal husbandry and fishery	13,916	0.46	10,788	0.38
Accommodation and catering	10,079	0.33	7,494	0.27
Public administration, social security and social organisations	7,379	0.24	10,284	0.37
Others	54,041	1.76	53,701	1.91
Subtotal	1,826,201	59.74	1,698,480	60.57
Personal loans and advances	1,230,545	40.26	1,105,827	39.43
Total loans and advances to customers	3,056,746	100.00	2,804,307	100.00

(II) Geographical distribution of loans

(Unit: RMB million)

Item	31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total
Northern China	878,999	28.76	923,083	32.92
Eastern China	955,560	31.26	810,954	28.92
Southern China	488,726	15.99	392,912	14.01
Other regions	733,461	23.99	677,358	24.15
Total	3,056,746	100.00	2,804,307	100.00

Note: For details of the geographical distribution of institutions of the Group, please refer to Note 5 "Segment Information" of the Financial Statements.

(III) Classification and percentage of loans by types of collateral

(Unit: RMB million)

Item	31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total
Unsecured loans	725,263	23.72	678,023	24.18
Guaranteed loans	627,501	20.53	632,828	22.57
Loans secured by				
— Tangible assets other than monetary assets	1,307,324	42.77	1,134,722	40.46
— Monetary assets	396,658	12.98	358,734	12.79
Total	3,056,746	100.00	2,804,307	100.00

(IV) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the Group's top ten loan customers were RMB68,553 million, accounting for 2.24% of total loans and advances to customers. The top ten loan customers were as follows:

(Unit: RMB million)

Top ten loan customers	Total loans	% of total loans
A	9,722	0.32
B	8,373	0.27
C	7,695	0.25
D	7,518	0.25
E	6,822	0.22
F	6,137	0.20
G	6,110	0.20
H	5,436	0.18
I	5,422	0.18
J	5,318	0.17

As at the end of the Reporting Period, the percentages of loans to the single largest loan customer and the top ten loan customers of the Group were as follows:

(Unit: %)

Major indicator	Benchmark	31 December 2018	31 December 2017	31 December 2016
Percentage of loans to the single largest loan customer	≤10	1.78	2.69	1.64
Percentage of loans to the top ten loan customers	≤50	12.53	12.04	12.21

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 the top ten loan customers = Total loans to the top ten loan customers/net capital base.

Discussion and Analysis on Business Operation

(V) Five-category classification of credit assets

As at the end of the Reporting Period, the NPL ratio of the Group was 1.76%, representing an increase of 0.05 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	31 December 2018		31 December 2017		
	Amount	% of total	Amount	% of total	Change (%)
Performing loans	3,002,880	98.24	2,756,418	98.29	8.94
Of which: Pass	2,899,509	94.86	2,642,469	94.23	9.73
Special-mentioned	103,371	3.38	113,949	4.06	-9.28
NPLs	53,866	1.76	47,889	1.71	12.48
Of which: Substandard	28,648	0.94	17,048	0.61	68.04
Doubtful	14,199	0.46	21,198	0.76	-33.02
Loss	11,019	0.36	9,643	0.34	14.27
Total	3,056,746	100.00	2,804,307	100.00	9.00

(VI) Migration ratio of loans

The table below sets forth the migration ratio of loans of the Company:

(Unit: %)

Item	31 December 2018	31 December 2017	31 December 2016
Pass	3.40	3.62	5.23
Special-mention	21.83	16.95	22.48
Substandard	38.51	46.54	60.97
Doubtful	29.14	18.90	38.81

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, the balance of restructured loans of the Group was RMB18,978 million, representing an increase of RMB4,141 million as compared with the end of the previous year. The percentage of restructured loans to total loans and advances to customers was 0.62%, representing an increase of 0.09 percentage points as compared with the end of the previous year. The balance of overdue loans was RMB79,129 million, representing a decrease of RMB9,988 million as compared with the end of the previous year. The percentage of overdue loans to total loans and advances to customers was 2.59%, representing a decrease of 0.59 percentage points as compared with the end of the previous year.

(Unit: RMB million)

	31 December 2018		31 December 2017	
Item	Amount	% of total	Amount	% of total
Restructured loans	18,978	0.62	14,837	0.53
Overdue loans	79,129	2.59	89,117	3.18

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 Bank 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 2018		31 December 2017	
Item	Amount	Allowance for impairment losses	Amount	Allowance for impairment losses
Repossessed assets	10,631	80	11,099	85
Of which: Real estate and land use right	7,406	77	10,252	85
Motor vehicles	73	—	186	—
Others	3,152	3	661	—

Discussion and Analysis on Business Operation

(IX) Changes in allowance for impairment losses on loans

(Unit: RMB million)

Item	31 December 2018	31 December 2017
Opening balance	85,810	64,394
Charge for/release during the period	43,611	32,180
Write-offs and transfer out during the period	-58,421	-22,798
Recoveries	1,914	1,773
Unwinding of discount	-947	-832
Exchange gain or loss	241	-198
Ending balance	72,208	74,519

Method for assessing allowance for impairment losses on loans:

According to the International Financial Reporting Standards No. 9 — Financial instrument (IFRS 9) and Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No.7) (《企業會計準則第22號 — 金融工具確認和計量》(財會[2017]7號)), the Company adopted the new accounting standard for financial instruments and used the expected credit loss model to calculate the allowance for impairment losses since 1 January 2018. According to the new standard for financial instruments, for retail loans and non-retail loans in phase 1 and phase 2, the allowance for impairment losses is provided based on risk parameters such as probability of default (PD) and loss given default (LGD) estimated by the internal rating system. For non-retail loans in phase 3, the allowance for impairment losses is provided based on the expected recovery of cash flow for each single loan. After the adoption of the new standard, the management of allowance for impairment losses of the Company was more forward-looking and further refined.

(X) NPLs and related measures

As at the end of the Reporting Period, the Group had NPL balance of RMB53,866 million, representing an increase of RMB5,977 million, or 12.48%, as compared with the end of the previous year.

1. Industry concentration of NPLs

(Unit: RMB million)

Item	31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	12,352	22.94	12,392	25.89
Wholesale and retail	5,954	11.05	7,031	14.68
Mining	2,549	4.73	2,166	4.52
Financial services	1,356	2.52	15	0.03
Construction	1,225	2.27	788	1.65
Real estate	1,117	2.07	552	1.15
Leasing and commercial services	961	1.78	859	1.79
Transportation, storage and postal service	855	1.59	983	2.05
Agriculture, forestry, animal husbandry and fishery	729	1.35	403	0.84
Production and supply of electric power, heat, gas and water	677	1.26	322	0.67
Accommodation and catering	235	0.44	85	0.18
Others	164	0.30	158	0.33
Subtotal	28,174	52.30	25,754	53.78
Personal loans and advances	25,692	47.70	22,135	46.22
Total	53,866	100.00	47,889	100.00

Discussion and Analysis on Business Operation

2. Geographical distribution of NPLs

(Unit: RMB million)

Item	31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total
Northern China	22,972	42.65	19,843	41.43
Eastern China	8,992	16.69	11,053	23.08
Southern China	5,789	10.75	4,433	9.26
Other regions	16,113	29.91	12,560	26.23
Total	53,866	100.00	47,889	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) In line with the national macro-economic industrial and regional policies, the specific policies on supporting the development of real economy and the regulatory requirements, the Company proactively adjusted loan distribution to support the development of real economy and increased the Group's financing support to NSOEs and small and micro enterprises provided that risks were under control.

(2) The Company continuously improved management policies on asset portfolios by adopting multi-dimensional risk limit management and portfolio management for different industries, customers and products and further optimising asset structure to increase the risk-adjusted return.

(3) The Company strictly controlled risk of new credit facilities by enhancing screening of customers admittance and adopting stricter credit approval criteria in order to mitigate credit risks from the origins.

(4) Risk early-warning and post-loan risk supervision was further enhanced. The Company established a risk early-warning system to realise an automatic and intelligent collecting, analysing and reporting of risk information. A new top-down early-warning management model with data-driven, active management was set up to further strengthen the risk management of the entire process of credit risk management. Refined and differentiated post-loan management of existing loans was further improved. By adopting regular and differentiated mechanisms for risk monitoring, assessment and classification, and leveraging on technological upgrading of systems, the Company enhanced the implementation of post-loan management monitoring continued to screen risks in relation to key industries, organisations, customers and products, so as to duly carry out risk prevention in key areas.

(5) The Company further strengthened collection and disposal of NPLs. To improve the efficiency of collection and disposal, the Company took a couple of measures including carrying out dedicated collection and disposal activities, enhancing indicator monitoring and formulating differentiated collection and disposal plans for different customers. The Company also adopted comprehensive collection and disposal measures such as repayment collection, restructuring, transferring, foreclosing, taking legal action and writing-off.

(6) To foster and strengthen the law-abiding operation philosophy, the Company improved governance structure and organisation structure, strengthened the capability of teams, refined rules and regulations, optimised mechanism and procedures, strengthened law enforcement in management of market chaos, enhanced compliance inspection and accountability, tightened appraisal and increased trainings. Remarkable results in preventing and mitigating risks, improving asset quality and promoting compliance operation.

VI. Analysis of Capital Adequacy Ratio

The Group calculated its capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (the "New Rules") 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 Rules. 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 Rules.

The table below sets out the capital adequacy ratio of the Group:

(Unit: RMB million)

Item	31 December 2018	
	The Group	The Company
Net core tier-one capital	415,726	395,467
Net tier-one capital	426,550	405,345
Total net capital base	547,281	522,139
Core tier-one capital	417,179	403,209
Core tier-one capital deductions	-1,453	-7,742
Other tier-one capital	10,824	9,892
Other tier-one capital deductions	—	-14
Tier-two capital	120,731	116,816
Tier-two capital deductions	—	-22
Total risk-weighted assets	4,656,286	4,457,739
Of which: Credit risk-weighted assets	4,281,596	4,089,665
Market risk-weighted assets	95,209	99,268
Operational risk-weighted assets	279,481	268,806
Core tier-one capital adequacy ratio (%)	8.93	8.87
Tier-one capital adequacy ratio (%)	9.16	9.09
Capital adequacy ratio (%)	11.75	11.71

Capital instruments entitled for the preferential policy during the transitional period: According to the applicable requirements under the New Rules, 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, net tier-one capital increased by RMB8,518 million, on- and off-balance sheet assets after adjustment increased by RMB12,889 million, while the leverage ratio increased by 0.11 percentage points, as compared with the end of September 2018. The leverage ratio of the Group is as follows:

(Unit: RMB million)

Item	31 December 2018	30 September 2018	30 June 2018	31 March 2018
Leverage ratio (%)	6.04	5.93	5.98	5.87
Net tier-one capital	426,550	418,032	403,918	392,207
On- and off-balance sheet assets after adjustment	7,060,882	7,047,993	6,754,419	6,679,422

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 other regions. In respect of business lines, the Group provides different types of comprehensive financial services in four major business segments, namely corporate banking, retail banking, treasury and others.

(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	4,806,232	67,922	22,769
Eastern China	1,328,486	33,453	14,546
Southern China	623,629	26,084	15,493
Other regions	990,178	26,702	5,977
Inter-segment elimination	-1,784,394	—	—
Total	5,964,131	154,161	58,785

Note: Inter-segment elimination refers to intra-group transactions of the Group.

(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	1,839,931	66,272	19,932
Retail banking business	1,218,778	56,895	21,858
Treasury business	2,710,197	26,475	16,635
Other businesses	195,225	4,519	360
Total	5,964,131	154,161	58,785

Discussion and Analysis on Business Operation

VIII. Other Financial Information

(I) Explanation on changes in accounting policies

For details of the changes on the accounting policies of the Company and their effects during the Reporting Period, please refer to Note 2 "Basis of preparation and accounting policies" to the financial statements.

(II) 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 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 optimise 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 valuation 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 supervised and checked the range determined, valuation methods and valuation procedures, so as to improve internal control within the Company.

The Company has actively commenced the preparatory work for adoption of the new accounting standards including IFRS 9 — Financial Instruments, and Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets and Accounting Standards for Business Enterprises No. 24 — Hedge Accounting promulgated by the Ministry of Finance. During the Reporting Period, the SPPI test of financial instruments were completed, including, product classification, valuation, impairment assessment and system upgrading. Fair value measurement have been conducted in accordance with the new accounting standards from 1 January 2018.

2. Financial instruments measured at fair value

The Company's financial instruments at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instruments, and financial assets at fair value through other comprehensive income. In particular, the valuation methods of the bond investment 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 valuation of most derivative financial instruments was obtained from quotes in the open market and model valuation. In particular, the valuation of derivative instruments in which customers have interests was obtained from market enquiries while the valuation of foreign exchange options was from system model valuation. Derivative financial instruments mainly consisted of interest rate swaps in which customers have interests and proprietary instruments in which market risks had been hedged, including interest rate swaps as well as forwards, swaps and options of precious metals and foreign exchanges.

(Unit: RMB million)

Item	1 January 2018	Fair value changes through profit or loss for the year	Accumulated fair value changes charged to equity	Impairment allowance for the year	31 December 2018
Financial assets					
Of which: Financial assets at fair value through profit or loss	577,388	155	—	—	381,093
Loans and advances to customers at fair value through other comprehensive income	89,022	—	-583	-332	98,311
Positive fair value of derivatives	18,734	14,213	52	—	33,112
Financial assets at fair value through other comprehensive income	345,207	—	-487	-750	461,693
Total	1,030,351	14,368	-1,018	-1,082	974,209
Financial liabilities					
Of which: Financial liabilities at fair value through profit or loss	-3,373	3	—	—	-987
Negative fair value of derivatives	-18,076	76	—	—	-18,000
Total	-21,449	79	—	—	-18,987

(III) Overdue and outstanding liabilities

As at the end of the Reporting Period, the Group had no material outstanding liabilities that were overdue.

IX. Performance of Key Business Lines

(I) Corporate and investment banking

During the Reporting Period, in active response to the new changes and challenges in market and regulatory environment, the Company captured the crucial opportunities arising from the shift in growth drivers of corporate banking business and adopted reform and business development as two major strategies, so as to promote development through transformation. It also pressed ahead the NSOE strategy, strengthened segmented management of different customers groups, improved the quality and structure of liabilities and assets, accelerated product innovation and upgrading as well as adopted the light-capital business development path. As a result, the corporate banking business was continuously expanded with enhancing competitiveness.

1. Corporate customers

During the Reporting Period, adhering to the "customer-centric (以客戶為中心)" service philosophy, the Company refined its segmented and classified service systems for different customer groups and innovated customer service models to provide comprehensive, smart and one-stop services with better customer experience. It is the objective of the Company to be "a bank with best customer experience". In terms of fundamental customer group, as at the end of the Reporting Period, domestic corporate customers with deposits of the Company increased by 155.1 thousand, or 15.31%, to 1,167.9 thousand as compared with the end of the previous year. The number of domestic customers with outstanding general loan balances of the Company was 9,926. In terms of strategic customers group, in active response to the national policy and in line with the three-year development plan proposed by the Board, the Company strengthened the coordination between the middle and back offices to enhance supports to NSOEs by providing comprehensive financial solutions under the new "1+3" service model. As at the end of the Reporting Period, the Bank had 354 strategic NSOE customers with daily average deposits and outstanding loans balance of RMB193,263 million and RMB204,910 million, respectively, representing an increase of 8.92% and 12.09%, respectively, as compared with the end of the previous year. For SME customers, the Company built its brand of "SMEs Minsheng Project (中小企業民生工程)" in order to develop itself as a leading bank for SMEs with a digitalised, standardised and procedure-based business model. The Company also promoted its four major projects, namely "Cooperation, Foundation, Win-win and Shimmer (攜手、生根、共贏、螢火)", in order to provide SMEs with comprehensive financial and non-financial services including payments and settlements, cash management, credit facilities and supply chain services. As at the end of the Reporting Period, the number of SME customers with active accounts amounted to 25,362.

2. Corporate deposits

During the Reporting Period, the Company further consolidated its customer base, strengthened the development of its settlement business platform and expanded institutional finance. The Company strengthened marketing along the supply chains of corporate customers with the launch of supply-chain finance and accepted market-oriented deposits, including structured deposit, in line with liquidity and interest rate trends. As a result, steady growth was achieved despite of strict cost control. As at the end of the Reporting Period, total corporate deposits of the Company amounted to RMB2,561,641 million, representing an increase of RMB126,894 million, or 5.21%, as compared with the end of the previous year, ranking among top of joint stock banks.

3. Corporate loans

During the Reporting Period, in compliance with the new changes and trends of national economic development as well as the transformation and upgrading of the industrial and consumption structures, the Company actively developed businesses in the emerging industries and consumption-driven industries with promising prospects and market potential, proactively participated in major infrastructure construction projects concerning key national strategies and new urbanisation, and enhanced supports for national strategies including "Belt and Road Initiative", "the coordinated development of the Beijing, Tianjin and Hebei region, the Yangtze River Economic Belt as well as "the Guangdong-Hong Kong-Macau Greater Bay Area". The Company also optimised structure and industrial distribution of credit by restricting loans to industries with overcapacity, such as steel and coal industries, in order to realise the healthy development of asset business. As at the end of the Reporting Period, total corporate loans of the Company amounted to RMB1,822,835 million, among which, general corporate loans was RMB1,726,719 million, increased by RMB108,903 million, or 6.73%, as compared with the end of the previous year. The NPL ratio of corporate loans was 1.54%.

4. Investment banking

During the Reporting Period, the Company efficiently reformed investment banking business framework by adopting new investment banking business models and promoting and optimising the multi-layered investment banking business and product system pillared by four key businesses and two major products, namely bond issuance and securitisation, of capital market. As a result, the transformation of corporate banking business was further facilitated.

During the Reporting Period, in respect of the capital market business of the Company, development has been witnessed in key areas as a fundamental customer base of investment banking was established and management based on project categories was strengthened.

In respect of bond underwriting, the Company strengthened the multi-level business expansion and refined management and the business reserve increased significantly. The Company also strengthened risk control and improved overall quality and rating of the projects. During the Reporting Period, the Company underwrote bonds of RMB288,445 million in the interbank bond market and its rank among all leading underwriters in the interbank bond market rose to the ninth.

In respect of asset securitisation, the Company continued to introduce innovative products and successfully launched the first supply chain finance securitisation project in China under the "Belt and Road Initiative" and the PPP asset-backed securitisation project for tertiary education.

5. Transaction banking

During the Reporting Period, the Company focused on the financial demands from daily production and operation of customers and enriched the offering of its three major product lines, namely the international business, settlement and cash management, and domestic trade financing and factoring. It also optimised and improved transaction banking service solutions and provided digitalised, smart and convenient services so as to effectively satisfy diversified financial demands of customers and support the transformation and upgrading of corporate banking business.

The international business maintained sound development with remarkable improvement in market competitiveness. During the Reporting Period, to meet the international financial demands of customers, the Company strengthened the development and integration of innovative products such as "single window" financial services, global cash management and "Minsheng Global Express (民生環球速匯)". It also actively grasped business opportunities arising in "Going Global", such as cross-border investment and overseas project contractings, and strove to provide all-around and tailor-to cross-border financial services to "going global" customers as well as customers engaged in imports and exports. Through continuously exploring new business opportunities, total assets denominated in foreign currencies increased significantly, and the volume of cross-border settlements grew.

The Company modified its settlement and cash management business according to changes in customers' demands and further enriched its product offering. During the Reporting Period, the Company continuously enriched and improved the product systems of "Express (通)", "Pool (聚)" and "Earnings (盈)". To meet diversified demands of customers such as E-government and E-commerce, products of the "Express (通)" series integrated basic services including account and payment with the daily operation scenarios and provided tailor-to financial solutions concerning digital transformation and service upgrading for enterprises and governments. The "Pool (聚)" series focused on satisfying the multi-layer domestic and foreign funds management demands of group customers, which had effectively enhanced the service capabilities for group customers. The "Earnings (盈)" series provided enterprises with tailored-to and value-added services for working capital. These products had gained wide market recognition.

The Company promoted the transformation of domestic trade financing and factoring business guided them to its original functions. During the Reporting Period, focusing on financial demands including maturity matching, performance of project contracts, property preservation, payment guarantee, financial reports optimisation, trade financing and capital efficiency enhancement, the Company proactively promoted the scenarised upgrading of products such as domestic guarantees, domestic letters of credit and factoring, and continuously innovated business models, which improved services for different customer groups such as strategic customers, supply chain customers, and SMEs. These efforts also helped enhance the Company's distinctive competitiveness in its trade finance.

The Company continued to upgrade its digitalised services to effectively improve customers' experience. During the Reporting Period, the Company actively promoted the digitalised and smart upgrading of scenarised products in transaction banking sector. By focusing on the "small-amount, urgent, frequent and fast" financing demands of NSOEs and SMEs, the Company further standardised operation to facilitate online self-service operation of corporate business.

6. Supply chain finance

During the Reporting Period, the Company strategically focused on supply chain finance for reform and transformation. The Supply Chain Finance SBU was established to optimise the system and mechanism of supply chain finance, introduce industry-based solutions, improve product system and set up technology platforms for the application of fintech.

The Supply Chain Finance SBU explored demands from different industries through core enterprises and transaction platforms. With the application of fintech, a new supply chain finance platform was developed to connect all enterprises in the upstream and downstream of the industry chain, serving as a cooperation platform and a preliminary ecosystem for core enterprises and enterprises in the upstream and downstream of the industry chain. During the Reporting Period, a comprehensive service system of supply chain finance under the brand of "Minsheng E Chain (民生E鏈)" was established, comprising comprehensive financial products and services such as industry-based solutions under the "Express (通)" series, financing products of the "E" series, and settlement and wealth management products.

Industry-based solutions of the "Express (通)" series included the "pharmaceutical express (醫藥通)", "automobile sales express (車銷通)", "wine express (佳釀通)", "home appliance express (家電通)" and "construction express (建工通)". Based on the characteristics of each industry, the Company helped customers overcome their difficulties in operation by offering tailored-to financial solutions based on product packages and innovative services. Financing products of the "E" series, such as "Credit Sale E (賒銷E)", "Receivable E (應收E)", "Procurement E (採購E)" and "Credit Financing E (信融E)", satisfied a full range of financing needs of various customers. Other comprehensive products and services including supply chain cloud accounts and supply chain cashiers have gained wide market

recognition for meeting diversified demands of different customers. As at the end of the Reporting Period, the number of core customers of supply-chain finance of the Company increased by 121.43% as compared with the end of the previous year.

(II) Retail banking

During the Reporting Period, the economic conditions were complicated with greater downward pressure and more uncertainties. Amid the new regulations on asset management, tightening financial regulations and promulgation of policies reducing taxes and surcharges, preferential policies for small business finance continued to emerge. Retail banking faced opportunities and challenges.

During the Reporting Period, the Board of the Company has considered and approved the overall implementation of the Reform Plan and the Three-Year Development Plan. According to the transformation principle of retail banking and to realise the goal of becoming China's best retail bank, the Company concentrated on customer group management, adhered to NSOE strategy and focused on three core customer groups including NSOE ecosystem, small business and private banking entrepreneurs. The Company will accelerate the development of digitalised, online and scenarised financial services with the application of advanced technology. It also strove to promote rapid, sound and sustainable development of retail banking driven by the development of wealth management and asset management.

During the Reporting Period, the major businesses of retail banking of the Company maintained a relatively fast growth. Operating income from retail banking business of the Company was RMB56,357 million, representing an increase of 17.02% as compared with the corresponding period of the previous year, and accounted for 37.72% of the total operating income of the Company, representing an increase of 2.42 percentage points as compared with the corresponding period of the previous year. Net non-interest income from retail banking was RMB34,702 million, representing an increase of 38.40% as compared with the corresponding period of the previous year, and accounted for 61.58% of operating income from retail banking and 65.17% of net non-interest income of the Company, representing an increase of 9.52 percentage points and 16.93 percentage points as compared with the corresponding period of the previous year, respectively (calculated based on the non-interest income after the adjustment of the gain from the holding of financial assets at fair value through profit or loss).

During the Reporting Period, in accordance with the strategic plan of reform and transformation, the Company steadily pressed ahead with the implementation of various reforms in retail banking, which contributed to the rapid income growth and high-quality development of retail banking.

Firstly, the standardised control system of wealth management was established. Under the Phoenix C7+FC model, the Company introduced the "234" reform scheme to optimise the admittance and investment decision mechanisms of wealth management products. During the Reporting Period, intermediary income from wealth management, agency sale of funds and agency sale of insurance amounted to RMB3,806 million, RMB788 million and RMB405 million, respectively, representing increases of 29.24%, 64.81% and 109.84%, respectively, as compared with the corresponding period of the previous year. Annual sales of net value wealth management products exceeded RMB500 billion and the balance increased by 43.68 times as compared with the end of the previous year.

Secondly, fruitful results were achieved in customer group management. The number of retail customers with deposits (with daily average financial assets more than zero on monthly basis) was 38,394.5 thousand, representing an increase of 10.96% as compared with the end of the previous year. The numbers of VIP customers (with daily average financial assets more than RMB50,000 on monthly basis) and private banking customers were 2,933.0 thousand and 19,250, representing an increase of 12.15% and 16.97%, respectively, as compared with the end of the previous year. The customer base continued to expand steadily with higher growth rate of the number of high-end customers as compared to the number of general customers. Attributable to the significantly enhanced management of existing customers, the retention rate of VIP customers was 74.81%, representing an increase of 1.01 percentage points as compared with the end of the previous year. The growth of financial assets of existing customers improved remarkably as compared with the previous year.

Thirdly, the development relating to small business finance was further enhanced. Strictly comply with the customer segmentation management philosophy under its "Small Business 3.0 (小微3.0)" model, the Company concentrated on the ecosystem consisting of the small business owners, small and micro enterprises (+1), families of the owners and staff and the upstream and downstream enterprises (+N), and strengthened comprehensive allocation and portfolio management of funds, wealth management products, precious metals as well as insurance products to these customers. During the Reporting Period, net non-interest income from small business finance increased by 40.27% as compared with the corresponding period of the previous year. The structure of small business customers was further optimised. As at the end of the Reporting Period, outstanding loans balance of small and micro enterprises rated grade 5 or above was 86.25%, representing an increase of 4.92 percentage points as compared with the end of the previous year. The asset quality of new small business customers was outstanding, with NPL ratio and overdue loan ratio of only 0.19% and 0.42%, respectively, since 2016.

Fourthly, the business model of credit card business was transformed progressively by focusing on the core targeted customer group of the Millennials generation. The number of new millennial customers accounted for 64.36% of the total number of new customers. The customer acquisition model was transformed with increasing proportion of customers acquisition through online channels. Average cost of acquisition per customer was significantly reduced as a result of the promotion of free official channel as well as low-cost channel via referrals. The Company also encouraged credit card transactions and enhanced customer activity, and the average transaction amount per credit card reached RMB44.6 thousand, maintaining at a leading position in the industry. Net non-interest income for the year amounted to RMB28,073 million, representing an increase of 33.82% as compared to the corresponding period of the previous year.

1. Retail customers

Based on the NSOE strategy, the Company established three distinctive customer groups targeted at NSOE ecosystem, small business and private banking entrepreneurs, and two core customer groups targeted at the wealth management and millennials. With distinguished division of each customer group, the Company is able to precisely allocate resources to develop and improve distinctive targeted financial services for different customer groups so as to gain differentiated competitive advantages.

During the Reporting Period, the Company promoted such customer acquisition channels as product innovation, platform establishment, scenarised applications and coordination between different channels. With the development of a light-capital scenarised financial ecosystem, the Company accelerated effective acquisitions of customers in batch. The Company improved the functions of "Payment Express (繳費通)" to enrich its services, resulting in steady increase of customers. It also established innovative customer acquisition platforms with regional characteristics and based on diversified scenarios such as "a service platform for car owners (車主服務平台)", "general account for industrial parks (園區一碼通)", "office building ecosystem (寫字樓生態圈)" and "UnionPay Quick Pass (雲閃付)". The Company also successfully introduced witness service for account opening in its Hong Kong Branch. The entire account opening process could be conducted online, which further facilitated the establishment of a service platform for "going global" customers. For long-tail customers, the Company made use of technologies such as mobile banking APP, remote banking and other channels, which effectively increased the number of customers acquired online and improve the customers' experience. In addition, during the Reporting Period, the Company continued to refine the existing customer acquisition channels and strengthen the synergy between corporate customers and individual customers for core NSOEs. It launched a marketing activity, "Increase the Payroll (薪上加薪)", which targeted at customers with agency payroll service of the Company, to promote its payroll service and enhanced cross-selling of credit cards. The Company strengthened the brand promotion by organising a series of "Your Considerate Bank (懂你的銀行)" activities in 2018.

2. Financial assets

During the Reporting Period, the Company adhered to the development strategy driven by "wealth management + asset business". Based on the "234" reform scheme of Phoenix C7 wealth management, the Company established a "C7 + FC" standardised operation system to fully launch the wealth management reform and transformation.

During the Reporting Period, the Company continued to develop innovative deposit products for different customer groups, including the "new deposit for higher interest (新多利)" for new customers, which was a demand deposit product with "honeymoon period (蜜月型)", new version of "seasonal deposit (季存寶)", a current savings product for payment and settlement customers, and time deposit product of "flexi-deposits (隨心定)" with daily interest accrual for customers with well-planned use of funds. The Company also optimised the functions of large-amount certificates of deposit by offering monthly interest payment and online transfer services.

During the Reporting Period, the Company actively and quickly responded to market changes and the increasing demands from customers by further enriching its products and offering price comparison service for similar products. The Company put more efforts in the promotion of guarantee products such as critical illness insurance, life insurance and medical insurance as well as medium-and low-risk funds and funds alternative for wealth management products. In respect of wealth management customers, the Company continuously improved the asset portfolio models and provided consistent and professional recommendations on a regular basis with enhanced market analysis and asset allocation capabilities. The Company established a new management model of financial advisers, which implemented standard operation to further enhance the management quality and efficiency of the wealth management team. The Company used big data technology to trace customers' preference and interest to identify their needs and improve their experiences. The Company continued to carry out the "All Year and Wealth Blossom (然情四季 財富綻放)" and "Wealth Management Customers TIBC (財富客戶TIBC)" marketing campaigns to enhance the interactions between customers and the products and services of the Company in order to offer more refined wealth management services.

As at the end of the Reporting Period, financial assets of individual customers under the management of the Company amounted to RMB1,650,120 million, representing an increase of RMB213,760 million as compared with the end of the previous year. Total retail deposits (including the deposits of small and micro enterprises) amounted to RMB650,188 million, representing an increase of RMB99,028 million as compared with the end of the previous year. Among which, savings deposit amounted to RMB565,276 million, representing an increase of RMB83,038 million as compared with the end of the previous year.

3. Retail loans

During the Reporting Period, according to changes in economic situation and market environment, the Company optimised the allocation of credit resources with focus on small business finance, credit card business and consumption finance. The Company also increased credit allocations to retail banking business and promoted the restructuring of retail loans under the premise of effective control of risks.

In respect of small business finance, according to the strategic positioning of a bank focusing on small business finance and in active response to national promotion of inclusive finance, the Company supported the development of small and micro enterprises by increasing small business loans. In respect of credit card business, the Company further advanced business development. Focusing on the millennial customers it introduced a brand new slogan, strengthened product innovation as well as improved customer services and market competitiveness. In respect of consumption finance, the Company integrated resources and introduced the "Minsheng Easy Loan (民生民易貸)". It also accelerated the development of scenarised consumption finance by advancing the exploration and reserve of various potential installment products for decoration, auto insurance, e-commerce consumption and education, so as to better meet the increasing consumption financing needs of individual customers. In respect of housing loans, strictly complied with macro control policies on real estate of the central and local governments, the Company focused on high-quality housing projects at prime locations and high-quality individual customers and supported the reasonable residential demand for home purchases in accordance with the regulatory policies.

As at the end of the Reporting Period, retail loans of the Company amounted to RMB1,217,894 million, representing an increase of RMB128,976 million as compared with the end of the previous year. Among which, loans to small and micro enterprises amounted to RMB406,938 million, increased by RMB47,791 million from the end of the previous year. Consumption loans amounted to RMB417,707 million, representing a decrease of RMB18,045 million as compared with the end of the previous year.

4. Small business finance

During the Reporting Period, according to the national promotion of inclusive finance, the Company continued to strengthen the strategic positioning of a bank focusing on small business finance. By promoting the new development path of small business finance and product innovation, improving online services and digitalised management for higher service efficiency, the Company further consolidated customer base, improved comprehensive financial services, realised rapid growth of loans and diversified income sources.

The Company adopted various preferential measures to support small business finance, including favourable price of internal capital transfer and capital cost, additional credit allocations to small business finance as well as increasing amount of loans and number of customers with lower cost. More innovative products and services were introduced, such as the upgraded version of "Cloud Loan (雲快貸)", and online loan products including "Minsheng value-added loan (民生增值貸)" and "Tax-based online loan (納稅網樂貸)", which provided more convenient financing services for small business customers. The Company promoted cloud account for small and micro enterprises to solve their difficulties in opening accounts. Business procedures were streamlined to shorten the processing time in order to improve customer experience. The Company also achieved breakthroughs in the development of settlement scenario, including the introduction of industry-based application products including "Xiaofu Express (校付通)" and "Xianglezu (享樂租)" as well as online management and service platform for payment acquiring of small business, which led to simplified and convenient settlement service to customers. Based on social and business circles of small business customers, the Company improved comprehensive financial services by promoting comprehensive portfolio allocation and improving service packages of wealth management products including insurance, funds, wealth management and precious metals. The Company continued to improve the professional levels of its organisations and sales personnel. The Company focused on the development of digital finance and made a couple of breakthroughs in digitalised online business model by launching such technology projects as small business database, exclusive mobile banking services for small business and scenarised marketing support. As such, data and systems provided significant support for business operation and facilitated more convenient, tailored-to and comprehensive financial services to customers. During the Reporting Period, at the tenth anniversary of small business finance, the Company cooperated with renowned media to further promote small business finance including reports on national policies in favour of the development of small and micro enterprises and the outstanding cases of small business finance of the Company, as to raise higher attention for small business finance from the public.

5. Credit Card Business

During the Reporting Period, the Company targeted at Millennials customers and took into account of features and preferences of the customer group in brand positioning, product design, choice of business channels and scenarios establishment. In terms of brand positioning, a new brand slogan, "You can always trust us (信任長在)", was adopted, and various promotion campaigns based on the brand value positioning were launched. In terms of product design, based on the behavioral characteristics and consumption preferences of the Millennials generation, popular themed cards such as "Li Yifeng theme card (李易峰主題卡)", "chinoiserie theme card (中國風主題卡)" and "Minsheng MORE world card (民生MORE世界卡)" were introduced with benefits such as cash returns for overseas consumption in the summer time and special offer for fast payment. In terms of acquisition channels, during the Reporting Period, the Group enhanced its customer acquisition capability through selected channels which formed part of the daily life of the Millennials generation, such as mobile games and online shops. In terms of business scenarios, the Group focused on developing applications for the Millennials generation in order to promote consumption, installment and preferential offers and to

acquire new customers. During the Reporting Period, Millennials customers gradually became the main contributor to transaction volume and revenues with expanding customer base and increasing proportion in total customers.

As at the end of the Reporting Period, the aggregate number of issued credit cards of the Company was 49,547.2 thousand, of which, 10,808.6 thousand were newly issued during the Reporting Period. Transaction volume of credit card business was RMB2,211,625 million, representing an increase of 34.18% as compared with the corresponding period of the previous year. Total account receivable amounted to RMB393,249 million, representing an increase of 33.75% as compared with the end of the previous year. Non-performing asset ratio was 2.15%, representing a slight increase of 0.08 percentage points as compared with the end of the previous year.

During the Reporting Period, the credit card business of the Company was awarded the "Brand with Best Marketing in the Financial Industry for 2018 (2018年金融行業年度傳播力品牌)", the "The Élan Awards (依蘭獎)" from International Card Manufacturers Association (國際制卡商協會), the "Outstanding Contribution for Cross-border Transactions Award (跨境交易卓越貢獻獎)" from VISA and the "Great Leap Forward Award for the Transaction Quality of UnionPay Credit Cards (銀聯信用卡交易質量飛躍獎)" from China UnionPay. The credit card application of the Company, "Daily Life APP (全民生活APP)", was awarded the "2018 Award for Top Ten Innovative Financial Products in China (2018年中國十佳金融產品創新獎)" from The Banker.

6. Private banking business

During the Reporting Period, the private banking business of the Company was further reformed with enhanced efficiency as a result of the "three reforms" in respect of the segmented customer management system for wealth management, comprehensive services for entrepreneurs and the synergy between corporate customers and individual customers, and the product system was in compliance with the new regulations on asset management. All major indicators achieved historical breakthroughs. A solid customer management system was established, and the growth rate of new customers, retention rate of customers and profitability were significantly improved. The number of private banking customers and the amount of financial assets achieved double-digit growth, and total revenue growth and structural adjustment also recorded breakthroughs. The customer group structure was further optimised and the sustainability of the business model was secured. To further consolidate the wealth management system, private banking teams and private banking centres were expanded rapidly, building up numerous professional teams to support the fast and sound growth of private banking business. Productivity of private banking centres also improved. Cooperation among different sectors was initiated in full speed. Comprehensive services for entrepreneurs became the demonstration sample of the NSOE strategy of the Company, which also diversified the source for acquisition of

entrepreneur customers. Private banking products portfolio was further enriched and new products were actively launched to satisfy the wealth management needs of customers. With further improvement in asset allocation, customer scale and sales of products hit record high. The transformation of wealth management business was completed upon the launch of exclusive distribution agency for private banking, and the general asset management capability was significantly improved. There were more options of sophisticated products such as private placement underwriting and high-end insurance, and innovative businesses such as insurance fund trust and the right on financial asset income. The scale of assets of family customers under the management of the Company grew rapidly. Through continuous cooperation with professional overseas organisations, the scale of overseas assets allocated, such as overseas funds and overseas insurance, was enlarged. The Company continuously optimised its sales channel construction with the aid of technologies and enhanced customer experience through targeted marketing with the use of big data, and "mobile finance".

As at the end of the Reporting Period, the number of eligible private banking customers with financial assets of more than RMB8 million was 19,250, representing an increase of 16.97% as compared with the end of the previous year. The financial assets of eligible private banking customers under the Company's management was RMB358,286 million.

7. Community finance

In response to the national strategy of promoting inclusive finance, the Company pressed ahead with the upgrading of community finance business model and regulated management of community finance so as to achieve sustainable and healthy operation of community outlets. During the Reporting Period, the community financial capacity of the Company was enhanced significantly. As at the end of the Reporting Period, the Company had 1,347 licensed community branches, and 157 small business sub-branches. Total financial assets of the community (small business) outlets was RMB253,706 million, representing an increase of RMB35,649 million as compared with the end of the previous year, and the average financial assets of the community network were RMB169 million. Total savings deposits was RMB78,732 million, representing an increase of RMB18,788 million as compared with the end of the previous year, mainly due to the increase in saving deposits. The number of customers was 6,267.2 thousand, representing an increase of 478.4 thousand as compared with the end of the previous year, of which 778.6 thousand customers were at or above valid level, representing an increase of 74.7 thousand as compared with the end of the previous year. The customer base was further consolidated.

(III) Treasury business

1. Investment business

During the Reporting Period, the Company continued to optimise the asset structure, enhance its support for real economy and improved the efficiency of investment business. As at the end of the Reporting Period, net investment in trading and banking books of the Company amounted to RMB1,954,382 million, representing a decrease of RMB170,734 million, or 8.03%, as compared with the end of the previous year. The proportion of investment in trading and banking books in total assets of the Company decreased by 3.66 percentage points as compared with the end of the previous year.

2. Interbank business

During the Reporting Period, the Company promoted the reform and transformation of interbank business as planned. Dually driven by the customers groups and products, it speeded up the transformation to customer-centric management and operation of customer groups. The Company actively adjusted and optimised the interbank business structure in compliance with the regulatory requirements to achieve the stable and healthy development.

In respect of management of customer groups, the Company adhered to the operation principle of customer-centric approach. It further classified customer segmentations and adopted differentiated marketing management system to different customer groups, formulated marketing guidelines for classified interbank customers and marketing plans for key interbank customers, and effectively strengthened comprehensive and integrated marketing. The Company continuously promote the brand of "Minsheng Interbank Business e+ (民生同業e+)" by participating interbank cooperation summits and interactions with regional customers.

In respect of business development, the Company further stabilised liability management and optimised interbank business structure. As at the end of the Reporting Period, interbank liabilities (including IBNCD) amounted to RMB1,615,690 million, representing a decrease of 8.57% as compared with the end of the previous year. Interbank assets amounted to RMB337,557 million, representing an increase of 38.51% as compared with the end of the previous year. During the Reporting Period, efforts were made to issue more IBNCD. A total of 656 tranches of IBNCD were issued with an accumulated amount of RMB1,109,400 million, representing an increase of 35.58% as compared with the corresponding period of the previous year.

3. Custody business

In respect of asset custody business, the Company actively responded to market changes and took initiatives to capture structural market opportunities including internet platform fund, net-value bank wealth management and asset securitisation. Adhering to the principle of One Minsheng Strategy (一個民生), the Company integrated its resources, established customer platforms and organised professional teams. An integrated marketing service system with coordination among the Head Office, branches and sub-branches was established to facilitate targeted marketing, refined management, procedure-based operation and standardised brand building. The asset custody business realised rapid growth. Meanwhile, the Company strove to innovate comprehensive custody business and promote the business transformation by increasing comprehensive value-added services in addition to basic services. As at the end of the Reporting Period, assets under custody of the Company (including the proceeds of various types of funds under supervision) amounted to RMB8,714,750 million, representing an increase of 12.60%, as compared with the end of the previous year. Revenues generated by custody business was RMB4,504 million.

In respect of pension business, as a qualified player for the management and custody of corporate annuity account, the Company capitalised on the opportunities in China's pension market and continued to refine its products and improve operation and services of pension business. The Company provided services of occupational annuity (the second pillar) and corporate annuity, and proactively explored the market of the personal pension (the third pillar). Innovative pension business concerning guarantees for after-retirement life was introduced to facilitate rapid growth of pension custody business. As at the end of the Reporting Period, the Company had RMB243,990 million pension funds under custody, representing an increase of RMB158,956 million, or 186.93%, as compared with the end of the previous year, and managed 176.3 thousand personal accounts of corporate annuity.

4. Wealth management business

During the Reporting Period, to cope with unfavourable external environment featuring with economic downturn, continuous deleveraging in the macro-economy, tightening regulations and, intensified competition, under the leadership of the Board and Senior Management, the Company deepened reforms and transformation, optimised business structure and strengthened risk control and compliance for wealth management business according to the new regulatory requirements. In face of the increasing credit risk and market risk and the shrinking profit margin, the Company initiated transformation to provide net-value products and the design of new product portfolio was completed in accordance with the new rules. The Company strictly complied with major national strategies and continuously introduced products and services concerning the well-being of the general public and supported the development of real economy with various instruments. A stable and healthy development of asset management business was achieved with effective risk control. As at the end of the Reporting Period, the existing scale of wealth management products of the Company amounted to RMB1,440,555 million.

5. Precious metals and foreign exchange trading

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 (i.e., the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 5,058.51 tons, and the trading volume of silver, including agency sales for legal persons and individuals, amounted to 10,720.03 tons. The total trading value amounted to RMB1,369,396 million. In terms of on-floor gold trading value, the Company was among top ten dealers at the Shanghai Gold Exchange, top ten dealers at the Shanghai Futures Exchange as well as one of the important domestic gold importers.

As at the end of the Reporting Period, the Company leased 16.96 tons of gold to its corporate customers, ranking the tenth in the market. During the Reporting Period, the Company sold 1,304 kg physical gold products of its own brand to individual customers. The Company effectively satisfied the demands of customers with diversified products. The outlook of further progress in the market was bright.

During the Reporting Period, the transaction volume of domestic spot settlement of the Company amounted to USD509,143 million, representing a decrease of 21.70% as compared with the corresponding period of the previous year. The transaction volume of forward settlement and sale of foreign currencies and RMB foreign exchange swap of the Company amounted to USD1,305,826 million, representing an increase of 62.00% as compared with the corresponding period of the previous year. The Company actively introduced innovative products concerning option and its portfolios. The transaction volume of RMB foreign exchange options amounted to USD112,308 million, representing an increase of 204.60% as compared with the corresponding period of the previous year.

(IV) Internet finance

During the Reporting Period, sticking to the strategic positioning to become "a fintech-based bank", the Company actively explored new development model of internet finance by applying cutting-edge fintech to meet the diversified needs of customers. Continuous innovations were made in platforms, products and services in relation to direct bank, retail internet finance, corporate internet finance and online payment, which greatly improved customers' experience. It also consolidated the Company's position as one of the top commercial banks in terms of brand influence and market share.

1. Direct bank

During the Reporting Period, the Company upgraded its direct bank and developed the "Cloud + Open-ended + Connectors (雲+開放式+鏈接器)" 3.0 model. It launched the first BBC open-ended integrated financial cloud service platform in the industry to provide open-ended, personalised, flexible and efficient financial solutions for the individual customers, B-end enterprises from upstream and downstream enterprises along the industry chain and internet technology companies. Meanwhile, the Company focused on the transformation and upgrading of its business model, innovated customer acquisition approaches and emphasised on scenarised applications. The Company entered into cooperation with various types of enterprises including Ant Financial, JD.com, Huawei, Xiaomi, the three major telecom operators, the two airlines giants and city commercial banks. It became the first direct bank that applied distributed core system and established open-ended financial eco-platform, which significantly improved its service and enhanced customer experience. The Company further enriched product offerings by introducing a series of internet financial products including structural deposits, Hui Xuan Bao (慧選寶), Minsheng Hao Che (民生好車) and Minsheng Hao Jie (民生好借). As the first direct bank in China, it was well received by third-party institutions and has won high recognition from the general public during the Reporting Period. The Company won 15 awards in 2018, including "Top 10 direct bank (直銷銀行十強)" by Sina Finance and "Most Outstanding Bank of direct bank (最佳直銷銀行)" by CFCA. The brand recognition and market influence continued to rise. The Company has secured the first place of the business sector for four consecutive years, further consolidating its leading position in internet finance.

As at the end of the Reporting Period, total number of direct bank customers was 19,171.3 thousand and financial assets managed by the Company amounted to RMB132,291 million, During the Reporting Period, total transaction amount of direct bank was RMB1.38 trillion with a total of 121 million transactions.

2. Retail internet finance

During the Reporting Period, the Company introduced a new version of mobile bank, which signaled its shift from self-service transaction channel to digitalised online financial platform through continuous upgrading of financial services for individuals by virtue of fintech. The new version of mobile bank is an integrated App to satisfy all customised demands of various core customer groups such as small and micro enterprises, individuals, credit card and direct bank customers. The Company also introduced "Minsheng Pass (民生通行證)", an electronic channel for online customer identification and data collection and sharing. Customers can enjoy services of mobile bank, online bank and other platforms with only one set of account and password. The Company introduce new services including remote banking and face identification for bank transfer by continuously applying new technologies. The Bank was among the first batch of banks to support Hua Wei 3D face identification for login in Huawei appliances. During the Reporting Period, the Company introduced online transfer of wealth management

products to enhance liquidity, optimised wealth management and deposit functions in the new version of mobile bank by adding 80 insurance products and introducing uniform security tools, which further improved the security system of mobile bank and optimised the retail customers' experience on online services.

As at the end of the Reporting Period, the number of individual e-banking customers (including individual mobile bank customers and individual internet bank customers) was 47,903.9 thousand, representing an increase of 9,492.0 thousand as compared with the end of the previous year. The number of transactions completed during the Reporting Period was 1,877 million with the transaction amount of RMB16.01 trillion. In terms of customer transaction activity, the Company remained among the top of the banking industry.

3. Corporate internet finance

During the Reporting Period, the Company further optimised corporate internet finance services and expanded cooperation with related platforms. With focus on key industries, the Company developed additional scenarios for online financial services with special features and built up an industry-leading corporate internet finance brand image. The Company further differentiated its services based on the segmentations of its customer groups. For large-size and core enterprises, the Company introduced corporate internet Bank 2.0 and further optimised the integration of corporate internet bank and the synergy between banks and enterprises. For SMEs, the Company launched distinctive mobile services to meet customers' demands for fast and convenient financial services. The Company also innovated fund sales manager, which consolidated its first position in the industry.

As at the end of the Reporting Period, the Company had signed contracts with 1,161.8 thousand corporate internet bank customers. During the Reporting Period, the number of transactions was 99,097.3 thousand and total transaction amount was RMB57.24 trillion. The number of enterprise customers directly connected with bank was 1,580 with average daily deposits of RMB336,159 million.

4. Online payment

During the Reporting Period, focusing on the two core systems of "mobile payment and online acquiring (移動支付+網絡收單)" and strictly adhering to compliance management, the Company further enriched its product offerings and improved services through upgrading products and innovating models, and enhanced influence of "Minsheng Payment® (民生付®)". The Company launched the pilot mobile easy pay project by upgrading mobile payment and establishing convenient payment scenarios. The Company also promoted innovations in payment applications and introduced industry solutions of "account + payment (賬戶+支付)" for class II/III customers to support the development of inclusive finance. The Company optimised online fund collection system and enriched inter-bank fund collection and distribution services by introducing inter-bank gateway payment, bank card payment and mobile

QR code payment, improving the comprehensive service and management of business owners. According to the regulatory requirements on settlement and clearance, the Company set up new card-free platforms of online UnionPay and UnionPay and conducted investigations in unlicensed operation to ensure the sustainability and compliance of its business.

As at the end of the Reporting Period, the number of customers using "Kua Hang Tong (跨行通)" of the Company totalled 4,004.4 thousand, and the number of merchandisers using online payment services was 1,275. During the Reporting Period, accumulated transaction amount of Kua Hang Tong (跨行通) recorded RMB230,560 million and total amount of online payment transactions was RMB6.20 trillion.

(V) Overseas business

During the Reporting Period, Hong Kong Branch actively followed the Company's development strategy, implemented reform and transformation as well as the three-year development plan and continued to strengthen the three major businesses, namely the corporate banking business, financial markets business and private banking and wealth management business. Serving as an effective overseas business platform of the Company, Hong Kong Branch maintained steady business growth with continuous improvement in efficiency.

Capitalising on the cross-border synergy with the Head Office and grasping the strategic opportunities arising from the "Belt and Road Initiative" and the "Guangdong-Hong Kong-Macau Greater Bay Area", Hong Kong Branch focused on providing professional cross-border financial solutions for quality "going global" customers in compliance with the overseas investment policies of China. Hong Kong Branch focused on the capital market, expanded its featured business and intensified cooperation with professional institutions. Cooperation projects with Xiaomi, JD.com, Ctrip.com, China Renaissance and other enterprises with high influence in the industry were successfully launched, which strengthened its services in capital market and new economic sectors. Hong Kong Branch strengthened its ability to play as the leading bank in syndicated loans and undertook a number of syndicated loans projects with high market recognition and significance, including Belle International and China New Higher Education. The ranking of the Company as the leading bank in syndicated loans in Hong Kong and Macau rose significantly. The competitiveness and influence of the Company in the international market were further enhanced.

Capitalising on the strategic position of Hong Kong as an international financial centre, Hong Kong Branch actively expanded its financial markets business. During the Reporting Period, Hong Kong Branch actively developed bond investment and trading and structured notes investment. The investment in the banking book maintained steady growth with rising return rate. The hedging of interest rate risk was effective. As at the end of the Reporting Period, balance of bond investment

of Hong Kong Branch was HKD54,668 million. In respect of bond issuance, during the Reporting Period, Hong Kong Branch successfully issued medium-term notes of USD1,000 million. On the other hand, the international ranking of Hong Kong Branch in terms of underwriting scale of US dollar-denominated bonds issued by Chinese companies was further improved. The number of bond underwriting transactions significantly increased by 92% as compared with the corresponding period of the previous year, reflecting the Company's brand influence and market position in the overseas bond markets. The new business of financial markets sector was under satisfactory progress and the scale of custody exceeded HKD16,500 million.

During the Reporting Period, individual business of Hong Kong Branch continued to increase rapidly. The individual wealth management of Hong Kong Branch was positioned as an internet-based simplified bank with online bank and mobile bank as basis. Focusing on cross-border wealth management business, Hong Kong Branch targeted to acquire medium and high-end customers and develop itself into an acquisition and operation platform of medium- and high-end customers of the Company in order to further enhance the cross-border comprehensive financial services. As at the end of the Reporting Period, the number of customers who had opened accounts for personal wealth management exceeded 40,000, total deposits amounted to HKD2,900 million and financial assets of domestic branches exceeded HKD10,000 million, which was contributed by individual customers of Hong Kong Branch. In respect of private banking business, the sales performance of "Minsheng Insurance (民生保)", a high-end retail banking product series, was satisfactory. 210 transactions in total were made during the Reporting Period and the total insurance premium of effective policies amounted to HKD3,067 million, which had effectively driven up the number of high-end private banking customers.

During the Reporting Period, net income of Hong Kong Branch of the Company amounted to HKD1,456 million, representing an increase of 37.88% as compared with the corresponding period of the previous year.

(VI) Distribution channels and operating services

1. Physical distribution channels

An effective domestic distribution network was established by the Company, which extended its business coverage to all provinces in Mainland China with 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 125 cities in Mainland China, including 132 branch-level institutions (including 41 tier-one branches, 82 tier-two branches and 9 remote sub-branches), 1,144 business outlets of sub-branches (including business departments), 1,347 community sub-branches, 157 small business sub-branches and 3,410 self-service banks (including on-site and off-site self-service banks), 6,888 self-service machines and 927 remote service equipment.

2. Channel Transformation

The Company concentrated on customers's experience, promoted innovations in operation models of channels and introduced customer-friendly bank hall, which facilitated the transformation of the bank hall of outlet into an integrated distribution channel offering customer-centric advisory and sales services. As at the end of the Reporting Period, a total of 805 outlets completed the bank hall transformation, accounting for 70.68% of all outlets. The efficiency of outlets was improved significantly.

3. Channel service

In order to maintain the customer experience, the Company monitored the service quality of different channels and optimised monitoring standards in order to improve customer services. During the Reporting Period, the Head Office monitored the service quality of all manual service channels of the Bank, including 1,140 standard outlets, 1,403 multifunctional outlets, 209 off-site remote self-services outlets, 95568 customer service hotline (95568客服) and credit card customer service. NPS supervision was introduced systematically in order to refine services from customers' perspective and maintain excellent services across the whole Bank.

In addition to improving service quality, the Company sought to become the "Top 1000 Advanced and Standardised Service Demonstration Units of China's Banking Industry (中國銀行業文明規範服務千佳示範單位)" in order to develop an outstanding market reputation and image. During the Reporting Period, 25 outlets of the Company were named as the "Top 1000 Advanced and Standardised Service Demonstration Units of China's Banking Industry (中國銀行業文明規範服務千佳示範單位)" by the China Banking Association.

4. Operation management

Adhering to the customer-centric operation philosophy, the Company continued to promote innovation in technologies, business models and services in order to enhance service efficiency and customer experience. Based on the reform requirement of "streamlining administration, delegating power, and improving regulation and services (放管服)", the corporate account services were improved and upgraded, account opening efficiency and outsourced services through "Cloud account (雲賬戶)" were greatly enhanced. Sharing of external data and the application of automatic processing technology was further promoted with more efficient account opening and improved customers' experience, which facilitated the setting up as well as development and expansion of small and micro-size enterprises and private enterprises. Taking the initiatives to innovate financial service in the banking industry, the Company was the first to launch "Remote Banking 1.0 (遠程銀行1.0)", a new remote financial service model providing customers with all-rounded and user-friendly services online and offline that can be "accessible anywhere and anytime through multimedia. The Company's "remote banking (遠程銀行)" won the "Remote Banking Brand Award (遠程銀行品牌獎)" by jrj.com.cn in 2018 and the "Outstanding Innovation Award of Remote Banking (傑出遠程銀行創新獎)" by the 16th China Finance and Economics Ranking.

Discussion and Analysis on Business Operation

(VII) Major equity investments and management of consolidated financial statements

As at the end of the Reporting Period, the Company had investments in subsidiaries amounting to RMB6,396 million. For details, please refer to the notes to the financial statements.

1. Minsheng Financial Leasing

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the former CBRC, was established in April 2008. 51.03% equity interest of Minsheng Financial Leasing was held by the Company.

During the Reporting Period, Minsheng Financial Leasing continued its transformation for high quality development with unique features. It promoted the "One Body and Two Wings (一體兩翼)" strategy and comprehensive reform, and strengthened the coordination with the Head Office. Satisfactory results had been achieved. As at the end of the Reporting Period, total assets and net assets of Minsheng Financial Leasing amounted to RMB173,669 million and RMB17,675 million, respectively.

Firstly, the development pattern was transformed to pursue high quality development with unique characteristics. Minsheng Financial Leasing further reduced the proportion of sale and leaseback and other traditional financial leasing businesses, and expanded the businesses related to the three major strategic segments of aircrafts, ships and vehicles as well as the leasing of real assets. Vehicle assets for the retail segment continued to increase, which further optimised the asset structure and supported the transformation towards high-quality development with unique characteristics.

Secondly, the implementation of "One Body and Two Wings (一體兩翼)" was promoted with satisfactory progress. Minsheng Financial Leasing established the three segments of operating lease, financial lease and assets transaction. Operating lease continued to record higher income growth as compared with financial lease and maintained sound development. The assets transaction business also showed a healthy and rapid growth. Satisfactory results had been achieved in the development progress of "One Body and Two Wings (一體兩翼)" with operating lease as the "One Body" and financial lease and asset transaction as the "Two Wings".

Thirdly, comprehensive reforms were carried out. In order to solve the defectives and achieve its goals, under the guidance of integrated market, professional management and centralised operation, Minsheng Financial Leasing continued its reform in terms of organisation structure, division of responsibilities and positions, procedures optimisation, standardised systems and technological support. The results were remarkable.

Fourthly, risk management was strengthened. Aiming to establish a comprehensive risk management system with the characteristics of Minsheng Financial Leasing, it shifted business focus back to its origin, strengthened management of the leased assets and effectively resisted risks arising from the complicated external market condition.

Fifthly, Minsheng Financial Leasing enhanced the strategic coordination with the Head Office, contributing to the new breakthroughs in the development of One Minsheng coordination mechanism. Minsheng Financial Leasing improved the mechanisms for the "coordination with the Head Office (總對總)" including profit distribution and performance appraisal. The Company promoted coordinated marketing with strategic customers as the focus, enhanced complementation with product coordination as the basis and strengthened management coordination with resource sharing as the core.

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. It mainly engages in fund raising, fund sales, asset management and other business approved by the CSRC.

As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB1,398 million and net assets of RMB920 million. A total of 44 public funds were managed under Minsheng Royal Fund, which covered various types with high, medium and low risks and cross-border products, and consisted of the most comprehensive wealth management, bond and fund product lines in the market. Total funds under its management was RMB134,100 million, of which non-monetary funds under its management was RMB91,300 million, ranking 20th in the industry. The absolute value of non-monetary funds increased by RMB36,200 million, ranking 5th in the industry in terms of the growth of scale. Number of products it managed for special accounts was 52, with a total amount of RMB40,500 million.

The investment performance of Minsheng Royal Fund was remarkable. According to the data of Galaxy Securities Fund Research Centre (銀河證券基金研究中心), in 2018, Minsheng Royal Fund ranked 27th out of 92 in terms of the active management capacity for equity investment, which was among the top 29%. It also ranked 8th out of 93 in terms of the active management capacity for debts, which was among the top 9%. Its leading position in the industry was further consolidated. With its consistent outstanding performance, Minsheng Royal Fund was awarded four more Golden Bull awards, namely "2017 Fixed Income Golden Bull Fund Company (2017年固定收益金牛基金公司)", "2017 Most Trusted Golden Bull Fund Company (2017年最受信賴金牛基金公司)", "2017 Three-year Open Hybrid Continued Superior Golden Bull Fund (2017年三年期開放式混合型持續優勝金牛基金)" and "2017 Most Popular Fund Manager (2017年最佳人氣基金經理)". With outstanding mid- and long-term results,

Minsheng Royal Fund has won 13 "Golden Bull awards (金牛奖)" (known as the Oscar award of the fund management industry) in five years, showing high recognition by the industry on its overall strengths.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 51% equity interest of Minsheng Royal Asset Management. Minsheng Royal Asset Management's registered capital was RMB668 million and the scope of business included asset management for specific customers and other businesses permitted by the CSRC. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB103,100 million.

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 the former CBRC. It has a registered capital of HKD3,000 million. CMBC International and its subsidiaries have licenses granted by the SFC to carry out activities of type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management). The principle business of CMBC International includes sponsorship of listing in Hong Kong, financial advisory on merger, acquisition and reorganisation, underwriting and issuance of bonds, asset management, securities brokerage, direct investment and structural financing. CMBC International is an important strategic platform for the integrated development and international expansion of the Company and will closely cooperate with the Company so as to offer all-round, diversified and one-stop financial services to the Company's customers.

As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD21,841 million and HKD17,935 million, respectively, representing increase of 41.77% and 39.12%, respectively, as compared with the end of the previous year. Equity attributable to the shareholders of Minsheng Bank amounted to HKD3,096 million (including capital contribution from the Company of HKD1,000 million), representing an increase of 54.57% as compared with the end of the previous year. During the Reporting Period, net profit of CMBC International and net profit attributable to the shareholders of Minsheng Bank amounted to HKD372 million and HKD270 million, respectively, representing increase of 65.33% and 40.63% as compared with the corresponding period of the previous year, respectively.

During the Reporting Period, adhering to the "One Minsheng Strategy (一個民生)", CMBC

International actively promoted the "One Body and Two Wings (一體兩翼)" strategy with structured financing (the main body) promoting the development of investment banking and asset management businesses (the two wings). Two sponsorship and underwriting projects, one sole underwriting project and three financial advisory projects on merger and acquisition and reorganisation were completed. The income contribution from investment banking business, primarily including underwriting and issuance of securities, sponsorship of listing in Hong Kong and financial advisory on merger and acquisition and reorganisation increased significantly and the assets under management recorded a rapid growth. The brand of investment banking services of CMBC International has been well-established. During the Reporting Period, CMBC International was dedicated to strengthening its corporate governance, compliance management and internal control system, which improved the overall risk prevention and control.

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 87 business outlets. Total assets amounted to RMB33,469 million. Net asset amounted to RMB3,133 million, outstanding balance of loans amounted to RMB19,024 million and balance of deposits amounted to RMB28,422 million.

During the Reporting Period, the Company adopted measures in compliance with the requirement of the Board to maintain "effective risk control, steady business development and effective internal management". The Company promoted Minsheng rural banks to follow strategy of vitalising rural areas and develop localised services for the rural areas, agriculture and farmers, small business customers as well as residents in communities. The Company specified its business positioning, explored local markets and improved service quality so as to facilitate sustainable development. Work has also been done to develop Minsheng rural banks as an important platforms to perform the social responsibilities and expand the Company's brand and service coverage to counties and villages.

The Company strictly complied with the requirements of regulatory policy, earnestly fulfilled the duties and further optimised the management system and mechanism of Minsheng rural banks. The Company continued to improve the technology system of rural banks and strengthen support in management and services so as to improve corporate governance, risk management, compliance operation and team building of rural banks. Capital replenishment of certain rural banks contributed to the healthy and sustainable development of Minsheng rural banks.

5. Structured entities consolidated to the financial statements of the Group

Structured entities consolidated to the financial statements of the Group include certain asset management plans and funds products issued, managed and/or invested by the Group. As the Group has authority over these structured entities, the Group has rights to variable returns from its involvement with the relevant activities and it could exercise control over the invested entities to affect the amount of the Group's variable returns. As a result, the Group has control over these structured entities.

As at the end of the Reporting Period, total assets of these structured entities were RMB303 million. None of the structured entities has significant impact on the financial statements of the Group.

6. Management of consolidated financial statements

During the Reporting Period, adhering to the strategic positionings as "a bank for NSOEs, a fintech-based bank and a bank of comprehensive services", the Company strengthened the management of its subsidiaries. The Group has improved the risk management and business coordination and enhanced the comprehensive service capability, and the operation of the Group remained stable.

The Company has established a four-level management system of consolidated financial statements, namely Board of Directors and Board of Supervisors, Senior Management, management departments of consolidated financial statements and subsidiaries. They have performed their responsibilities and duties properly. The Board is responsible for the formulation of basic management rules of consolidated financial statements. During the Reporting Period, the Board amended the "Administrative Measures on Consolidated Financial Statements (《併表管理辦法》)" to improve the performance of the Board and Senior Management. It enhanced the supervision and evaluation on management of consolidated financial statements and implemented relevant remedies required by the Board of Supervisors based on the special investigations. It also conducted special auditings and pressed ahead with the key and difficult tasks of management of consolidated financial statements. Satisfactory progress was achieved. The appraisal system of the management of consolidated financial statements was improved, the annual performance appraisal of subsidiaries would affect the individual performance appraisal of the Senior Management. The IT system for the management of consolidated financial statements was upgraded by adding centralised risk limits and risk early-warning functions, which enhanced the centralised risk management and control of the Group. The Senior Management performed daily management of consolidated financial statements in terms of finance, capital, risk management, internal control and compliance, business coordination, internal trading and other major aspects, in order to further enhance the effectiveness of the Group's management.

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 establishing a comprehensive risk management system.

(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 Commission of the Company, a platform consisting of risk management strategies, portfolio management and risk measurement tools has been established to control risks and support the strategic business transformation. The risk management system covers the whole process including pre-approval investigation, approval review, post-loan 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 will strive 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, the Company proactively took a series of measures to ensure the prudent and healthy development of all business lines, such as tightening the standards for customer admittance, facilitating business restructuring, promoting application of risk measurement tools, innovating the risk management approaches and strengthening asset quality management.

Firstly, the Company promoted structural adjustment with stricter policy guidance and optimised its business structure. The Company formulated and released the "Annual Risk Policy for 2018 (《2018年度風險政策》)", which covered all kinds of investment and financing businesses of the three business lines, namely corporate banking business, retail banking business and financial markets business. Various benchmarks were added for portfolio management. It set differentiated management objectives and requirements with clear guidance and quantitative indicators. Secondly, the Company adopted the NSOE strategy. At the beginning of the Reporting Period, it commenced the "Dingmin Project (鼎民計劃)", offering credit evaluation services to actively support the development of NSOEs. The Company also set up a special credit approval team for supply chain finance and a risk control team designated for entrepreneurial customers to secure business development. Thirdly, the Company adopted the small business strategy. While rapidly expanding the scale of small business finance, the assets quality of new small business customers of the Company was satisfactory, laying a solid foundation for future development. The Company enriched its small business credit product offerings with focus on collaterals. Through formulating differentiated operation standards, the business procedures were modified to enhance the approval efficiency. Fourthly, the Company properly coped

with the capital market risks. In view of the abnormal fluctuations in capital markets, the Company adhered to the philosophy of value investment, mitigated and reduced risk exposure through various measures such as reducing principal and leverage ratio. The Company strove to solve problems during its development. Fifthly, the Company enhanced the risk early-warning system. The "Compass" early-warning management system for operational risks based on big data technology was widely used in business units of the Company. The new model of early-warning management system with synergy between the Head Office and branches was stable. "Tianyan (天眼)", the early-warning system of the retail banking business, was launched to establish an active monitoring and early-warning management system. The Company formulated differentiated and segmented management strategies and set up a risk customer exit mechanism. Sixthly, the Company strengthened asset quality control through connecting the asset quality management to the individual performance of the Senior Management. The Company also carried out special activities and allocated additional resources for the collection and disposal of major troubled assets of corporate customers. The Company implemented centralised collection for retail customers and streamlined disposal mechanism for NPLs with collaterals. Through strengthening cash collection, centralising allowances and writing off and transferring non-performing assets, the Company effectively maintained stable asset quality. Seventhly, the Company promoted the application and upgrading of risk management tools. Risk management was enhanced with the application of big data, AI and other advanced technologies. Risk measurement results were also applied in credit approval, risk authorisation, credit limit setting, asset impairment and risk report.

(II) Market risk

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock 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 price risk and commodity price risk in accordance with the regulatory requirements and the rules of the Basel accords. 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 increasingly volatile environment of banking industry.

During the Reporting Period, the Company continued to enhance the proactive management of market risks and pressed ahead with various management tasks progressively. Firstly, the Company guided its subsidiaries to establish a standard and comprehensive risk management mechanism, and promoted market risk management on subsidiaries at group level. Secondly, the market risk management of off-balance sheet business was further enhanced when asset management business shifted its focus to net-value products. Thirdly, the measurement of default risk by counterparties of derivatives transactions was promoted, which also facilitated the application and upgrading of market risk measurement tools.

(III) Liquidity risk

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds in a timely manner or to cope with increase in assets or fulfill debt obligations at reasonable costs despite its solvent position. The targets of the liquidity risk management of the Company were to improve the management and measurement of liquidity risk and to strengthen the abilities to identify, monitor and measure liquidity risk, so that liquidity risk tolerance could remain at a relatively stable level with sufficient liquidity for the development of businesses. The Company also raise core liquidity risk control indicators to ensure that under stress circumstances, sufficient assets of high liquidity were available to be transferred to cash. It also aimed to enhance the capital efficiency with tolerable risk exposure.

During the Reporting Period, the policies concerning liquidity risk management adopted by the Company were as follows: Firstly, the Company improved the measurement and monitoring of liquidity risk, and refined the liquidity risk management system across the Company. Secondly, the Company monitored and managed interbank business as well as deposits and loans business in differentiated approaches so as to be well-prepared for the risks resulting from the fluctuations in capital business and deposit and loan business. Thirdly, the Company strengthened its monitoring of changes in monetary policies and analysis of interest rate in the market and enhanced the stress testing on liquidity to modify its risk early-warning and contingency plan. Fourthly, the Company paid close attention to changes in policies and market, evaluated liquidity risk regularly and made adjustment when necessary.

(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 and interruption of business.

During the Reporting Period, the Company consolidated the base of operational risk management and steadily pushed forward various operational risk management measures. Firstly, the Company enhanced the effectiveness of three major operational risk management tools, including internal review of operational risk and control of major business management of the Company, reporting and regular monitoring of data on major risk indicators, and improvement in quality and efficiency of reporting on operational risk loss data and consolidating the database of operational risk loss. Secondly, the Company refined the outsourcing risk management through revising management system, strengthening the approval for new projects and the management of outsourcers and conducting inspection and appraisal on management. Thirdly, the Company improved its business continuity management through optimising system and contingency plan for important businesses and conducting drills relating to the coordination among the Head Office, branches and sub-branches and among departments, which prioritised the risk scenarios where the system is paralysed while recovery means are available.

Discussion and Analysis on Business Operation

(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 banking financial institutions, or banking financial institutions suffering from commercial losses in a country or region 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 strengthen the identification and management of country risk. Firstly, the Company revised China Minsheng Bank Country Risk Management Measures (《中國民生銀行國別風險管理辦法》), which further clarified the duties and procedures of management of country risk. Secondly, the Company published the rating and quota of country risk during the Reporting Period. Country risk ratings and annual risk quotas of major countries and regions were specified in qualitative and quantitative indicators. Thirdly, the Company implemented standardised management of country risk reserves and promoted the application of country risk reserves to management accounting. Fourthly, the Company supervised country risk on a monthly basis and monitored the quota control, distribution of country risk exposure and public sentiment in relation to major country risk. Fifthly, the Company conducted special trainings on country risk management, and further strengthened the construction of three lines of defence for country risk. Sixthly, the Company improved the country risk management information system in relation to cross-border business approval and lending process.

(VI) Interest rate risk in banking book

Interest rate risk in banking books refers to the adverse changes in the level of interest rate, term structure and other factors which lead to loss on the economic value and overall revenue of banking books, primarily caused by the mismatch of the maturity profiles and benchmark rates between financial positions and instruments of the banking books as well as embedded options. It can be classified into gap risk, benchmark risk and option risk according to the risk categories.

During the Reporting Period, the Company continued to strengthen the management of interest rate risk in banking book by improving the identification, measurement, monitoring, control and mitigation. Firstly, the Company strengthened research on the monetary market and predication of interest rate trends, continued to monitor interest rate risk in banking book and improved the management and control of maturity mismatch and investment duration. Secondly, the Company optimised the asset and liability management system through which the Company regularly monitored the re-pricing of financial positions and instruments upon each maturity. It also measured and analysed interest rate risks in banking book, through re-pricing gap analysis, duration analysis, scenario analysis and stress testing. Thirdly, pursuant to the new rules of regulatory authorities on interest rate risk, the Company improved its risk management structure of interest rate risk in banking book and refined policy-making framework of risk management, including risk strategies, risk appetite and quota system. It also strengthened

management of consolidated financial statements so as to enhance risk control of business units. Fourthly, the Company continuously improved its techniques and methods of model management and further enriched its models to ensure the accuracy of risk measurement.

(VII) Reputation risk

Reputation risk of commercial banks 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, the Company regarded reputation risk management as one of its major tasks for maintaining normal operation and promoting favourable public opinion. It continued to improve the reputation risk management rules and mechanisms and 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》). Through daily management of reputation risk and proper handling of incidents concerning reputation risk, the Company mitigated and eliminated negative impacts through various methods and minimised losses and negative public influence with active and effective risk prevention. In respect of comprehensive risk management, the Company continued to refine its reputation risk management to develop a favourable public environment for the business development of the Company. Firstly, the Company promptly evaluated potential threat of contagion risk to predict potential public opinion risks, deployed special monitoring, and formulated plans in advance. Secondly, the Company actively publicised its contribution to and achievements in reform and innovation, business development, distinctive business, legal compliance and the fulfillment of social responsibility. Thirdly, the Company enhanced multilevel trainings on reputation risk management to consolidate the foundation of management. During the Reporting Period, the public image in general remained stable.

(VIII) Information technology risk

Information technology risk is the operational, legal and reputational risk due to natural factors, human factors, technical flaws and management defects in relation to the application of information technology in a commercial bank.

During the Reporting Period, the Company implemented information technology risk management in all areas, including information technology governance, information system development and maintenance, information safety, business continuity, outsourcing and auditing, and continued to improve the information technology risk management. Firstly, based on its strategy of positioning itself as a fintech-based bank, the Company implement fintech strategy. With data and technology as the two

driving forces, the Company implemented mid-to long-term plan for developing information technology and strengthened its digitalised and smart financial services. Secondly, the Company improved its data management, deepened the application of big data and solidified the foundation of big data platform. Through improving data quality and data standardisation, the big data service capability of the Company was strengthened, assisting the Company's transformation to "data-driven" model. Thirdly, the Company optimised the management and control procedures of operation and maintenance of production system and enriched the functions of platform. The Company centralised the management of operation and maintenance and continued to promote automatic, visualised and intelligent operation and maintenance, so as to facilitate its transformation towards active and intelligent operation and maintenance. Fourthly, the Company strengthened and optimised the information security management system and prevention system. The Company integrated information security products and resources to establish an overall internet security defense system and internet security awareness platform, so as to safeguard the security and stable operation of network and significant information system. Lastly, the Company improved its management and control of information technology risks through comprehensive information technology risk monitoring and implementing two lines of defense system comprising information technology risk evaluation and special risk evaluation. The Company also promoted the establishment of its internal control and compliance system and management structure to refine the monitoring, identification, handling and tracking mechanism of information technology risks.

(IX) Internal control and anti-money laundering

In respect of internal control and anti-money laundering, the Company further promoted reform and transformation and optimised governance structure, refined organisation structure, consolidated system foundation, strengthened inspection and problem rectification, enhanced accountability, appraisal and evaluation and fostered philosophy of compliance operation and management. All these efforts were aimed to enhance active identification and prevention and control of compliance risk. Firstly, the Company optimised its governance structure by restructuring and expanding the internal control committee, refining the internal control and compliance organisation structure and improving professional teams. Secondly, the Company improved the fundamental system and standards of internal control and compliance. The Company insisted to maintain compliance with external regulations for internal operation and promoted the setup of management systems. Thirdly, the Company further standardised and improved the professional standards of internal control and compliance inspection. Annual inspection plans and compliance checklist were formulated and implemented to ensure comprehensive compliance inspection covering all major issues and areas regarding business and management. Fourthly, with an aim to further enhance its internal control and compliance, the Company thoroughly rectified the problems found in internal and external inspections. Fifthly, the Company strengthened appraisal, evaluation and accountability of compliance, so as to raise awareness of active compliance and improve management effectiveness. Sixthly, the Company reinforced the management of its employees' conducts and refined the management and evaluation mechanisms regarding

employees' conducts. Lastly, the Company integrated the compliance culture into its corporate culture, which achieved satisfactory results during the Reporting Period. The core concepts including "the leaders shall be fully responsible for the internal control and compliance (內控合規一把手負總責)", "everyone shall be responsible for internal control and compliance (內控合規人人有責)", "compliance creates value (合規創造價值)" and "compliance becomes part of deeply ingrained culture (把守規矩變成習慣)" were formulated.

During the Reporting Period, pursuant to the opinions of the State Council on anti-money laundering, anti-terrorism financing and anti-tax avoidance and the new policies regarding anti-money laundering of regulatory authorities, the Company actively shouldered its responsibilities and optimised organisation structure, internal control mechanism, responsibility performance and systems through optimising and improving its anti-money laundering practices, implementating new regulatory policies and cooperating with PBOC in on-site inspections. The anti-money laundering mechanism and internal control and compliance mechanism of the Company and their effectiveness were significantly enhanced. Major initiatives on anti-money laundering were introduced by the Company during the Reporting Period. Firstly, the Company further refined the internal control system regarding anti-money laundering through improving its anti-money laundering mechanism based on the rectification opinions from regulatory inspection for 2017. Secondly, the Company cooperated with the PBOC in the on-site inspection for anti-money laundering at the Head Office for the first time in order to thoroughly review the effectiveness of its anti-money laundering measures. Thirdly, the Company conveyed the message of "anti-Money laundering meeting for financial industry (金融系統反洗錢工作會議)" to the whole Bank and requested all Directors, Supervisors and Senior Management to perform their duties diligently, so as to enhance the performance of anti-money laundering of chief executives. Fourthly, the Company implemented identification of beneficiary owners and standardised and improved the due diligence on customers in all aspects. Fifthly, suspicious transaction reports were reviewed and administered by the Head Office of the Company, and the quality of such reports was highly recognised by regulatory authorities. Sixthly, the Company was praised by public security authority and regulatory authority for reporting useful information about suspicious transactions and cooperating with public security authorities in cracking various serious anti-money laundering cases. Seventhly, the Company organised promotion and training activities of anti-money laundering and the theme campaign against anti-money laundering won the first prize of "Golden Camera (金鏡頭)", a photography award of the Company. Lastly, the Company refined its anti-money laundering system and blacklist management system, and established a system for suspicious transactions monitoring and list management covering all customers and all transactions.

During the Reporting Period, no domestic and overseas institutions or staff of the Company were found to have participated in or be involved in any money laundering and terrorist financing activities.

XI. Prospects and Measures

(I) Competition and development trend of the banking industry

In 2019, the risk of global economic slowdown is expected to increase. The financial cycle will move towards the downward end, and trade protectionism will lead to greater conflicts and uncertainties in major areas. Geopolitics factors may further hinder the global economic recovery. In China, due to pressure from the increasing uncertainties of private investment, the slackening growth of real estate industry chain, the Sino-US trade friction and other negative impacts, the economic growth is expected to slow down, and insufficient demand will be one of the most prominent problems in the general economy as it will affect the pricing system, output level and employment situation to a certain extent. As the infrastructure industry will boost the demand for household consumption and enterprise investments, it will become an important pillar supporting the development of a strong domestic market with stable economic growth. With an aim to "stabilise the aggregate demand (穩定總需求)", the overall macro economic policies will focus on strengthening countercyclical measures. Proactive fiscal policies, such as further reducing taxes and surcharges and expanding the issuance size of special bonds by local governments, will be pushed forward. In order to maintain a reasonable and sufficient liquidity, steady and moderate monetary policies will be introduced. In anticipation of the possible rate cut, the interest rate in credit market is expected to drop steadily.

Affected by external factors, in 2019, the banking industry will face new opportunities and challenges. In respect of opportunities, firstly, the banking industry in China may still see considerable business opportunities arising from the huge potential investment demand under the development phase. Pursuant to the development strategies to boost domestic demand and promote high-quality economic development, China will exert greater efforts in strengthened areas of weakness in infrastructure projects, science and technology development, environment protection and people's livelihood through speeding up the construction of trunk passageways and "the last kilometer" infrastructure projects. China will also strongly support the technological upgrading of manufacturing industries and new infrastructure projects, such as artificial intelligence and the Internet of Things. With an aim to promote steady growth of effective investment, China will encourage and standardise the PPP model. The above initiatives will create new business opportunities for the banking industry. Secondly, the government will further encourage household consumption to stimulate the potential purchasing power of residents, which will foster the development of retail banking business. Through optimising the consumption system in various aspects, such as objects of consumption, consumption pattern and environment, consumption ability and expectation, the Chinese government will further explore new growth drivers of consumption, bringing favourable development opportunities to education, child care, elderly care, healthcare, cultural, tourism and other industries related to public benefits. In addition, individual tax reform and the improvement in policies will also support consumption and further stimulate consumption credit and other comprehensive financing demands. Thirdly, as the government strongly supports the development of NSOEs and small and micro enterprises, the business environment has been improved which will generate new opportunities for banks in relation to small business finance and corporate banking business for NSOEs. Since 2018, the government has introduced a series of initiatives to support NSOEs and small and micro enterprises in resolving their financing problems through various means. The

government has also reduced taxes and surcharges, streamlined administration and delegated powers. The business environment of NSOEs and small and micro enterprises have been continuously improved, which facilitates further expansion of the banking industry in addition to improving asset quality. Fourthly, leveraging on better regional coordination, the benefits of economies of scale have been shown. The high-quality development creates strong demands for regional financial service. The coordinated development of Beijing, Tianjin and Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta region and other regions shows distinctive features. With the rapid integration of innovative factors, the new leading industries have developed rapidly and become an important momentum for high-quality development. The future policies will focus on coordinating the development of eastern China, central China and western China, while increasing support will be given to the development of Beijing-Tianjin-Hebei region, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta region and other core regions. Driven by the radiant power of core cities and integration of core factors, the development of innovative industries and enterprises and urbanisation have been progressing gradually, creating demands for financial services in different aspects at different levels. Lastly, the tightened financial regulations and accelerated reform in capital market will facilitate the comprehensive and sustainable development of commercial banks. After achieving great progress in tightening supervision, de-leveraging and restoring order, the government will focus on "expanding legitimate channels and eliminating illegal practices (開正門，堵旁門)". In addition, the objectives of speeding up capital market reform and raising the proportion of direct financing will promote the comprehensive and sustainable development of commercial banks and stimulate the growth of non-interest income.

In respect of challenges, firstly, the banking industry will be required to adjust its strategies and develop business plans in a timely manner as the traditional growth model of the banking industry will continue to face challenges. The development model of the banking industry will be materially affected by the slow growth of economy, transformation and upgrading of industry structure, interest rate liberalisation, financial disintermediation, emerging of fintech, standardisation of regulation, bi-directional opening and other changes in external environment. Therefore, the banking industry shall pay close attention to the changes in the general development environment in China and overseas and strive to convert itself into a light-capital, diversified and differentiated industry with refined management and advanced technology. Secondly, as the capital constraints have been tightened, strengthening endogenous growth capacity and optimising the functions of capital market are the urgent priorities of the banking industry. Facing challenges brought by increasing capital consumption, tightening regulatory and limited internal and external replenishment channels, it is necessary for the banking industry to make prudent capital planning, alter its growth patterns and have proper capital replenishment plan. Thirdly, as asset quality may be under pressure, the banking industry shall take various measures to enhance its risk prevention and control. At present, the financial sector is exposed to high risks and under the pressure of economic downturn. Therefore, the banking industry is likely to be exposed to huge credit risks. In addition, the banking industry is facing complicated and ever-changing market risks arising from the unstable and fluctuated global financial market, creating greater difficulties in risk management. The banking industry is required to have forward-looking insight and make adjustment in a timely manner. The banking industry is also required to strengthen its internal compliance awareness and risk management that covers all procedures through paying close attention to the changes in traditional high risk and potential risk exposure.

(II) Development strategies of the Company

To cope with changes in external conditions and internal development demands, the Company has formulated the Overall Implementation Scheme for Reform and Transformation and the Three-year Development Plan of China Minsheng Bank (《中國民生銀行改革轉型暨三年發展規劃整體實施方案》) in order to accelerate the implementation of its reform and transformation. In the coming three years, the Company will be committed to becoming a benchmark bank with distinctive features, increased value and continuous innovation. The Company will also strategically position itself as a bank for NSOEs, a fintech-based bank and a bank of comprehensive services. 2019 is a critical year for the effective implementation of reform and transformation as well as the three-year development plan.

A bank for NSOEs. With its focus on NSOEs and the people, the Company will focus on large-and medium-size high-quality NSOEs, enterprises along the upstream and downstream of the supply chain of core enterprises and small and micro enterprises, and serve as a financial butler of NSOE customers and their senior management with integrated, customised and comprehensive financial services. It will strive to become the host bank and preferred bank of the NSOE customers.

A fintech-based bank. The Company will vigorously develop direct bank, small business online credit and credit card online customer acquisition to strengthen technology finance and secure its leading position in the industry. It will also enhance its scientific and technological capacity so that technology can empower business. The Company will improve its intelligent level in finance service to build China's internet bank with the best customer experience.

A bank of comprehensive services. The Company will expedite its business layout diversification to cover fields including trust, leasing, fund and asset management and achieve integrated and comprehensive services of the Group. The Company also aims to establish a cross-selling and business coordination mechanism under "One Minsheng" strategy to provide its customers with comprehensive financial services with the integration of commercial, investment and transaction banking and the combination of capital, intelligence and commerce. The Company will prioritise its customers and provide integrated and comprehensive services through the cooperation of front, middle and back offices.

In the implementation of the new three-year plan and the promotion of reform and transformation, the Company will stick to the overall operation strategy of "light-capital, optimised liabilities, adjusted structure, promoted coordination and secured quality" and deploy its three major innovative businesses, three principal businesses and five major business segments based on the core principles of high quality development and efficiency. Its deployment includes strengthening the three primary businesses, namely direct bank, small business finance and investment banking; consolidating the three leading businesses,

namely credit card, supply chain finance and asset management; and enhancing the five major business segments, namely corporate finance, retail finance, financial markets, internet finance and comprehensive operation. On the basis of the above deployment, the Company will transform itself into a benchmark bank of the industry principally engaging in a digitalised, light-capital and comprehensive business in addition to traditional business. In addition, greater reform and innovation efforts will be made. With innovative mechanisms and systems of its major management aspects, the Company will be able to revitalise its structure. It will also establish a customer-centric operation and management system and extensively enhance its professional management to facilitate and support the implementation of its business development strategies.

Looking forward, focusing on the three major tasks, namely serving the real economy, preventing and mitigating financial risks and promoting financial reform, the Company will thoroughly study the economic and financial development and market changes, maintain its prudent operation and promote reform and transformation. Through stabilising growth, restructuring business, preventing risks, promoting coordination, optimising mechanism and consolidating foundation, the Company aims to promote its high-quality growth and strengthen its capability to serve real economy.

(III) Potential risks

Firstly, the global economy showed a moderate growth during the Reporting Period. The recovery pace of different sectors varied. Due to negative factors including trade protectionism, the economic growth in China further slowed down. In addition, the structural deleveraging resulted in operation difficulties and tightened liquidity of certain enterprises. Banks scaled down credit expansion and strengthened the monitoring and control on assets quality. Difficulty in collection and disposal of non-performing assets continued to increase. In addition, as the central government has repeatedly urged to enhance the capability of financial industry in serving the real economy, commercial banks will face direct pressures on solving the NSOEs' and the small and micro enterprises' difficulties in high cost of financing while prohibiting the loans extension without approval or in violation of standards. Moreover, reducing existing loans in areas such as the capital market, government platform and real estate industry remains a long-term and protracted process which needs to be carried out carefully and progressively. At last, under the pressures on business efficiency and assets quality, banks have to balance the short-term and long-term income while ensuring investors can have their promised income. Banks shall also enhance their sustainability and profitability while controlling the risks in relation to credit, market, operational, liquidity and information technology.

Facing new opportunities and challenges, the Company will insist to putting risk prevention and control as the top priority and strive to eliminate risks as soon as these risks arise. The Company will further enhance its overall comprehensive risk management and promote healthy and orderly development of business from the perspectives of philosophy, mechanism, culture, teams and techniques.

Changes in Share Capital and Information on Shareholders

I. Ordinary Shares

(I) Changes in ordinary shares

(Unit: Share)

	31 December 2017		Changes over the Reporting Period (+,-)	31 December 2018	
	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	+7,297,069,750	43,782,418,502	100.00
1. Ordinary shares in RMB	29,551,769,344	81.00	+5,910,353,869	35,462,123,213	81.00
2. Domestic listed foreign invested shares	–	–	–	–	–
3. Overseas listed foreign invested shares	6,933,579,408	19.00	+1,386,715,881	8,320,295,289	19.00
4. Others	–	–	–	–	–
III. Total number of ordinary shares	36,485,348,752	100.00	+7,297,069,750	43,782,418,502	100.00

Note: The proposed plan of capital reserve capitalisation for 2017 of the Company was considered and approved at the 2017 annual general meeting, and was completed in July 2018. The Company issued a total of 7,297,069,750 additional shares to A share holders and H share holders whose names appeared on the registers of members as at the record dates in a proportion of 2 shares for every 10 share being held. The total number of ordinary shares of the Company increased from 36,485,348,752 to 43,782,418,502 after the capital reserve capitalisation while the shareholding structure remained unchanged, of which, the total number of ordinary shares in RMB (A share) was 35,462,123,213 and the total number of overseas listed foreign shares (H share) was 8,320,295,289.

(II) Shares subject to restriction on sales and restrictions

During the Reporting Period, no shareholder of the Company held shares subject to restriction on sales.

II. Sufficiency of Public Float

According to the public information 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.

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

Not applicable.

(II) Total number of ordinary shares and changes in shareholding structure

The proposed plan of capital reserve capitalisation for 2017 of the Company was considered and approved at the 2017 annual general meeting and was completed in July 2018. The Company issued a total of 7,297,069,750 additional shares to A share holders and H share holders whose name appeared on the registers of members as at the record dates in a proportion of 2 shares for every 10 shares being held. The total number of ordinary shares of the Company increased from 36,485,348,752 to 43,782,418,502 after the capital reserve capitalisation while the shareholding structure remained unchanged, of which, the total number of ordinary shares in RMB (A share) was 35,462,123,213 and the total number of overseas listed foreign shares (H share) was 8,320,295,289.

(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, redeemed and settled the following outstanding bonds:

(I) 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 former 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 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 former 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: 090801), 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 10 years if the Company does not exercise any redemption option. The floating interest rate bonds (bond name: 09 Minsheng 02; bond code: 090802) 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.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as supplementary capital of the Company. Pursuant to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) adopted by the former 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 2018, the prevailing interest of RMB264,900,000 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 Banking Corp., Ltd. 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 19 April 2018 with the bond rating of AA+, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn.)

(II) Subordinated Bonds of 2011

Pursuant to the approval by the former 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 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 through 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 coupon rate of 5.50% and were early redeemed on 18 March 2016, 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 coupon rate of 5.70%. These subordinated bonds granted the issuer a one-off early redemption option, that is, subject to the approval by the former 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.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as supplementary capital of the Company. Pursuant to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) adopted by the former 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 18 March 2018, the prevailing interest of RMB228,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the 15-year subordinated bonds of China Minsheng Banking Corp., Ltd. 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 19 April 2018 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn.)

(III) Tier-Two Capital Bonds of 2014

Pursuant to the approval by the former 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 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 capital bonds was AAA. These tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 6.60%. The interest was payable 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 former CBRC upon the exercise of redemption option, the Company may, subject to the approval by the former CBRC, exercise one-off redemption for 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 former CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as supplementary capital of the Company. Pursuant to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) adopted by the former CBRC on 1 January 2013, 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 2018, 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 Banking Corp., Ltd. 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 19 April 2018 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn.)

(IV) Tier-Two Capital Bonds of 2015

Pursuant to the approval by the former 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 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 capital bonds was AAA. These tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 5.40%. The interest was payable 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 former CBRC upon the exercise of redemption option, the Company may, subject to the approval by the former 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 former CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as supplementary capital of the Company. Pursuant to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) adopted by the former CBRC on 1 January 2013, 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 2018, 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 Banking Corp., Ltd. 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 19 April 2018 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 2016

Pursuant to the approval by the former 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 public offering in 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 capital bonds was AAA. These tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 3.50%. The interest was payable 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 former CBRC upon the exercise of redemption option, the Company may, subject to the approval by the former 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 former CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as supplementary capital of the Company. Pursuant to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) adopted by the former CBRC on 1 January 2013, 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 31 August 2018, the prevailing interest of RMB700,000,000 was distributed to the bond investors.

Changes in Share Capital and Information on Shareholders

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Banking Corp., Ltd. of 2016 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 19 April 2018 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn.)

(VI) Financial Bonds of 2016

Pursuant to the approval by the former 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 installment of financial bonds (bond name: 16 Minsheng Bank 01; bond code: 1628017) with a total amount of RMB20,000 million through 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 coupon rate of 2.95%. The interest was payable on an annual basis. According to applicable rules, the proceeds from the bonds were used for loan extension, including, but not limited to, loans to small and micro enterprises and agricultural loans. The use of the proceeds was as stated in the prospectus.

On 28 October 2018, the prevailing interest of RMB590,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the first installment of the financial bonds of China Minsheng Banking Corp., Ltd. of 2016 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 19 April 2018 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn.)

(VII) Financial Bonds of 2017

Pursuant to the approval by the former 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 financial bonds (bond name: 17 Minsheng Bank 01; bond code: 1728004) with a total amount of RMB30,000 million through public offering in the national interbank bond market on 7 March 2017. 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 coupon rate of 4.00%. The interest was payable on an annual basis.

According to applicable rules, the proceeds from the issuance of bonds were used for loan extension, including, but not limited to, loans to small and micro enterprises and agricultural loans. The use of the proceeds was as stated in the prospectus.

On 9 March 2018, the prevailing interest of RMB1,200,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the first installment of the financial bonds of China Minsheng Banking Corp., Ltd. of 2017 was RMB30,000 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 19 April 2018 with the bond rating of AAA, which was the same as the previous year. For details, please refer to www.chinabond.com.cn.

(VIII) Tier-Two Capital Bonds of 2017

Pursuant to the approval by the former CBRC (Yin Jian Fu [2017] No. 178) (銀監覆[2017]178號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2017] No.140) (銀市場許准予字[2017]第140號), the Company issued the first installment of tier-two capital bonds of China Minsheng Banking Corp., Ltd. of 2017 (bond name: 17 Minsheng Tier-Two 01; bond code: 1728016) and the second installment of tier-two capital bonds of China Minsheng Banking Corp., Ltd. of 2017 (bond name: 17 Minsheng Tier-Two 02; bond code: 1728023) through public offering in the national interbank bond market on 12 September 2017 and 27 November 2017, respectively. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the two installments of tier-two capital bonds was AAA. The two installments of tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 4.70%. The interest was payable on an annual basis. The two installments of 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 former CBRC upon the exercise of redemption option, the Company may, subject to the approval by the former 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 former CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as supplementary capital of the Company. Pursuant to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) adopted by the former CBRC on 1 January 2013, the proceeds from the issuance of the two installments of bonds were fully accounted as tier-two capital of the Company. The use of the proceeds was as stated in the prospectus.

On 14 September 2018, the prevailing interest of RMB705,000,000 was distributed to the investors of the first installment of bonds. On 29 November 2018, the prevailing interest of RMB705,000,000 was distributed to the investors of the second installment of bonds.

As at the end of the Reporting Period, the balance of the first installment and second installment of tier-two capital bonds of China Minsheng Banking Corp., Ltd. of 2017 was RMB30,000 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 19 April 2018 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn.)

(IX) Special Financial Bonds for Small and Micro Enterprises of 2018

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2018] No.189) (銀保監覆[2018]189號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2018] No.211) (銀市場許准予字[2018]第211號), the Company issued the first and second installments of special financial bonds for small and micro enterprises with a total amount of RMB60,000 million through public offering in the national interbank bond market on 22 November and 14 December 2018, respectively. As assessed by Dagong International Credit Rating Company Limited, the credit ratings of the two installments of financial bonds were AAA. The first installment of the financial bonds of China Minsheng Bank of 2018 (bond name: 18 Minsheng Bank 01; bond code: 1828016), amounting to RMB40,000 million, was issued on 22 November 2018 for a term of three years with fixed coupon rate of 3.83%. The interest was payable on an annual basis. The second installment of the financial bonds of China Minsheng Bank of 2018 (bond name: 18 Minsheng Bank 02; bond code: 1828020), amounting to RMB20,000 million, was issued on 14 December 2018 for a term of three years with fixed coupon rate of 3.76%. The interest was payable on an annual basis.

The proceeds from the issuance of RMB60,000 million special financial bonds for small and micro enterprises were specifically used for the extension of loans to small and micro enterprises. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the special financial bonds for small and micro enterprises of 2018 was RMB60,000 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 former 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) with a total 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-one capital of the Company.

For the issuance terms of the offshore preference shares, please refer to the announcements of the Company published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Company.

(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 this Annual Report for the year (i.e. 28 February 2019), the number of holder of offshore preference shares of the Company was one.

Changes in Share Capital and Information on Shareholders

Particulars of shareholding of the top 10 holder(s) 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 2018):

(Unit: Share)

Name of shareholder	Type of shareholder	Class of share	Changes over the Reporting Period	Shareholding 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	–	100	71,950,000	–	Unknown

Notes:

1. The number of shares held by the preference shareholder was recorded in accordance with the register of holders of preference shares of the Company;
2. As the preference shares were issued through private offering in 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 holder of preference shares and the top 10 shareholders of ordinary shares.

(III) Changes in offshore preference shares

(Unit: Share)

Class of offshore preference shares	Offshore preference shares issued as of 31 December 2017	Changes over the Reporting Period	Offshore preference shares issued as of 31 December 2018
USD preference shares	71,950,000	–	71,950,000

(IV) Profit distribution of preference shares

The dividend of the offshore preference shares of the Company was payable in cash on an annual basis. Any fraction of dividends not paid to holders of preference shares will not be accumulated to the following dividend year. The holders of preference shares will receive dividends at the agreed coupon rate, and they shall not be entitled to participate in the distribution of remaining profit with ordinary share holders. Pursuant to the resolution and authorisation passed at the first extraordinary general meeting for 2016, the first A share class meeting for 2016 and the first H share class meeting for 2016, the profit

distribution plan for the offshore preference shares was considered and approved at the 12th meeting of the seventh session of the Board on 30 October 2018. According to the term of the issuance of the offshore preference shares, the Company distributed dividends of USD79,145,000 (tax inclusive) to the holders of offshore preference shares of the Company whose name appeared on the register of members on the record date on 14 December 2018. The aforementioned dividends for the offshore preference shares amount to approximately RMB551 million (tax inclusive). According to relevant PRC laws and regulations, when the Company distributes dividends for the offshore preference shares, it shall withhold and pay income tax at the rate of 10%. According to the relevant requirements of the terms and conditions of the offshore preference shares of the Company, the Company shall bear such tax, in addition to the dividends for the offshore preference shares.

For details of the distribution of dividends for the offshore preference shares, please refer to the announcements of the Company published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Company.

(V) Other information on the preference shares

During the Reporting Period, no preference shares of the Company have been repurchased, converted into ordinary shares nor 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. The issued and existing preference shares of the Company were accounted as other equity instruments.

The capital reserve for 2017 of the Company was capitalised by issuing shares to holders of A shares and holders of H shares on 6 July 2018 and 27 July 2018, respectively. The conversion price of offshore preference shares was adjusted from HKD7.56 per H share to HKD6.30 per H share in accordance with the relevant requirements of the compulsory conversion clause of the offshore preference shares with effect from 27 July 2018. In addition, based on the adjustment formula of the conversion price of the domestic preference shares, the conversion price of the proposed domestic preference shares of the Company will be adjusted from RMB8.79 per A share to RMB7.33 per A share. For details of the adjustment on the conversion prices of the offshore preference shares and the domestic preference shares, please refer to the announcement of the Company dated 27 July 2018 published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Company.

Changes in Share Capital and Information on Shareholders

VI. Shareholders

(I) The table below sets out the top 10 shareholders of the Company and their shareholdings:

(Unit: Share)

Total number of ordinary share holders at the end of the Reporting Period	389,603
Total number of ordinary share holders at the end of the month immediately prior to the disclosure of the Annual Report	386,299

Particulars of shareholding of the top 10 ordinary share holders						
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	18.92	8,282,868,954	1,383,255,784	–	Unknown
Anbang Life Insurance Co., Ltd. – Conservative Investment portfolio	Domestic legal person	10.30	4,508,984,567	4,506,985,061	–	Nil
Anbang Life Insurance Co., Ltd. – Steady Investment Portfolio	Domestic legal person	6.49	2,843,300,122	473,883,354	–	Nil
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.61	2,019,182,618	336,530,436	–	2,015,582,617
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,828,327,362	304,721,227	–	Nil
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,379,679,587	229,946,598	–	1,379,678,400
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	Domestic non-state-owned legal person	3.14	1,375,763,341	229,293,890	–	Nil
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	3.00	1,314,284,476	227,367,070	–	Nil
Orient Group Incorporation	Domestic non-state-owned legal person	2.92	1,280,117,123	213,352,854	–	1,279,999,488
China Securities Finance Corporation Limited	Domestic legal person	2.87	1,254,418,908	-480,232,928	–	Nil

Changes in Share Capital and Information on Shareholders

Shareholding of top 10 holders of ordinary shares not subject to restriction on sales		
Name of shareholder	**Number of shares held not subject to restriction**	**Class of shares**
HKSCC Nominees Limited	8,282,868,954	H shares
Anbang Life Insurance Co., Ltd. — Conservative Investment Portfolio	4,508,984,567	A shares
Anbang Life Insurance Co., Ltd. — Steady Investment Portfolio	2,843,300,122	A shares
China Oceanwide Holdings Group Co., Ltd.	2,019,182,618	A shares
New Hope Liuhe Investment Co., Ltd.	1,828,327,362	A shares
Shanghai Giant Lifetech Co., Ltd.	1,379,679,587	A shares
Huaxia Life Insurance Co., Ltd. — Universal Insurance Product	1,375,763,341	A shares
China Shipowners Mutual Assurance Association	1,314,284,476	A shares
Orient Group Incorporation	1,280,117,123	A shares
China Securities Finance Corporation Limited	1,254,418,908	A shares
Statement on the related relationship or concerted actions among the aforesaid shareholders	Orient Group Incorporation and Huaxia Life Insurance Co., Ltd. had entered into an acting in concert agreement. The Company is not aware of any related relationship among shareholders save as mentioned above.	

Notes:

1. The number of shares held by holders of H shares 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 2018.

(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 2018, 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 and 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 Life Insurance Co., Ltd.	A	Long	Beneficial owner	7,352,284,689	1	20.73	16.79
Anbang Insurance Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	7,352,284,689	1	20.73	16.79
	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	457,930,200	2	5.50	1.05
Orient Group Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959	3	8.60	6.96
Orient Group Incorporation	A	Long	Party to the acting in concert agreement	3,048,721,959*	3	8.60	6.96
Huaxia Life Insurance Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959*	3	8.60	6.96
China Oceanwide Holdings Group Co., Ltd.	A	Long	Beneficial owner	2,019,182,618	4 and 5	5.69	4.61
Oceanwide Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,019,182,618	4 and 5	5.69	4.61
Tohigh Holdings Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,019,182,618	4 and 5	5.69	4.61

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 Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	6 and 9	5.44	4.41
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,828,327,362*	6	5.16	4.18
New Hope Liuhe Investment Co., Ltd.	A	Long	Beneficial owner	1,828,327,362*	6	5.16	4.18
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,930,715,189*	7 and 9	5.44	4.41
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	8 and 9	5.44	4.41
Oceanwide International Equity Investment Limited	H	Long	Beneficial owner	604,300,950			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	408,000,000			
				1,012,300,950	10	12.17	2.31
Shi Jing	H	Long	Person who set up a discretionary trust	798,024,133	11 and 12	9.59	1.82
Abhaya Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	798,024,133	11 and 12	9.59	1.82
Wickhams Cay Trust Company Limited	H	Long	Trustee	798,024,133	11 and 12	9.59	1.82

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 (%)
Divine Celestial Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	11	8.58	1.63
JH International Investment Company Limited	H	Long	Beneficial owner	713,501,653	11	8.58	1.63
Guotai Junan International Holdings Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	703,204,200	13 and 14	8.45	1.61
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	703,203,853	13 and 14	8.45	1.61
Guotai Junan Securities Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	703,204,200	13 and 14	8.45	1.61
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	703,203,853	13 and 14	8.45	1.61
Shanghai International Group Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	703,204,200	13 and 14	8.45	1.61
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	703,203,853	13 and 14	8.45	1.61

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 (%)
Anbang Property and Casualty Insurance Co., Ltd.	H	Long	Beneficial owner	457,930,200	2	5.50	1.05
BlackRock, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	435,882,321	15	5.24	1.00
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	5,954,700	15	0.07	0.01

* 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 2018. 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 the SFO.

Notes:

1. Anbang Insurance Group Co., Ltd. was deemed to have interests in the 7,352,284,689 A shares of the Company by virtue of its control over 99.98% of the issued share capital of Anbang Life Insurance Co., Ltd.

2. Anbang Insurance Group Co., Ltd. was deemed to have interests in the 457,930,200 H shares of the Company by virtue of its control of the issued share capital of Anbang Property and Casualty Insurance Co., Ltd.

3. The interests that Orient Group Co., Ltd. (which held 35,000,000 A shares of the Company), Orient Group Incorporation (which held 1,280,117,123 A shares of the Company) and Huaxia Life Insurance Co., Ltd. (which held 1,733,604,836 A shares of the Company) held in the 3,048,721,959 A shares, as set out in the above table, were deemed to be jointly owned by the three parties after they had become persons acting in concert.

4. The 2,019,182,618 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.

   According to the SFO, Mr. Lu Zhiqiang, Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd. were deemed to have interests in the 2,019,182,618 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 2,019,182,618 A shares, as set out in the above table, were from the same block of shares.

6. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe 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 Liuhe 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. 24.86% and 29.08% 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 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd.

Changes in Share Capital and Information on Shareholders

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 1,930,715,189 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. (see note 6 above). According to the SFO, Ms. Liu was deemed to have interests in the 1,930,715,189 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 1,930,715,189 A shares, as set out in the above table, were from the same block of shares.

10. The 1,012,300,950 H shares (Long position) comprised 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 408,000,000 H shares directly held by Long Prosper Capital Company Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of 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. 68.02% 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.

11. The 798,024,133 H shares (in which 703,203,853 H shares were held through unlisted derivatives (convertible instruments)) comprised 84,522,480 H shares directly held by Liberal Rise Limited and 713,501,653 H shares directly held by JH International Investment Company Limited. JH International Investment Company Limited was a wholly-owned subsidiary of Divine Celestial Limited. Divine Celestial Limited and Liberal Rise Limited were wholly-owned subsidiaries of Abhaya Limited, which was wholly-owned by Wickhams Cay Trust Company Limited. Ms. Shi Jing is the founder of the discretionary trust.

    According to the SFO, Divine Celestial Limited was deemed to have interests in the 713,501,653 H shares held by JH International Investment Company Limited. Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited were deemed to have interests in the 84,522,480 H shares held by Liberal Rise Limited and 713,501,653 H shares held by JH International Investment Company Limited.

12. The interests that Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited held in the 798,024,133 H shares, as set out in the above table, were from the same block of shares.

13. The 703,204,200 H shares (Long position) and the 703,203,853 H shares (Short position) were directly held by Guotai Junan Financial Products Limited. Guotai Junan Financial Products Limited was an indirectly wholly-owned subsidiary of Guotai Junan International Holdings Limited, of which 64.66% of interests were indirectly held by Guotai Junan Securities Co., Ltd. 30.93% 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 703,204,200 H shares (Long position) and 703,203,853 H shares (Short position) held by Guotai Junan Financial Products Limited.

    Besides, 586,993,500 H shares (Long position) and 586,993,211 H shares (Short position) were held through unlisted derivatives as follows:

    480,041,500 H shares (Long position) — through physically settled derivatives
    106,952,000 H shares (Long position) and 586,993,211 H shares (Short position) — through cash settled derivatives

14. The interests that Guotai Junan International Holdings Limited, Guotai Junan Securities Co., Ltd. and Shanghai International Group Co., Ltd. held in the 703,204,200 H shares (Long position) and 703,203,853 H shares (Short position), as set out in the above table, were from the same block of shares.

Changes in Share Capital and Information on Shareholders

15. BlackRock, Inc. had a long position in 435,882,321 H shares (in which 945,500 H shares were held through cash settled unlisted derivatives) and a short position in 5,954,700 H shares (in which 2,040,400 H shares were held through cash settled unlisted derivatives) 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:

15.1 BlackRock Holdco 6, LLC was indirectly owned as to 90% by BlackRock, Inc. BlackRock Holdco 6, LLC had interests and short positions in the Company through the following indirect wholly-owned corporations:

15.1.1 BlackRock Institutional Trust Company, National Association held 78,281,982 H shares (Long position) and 4,193,800 H shares (Short position) in the Company.

15.1.2 BlackRock Fund Advisors held 189,712,388 H shares (Long position) in the Company.

15.2 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:

15.2.1 BlackRock Japan Co., Ltd. held 22,030,196 H shares (Long position) in the Company.

15.2.2 BlackRock Asset Management Canada Limited held 1,954,199 H shares (Long position) in the Company.

15.2.3 BlackRock Investment Management (Australia) Limited held 2,056,020 H shares (Long position) in the Company.

15.2.4 BlackRock Asset Management North Asia Limited held 4,214,690 H shares (Long position) in the Company.

15.2.5 BlackRock (Singapore) Limited held 53,500 H shares (Long position) in the Company.

15.3 BlackRock Group Limited was owned as to 90% by BR Jersey International Holdings L.P. (see note 15.2 above). BlackRock Group Limited had interests and short positions in the Company through the following direct or indirect wholly-owned corporations:

15.3.1 BlackRock (Netherlands) B.V. held 1,135,900 H shares (Long position) in the Company.

15.3.2 BlackRock Advisors (UK) Limited held 1,112,800 H shares (Long position) in the Company.

15.3.3 BlackRock International Limited held 1,698,120 H shares (Long position) in the Company.

15.3.4 BlackRock Asset Management Ireland Limited held 47,072,626 H shares (Long position) in the Company.

15.3.5 BLACKROCK (Luxembourg) S.A. held 1,071,900 H shares (Long position) and 1,760,900 H shares (Short position) in the Company.

15.3.6 BlackRock Investment Management (UK) Limited held 35,588,680 H shares (Long position) in the Company.

15.3.7 BlackRock Asset Management Deutschland AG held 439,020 H shares (Long position) in the Company.

15.3.8 BlackRock Fund Managers Limited held 19,429,454 H shares (Long position) in the Company.

15.3.9 BlackRock Life Limited held 18,319,780 H shares (Long position) in the Company.

15.3.10 BlackRock Asset Management (Schweiz) AG held 52,500 H shares (Long position) in the Company.

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 2018 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

(III) 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 10 shareholders of the Company (other than HKSCC Nominees Limited) held an aggregate of 42.46% of the Company's shares. Anbang Life Insurance Co., Ltd. — Conservative Investment Portfolio, the single largest shareholder of the Company, held 10.30% of the total shares of the Company. 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, the Articles of Association or agreements.

(IV) Other corporate shareholders with 10% or more equity in the Company

As at the end of the Reporting Period, Anbang Life Insurance Co., Ltd. owned 10% or more of the total shares of the Company.

Name of Corporate shareholder	Person-in-charge or legal representative	Date of incorporation	Registered capital (RMB)	Principal business or management activities
Anbang Life Insurance Co., Ltd.	He Xiaofeng	23 June 2010	30.79 billion	Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC.

(V) Substantial shareholders

1. Substantial shareholders with aggregate shareholding of 5% or more equity in the Company were as follows:

(1) Anbang Life Insurance Co., Ltd.: It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its uniform social credit code is 91110000556828452N; its legal representative is He Xiaofeng; its controlling shareholder is Anbang Insurance Group Co., Ltd.; its ultimate controller is Anbang Insurance Group Co., Ltd.; its ultimate beneficiary is Anbang Insurance Group Co., Ltd.; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, the shares of the Company held by Anbang Life Insurance Co., Ltd. had not been pledged.

On 23 February 2018, the Company noticed that the former CIRC published on its official website the CIRC Notice Concerning the Takeover of Anbang Insurance Group Co., Ltd. in accordance with Laws (《中國保監會關於對安邦保險集團股份有限公司依法實施接管的公告》). Meanwhile, the Company received a written notification from Anbang Insurance Group Co., Ltd., the controlling shareholder of Anbang Life Insurance Co., Ltd., stating that: "The current operation of Anbang Insurance Group Co., Ltd. and its subordinate bodies are generally stable with sufficient cash reserves. We have no intention to reduce our shareholdings in Minsheng Bank in the near future."

On 29 June 2018, Hexie Health Insurance Co., Ltd. and Anbang Life Insurance Co., Ltd. entered into the Agreement in Relation to Transfer of Shares in China Minsheng Banking Corp., Ltd. between Hexie Health Insurance Co., Ltd. and Anbang Life Insurance Co., Ltd. (《和諧健康保險股份有限公司與安邦人壽保險股份有限公司關於中國民生銀行股份有限公司股份轉讓協議》), pursuant to which Hexie Health Insurance Co., Ltd. transferred its A shares in the Company to Anbang Life Insurance Co., Ltd. The transfer of shares has been registered with the Shanghai Branch of China Securities Depository and Clearing Company Limited on 3 September 2018. Upon the completion of the share transfer, Hexie Health Insurance Co., Ltd. no longer held any shares of the Company. The aggregate percentage and number of shares in the Company held by Anbang Insurance Group Co., Ltd. and its parties acting in concert remained unchanged, representing 17.84% of the total share capital of the Company. Please refer to relevant announcements of the Company dated 3 July 2018, 28 August 2018 and 5 September 2018 for details.

On 26 September 2018, Anbang Insurance Group Co., Ltd. and Anbang Property and Casualty Insurance Co., Ltd. entered into share transfer agreements with Anbang Life Insurance Co., Ltd., pursuant to which Anbang Insurance Group Co., Ltd. and Anbang Property and Casualty

Insurance Co., Ltd. transferred their shares in the Company to Anbang Life Insurance Co., Ltd. The transfer of shares has been registered with the Shanghai Branch of China Securities Depository and Clearing Company Limited on 7 November 2018. Upon the completion of the share transfer, Anbang Insurance Group Co., Ltd. and Anbang Property and Casualty Insurance Co., Ltd. no longer held any shares of the Company. Anbang Life Insurance Co., Ltd. held 7,352,284,689 A shares and 457,930,200 H shares of the Company, representing 17.84% of the total share capital of the Company. The shareholding percentage and the total number of shares of the Company held by Anbang Life Insurance Co., Ltd. were equal to the aggregate number and percentage of shares in the Company held by Anbang Insurance Group Co., Ltd. and its parties acted in concert before the transfer. For details, please refer to the announcements of the Company dated 27 September 2018 and 12 November 2018.

(2) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital was RMB3,714,576,124; its uniform social credit code is 91230199126965908A; its legal representative is Sun Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is Zhang Hongwei; its ultimate beneficiary is Zhang Hongwei; its parties acting in concert are Orient Group Co., Ltd. and Huaxia Life Insurance Co., Ltd.; its principal business includes: investments in modern agriculture and healthy food, new urbanisation development, financial industry, ports and transportation industry. As at the end of the Reporting Period, Orient Group Incorporation had pledged 1,279,999,488 ordinary shares of the Company, representing 2.92% of the total share capital of the Company.

Orient Group Co., Ltd.: It was formerly known as Orient Group Investment Holding Co., Ltd. and was renamed as Orient Group Co., Ltd. in July 2018; it was incorporated on 26 August 2003; its registered capital was RMB1,000 million; its uniform social credit code is 911100007541964840; its legal representative and ultimate controller is Zhang Hongwei; its parties acting in concert are Orient Group Incorporation and Huaxia Life Insurance Co., Ltd.; its principal business includes: project investment, investment management, real estate development, agent import and export, import and export of goods, economic and trade consultation.

Huaxia Life Insurance Co., Ltd.: It was incorporated on 30 December 2006; its registered capital was RMB15,300 million; its uniform social credit code is 91120118791698440W; its legal representative is Li Fei; it does not have any controlling shareholder, ultimate controller or ultimate beneficiary; its parties acting in concert are Orient Group Co., Ltd. and its subsidiary, Orient Group Incorporation; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance businesses, related reinsurance

of the above businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, the shares of the Company held by Huaxia Life Insurance Co, Ltd. had not been pledged.

(3) China Oceanwide Holdings Group Co., Ltd.: It was incorporated on 7 April 1988; its registered capital was RMB20,000 million; its uniform social credit code is 911100001017122936; its legal representative is Lu Zhiqiang; its controlling shareholder is Oceanwide Group Co., Ltd.; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide International Investment Company Limited, Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: finance, real estate and investment management.

China Oceanwide International Investment Company Limited: It was incorporated on 15 October 2008; its registered capital was HKD1,548,058,790; its controlling shareholder is China Oceanwide Holdings Group Co., Ltd.; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding.

Oceanwide International Equity Investment Limited: It was incorporated on 17 March 2016; its registered capital was USD50,000; its controlling shareholder is Wuhan CBD (Hong Kong) Company Limited; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding.

Long Prosper Capital Company Limited: It was incorporated on 31 August 2016; its registered capital was USD50,000; its controlling shareholder is Oceanwide International Equity Investment Limited; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Oceanwide International Equity Investment Limited; its principal business includes: investment holding.

As at the end of the Reporting Period, China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited had pledged a total of 3,027,883,568 ordinary shares of the Company, representing 6.91% of the total share capital of the Company.

Changes in Share Capital and Information on Shareholders

2. In accordance with the Provisional Measures on the Administration of Equity of Commercial Banks (《商業銀行股權管理暫行辦法》) under the order of the former CBRC (No.1 of 2018), other substantial shareholders of the Company were as follows:

(1) New Hope Liuhe Investment Co., Ltd.: It was incorporated on 25 November 2002; its registered capital was RMB576,555,600; its uniform social credit code is 91540091744936899C; its legal representative is Wang Pusong; its controlling shareholder is New Hope Liuhe Co., Ltd.; its ultimate controller is Liu Yonghao; its ultimate beneficiary is Liu Yonghao; its party acting in concert is South Hope Industrial Co., Ltd.; its principal business includes: venture capital investment, investment management, financial advisory, wealth management consultancy, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer and technology consultancy services. As at the end of the Reporting Period, the shares of the Company held by New Hope Liuhe Investment Co., Ltd. had not been pledged.

South Hope Industrial Co., Ltd.: It was incorporated on 17 November 2011; its registered capital was RMB1,034,313,725; its paid-up registered capital was RMB884,313,725; its uniform social credit code is 9154009158575152X0; its legal representative is Li Jianxiong; its controlling shareholder is New Hope Group Co., Ltd.; its ultimate controller is Liu Yonghao; its ultimate beneficiary is Liu Yonghao; its party acting in concert is New Hope Liuhe Investment Co., Ltd.; its principal business includes: research and development, wholesale and retail of feeds, electronic products, hardware and electrical appliances, commodities, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services). As at the end of the Reporting Period, the shares of the Company held by South Hope Industrial Co., Ltd. had not been pledged.

(2) Shanghai Giant Lifetech Co., Ltd.: It was incorporated on 12 July 1999; its registered capital was RMB245,400,640; its uniform social credit code is 91310104134625524 3; its legal representative is Wei Wei; its controlling shareholder is Giant Investment Co., Ltd.; its ultimate controller is Shi Yuzhu; its ultimate beneficiary is Shi Yuzhu; it has no party acting in concert; its principal business includes: manufacturing and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technical development, consultancy services and transfer in healthcare food aspect, wholesale of non-physical goods: prepackaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, Shanghai Giant Lifetech Co., Ltd. had pledged 1,379,678,400 ordinary shares of the Company, representing 3.15% of the total share capital of the Company.

(3) China Shipowners Mutual Assurance Association: It was incorporated on 1 January 1984; its registered capital was RMB100,000; its uniform social credit code is 51100000500010993L; its legal representative is Song Chunfeng; it has no controlling shareholder; it has no ultimate controller; it has no ultimate beneficiary; it has no party acting in concert; its principal business includes: marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service. As at the end of the Reporting Period, the shares of the Company held by China Shipowners Mutual Assurance Association had not been pledged.

(4) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133,000,000; its uniform social credit code is 91310000612260305J; its legal representative is Wu Di; its controlling shareholder is Huang Xi; its ultimate controller is Huang Xi; its ultimate beneficiary is Huang Xi; it has no party acting in concert; its principal business includes: research, development and sales of high-tech products; industrial investment; investments in the education, agriculture, secondary industry, entertainment industry and healthcare products; sales of photographic equipment and new construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products as approved by the country. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged 592,298,000 ordinary shares of the Company, representing 1.35% of the total share capital of the Company.

(5) Tongfang Guoxin Investment Holding Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its uniform social credit code is 91500000660887401L; its legal representative is Liu Qinqin; its largest shareholder is Tongfang Financial Holdings (Shenzhen) Co., Ltd. (同方金融控股(深圳)有限公司), a wholly-owned subsidiary of Tongfang Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tongfang Guoxin Investment Holding Co., Ltd.; its parties acting in concert are Chongqing International Trust Company Limited and Chongqing Guotou Equity Investment Management Co. Ltd. (重慶國投股權投資管理有限公司); its principal business includes: making investments with its own fund (activities of financial business such as accepting public deposits or accepting public deposits in any disguised form, extending loans or trading securities and futures are strictly forbidden); providing its connected companies with consultancy services such as investment information and policy; providing planning and consultancy services in relation to corporate reorganisation and merger and acquisition; and providing corporate management services businesses that require pre-approvals according to laws shall only be conducted after obtaining approvals from the relevant authorities). As at the end of the Reporting Period, Tongfang Guoxin Investment Holding Co., Ltd. had pledged 737,000,000 ordinary shares of the Company, representing 1.68% of the total share capital of the Company.

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 remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
HONG Qi	M	1957	Chairman & Executive Director	20 February 2017–present	0	0	447.08	No
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	20 February 2017–present	0	0	93.00	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	20 February 2017–present	0	0	91.50	Yes
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	20 February 2017–present	0	0	93.00	Yes
ZHENG Wanchun	M	1964	Executive Director & President	20 February 2017–present	0	0	411.03	No
SHI Yuzhu	M	1962	Non-executive Director	20 February 2017–present	0	0	77.50	Yes
WU Di	M	1965	Non-executive Director	20 February 2017–present	0	0	87.00	Yes
SONG Chunfeng	M	1969	Non-executive Director	20 February 2017–present	0	0	–	Yes
WENG Zhenjie	M	1962	Non-executive Director	20 February 2017–present	0	0	–	No
LIU Jipeng	M	1956	Independent Non-executive Director	20 February 2017–present	0	0	88.00	No
LI Hancheng	M	1963	Independent Non-executive Director	20 February 2017–present	0	0	92.00	No
XIE Zhichun	M	1958	Independent Non-executive Director	20 February 2017–present	0	0	89.00	No
PENG Xuefeng	M	1962	Independent Non-executive Director	20 February 2017–present	0	0	87.50	No
LIU Ningyu	M	1969	Independent Non-executive Director	20 February 2017–present	0	0	95.50	No
TIAN Suning	M	1963	Independent Non-executive Director	21 June 2018–present	0	0	41.00	No
ZHANG Juntong	M	1974	Chairman of the Board of Supervisors & Employee Supervisor	20 February 2017–present	0	0	390.06	No
WANG Jiazhi	M	1959	Vice Chairman of the Board of Supervisors & Employee Supervisor	20 February 2017–present	759,720	911,664	386.69	No
GUO Dong	M	1961	Vice Chairman of the Board of Supervisors & Employee Supervisor	20 February 2017–present	0	0	304.54	No
WANG Hang	M	1971	Shareholder Supervisor	20 February 2017–present	0	0	72.50	No
ZHANG Bo	M	1973	Shareholder Supervisor	20 February 2017–present	0	0	67.00	No
LU Zhongnan	M	1955	Shareholder Supervisor	20 February 2017–present	0	0	72.50	No
WANG Yugui	M	1951	External Supervisor	20 February 2017–present	0	0	76.50	No

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 remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
BAO Jiming	M	1952	External Supervisor	20 February 2017–present	0	0	66.50	No
CHEN Qiong	F	1963	Executive Vice President	8 June 2018–present	0	0	152.55	No
SHI Jie	M	1965	Executive Vice President	20 February 2017–present	0	0	328.66	No
LI Bin	F	1967	Executive Vice President	20 February 2017–present	0	0	328.66	No
LIN Yunshan	M	1970	Executive Vice President	20 February 2017–present	0	0	328.66	No
HU Qinghua	M	1963	Executive Vice President Chief Risk Officer	8 June 2018–present 20 February 2017–present	0	0	301.12	No
BAI Dan	F	1963	Chief Financial Officer Board Secretary	20 February 2017–present 4 April 2018–present	0	0	336.39	No
ZHANG Yuebo	M	1962	Chief Audit Officer	20 February 2017–present	0	0	216.15	No
OUYANG Yong	M	1963	Assistant President	4 April 2018–present	0	0	200.65	No
LIANG Yutang	M	1958	Former Vice Chairman & Former Executive Director	20 February 2017–12 October 2018	0	0	295.81	No
YAO Dafeng	M	1962	Former Non-executive Director	20 February 2017–3 July 2018	0	0	50.50	Yes
TIAN Zhiping	M	1966	Former Non-executive Director	20 February 2017–3 July 2018	0	0	–	No
CHENG Hoi-chuen	M	1948	Former Independent Non-executive Director	20 Feb 2017–21 June 2018	0	0	48.50	No
CHENG Guoqi	M	1975	Former External Supervisor	20 February 2017–3 July 2018	0	0	39.50	No
FANG Zhou	M	1970	Former Board Secretary	20 February 2017–4 April 2018	0	0	67.81	No

Notes:

1. On 4 April 2018, the seventh extraordinary meeting of the seventh session of the Board of the Company considered and approved the Resolution on the Appointment of Ms. Bai Dan to Concurrently Serve as the Board Secretary of the Company (《關於聘任白丹女士兼任本公司董事會秘書的決議》). On 29 August 2018, the Company issued the Announcement on the Approval of the Qualification of Board Secretary (《關於董事會秘書資格核准的公告》), pursuant to which, the qualification of Bai Dan as Board Secretary of the Company was approved by the CBIRC;
2. On 4 April 2018, Mr. Fang Zhou tendered his resignation as Board Secretary and Joint Company Secretary of the Company due to personal reason;
3. On 4 April 2018, the seventh extraordinary meeting of the seventh session of the Board of the Company considered and approved the Resolution on the Nomination of Mr. Tian Suning as a Candidate of Independent Non-executive Director of the Company (《關於提名田溯寧先生為本公司獨立非執行董事候選人的決議》). On 21 June 2018, the 2017 annual general meeting of the Company elected Mr. Tian Suning as an Independent Non-executive Director of the Company. On 3 September 2018, the Company issued the Announcement on the Approval of the Qualification of Independent Director (《關於獨立董事資格核准的公告》), pursuant to which, the qualification of Mr. Tian Suning as Independent Non-executive Director of the Company was approved by the CBIRC;

Directors, Supervisors, Senior Management and Employees

4. On 4 April 2018, the seventh extraordinary meeting of the seventh session of the Board of the Company considered and approved the Resolution on the Appointment of Mr. Ouyang Yong to Serve as an Assistant President of the Company (《關於聘任歐陽勇先生擔任本公司行長助理的決議》). On 29 June 2018, the Company issued the Announcement on the Approval of the Qualification of Senior Management (《關於高級管理人員資格核准的公告》), pursuant to which, the qualification of Mr. Ouyang Yong as Assistant President of the Company was approved by the CBIRC;

5. On 8 June 2018, the ninth meeting of the seventh session of the Board of the Company considered and approved the Resolution on the Appointment of Ms. Chen Qiong and Mr. Hu Qinghua to Serve as the Executive Vice Presidents of the Company (《關於聘任陳瓊女士、胡慶華先生擔任本公司副行長的決議》). On 24 August 2018, the Company issued the Announcement on the Approval of the Qualifications of Senior Management (《關於高級管理人員資格核准的公告》), pursuant to which, the qualifications of Chen Qiong and Hu Qinghua as Executive Vice Presidents of the Company were approved by the CBIRC;

6. On 21 June 2018, Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to the expiry of his term of office of six years;

7. In July 2018, capital reserve capitalisation for 2017 of the Company was completed. The number of shares held by Mr. Wang Jiazhi, Vice Chairman of the Board of Supervisors, has increased from 759,720 shares to 911,664 shares;

8. On 3 July 2018, Mr. Yao Dafeng and Mr. Tian Zhiping tendered their resignations as Directors of the Company and members of the related special committees under the Board in order to devote more time and attention to other business commitments;

9. On 3 July 2018, Mr. Cheng Guoqi tendered his resignation as a Supervisor and member of the related special committees under the Board of Supervisors in order to devote more time and attention to other business commitments;

10. On 12 October 2018, due to the reach of retirement age, Mr. Liang Yutang tendered his resignation as a Vice Chairman and Executive Director of the Company and ceased to act as members of the related special committees under the Board;

11. As at the disclosure date of this Annual Report, the directorship qualification of Mr. Weng Zhenjie are subject to the approval of the regulatory authority of China's banking industry. Mr. Weng Zhenjie attended all the meetings as non-voting delegate during the year;

12. 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;

13. During the Reporting Period, the total pre-tax emoluments of current and resigned Directors, Supervisors and Senior Management were RMB59,243,600. The total pre-tax remuneration of current Executive Directors, Employee Supervisors and Senior Management is still in confirmation process and further disclosure regarding such unconfirmed part will be made by the Company in due course;

14. In March 2019, the Company paid remuneration for 2017 of RMB665,000 and remuneration for 2018 of RMB805,000 to Director Mr. Song Chunfeng.

(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	Honorary chairman of the board of directors and director	June 2017–Present
Lu Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman of the board of directors and president	May 1999–Present
Liu Yonghao	New Hope Liuhe Co., Ltd.	Director	January 2003–Present
Wu Di	Good First Group Co., Ltd.	Chairman of the board of directors and president	January 2003–Present
Song Chunfeng	China Shipowners Mutual Assurance Association	General manager	March 2016–Present
Wang Hang	New Hope Liuhe Co., Ltd.	Non-executive director	November 2011–Present

(III) Major working experience of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Hong Qi, born in 1957, 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 a member of the Nomination Committee under the Board. Mr. Hong is a standing council member of the twelfth session of executive committee of ACFIC, 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, a member of Financial Planning Standard Board (China) and a council member of China Entrepreneur Club. Mr. Hong was an Executive Vice President of the Company from 2000 to March 2009 and became the President in March 2009 and the Chairman of the Company in August 2014. 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 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 33 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.

Mr. Zheng Wanchun, born in 1964, 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 operation 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.

Non-executive Directors

Mr. Zhang Hongwei, born in 1954, 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 honorary chairman and director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), chairman of United Energy Group Limited (listed on the SEHK (stock code: 00467)) and Orient Group 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 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, born in 1951, 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)) and the chairman of China Minsheng Trust Co., Ltd. Mr. Lu was the Chairman of the Board of Supervisors of the Company from June 2003 to December 2004 and a Vice Chairman of the Board of Supervisors of the Company from December 2004 to June 2006. He was also a director of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)) and a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)). Mr. Lu was a standing committee member and a member of the Committee for Economic Affairs of the CPPCC, and a standing committee member and vice chairman of ACFIC. Mr. Lu obtained his Master's Degree in Economics from Fudan University in 1995 and is a research fellow.

Mr. Liu Yonghao, born in 1951, 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 chairman of the General Association of Sichuan Entrepreneurs. Mr. Liu is a committee member of the thirteenth session of CPPCC, 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, a vice chairman of the tenth and eleventh sessions of Committee for Economic Affairs of the CPPCC, and a representative of the twelfth session of the National People's Congress.

Mr. Shi Yuzhu, born in 1962, has been a Non-executive Director of the Company and a member of the Strategic Development and Investment Management Committee and Nomination Committee under the Board since 20 February 2017. Mr. Shi is the chairman of Giant Investment Co., Ltd. and Giant Network Group Co., Ltd. (listed on the SZSE (stock code: 002558)) (formerly known as Chongqing New Century Cruise Co., 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, born in 1965, 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 of the board of directors and president of Good First Group Co., Ltd., and a director of Hangzhou United Rural Commercial Bank. In addition, Mr. Wu is a standing committee member of International Boxing Association, the vice president of Chinese Boxing Federation (CBF), the standing chairman of China International Chamber of Commerce for the Private Sector, representative of the thirteenth session of the Fujian Provincial People's Congress, the vice chairman of Fujian Province Association of Industry and Commerce, the honorary vice chairman of Fujian Province Guangcai Promotion Society, chairman of the Liaoning Chamber of Commerce in Fujian, a council member of the 1st session of General Association of Liaoning Entrepreneurs, the honorary chairman of the second Non-stated-owned Enterprise Chamber of Commerce in Fujian, the honorary chairman of the 1st session of Xiamen chamber of Commerce in Shanghai, a standing committee member of the thirteenth session of CPPCC Xiamen, the vice chairman of Xiamen Municipal Committee of China National Democratic Construction Association, a vice chairman of Xiamen Economics Society, chief supervisor of Xiamen Silk Road National Strategy Research Center, the vice chairman of Xiamen Association of Cross-strait Exchanges and also a council member of Jimei University. Mr. Wu was the assistant director of Dalian Ocean Fishery Group and a vice general manager of Shenzhen Tianma New Construction Material Co., Ltd., and the director of Yong An Property Insurance Company Limited. Mr. Wu obtained his Doctor's Degree in Economics from Renmin University of China and now serves as a guest professor of Renmin University of China. Mr.Wu is a senior economist.

Mr. Song Chunfeng, born in 1969, 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. Weng Zhenjie, born in 1962, 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 of Chongqing International Trust Company Limited. Mr. Weng also serves as a director of China Trust Protection Fund Co., Ltd., China Trust Registration Corporation Limited, Chongqing Three Gorges Bank Co., Ltd., Hefei Science & Technology Rural Commercial Bank Company Limited, ABC Life Insurance Co., Ltd., GuoDu Securities Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 870488)), a vice chairman of the Chongqing Committee of China National Democratic Construction Association, a standing committee member of the fifth session of Chinese People's Political Consultative Conference of Chongqing and a deputy officer of the eleventh session of the Central Financial Committee of China National Democratic Construction Association. Mr. Weng worked as the chairman and chief executive officer of Chongqing International Trust Company Limited, the chairman of Southwest Securities Co., Ltd. (listed on the SSE (stock code: 600369)), the chairman of Chongqing Three Gorges Bank Co., Ltd., a member of the ninth session of the Central Economic Committee of China National Democratic Construction Association, a deputy officer of the tenth session of the Central Financial Committee of China National Democratic Construction Association, a deputy to the third and fourth sessions of the National People's Congress of Chongqing, and a standing committee member of the National People's Congress of Chongqing, 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. He is a senior economist and an expert with special allowances of the State Council.

Independent Non-executive Directors

Mr. Liu Jipeng, born in 1956, has been an Independent Non-executive Director of the Company since 28 October 2016. Mr. Liu is a member of the Nomination Committee, the Compensation and Remuneration Committee and the Related Party Transactions Supervision Committee under the Board. Mr. Liu has served as dean of the Business School of China University of Political Science and Law since November 2016, and 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, vice chairman of China Enterprise Reform and Development Society and legal adviser of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Liu Jipeng has been an independent non-executive director of China Tonghai International Financial Limited (previously known as China Oceanwide International Financial Limited) (listed on the SEHK (stock code: 00952)) since December 2017, 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, 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 Wanda Hotel Development Company Limited (listed on the SEHK (stock code: 00169)) from July 2013 to March 2019, an independent non-executive director of AVIC Capital Co., Ltd. (listed on the SSE (stock code: 600705)) from May 2011 to May 2017 and 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 (中信國際研究所室) from April 1989 to January 1997 and a 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, born in 1963, 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 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, born in 1958, has been an Independent Non-executive Director of the Company since 28 October 2016 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, an independent non-executive director of China Taiping Insurance Holdings Company Limited (listed on the SEHK (stock code: 00966)) since 2015 and an independent non-executive director of SuperRobotics Limited (listed on the SEHK (stock code: 08176)) since August 2018. He acted as a non-executive director of China Smartpay Group Holdings Limited (listed on the SEHK (stock code: 08325)) from 2017 to 2018, a non-executive director of Elife Holdings Limited (listed on the SEHK (stock code: 00223)) (formerly known as Sino Resources Group Limited) from 2016 to 2017, 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 reorganisation 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 Exchange), a director of Shenyin & Wanguo Securities Co., Ltd, the chairman of board of directors 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) 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, Master's Degree in Economics from Harbin Institute of Technology in 1993 and Doctor's Degree in Economics from Nankai University in 2004. Mr. Xie attended advanced management programmes in Yale School of Management in the United States from August to September 2011 and in Harvard Business School (AMP156) from April 1999 to July 1999, respectively. Mr. Xie Zhichun is a senior economist.

Mr. Peng Xuefeng, born in 1962, has been an Independent Non-executive Director of the Company and chairman of the Nomination Committee, a member of 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 and an independent non-executive director of Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (listed on the SZSE (stock code: 002713)) 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)), Shandong Shipping Corporation (listed on National Equities Exchange and Quotations (stock code: 835589)), Huida Sanitary Ware Co., Ltd. (listed on the SSE (stock code: 603385)) and Henan Zhongfu Industrial Co., Ltd (listed on the SSE (stock code: 600595)). 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 chairman 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.

Mr. Liu Ningyu, born in 1969, 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), vice chairman of Liaoning Institute of Certified Public Accountant, vice chairman of Liaoning Province Appraisal Society, a director of China Engineering Cost Association 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有限公司), the chief accountant of Liaoning Wanlong Jinhui CPA Co., Ltd. (遼寧萬隆金匯會計師事務所有限公司), 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, a certified public accountant in Australia, the national accounting leading talent and senior member of The Chinese Institute of Certified Public Accountants.

Mr. Tian Suning, born in 1963, holds a Doctor's Degree, has been an Independent Non-executive Director of the Company since 21 June 2018. He is also the chairman of the Compensation and Remuneration Committee and a member of the Strategic Development and Investment Management Committee and the Audit Committee under the Board. Mr. Tian Suning has been the chairman of China Broadband Capital Partners, L.P. since May 2006, the chairman of AsiaInfo, Inc. since January 2014, an executive director and the chairman of AsiaInfo Technologies Limited (listed on the SEHK (stock code: 01675)) since June 2018. He was an independent non-executive director of Shanghai Pudong Development Bank Co., Ltd. (listed on the SSE, stock code: 600000) from April 2016 to March 2018. Mr. Tian Suning has been an independent non-executive director of Lenovo Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00992) since August 2007. Mr. Tian Suning was the vice chairman, executive director and chief executive officer of China Netcom Group Corporation (Hong Kong) Limited from April 2005 to April 2006, president and chief executive officer of China Network Communication Co., Ltd. from August 1999 to April 2005, founder and chief executive officer of AsiaInfo Technologies (China) Co., Ltd. from December 1993 to August 1999. Mr. Tian Suning also served as an independent non-executive director of Taikang Life Insurance Co., Inc. from July 2008 to August 2016, an independent non-executive director of MasterCard International Incorporated from March 2006 to June 2016, an independent non-executive director of MasterCard Incorporated (listed on the New York Stock Exchange, stock code: MA) from March 2006 to June 2016, and a non-executive director of China Jiuhao Health Industry Corporation Limited (currently known as Huayi Tencent Entertainment Company Limited, a company listed on the Hong Kong Stock Exchange, stock code: 00419) from January 2008 to February 2016. Mr. Tian Suning received his Bachelor's Degree in Ecology

from Liaoning University in 1985, Master's Degree in Ecology from the Graduate University of Chinese Academy of Sciences in 1987, and Doctor's Degree in Resources Management from Texas Tech University of USA in 1993. Mr. Tian Suning was awarded Outstanding Youth of the Year for Successful Commercialisation of Scientific Research Achievements (求是傑出青年成果轉化獎) by China Association for Science and Technology in July 2003 and Outstanding Returned Scholar Award (全國留學回國人員優秀個人獎) by the Ministry of Education of the People's Republic of China in August 2003.

Supervisors

Mr. Zhang Juntong, born in 1974, is the Chairman of the Board of Supervisors and the Employee Supervisor of the Company. He is also the Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee under the Board of Supervisors. Mr. Zhang joined the Company in 2016. Before joining the Company, Mr. Zhang served as a deputy director and the director of general administration department of the former 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, born in 1959, is a Vice Chairman of the Board of Supervisors and the Employee Supervisor of the Company. He is also a member of the Supervisory Committee under the Board of Supervisors. Mr. Wang has been an Employee Supervisor of the Company since 10 April 2012. Mr. Wang is a Vice Chairman of Board of Supervisors and also a member of the Supervisory Committee under the sixth session of the Board of Supervisors of the Company. Mr. Wang joined the Company in 1998. He was the president of Shijiazhuang Branch of the Company, and was the president of Shijiazhuang Sub-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 charge) of development department of Qingdao branch of China Everbright Bank from 1996 to 1998. He also served as a director of office of Qingdao branch of China Citic Bank from 1992 to 1996, an officer and a deputy director (at section level) of Shandong Linyi Economic and Trade Commission and Economic Restructuring Commission 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 Shandong 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.

Directors, Supervisors, Senior Management and Employees

Mr. Guo Dong, born in 1961, is a Vice Chairman of the Board of Supervisors and the Employee Supervisor of the Company. He is also a member of the Supervisory Committee under the Board of Supervisors. Mr. Guo joined the Company in February 2015. Mr. Guo was elected as a Vice Chairman of the sixth session of the Board of Supervisors on 30 March 2016 and was a member of the Supervisory Committee under the sixth session of the Board of Supervisors. 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, born in 1971, is a Shareholder Supervisor of the Board of Supervisors, a member of the Supervisory Committee and the Nomination and Examination Committee under the Board of Supervisors and a vice chairman of the board of directors of CMBC International, a subsidiary of the Company. 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. and Sichuan Xinwang Bank 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. and the chairman of the board of directors and president of Sichuan South Hope Industrial Co., Ltd. Mr. Wang obtained his Master's Degree in Economics from Peking University.

Mr. Zhang Bo, born in 1973, is a Shareholder Supervisor of the Board of Supervisors and also a member of the Nomination and Examination Committee under the Board of Supervisors. Mr. Zhang serves as an executive director and vice chairman of China Tonghai International Financial Limited (previously known as China Oceanwide International Financial 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., Ltd., Asia-Pacific Property & Casualty Insurance Co., Ltd. and Wuhan CBD 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 division of the corporate banking department, and deputy director of the preparation team of Changsha Branch of the Company. Mr. Zhang was also the chief risk officer and an executive vice president of Minsheng Financial Leasing and concurrently 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 Western Economics at Fudan University. He is an economist.

Mr. Lu Zhongnan, born in 1955, is a Shareholder Supervisor of the Board of Supervisors and also a member of the Supervisory Committee and the Nomination and Examination Committee under the Board of Supervisors. 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 an executive vice president of the Heilongjiang Branch, a vice president of the Shenyang Branch of the PBOC. He was a director of Orient Group Incorporation, 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, born in 1951, is an External Supervisor of the Board of Supervisors and also a member of the Supervisory Committee and the chairman of the Nomination and Examination Committee under the Board of Supervisors. Mr. Wang is an independent non-executive director of Bank of Hebei Co., Ltd. and 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, born in 1952, is an External Supervisor of the Board of Supervisors and also a member of the Nomination and Examination Committee under the Board of Supervisors. Mr. Bao is a professor at the Department of Business Administration and an academic director of EMBA at Fudan University. He is an independent non-executive director of Ozner Water International Holding Limited (listed on the SEHK (stock code: 02014)), Youngor Group Co., Ltd. (listed on the SSE (stock code: 600177)), Antong Holdings Co., Ltd. (listed on the SSE (stock code: 600179)) and Wanxiang Qianchao Co., Ltd. (listed on the SZSE (stock code: 000559)). He was an independent non-executive director of Misho Ecology & Landscape Co., Ltd. (listed on the SZSE (stock code: 300495)) and 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 director of the science and technology department at Shanghai Municipal Education Commission, the general manager of the office, general manager of overseas business department and general manager of enterprise management department, executive director 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.

Senior Management

Mr. Zheng Wanchun, is the President of the Company. Please refer to his biography under the paragraph headed "Directors — Executive Directors".

Ms. Chen Qiong, born in 1963, joined the Company in April 2018 and has been an Executive Vice President of the Bank since June 2018. Before joining the Company, she was a deputy chief inspector of the discipline inspection group at the former CBRC designated by the CPC Central Commission for discipline inspection (at bureau level) from 2016 to 2018, a deputy secretary of the disciplinary inspection committee and the director-general of the staff compliance and disciplinary bureau of the former CBRC from 2014 to 2016, the director-general of the Anhui office of the former CBRC from 2011 to 2014, a deputy director of non-bank financial institutions supervision department of the former CBRC from 2006 to 2011 and a deputy director-general of Fujian office of the former CBRC from 2005 to 2006. She also used to work at the policy and legal affairs department of the former CBRC and the banking management department, Tianjin branch, the banking supervision department I, the audit supervision bureau and the education department of PBOC. Ms. Chen is a deputy to the twelfth session of the National People's Congress and a deputy head of the sixth round of the central leading group for inspection work of the eighteenth session National People's Congress. Ms. Chen obtained her Master's Degree in Public Administration from Columbia University in the United States and Doctor's degree in Finance from Hunan University.

Mr. Shi Jie, born in 1965, has been an Executive 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 Sub-branch of the Company until 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 deputy 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 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, born in 1967, has been an Executive 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 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 president of the Financial Markets 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, born in 1970, has been an Executive 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 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.

Mr. Hu Qinghua, born in 1963, has been the Executive Vice President of the Company since June 2018 and has concurrently been the Chief Risk Officer of the Company since February 2017. 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 of Chengdu Branch of the Company from March 2002 to January 2007, the president of Nanjing Branch of the Company from January 2007 to March 2015, the president of Shanghai Branch of the Company from March 2015 to February 2017 and concurrently the president of Shanghai Pilot Free Trade Zone Branch of the Company from May 2016 to February 2017. 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, an assistant general manager

of the financial center of Jiangsu Branch of the PBOC from 1994 to 1995, the manager of the financing center from 1992 to 1994, 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.

Ms. Bai Dan, born in 1963, has been the Chief Financial Officer of the Company since April 2012 and also has been acting as the Board Secretary of the Company since 4 April 2018. 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 finance 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 Sub-branch of the Bank of Communications from 1988 to 1993. Ms. Bai obtained her MBA Degree from Beijing Jiaotong University and is an accountant.

Mr. Zhang Yuebo, born in 1962, has been the Chief Audit Officer of the Company since February 2017. Mr. Zhang joined the Company in July 1995, and served as a member of the preparatory team of the Company until 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 finance department and the IT 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, the Chief Internal Audit Executive of the Company from May 2010 to February 2017, and has been the general manager 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. Ouyang Yong, born in 1963, has been the Assistant President of the Company since April 2018 and the president of Shanghai Branch and president of Shanghai Pilot Free Trade Zone Branch of the Company since August 2017. Mr. Ouyang joined the Company in August 2001, and served as an assistant president of Qingshan Sub-branch of Wuhan Branch of the Company from August 2001 to December 2001, the assistant director of Office of Wuhan Branch of the Company from December 2001 to May 2002, the deputy director (person-in-charge) of Office of Wuhan Branch of the Company from May 2002 to July 2003, the president of Qingshan Sub-branch of Wuhan Branch of the Company from July 2003 to January 2006, the director of retail banking department of Fuzhou Branch of the Company from January 2006 to December 2006 and the director of retail banking department and the secretary of Discipline Inspection Committee of Fuzhou Branch of the Company from December 2006 to October 2007 (concurrently the general manager of legal affairs and compliance department of Fuzhou Branch of the Company from February 2007 to August 2007). Mr. Ouyang also served as the vice president (person-in-charge) of Taiyuan Branch of the Company from February 2008 to June 2010 and the president of Taiyuan Branch of the Company from June 2010 to February 2012. He was the president of Shenzhen Branch of the Company from June 2012 to November 2014. Mr. Ouyang served as the general manager of the human resources department of the Company from November 2014 to July 2017. Before joining the Company, Mr. Ouyang served as a technician of Jiangxi Dexing Copper Mine Concentrator (江西德興銅礦選礦廠) from July 1982 to October 1983 and was an officer of the Youth League of Jiangxi Dexing Copper Mine Concentrator from October 1983 to June 1988 (he studied in Jiangxi University, majoring in Chinese Language (full-time programme), from September 1985 to July 1987). He also served as a deputy secretary (person-in-charge) of the Youth League of Jiangxi Dexing Copper Mine Concentrator from August 1988 to February 1992. Mr. Ouyang was the deputy director of shihua office of Industrial and Commercial Bank of China in Jiujiang, Jiangxi Province from February 1992 to July 1997, a vice president of rural sub-branch of Industrial and Commercial Bank of China in Jiujiang, Jiangxi Province from July 1997 and May 1998. He also served as the director of business department of Jiujiang Branch of Agricultural Development Bank of China in Jiangxi from May 1998 to August 2001. Mr. Ouyang obtained his MBA Degree from Wuhan University.

Company Secretary

Ms. Wong Wai Yee, Ella, aged 43, is a director of Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specialising in integrated business, corporate and investor services. Ms. Wong has over 20 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 a Fellow 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 Company Secretary since 20 February 2017.)

(IV) Changes of Information of Directors and Supervisors

1. During the Reporting Period, Mr. Hong Qi, the Chairman of the Company, was appointed as a standing member of the executive committee of the twelfth session of ACFIC;
2. During the Reporting Period, Mr. Lu Zhiqiang, a Non-executive Director of the Company, ceased to be a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396));
3. During the Reporting Period, Mr. Wu Di, a Non-executive Director of the Company, was appointed as chairman of Liaoning Chamber of Commerce in Fujian Province, a council member of the first session of General Association of Liaoning Entrepreneurs and a council member of Jimei University;
4. During the Reporting Period, Mr. Song Chunfeng, a Non-executive Director of the Company, was appointed as a vice chairman of the board of directors of Quanzhoushi Jinjiang Zhongyuan Development Limited;
5. During the Reporting Period, Mr. Weng Zhenjie, a Non-executive Director of the Company, ceased to be as the chairman of the board of directors of YIMIN Asset Management Co., Ltd;
6. Mr. Liu Jipeng, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of Wanda Hotel Development Company Limited (listed on the SEHK (stock code: 00169)) since March 2019.
7. During the Reporting Period, Mr. Xie Zhichun, an Independent Non-executive Director of the Company, was appointed as an independent non-executive director of SuperRobotics Limited (listed on SEHK (stock code: 08176)). Mr. Xie ceased to be a non-executive director of China Smartpay Group Holdings Limited (listed on the SEHK (stock code: 08325));
8. During the Reporting Period, Mr. Peng Xuefeng, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of Huida Sanitary Ware Co., Ltd. (listed on the SSE (stock code: 603385)) and an independent non-executive director of Henan Zhongfu Industrial Co., Ltd. (listed on the SSE (stock code: 600595);
9. During the Reporting Period, Mr. Liu Ningyu, an Independent Non-executive Director of the Company, was appointed as the vice chairman of Liaoning Institute of Certified Public Accountant;
10. During the Reporting Period, Mr. Tian Suning, an Independent Non-executive Director of the Company, was appointed as an executive director and the chairman of AsiaInfo Technologies Limited (listed on the SEHK (stock code: 01675));
11. During the Reporting Period, Mr. Wang Hang, a Supervisor of the Company, was appointed as a vice chairman of the board of directors of Sichuan Xinwang Bank Co., Ltd.

(V) Appointment and resignation of Directors, Supervisors and Senior Management during the Reporting Period and the reasons therefor

1. On 4 April 2018, Mr. Fang Zhou tendered his resignation as Board Secretary and Joint Company Secretary of the Company due to personal reason;
2. On 4 April 2018, the seventh extraordinary meeting of the seventh session of the Board of the Company considered and approved the appointment of Ms. Bai Dan to concurrently serve as the Board Secretary of the Company;
3. On 4 April 2018, the seventh extraordinary meeting of the seventh session of the Board of the Company considered and approved the appointment of Mr. Ouyang Yong to serve as an Assistant President of the Company;
4. On 8 June 2018, the ninth meeting of the seventh session of the Board of the Company considered and approved the appointment of Ms. Chen Qiong and Mr. Hu Qinghua to serve as the Executive Vice Presidents of the Company;
5. On 21 June 2018, the 2017 annual general meeting of the Company elected Mr. Tian Suning as an Independent Non-executive Director of the Company. Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to the expiry of his term of office. On 3 September 2018, the Company issued the Announcement on the Approvals of the Qualification of Independent Non-executive Director, pursuant to which the qualification of Mr. Tian Suning as Independent Non-executive Director of the Company was approved by the CBIRC;
6. On 3 July 2018, Mr. Yao Dafeng and Mr. Tian Zhiping tendered their resignations as Directors and members of the related special committees under the Board in order to devote more time and attention to other business commitments;
7. On 3 July 2018, Mr. Cheng Guoqi tendered his resignation as a Supervisor and member of the related special committees under the Board of Supervisors in order to devote more time and attention to other business commitments.
8. On 12 October 2018, due to reaching the age of retirement, Mr. Liang Yutang tendered his resignation as a Vice Chairman of the Board and an Executive Director of the Company and members of the related special committees under the Board and ceased to act as the members of the related special committees under the Board.

(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).

(VII) Directors' interests in competing business

Mr. Liu Yonghao, a Non-executive Director of the Company, is a director of Sichuan Xinwang Bank Co., Ltd. ("Sichuan Xinwang Bank") and holds 30% equity interest of Sichuan Xinwang Bank through New Hope Group Co., Ltd., which is controlled by him. To the best knowledge of the Company, Sichuan Xinwang Bank was established on 28 December 2016 upon the approval by China's banking regulatory authorities and is an internet-based bank with scope of business including taking in deposits from the general public, granting loans, handling domestic and foreign settlements; handling the acceptance and discounting of negotiable instruments; issuing financial bonds; engaging in the business of bank cards; buying and selling foreign exchange and acting as an agent for the purchase and sale of foreign exchange; engaging in interbank lending; providing letter of credit services and guaranty; acting as an agent for the receipt and payment of money and acting as an insurance agent. As at the end of December 2018, total assets, net assets, net assets per share, deposits and loans of Sichuan Xinwang Bank were RMB36,210 million, RMB3,159 million, RMB1.05, RMB13,638 million and RMB25,716 million, respectively. Therefore, Sichuan Xinwang Bank is very different from the Company in terms of operation mode and operation scale. Mr. Liu Yonghao is just one of the directors of Sichuan Xinwang Bank and not the chairman of the board of directors of Sichuan Xinwang Bank. In addition, in accordance with the Articles of Association of the Company, Mr. Liu Yonghao shall abstain from voting in respect of resolutions in relation to Sichuan Xinwang Bank. As such, the interest of Mr. Liu Yonghao in Sichuan Xinwang Bank is not in conflict with his responsibilities as a Director of the Company.

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 medium enterprises. Hangzhou United Bank is a local joint-stock bank of limited liabilities with a registered capital of RMB1,750 million. As at the end of December 2018, total assets, net assets, net assets per share, deposits and loans of Hangzhou United Bank were RMB183,700 million, RMB17,031 million, RMB8.83, RMB137,054 million and RMB99,957 million, respectively. Therefore, Hangzhou United Bank is very different from the Company in terms of scale

and geographical coverage of business. Mr. Wu Di is just one of the directors and not the chairman of the board of directors 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.

Mr. Weng Zhenjie, a Non-executive Director of the Company, is a director of Chongqing Three Gorges Bank Co., Ltd. ("Chongqing Three Gorges Bank") and a director of Hefei Science & Technology Rural Commercial Bank Company Limited ("Hefei Science & Technology Rural Commercial Bank") and has no interest in the equity in these two banks. To the best knowledge of the Company, Chongqing Three Gorges Bank was established as a joint-stock city commercial bank in February 2008. As of 31 December 2018, the unaudited total assets, net assets, net assets per share, deposits and loans of Chongqing Three Gorges Bank were RMB204,300 million, approximately RMB13,700 million, RMB2.46, RMB120,100 million and RMB64,700 million, respectively. Hefei Science & Technology Rural Commercial Bank was established on 14 February 2007 and is a regional rural commercial bank providing services for small and medium enterprises, agriculture-related enterprises, rural enterprises, technological enterprises and local enterprises. As at 31 December 2018, the total assets, net assets, net assets per share, deposits and loans of Hefei Science & Technology Rural Commercial Bank were RMB96,048 million, RMB6,613 million, RMB3.67, RMB59,304 million and RMB40,408 million, respectively. Therefore, Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank are very different from the Company in terms of scale and geographical coverage of business. Mr. Weng Zhenjie is just one of the directors and not the chairman of the board of directors of each of Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank. In addition, in accordance with the Articles of Association of the Company, Mr. Weng Zhenjie shall abstain from voting in respect of resolutions in relation to either of Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank. As such, the interests of Mr. Weng Zhenjie in Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank are 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.

(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

1. As at 31 December 2018, 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)	1,930,715,189	1	5.44	4.41
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,315,117,123	2	3.71	3.00
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	2,019,182,618	3	5.69	4.61
		H	Long position	Interest held by his controlled corporation(s)	1,020,538,470	4	12.27	2.33
Shi Yuzhu	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,379,679,587	5	3.89	3.15
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	911,664		0.003	0.002

Notes:

1. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe 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 Liuhe 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. 24.86% and 29.08% 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 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe 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 1,930,715,189 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 1,315,117,123 A shares were directly held by Orient Group Incorporation. 29.66% of the issued share capital of Orient Group Incorporation was held by Orient Group Co., Ltd. 94% of the issued share capital of Orient Group Co., Ltd. was held by Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司), while Mingze Orient Investment Co., Ltd. was wholly-owned by Mr. Zhang Hongwei. 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 2,019,182,618 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.

4. The 1,020,538,470 H shares (Long position) comprised 8,237,520 H shares directly held by China Oceanwide International Investment Company Limited, 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 408,000,000 H shares directly held by Long Prosper Capital Company Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of 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 of the issued share capital of China Oceanwide International Investment Company Limited and 68.02% of the issued share capital of Oceanwide Holdings Co., Ltd. were held by China Oceanwide Holdings Group Co., Ltd. (see note 3 above).

5. The 1,379,679,587 A shares were held by Shanghai Giant Lifetech Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu.

2. As at 31 December 2018, 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	Contribution to 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.

3. As at 31 December 2018, the following Director of the Company had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/ short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
Shi Yuzhu	Non-executive Director	Long position	Interest held by his controlled corporation(s)	RMB24,000,000	1	10

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB24,000,000 of the registered capital of Shanghai Songjiang Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. according to the SFO.

4. As at 31 December 2018, the following Director of the Company had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/ short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
Shi Yuzhu	Non-executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,500,000	1	10

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB2,500,000 of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

Save as disclosed above, as at 31 December 2018, 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 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.

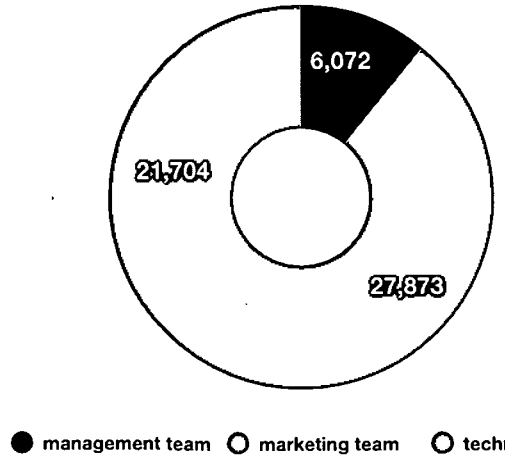
(X) Financial, business and family relationships among Directors, Supervisors and Senior Management

The Company has made enquiries to confirm that, among the members of the Board and the Board of Supervisors of the Company, Mr. Lu Zhiqiang, a Vice Chairman, is currently the chairman of the board of directors, president and ultimate controller of China Oceanwide Holdings Group Co., Ltd., while Mr. Zhang Bo, a Supervisor, is a vice chairman of the board of directors and president of China Minsheng Trust Co., Ltd., a subsidiary of China Oceanwide Holdings Group Co., Ltd. Mr. Liu Yonghao, the Vice Chairman, is currently the chairman of the board of directors and substantial shareholder of New Hope Group Co., Ltd., while Mr. Wang Hang, a Supervisor, is a vice chairman of the board of directors of New Hope Group Co., Ltd. Save as disclosed above, there are no other relationships between the members of the Board and the Board of Supervisors, including financial, business, family or other material or relevant relationships.

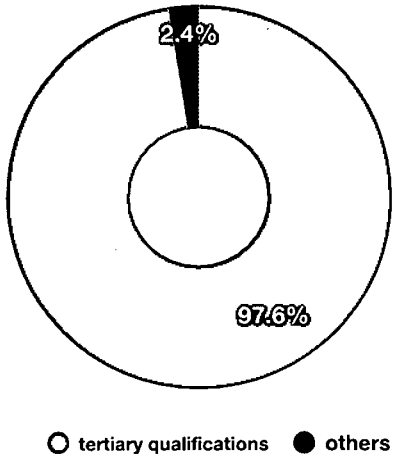
II. Employees

As at the end of the Reporting Period, the Group had 58,338 employees, of which 55,649 were employees of the Company and 2,689 were employees of the subsidiaries of the Company. Divided by work nature, 6,072 employees were categorised as the management, 27,873 employees as the marketing team, and 21,704 employees as the technical team. The Company had 54,338 employees with tertiary qualification or above, accounting for 97.6% of the total number of employees. During the Reporting Period, 349 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 were to further consolidate the important role of human resources allocation in promoting the implementation of strategies and enhancing the capital control in accordance with the strategic transformation requirements and business goals of the Company by adhering to its incentive principle which was based on input and output evaluation. It also strove to enhance the effectiveness of remuneration incentive policy in risk management and control to further improve the risk management and control of the Company.

In 2018, adhering to the strategic positionings of the Company and the transformation objectives of human resources management, the Company organised continuous and systematic training programmes for all employees of professional specialties from management, professional of certain business sectors, sales and operation in accordance with their job duties. The Company also put great effort in improving qualification management and promoting the establishment of online learning platform. During the Reporting Period, the Company developed 371-hour online learning materials for 1.44 million participants. The average learning hour per employee was 93 hours and the training coverage ratio was 100%. With the steadily rising percentage of employees holding CFA, CEP, CPA and other professional qualifications, the professional capability of employees of the Company improved continuously.

III. Business Network

As at the end of the Reporting Period, the Company had set up 42 branches in 41 cities across China, with 2,780 banking outlets in total.

During the Reporting Period, the Company did not open any new branch.

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 (RMB in millions) (excluding deferred income tax assets)	Address
Head Office	1	13,690	3,727,912	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	184	3,642	697,430	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	88	2,568	376,767	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	105	2,256	226,755	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	82	1,961	203,156	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Wuhan Branch	139	1,502	101,126	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	118	1,387	99,974	3-5/F, 9-21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan
Shijiazhuang Branch	169	2,131	76,518	Minsheng Bank Tower, No. 197 Yu Hua Dong Road, Chang'an District, Shijiazhuang
Dalian Branch	69	879	67,494	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian

Directors, Supervisors, Senior Management and Employees

Name of entity	Number of outlets	Headcount	Total assets (RMB in millions) (excluding deferred income tax assets)	Address
Nanjing Branch	206	3,000	303,848	No. 20 Hongwu Bei Road, Xuanwu District, Nanjing
Hangzhou Branch	94	1,720	135,566	Block Jinzun Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	107	1,028	77,956	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	81	1,136	71,872	China Minsheng Bank Tower, No. 78 Erhuan Nan Road Xiduan, Xi'an
Fuzhou Branch	55	968	52,656	No. 282 Hudong Road, Gulou District, Fuzhou
Jinan Branch	166	1,923	111,586	Gongbei Building, Shungeng Hillview Hotel, No. 28 Shungeng Road, Shizhong District, Jinan
Ningbo Branch	44	719	42,680	No. 815 Ju Xian Road, Gaoxin District, Ningbo
Chengdu Branch	132	1,397	112,721	Block 6, No. 966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu
Tianjin Branch	55	884	63,245	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	101	841	43,661	Chuntian Yinxiang Building, No. 331 Huancheng Nan Road, Guandu District, Kunming
Quanzhou Branch	48	554	25,046	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	42	1,134	83,312	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	66	953	66,387	No. 190, Hai'er Road, Laoshan District, Qingdao
Wenzhou Branch	21	586	44,732	Minsheng Bank Finance Building, No. 1 Huaijiang Road, Lucheng District, Wenzhou
Xiamen Branch	24	535	31,978	Xiamen Minsheng Bank Mansion, No. 50 Hubin Nan Road, Siming District, Xiamen
Zhengzhou Branch	126	1,614	87,229	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	50	901	60,073	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha
Changchun Branch	28	573	19,716	Minsheng Tower, No. 500 Changchun Avenue, Nanguan District, Changchun
Hefei Branch	65	734	51,794	Tian Qing Building, No. 135 Bozhou Road, Hefei
Nanchang Branch	46	558	40,692	No. 545, Huizhan Road, Honggutan New District, Nanchang
Shantou Branch	41	434	20,370	1–3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	39	546	52,758	1–3/F, 3M/F, 30–31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning
Hohhot Branch	25	394	32,901	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia
Shenyang Branch	64	517	23,130	No. 65 Nanjing Bei Street, Heping District, Shenyang
Hong Kong Branch	1	211	165,036	40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	42	485	44,409	Block 8, Tianyi International Plaza, No. 33 Yunling Nan Road, Gaoxin District, Guiyang
Haikou Branch	21	173	7,934	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou
Lhasa Branch	5	165	9,100	Global Plaza, No. 8 Beijing Xi Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	2	106	55,936	40/F, No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Harbin Branch	10	219	9,593	1–6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	11	253	14,203	1–4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Urumqi Branch	3	160	10,645	No. 314, Yangzijiang Road, Saybagh District, Urumqi
Xining Branch	2	108	7,077	1–4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining
Yinchuan Branch	4	104	4,132	1–5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan
Inter-region adjustment	–	–	(1,784,394)	
Total	2,780	55,649	5,776,712	

Notes:

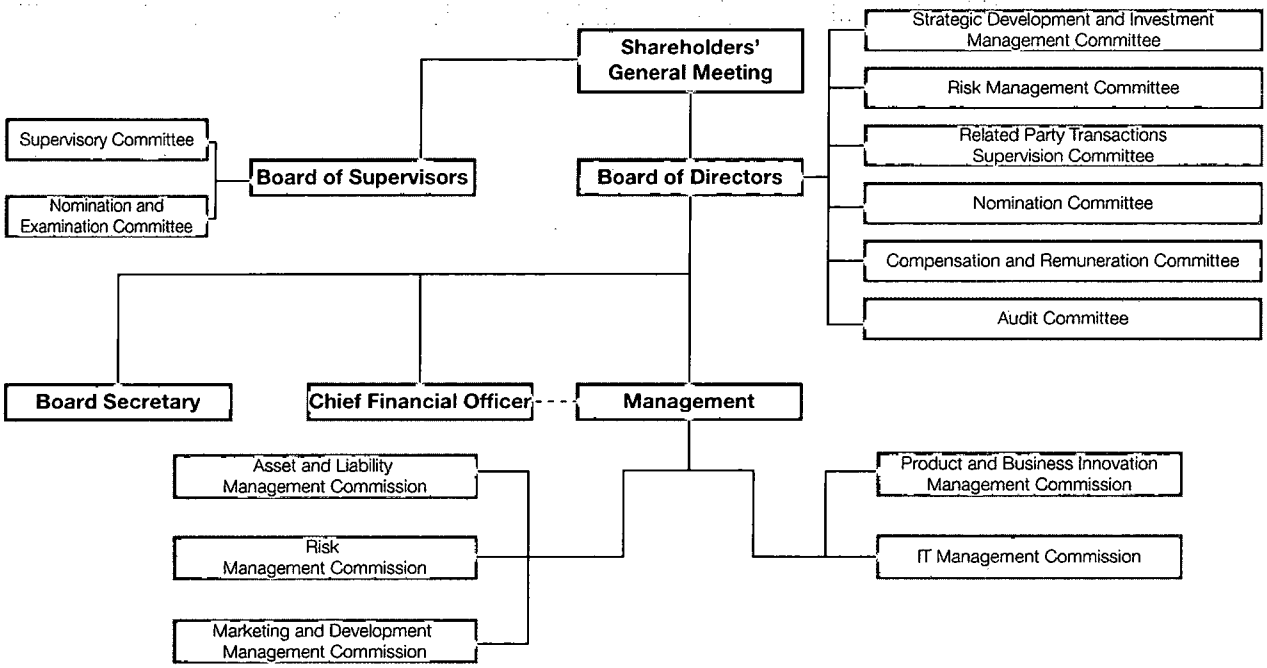
1. The number of institutions takes into account all types of banking outlets, including the Head Office, 42 tier-one branches and 41 business departments of branches (excluding the Hong Kong Branch), tier-two branches, remote sub-branches, county-level sub-branches, intra-city sub-branches, small-business special sub-branches, community sub-branches and small-business sub-branches.
2. Headcount of the Head Office includes all employees including employees of SBUs, such as Credit Card Centre (excluding employees of sub-branches). The Credit Card Centre had 8,308 employees.
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

公司治理

Corporate Governance



I. Corporate Governance Structure



II. Corporate Governance Overview

During the Reporting Period, the Company further improved its systems of compliance, refined internal control and enhanced compliance management of related party transactions. Performances of the Directors and the Senior Management were evaluated regularly, and the Supervisors fully performed their duties of supervision so as to improve corporate governance policies and enhance its overall corporate governance. Details are as follows:

1. During the Reporting Period, the Company had convened a total of 86 meetings, including two general meetings, 11 Board meetings, 49 meetings of the special committees of the Board, eight meetings of the Board of Supervisors and 16 meetings of the special committees of the Board of Supervisors. 376 resolutions including regular reports of the Company, working reports of the Board of Directors and the Board of Supervisors, working reports of the President, financial budgets and final account reports, profit distribution proposals and policy revisions were considered and approved at these meetings.

Corporate Governance

2. In accordance with the regulatory requirements and actual operation needs, the Company had introduced the Guidance on Data Governance of China Minsheng Bank (《中國民生銀行數據治理工作指引》), Administrative Measures on Compliance of China Minsheng Bank (《中國民生銀行合規管理辦法》), Administrative Measures on Employees' Conduct of China Minsheng Bank (《中國民生銀行從業人員行為管理辦法》), Core Values of Risk Management of China Minsheng Bank (《中國民生銀行風險經營核心理念》), Administrative Measures on Risk Appetite of China Minsheng Bank (《中國民生銀行風險偏好管理辦法》), Administrative Measures on Material Risk Exposure of China Minsheng Bank (《中國民生銀行大額風險暴露管理辦法》), Administrative Measures on Overall Risks of Subsidiaries of China Minsheng Bank (《中國民生銀行附屬機構全面風險管理辦法》), Administrative Measures on Country Risks of China Minsheng Bank (《中國民生銀行國別風險管理辦法》) and Administrative Measures on Financial Instrument Impairment of China Minsheng Bank (《中國民生銀行金融資產減值管理辦法》). The Company has also made almost 20 amendments, including the amendments to the Administrative Measures on Related Party Transaction of China Minsheng Bank (《中國民生銀行股份有限公司關聯交易管理辦法》), Administrative Measures on the Consolidation of Financial Statements of China Minsheng Bank (《中國民生銀行股份有限公司併表管理辦法》), Measures on Internal Control of China Minsheng Bank (《中國民生銀行內部控制辦法》), Administrative Measures on Liquidity Risks of China Minsheng Bank (《中國民生銀行流動性風險管理辦法》) and Administrative Measures on Venture Fund for Senior Management of China Minsheng Bank (《中國民生銀行股份有限公司高管風險基金管理辦法》). 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 Board of Supervisors continued to enhance the corporate governance of the Company by ceaselessly strengthening the implementation and the enforcement of the rules and regulations.

3. According to the Provisional Measures on Performance Evaluation of Directors (《董事履職評價試行辦法》), the Company completed the annual performance appraisal of the Directors and encouraged their diligent performance of duties and self-discipline. According to the Measures on Performance Appraisal of Senior Management (《高級管理人員盡職考評辦法》), the Board of the Company evaluated the performance of the Senior Management and determined their remunerations based on the results of the performance appraisal in order to continuously facilitate the improvement of their capabilities in performing duties.

4. During the Reporting Period, the Board conducted special studies on some branches and subsidiaries and prepared study reports. The studies allowed the Directors to have a whole picture of the Company and guaranteed the scientific decision making of the Board. The Audit Committee of the Board of the Company conducted site visits to the Kunming Branch, Dalian Branch and Minsheng Financial Leasing to have in-depth understanding of their internal control and provide management advices. The Risk Management Committee of the Board had analysed the risk-adjusted return and submitted a report thereon to the Board of Directors as a base for strategic decisions on risks.

5. During the Reporting Period, the Related Party Transactions Supervision Committee of the Board continued to strengthen the collation and update of information on related parties to ensure compliance management of related party transactions. According to latest local and overseas regulatory requirements, the Company revised the management systems of related party transactions, optimised management process and improved its management of related party transactions. The Company endeavoured to provide better management of related party transactions by promoting the centralised credit extension by the Group, so as to assure the fairness of price as well as compliance of operation and information disclosure.

6. During the Reporting Period, according to the Articles of Association and regulatory requirements, the Board of Supervisors of the Company continued to refine its system construction. It also regulated the performance of duties, explored methods of the performance of duties and proactively performed its duties to fully play its supervision role. The main duties of the Board of Supervisors include convening different meetings to consider the relevant resolutions, attending every meeting of the Board and important business meetings of the Senior Management as non-voting delegates, conducting special examinations and researches, carrying out regular supervision tasks, providing supervision opinions when necessary, and organising trainings to the Supervisors and interacting with other banks. With the efforts of all Supervisors, the Board of Supervisors duly performed their duties during the Reporting Period.

7. During the Reporting Period, based on the supervisory responsibilities and monitoring requirements, the Board of Supervisors of the Company closely monitored the operation and management of the Company. It conducted special studies and investigations on the overall risk management of the Company, the operation management of branches, management of consolidated financial statements and law-abiding and compliance operation. Performance appraisals of the Directors, Supervisors and Senior Management of the Company were also carried out. It also conducted specific examinations on the key businesses of the Company. Based on the above researches and examinations, the Board of Supervisors submitted various management proposals to the Board and the Senior Management, which facilitated the compliance operation and healthy development of the Company.

8. During the Reporting Period, in order to fulfill the training requirement of the Directors and Supervisors imposed by the regulatory authorities and enhance their capabilities, the Company successively arranged the Directors and Supervisors to participate in trainings for directors and supervisors organised by the regulatory authorities.

9. During the Reporting Period, the Company disclosed all material information in accordance with the relevant requirements and continued to enhance the transparency of the Company, ensuring all shareholders have an equal opportunity to access the information of the Company. The management of investor relations of the Company was carried out in accordance with the strategies of the Company and fully highlighted the strategic advantages, operation strategies and financial results of the Company, which facilitated better understanding of the capital market to the Company. Please refer to "Information Disclosure and Investor Relations" in this chapter for details.

10. According to the internal inspection conducted by 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.

11. The Company followed the regulatory documents 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.

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 more than 10% of the total voting shares of the Company.

Shareholders may request 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 to convene the extraordinary general meeting or class meeting, a notice of convening such 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 meeting shall have the right to propose to the Board of Supervisors in writing to convene such extraordinary general meeting or class meeting.

If the Board of Supervisors agrees thereto, a notice of convening such extraordinary general meeting 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 Board of Supervisors 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.

The Board of Directors and the Board Secretary shall provide assistance when necessary for general meeting convened by the Board of Supervisors 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 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, 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, the contact information of which is set out in the section headed "2. Procedures for shareholders to make enquiries to the Board".

IV. General Meetings

During the Reporting Period, the Company held two general meetings and considered and approved 21 resolutions. Details are as follows:

On 26 February 2018, the first extraordinary general meeting for 2018, the first A share class meeting for 2018 and the first H share class meeting for 2018 of the Company were held in Beijing in which the shareholders attended and voted on-site and online. Please refer to the announcement dated 26 February 2018 published on the website of the Company (www.cmbc.com.cn), the website of the SSE (www.sse.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) for details of the resolutions of the meetings. The announcement was also posted on China Securities Journal, Shanghai Securities News and Securities Times on 27 February 2018.

On 21 June 2018, the annual general meeting for 2017, the second A share class meeting for 2018 and the second class H share class meeting for 2018 of the Company were held in Beijing in which the shareholders attended and voted on-site and online. Please refer to the announcement dated 21 June 2018 published on the website of the Company (www.cmbc.com.cn), the website of SSE (www.sse.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) for details of the resolutions of the meetings. The announcement was also posted on China Securities Journal, Shanghai Securities News and Securities Times on 22 June 2018.

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 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.

Corporate Governance

(I) Composition of the Board

As at the end of the Reporting Period, the Board of the Company comprises 15 members, of which seven were Non-executive Directors, two were Executive Directors and six were Independent Non-executive Directors. All Non-executive Directors held key positions in renowned enterprises and were experienced in management, finance and accounting, while the two Executive Directors had been engaged in banking operation and management for a long time with extensive professional experiences. The six Independent Non-executive Directors were experts in economics, finance, accounting, law and information technology. One of the Independent Non-executive Directors was from Hong Kong and was familiar with the IFRSs and regulations of the Hong Kong capital market and equipped with extensive banking management experience.

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 enhancing 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 Nomination Committee shall supervise the implementation of the Policy of Board Diversity. The Board shall nominate candidates for Directors for their merits and based on the requirements for the diversity of Board members.

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. The status of Independent Non-executive Directors have been indicated clearly in all communications of the Company which list the names of Directors to comply with the provisions of the Hong Kong Listing Rules.

(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 operation 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 transactions within the scope authorised 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 Executive 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 authorise 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 for chairman, chief supervisor and general managers of subsidiaries;

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 information disclosure 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 a code 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 to promptly report any possible conflict 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 frequency of information reporting;

    (3) the method of information reporting;

    (4) the responsible party of information reporting and liabilities arising from delayed or incomplete information reporting; and

    (5) the confidentiality requirements.

19. to determine matters related to issued preference shares of the Company within the scope of power authorised 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.

(III) Board meetings and contents of resolutions

During the Reporting Period, 11 Board meetings were held by the Board to consider and approve major resolutions in relation to strategies, finance and operation of the Company.

Meeting	Date	Publication	Date of disclosure
5th extraordinary meeting of the seventh session of the Board	8 January 2018	Shanghai Securities News, China Securities Journal and Securities Times	9 January 2018
6th extraordinary meeting of the seventh session of the Board	5 February 2018	Shanghai Securities News, China Securities Journal and Securities Times	6 February 2018
7th meeting of the seventh session of the Board	29 March 2018	Shanghai Securities News, China Securities Journal and Securities Times	30 March 2018
7th extraordinary meeting of the seventh session of the Board	4 April 2018	Shanghai Securities News, China Securities Journal and Securities Times	5 April 2018
8th extraordinary meeting of the seventh session of the Board	11 April 2018	Shanghai Securities News, China Securities Journal and Securities Times	12 April 2018
8th meeting of the seventh session of the Board	27 April 2018	Shanghai Securities News, China Securities Journal and Securities Times	28 April 2018
9th meeting of the seventh session of the Board	8 June 2018	Shanghai Securities News, China Securities Journal and Securities Times	9 June 2018
10th meeting of the seventh session of the Board	29 June 2018	Shanghai Securities News, China Securities Journal and Securities Times	30 June 2018
11th meeting of the seventh session of the Board	30 August 2018	Shanghai Securities News, China Securities Journal and Securities Times	31 August 2018
12th meeting of the seventh session of the Board	30 October 2018	Shanghai Securities News, China Securities Journal and Securities Times	31 October 2018
13th meeting of the seventh session of the Board	27 December 2018	Shanghai Securities News, China Securities Journal and Securities Times	28 December 2018

At the above 11 meetings, 128 resolutions including four regular reports, working reports of the Board, working reports of the President, financial budgets and final account reports, profit distribution proposals, the establishment of business units and the policy 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 2018:

Directors	Attendance/ Number of Meetings
Hong Qi	11/11
Zhang Hongwei	11/11
Lu Zhiqiang	10/11
Liu Yonghao	11/11
Zheng Wanchun	10/11
Shi Yuzhu	10/11
Wu Di	11/11
Song Chunfeng	11/11
Weng Zhenjie	11/11
Liu Jipeng	11/11
Li Hancheng	11/11
Xie Zhichun	10/11
Peng Xuefeng	11/11
Liu Ningyu	11/11
Tian Suning	3/4
Liang Yutang	9/9
Yao Dafeng	8/8
Tian Zhiping	8/8
Cheng Hoi-chuen	6/7

Notes:

1. As Liang Yutang, Yao Dafeng, Tian Zhiping and Cheng Hoi-chuen have tendered their resignations as Directors of the Company during the Reporting Period, Tian Suning was newly appointed as an Independent Non-executive Director of the Company during the Reporting Period. The number of meetings attended by Tian Suning, Liang Yutang, Yao Dafeng, Tian Zhiping and Cheng Hoi-chuen was less than the number of meetings convened for the year.
2. Actual attendance does not include attendance by proxy. Except for the absence of the Director, Tian Suning on the 12th meeting of the seventh session of the Board, the above-mentioned Directors have appointed other Directors as their proxies to attend the meetings.

(IV) Implementation of the resolutions of general meetings by the Board of Directors

1. Implementation of profit distribution plan

The Board of the Company distributed dividends to the shareholders according to the profit distribution plan for the second half of 2017 and the plan of capital reserve capitalisation approved at the eighth extraordinary general meeting of the seventh session of the Board and the annual general meeting for 2017. On the basis of total share capital as at the record date cash dividend for the second half of 2017 of RMB0.90 (before tax) for every 10 shares was distributed to all shareholders whose names appeared on the share register. The capital reserve was capitalised from the issue of shares at premium by issuing shares to all shareholders whose names appear on the registers in a proportion of 2 shares for every 10 shares being held. The total amount of cash dividend was RMB3,284 million (before tax). The

total number of shares issued by capitalisation of the capital reserve was 7,297 million shares. The cash dividend was 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 dollar. The Company distributed dividends to the holders of A shares and H shares in July 2018 in accordance with the regulations, and this distribution plan was completed.

No interim profit was distributed and no capital reserve was used for capitalisation during the interim period of 2018.

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 2018:

Directors	Attendance/ Number of Meetings
Hong Qi	2/2
Zhang Hongwei	2/2
Lu Zhiqiang	2/2
Liu Yonghao	2/2
Zheng Wanchun	2/2
Shi Yuzhu	2/2
Wu Di	2/2
Song Chunfeng	2/2
Weng Zhenjie	2/2
Liu Jipeng	2/2
Li Hancheng	2/2
Xie Zhichun	2/2
Peng Xuefeng	2/2
Liu Ningyu	2/2
Tian Suning	0/0
Liang Yutang	2/2
Yao Dafeng	2/2
Tian Zhiping	2/2
Cheng Hoi-chuen	2/2

Notes:

1. On 21 June 2018, the annual general meeting for 2017 of the Company elected Mr. Tian Suning as an Independent Non-executive Director of the Company. The number of meetings attended by Mr. Tian Suning was less than the number of meetings convened for the year;
2. On 21 June 2018, Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to the expiry of his term of office of six years;
3. On 3 July 2018, Mr. Yao Dafeng and Mr. Tian Zhiping rendered their resignation reports to the Company and ceased to be Directors and members of the related special committees under the Board effective from 3 July 2018;
4. On 12 October 2018, Mr. Liang Yutang tendered his resignation as the Vice Chairman and Executive Director and ceased to be a member of the related special committees of the Board as he has reached the age of retirement.

Corporate Governance

(V) Performance of 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 CBIRC, the CSRC, and the listing rules of the SSE and the 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 working in the office of the Bank, conducting on-site visits, holding special investigations and conferences, attending the Board meetings and meetings of the special committees of the Board conscientiously, making suggestions actively and emphasising 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 one to two days per month. The Company provided offices and facilities for the Independent Non-executive Directors. During the Reporting Period, 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 review working reports of the management or various departments of the Head Office; to visit the branches of the Company for special investigations and conferences; and to supervise the setting up and amending any relevant corporate governance policy. It is an achievement for the Company to implement the on-duty policy of Independent Non-executive Directors, which provides important support and assurance for Independent Non-executive Directors to give full effect of their expertise 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 information disclosure so as to ensure the truthfulness, accuracy, completeness and timeliness of the information disclosed in the annual reports 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.

Pursuant to the rules, the Independent Non-executive Directors are required to perform their responsibilities and duties diligently in the process of preparation and disclosure of the annual reports 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 qualification of the accountants to be engaged by the Company and the qualification of the certified public accountants responsible for the auditing of the annual reports of the Company. Upon the issuance of the preliminary audit opinion, the Independent Non-executive Directors shall hold at least one meeting with the certified public accountants responsible for the auditing of the annual reports of the Company to discuss the issues identified in the auditing process before a Board meeting is convened to review the annual reports.

Pursuant to the rules, the Independent Non-executive Directors have performed their responsibilities and duties diligently and strictly complied with the relevant rules and regulations of the Company and the regulatory authorities in preparation and disclosure of the 2018 Annual Report of the Company. The Independent Non-executive Directors have received the reports from the management of the Company on the operation and progress of material issues of 2018, 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 firms.

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) Profit distribution plan;

(4) Remuneration of Directors and Senior Management;

(5) Legality and fairness of major related party transactions between the shareholders, de facto controllers and their respective related companies and the Bank, and whether the Bank has taken effective measures to collect outstanding payments;

(6) Engagement of external auditors;

(7) Matters that may cause substantial loss to the Bank;

(8) Issues that Independent Non-executive Directors considered may prejudice the legal interests of depositors, minority shareholders and other relevant interested parties;

(9) Other issues stipulated by the laws and regulations, normative documents and the Articles of Association of the Bank.

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, Audit Committee, Nomination Committee, Related Party Transactions Supervision Committee and Risk Management Committee under the Board. The majority of members of the Compensation and Remuneration Committee, Nomination Committee, Related Party Transactions Supervision Committee and Audit Committee were Independent Non-executive Directors. 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 2018

Directors	Number of meetings	Attendance in person	Attendance by proxy
Liu Jipeng	11	11	0
Li Hancheng	11	11	0
Xie Zhichun	11	10	1
Peng Xuefeng	11	11	0
Liu Ningyu	11	11	0
Tian Suning	4	3	0
Cheng Hoi-chuen	7	6	1

Notes:

1. On 21 June 2018, the annual general meeting for 2017 of the Company elected Mr. Tian Suning as an Independent Non-executive Director of the Company;
2. Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to the expiry of his term of office of six years;
3. The number of meetings attended by the Independent Non-executive Directors, Tian Suning and Cheng Hoi-chuen, was less than the number of meetings convened for the year.

(VI) Confirmation of 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.

(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, Mr. Zheng Wanchun, the President of the Company, 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 2018. The Company also formulated the guidelines for 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 2018.

Corporate Governance

VI. 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 of the Company in compliance with legal and regulatory requirements; (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 2018 were as follows: the Board had conducted due diligence appraisals of Directors and Senior Management, organised and carried out training of Directors and formulated and amended various corporate governance policies of the Company in accordance with domestic and overseas regulatory requirements, including the Articles of Association, Guidance on Data Governance of China Minsheng Bank (《中國民生銀行數據治理工作指引》), Administrative Measures on Employees' Conduct of China Minsheng Bank (《中國民生銀行從業人員行為管理辦法》), Administrative Measures on Related Party Transaction of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司關聯交易管理辦法》), Administrative Measures on the Consolidation of Financial Statements of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司併表管理辦法》) and Measures on Internal Control of China Minsheng Bank (《中國民生銀行內部控制辦法》). 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 2018 based on its review.

Composition, functions and powers of the six special committees of the Board and their works in 2018 are as follows:

(I) Strategic Development and Investment Management Committee

1. Composition of the Strategic Development and Investment Management Committee and meetings in 2018

On 1 January 2018, the Strategic Development and Investment Management Committee of the seventh session of the Board had nine members. The chairman was Hong Qi and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Zheng Wanchun, Shi Yuzhu, Yao Dafeng, Weng Zhenjie and Liu Jipeng.

On 29 June 2018, according to the Resolution regarding the Change of Members of Special Committees of the Seventh Session of the Board of the Company (《關於調整公司第七屆董事會部分專門委員會成員的決議》) approved at the tenth meeting of the seventh session of the Board. The Strategic Development and Investment Management Committee of the seventh session of the Board had nine members. The chairman was Hong Qi and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Zheng Wanchun, Shi Yuzhu, Yao Dafeng, Weng Zhenjie and Tian Suning.

On 3 July 2018, as Mr. Yao Dafeng tendered his resignation as Director and member of the related special committees of the Board of the Company, the composition of the Strategic Development and Investment Management Committee of the seventh session of the Board was adjusted to eight members. The chairman was Hong Qi and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Zheng Wanchun, Shi Yuzhu, Weng Zhenjie and Tian Suning.

The main functions and duties of Strategic Development and Investment Management Committee shall be as follows:

Studying and formulating long-term development strategies and long- and medium-term development outlines of the Company, and advising to the Board of Directors; supervising and evaluating the implementation of the strategies and providing proposals; providing proposals for adjusting the strategies based on the changes of operating environment; studying and formulating relevant systems for outward investments, proposing suggestions and plans for material investment decisions of the Company (including investments in fixed assets and equities); management of consolidated financial statements of the Bank and its subsidiaries; studying and formulating relevant systems for merger and acquisition, studying strategies for merger and acquisition and suggesting implementation proposals, including merging targets, acquisition methods and reorganisation; studying and formulating diversified operation and development model, studying and formulating the establishment and management model of a financial group; studying and implementing other major issues relevant to the strategic development of the Bank.

The Strategic Development and Investment Management Committee convened ten meetings, reviewed 49 proposals and received nine reports in 2018. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	10/10
Lu Zhiqiang	10/10
Liu Yonghao	10/10
Shi Yuzhu	10/10
Yao Dafeng	5/5
Weng Zhenjie	10/10
Executive Directors	
Hong Qi *(chairman of the committee)*	10/10
Zheng Wanchun	10/10
Independent Non-executive Directors	
Liu Jipeng	5/5
Tian Suning	5/5

Notes:

1. On 29 June 2018, the composition adjustment of some of the special committees of the Board was passed on the tenth meeting of the seventh session of the Board. Liu Jipeng, a Director, ceased to serve as a member of the Strategic Development and Investment Management Committee. Tian Suning, a Director, was elected as a member of the Strategic Development and Investment Management Committee to fill the vacancy;
2. On 3 July 2018, Mr. Yao Dafeng tendered his resignation as a Director and member of the related special committees of the Board;
3. The number of meetings attended by the Directors, Mr. Liu Jipeng, Mr. Tian Suning and Mr. Yao Dafeng, was less than the number of meetings convened for the year.

2. Major achievements of the Strategic Development and Investment Management Committee in 2018

During the Reporting Period, under the overall strategic guidance of the Board, the Strategic Development and Investment Management Committee actively carried out a series of tasks including decision support, strategic management, capital management, investment management, management of subsidiaries and the consolidated financial statements of the Group, protection of consumers' rights and interests and data governance in order to thoroughly fulfill its duties.

(1) Execution of supports on decision-making

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 10 meetings reviewed 49 proposals and received nine reports. It fully fullfilled its duties in support of the major decisions of the Company.

(2) Active promotion of strategic management

The Strategic Development and Investment Management Committee actively pushed forward reform and transformation and formulation of implementation scheme of the medium- and long-term development plan. It promoted the implementation of various major strategic decisions. With focus on medium- and long-term development strategy and investment plan, it conducted a series of forward-looking, strategic and practical researches.

(3) Continuous optimisation of capital management

The Strategic Development and Investment Management Committee continued to optimise the capital management system, prepare the annual capital planning, implement capital replenishment and capital monitoring and coordinate and complete the decision-making procedures of profit distribution of the Company.

(4) Continuous promotion of investment management

The Strategic Development and Investment Management Committee further strengthened the management of outward investments and pressed ahead with the development strategies of the Group so as to facilitate the implementation of major investment decisions and enhance the overall service level in an orderly manner. In addition, based on the relevant decisions of the Board, it organised and implemented major fixed assets investment projects and monitored the effective implementation of major proposals.

(5) Enhancement of the management of subsidiaries

The Strategic Development and Investment Management Committee further improved corporate governance of subsidiaries, optimised the corporate governance system, improved the management system and mechanism of subsidiaries and strictly implemented relevant decisions of the Board.

(6) Continuous optimisation of the management of consolidated financial statements of the Group

The Strategic Development and Investment Management Committee refined the management of the Group and revised the rules and regulations of the management of consolidated financial statements. It also strengthened supervision and appraisal of the Board and pressed ahead with the establishment of standardised risk management system so as to improve the overall coordination of the Group.

(7) Improvement of the protection of rights and interests of customers

The Strategic Development and Investment Management Committee received special reports from the Senior Management on the protection of rights and interests of customers. It established a mechanism under the Board on guiding and supervising the protection of rights and interests of customers in order to implement protection initiatives of the Company.

(8) Optimisation of data governance

The Strategic Development and Investment Management Committee carried out data governance of the Company. In accordance with the regulatory requirements, it specified the structure and improve the fundamental rules of data governance.

(II) Nomination Committee

1. Composition of the Nomination Committee and meetings in 2018

On 1 January 2018, the Nomination Committee of the seventh session of the Board had nine members. The chairman was Hong Qi and the members were Zhang Hongwei, Liu Yonghao, Tian Zhiping, Cheng Hoi-chuen, Li Hancheng, Xie Zhichun, Peng Xuefeng and Liu Ningyu.

On 21 June 2018, Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to the expiry of his term of office of six years. On 29 June 2018, the composition of the Nomination Committee was adjusted to nine members on the 10th meeting of the seventh session of the Board. The chairman was Peng Xuefeng and the members were Hong Qi, Zhang Hongwei, Liu Yonghao, Shi Yuzhu, Liu Jipeng, Li Hancheng, Xie Zhichun and Liu Ningyu.

The main functions and duties of Nomination Committee shall be as follows:

Reviewing the structure, composition and diversity of members of the Board of Directors (including but not limited to the gender, age, cultural and educational background, professional experience, skills, knowledge and term of office) and making suggestions to the Board of Directors for implementation of the strategies of the Bank annually; studying and formulating selection procedures and standards of appointment of Directors and Senior Management of the Head Office of the Bank and making suggestions to the Board of Directors. When identifying appropriate candidates for Directors, the value of the relevant candidates shall be considered, while objective conditions should be fully

examined for the benefit of the diversity of members of the Board of Directors; identifying qualified candidates for Directors and the Senior Management of the Head Office of the Bank; identifying and selecting outstanding candidates for operation management widely and making suggestions to Senior Management of the Head Office of the Bank on candidates for departments of the Head Office, senior management of branches and senior technical experts; conducting preliminary review on the qualification of candidates for Directors and Senior Management of the Head Office and making suggestions to the Board of Directors; examining the qualification of candidates for Independent Non-executive Directors in terms of independence, professional knowledge, experience and capability; examining the independence and performance of duties of Independent Non-executive Directors on a regular basis; conducting preliminary review on the qualification of candidates for chief specialists of the Bank, presidents of branches, presidents of SBUs, persons in charge of finance and chairman of the board of directors, chairman of the board of supervisors and general managers proposed for subsidiaries before appointments; formulating work procedures for alternative Directors and Senior Management of the Head Office under special circumstances, and nominating candidates to fill the vacancy as appropriate; guiding and supervising the establishment of a comprehensive data pool for development and management of talent of the Bank; reviewing the time Directors spent to perform their duties on a regular basis; reviewing the Policy of Board Diversity for the composition of the Board of Directors, the measureable targets set up for executing the diversification policy and the fulfillment of such targets as appropriate, and disclosing review results annually in the "Corporate Governance Report"; performing responsibilities specified by the laws, regulations and the listing rules of the places where the Bank is listed; fulfilling other functions and duties of the Committee authorised by the Board of Directors. Please refer to the section headed "Corporate Governance — V. Board of Directors — (I) Composition of the Board" for details of the Policy of Board Diversity.

Corporate Governance

The Nomination Committee convened eight meetings and reviewed 14 proposals in 2018. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	8/8
Liu Yonghao	8/8
Shi Yuzhu	4/4
Tian Zhiping	4/4
Executive Director	
Hong Qi *(chairman of the committee before 29 June 2018)*	8/8
Independent Non-executive Directors	
Peng Xuefeng *(chairman of the committee since 29 June 2018)*	8/8
Liu Jipeng	4/4
Li Hancheng	8/8
Xie Zhichun	8/8
Liu Ningyu	8/8
Cheng Hoi-chuen	3/4

Notes:

1. On 29 June 2018, the composition adjustment of some of the special committees of the Board was passed on the 10th meeting of the seventh session of the Board. Tian Zhiping and Cheng Hoi-chuen, the Directors, ceased to serve as the members of the Nomination Committee. Shi Yuzhu and Liu Jipeng, the Directors, were elected as members of the Nomination Committee to fill the vacancies;
2. On 21 June 2018, Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to the expiry of his term of office of six years;
3. On 3 July 2018, Mr. Tian Zhiping tendered his resignation as a Director and member of the related special committees of the Board;
4. The number of meetings attended by the Directors, Shi Yuzhu, Tian Zhiping, Liu Jipeng and Cheng Hoi-chuen, was less than the number of meetings convened for the year.

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

The general nomination and election procedure of Directors of the Bank shall be as follows:

A Subject to the number of board members stipulated in the Articles of Association and according to the number of Directors to be elected, the previous session of the Board may propose a list of Director candidates after an extensive consultation of the shareholders; shareholders who individually or jointly hold 3% or more of the total voting shares of the Bank could also propose candidates to the Board of Directors.

B The Nomination Committee of the Board shall conduct a preliminary review on the qualifications and eligibility of the candidates for Directors, and qualified candidates shall be submitted to the Board of Directors for consideration. Upon approval, the Board of Directors shall submit a written proposal for the candidates of Directors to the shareholders' general meeting.

C Any Director candidate shall, prior to the convening of the shareholders' general meeting, make written commitments that he/she agrees to accept the nomination, undertakes that the truthfulness and completeness of the information disclosed, and warrants that he/she will effectively perform his duties and functions as a director after he/she is elected.

D The Board of Directors shall disclose to shareholders, in accordance with the laws, regulations and the Articles of Association, detailed information of the Director candidates before the shareholders' general meeting is convened, so that the shareholders can have sufficient knowledge about the candidates before voting.

E Each Director candidate shall be voted on a one-by-one basis at the shareholders' general meeting.

F In case of urgent need of filling vacant positions for Directors, the Nomination Committee of the Board of Directors or shareholders who are eligible to make nominations shall propose candidates to the Board of Directors for consideration and approval, and the candidates shall be voted and elected at the shareholders' general meeting.

G A shareholder and its associates may not propose nomination for candidates of Directors and Supervisors simultaneously; where the Directors (Supervisors) candidate proposed by a shareholder and its associates has been elected as a Directors (Supervisors), such shareholder may not propose other Supervisors (Directors) candidates before the expiry of the term of office or replacement of such elected Director (Supervisor); the number of Director candidates nominated by a shareholder and its associates shall not exceed one third of the total members of the Board of Directors in principle, except as otherwise prescribed by the State.

If a shareholder or the Board of Supervisors raises an objection to the list of Director candidates, a new proposal should be submitted in accordance with the Articles of Association of China Minsheng Bank, pursuant to which the Nomination Committee shall examine the qualification of relevant candidates and submit the proposal to the Board of Directors for whether the proposal should be further submitted to the general meeting.

(ii) Special procedures for nomination of Independent Non-executive Director candidates

Independent Non-executive Directors shall be nominated, elected and replaced in accordance with the following requirements:

A Candidates of Independent Non-executive Directors may be nominated by any shareholder(s) holding 1% or more of the total voting shares of the Bank individually or collectively, the Board of Directors or the Board of Supervisors of the Bank and shall be elected by the shareholders' general meeting. A shareholder who has already nominated the candidate for Director shall have no right to nominate an Independent Non-executive Director.

B Nominators shall seek the consent of the nominees prior to the nomination; possess full acquaintance of the occupation, education level, professional qualification, detailed working experiences and all part-time jobs of the nominees; and provide opinions regarding the nominees' qualification and independence to serve as Independent Non-executive Directors. Nominees shall make a public statement that he/she has no relation with the Bank which may interfere with his/her independent and objective judgment.

Appointment of Independent Non-executive Directors shall follow the market principle, and the Nomination Committee of the Board shall examine the qualifications of the nominated candidates for Independent Non-executive Director, mainly considering their independence, expertise, experience and capabilities, etc.

Before convening the shareholders' general meeting for the election of Independent Non-executive Directors, the Board of Directors of the Bank shall announce the above information as required.

C Before convening the shareholders' general meeting for the election of Independent Non-executive Directors, the Bank shall submit all information of the nominees to the banking regulatory authority of the State Council, the securities regulatory authority of the State Council, the local branch of the securities regulatory authority of the State Council in the location of the Bank and stock exchanges on which the shares of the Bank are listed. If there is objection raised by the Board of Directors regarding to the nominees, the written opinions of the Board of Directors shall also be submitted at the same time.

Nominees disagreed by the regulatory authorities may be selected as candidates of Directors of the Bank but not candidates of Independent Non-executive Directors. The Board of Directors shall illustrate whether candidates of Independent Non-executive Directors are disagreed by regulatory authorities in the shareholders' general meeting for election of Independent Non-executive Directors.

(2) Criteria and standards 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 banking regulatory authorities of the State Council. Qualification of Directors shall be reviewed by the banking regulatory authorities of the State Council.

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;

5. is able to read, understand and analyse commercial bank's credit statistics and financial statements;

6. has more than five years of working experience in law, economy, commercial banks or other aspects necessary for performing duties as independent non-executive directors;

7. meets the requirements of domestic and overseas regulatory authorities and the relevant listing rules regarding the qualifications of independent non-executive directors, and obtains other qualifications to serve as Directors specified in the Articles of Association.

Independent Non-executive Directors shall be independent. The following persons shall not serve as Independent Non-executive Directors:

1. an employee of the Company, or is the lineal relative, main social relation (lineal relative refers to spouse, parents, children etc.; main social relation refers to brother and sister, father-in-law, mother-in-law, daughter-in-law, son-in-law, brother-in-law, sister-in-law etc.) of such employee;

2. natural person shareholders directly or indirectly holding 1% or more of the total issued shares of the Bank or being the top 10 shareholders of the Bank and their immediate relatives;

3. employees of the shareholders directly or directly holding 5% or more of the total issued shares of the Bank or the top five shareholders of the Bank and their immediate relatives;

4. has any of the three factors listed above in the past one year;

5. provides financial, legal, consulting services to the Bank or its subsidiaries;

6. other persons as specified by the banking regulatory authority of the State Council and the securities regulatory authority of the State Council; and

7. other persons as specified by laws, regulations, normative documents and the Articles of Association.

3. Major achievements of the Nomination Committee in 2018

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, examination and approval of the qualification of Senior Management and recruitment and election of Independent Non-executive Directors 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

The Nomination Committee has reviewed the Annual Work Report of Independent Non-executive Directors for 2017 (《獨立非執行董事2017年度述職報告》) of the six Independent Non-executive Directors of the Company according to their annual work, annual duty performance, preparation of annual report and key issues of the Company and submitted the Annual Work 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 of the Company have independently and objectively performed their duties, diligently supervised the business development and compliance of major events of the Company, effectively enhance the corporate governance and protected the interests of the Company and the shareholders, especially the interests of minority shareholders.

(2) Recruitment and election of Independent Non-executive Directors

During the Year, the former Independent Non-executive Director, Cheng Hoi-chuen had completed his term of office of six years. In order to ensure that the composition of the Board is in compliance with the laws and regulations, the Nomination Committee promptly carried out extensive recruitment and selection of candidates for Independent Non-executive Director to fill the vacancy. In accordance with regulatory requirements, the requirement of board diversity and the reforms and transformation of the Company, the Nomination Committee nominated Mr. Tian Suning as the candidate for Independent Non-executive Director to the Board and submitted the nomination to shareholders' general meeting, which considered and approved the nomination. This ensured that the number of Independent Non-executive Directors complies with the regulatory requirements and the Articles of Association of the Company, as well as the compliance operations of the Board.

(3) Review of the qualification of proposed Senior Management of the Head Office

The Nomination Committee conducted preliminary reviews on the qualification of proposed Senior Management of the Head Office and submitted the same to the Board for consideration according to the development strategies and the needs of the Company and the biographies of the candidates.

(4) Examination on the qualifications of the presidents of branches, presidents of SBUs and senior management of subsidiaries

The Nomination Committee continued to perform its duties of making decisions on selection and appointment of senior management and improve the nomination procedure in a normative, transparent and efficient manner. The Nomination Committee considered more than 19 candidates for presidents of branches, presidents of SBUs and candidates for chairmen of the board, chairmen of the board of supervisors and general managers of subsidiaries during the year.

Corporate Governance

(III) Compensation and Remuneration Committee

1. Composition of the Compensation and Remuneration Committee and meetings in 2018

On 1 January 2018, the Compensation and Remuneration Committee of the seventh session of the Board had nine members. The chairman was Cheng Hoi-chuen and the members were Lu Zhiqiang, Liang Yutang, Zheng Wanchun, Wu Di, Liu Jipeng, Li Hancheng, Xie Zhichun and Peng Xuefeng.

On 21 June 2018, Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to the expiry of his term of office of six years. On 29 June 2018, the composition of the Compensation and Remuneration Committee was adjusted to nine member on the 10th meeting of the seventh session of the Board. The chairman was Tian Suning and the members were Lu Zhiqiang, Liang Yutang, Zheng Wanchun, Wu Di, Liu Jipeng, Li Hancheng, Xie Zhichun and Peng Xuefeng.

On 12 October 2018, the former Vice Chairman of the Company, Mr. Liang Yutang ceased to be a member of the Compensation and Remuneration Committee as he has reached the age of retirement. The composition of the Compensation and Remuneration Committee was adjusted to eight members. The chairman was Tian Suning and the members were Lu Zhiqiang, Zheng Wanchun, Wu Di, Liu Jipeng, Li Hancheng, Xie Zhichun and Peng Xuefeng.

The main functions and duties of the Compensation and Remuneration Committee shall be as follows:

Studying and formulating remuneration policies and remuneration systems and plans, making suggestions to the Board on the establishment of formal and transparent procedures for making remuneration policies and supervising the implementation of remuneration policies and remuneration systems and plans; studying and formulating performance appraisal standards and proposals of the Directors and Senior Management of Head Office; studying and formulating due diligence appraisal system of the Directors and Senior Management of Head Office, making recommendations to the Board of Directors and carrying out regular appraisals; considering and determining the classes of positions and remuneration of Senior Management of Head Office; studying and formulating the proposal of share option incentive scheme of the Bank and its subsidiaries and its implementation method; reviewing the material remuneration system of the Bank, making recommendations on improvement and supervising its implementation; studying and formulating the resignation policy of the Directors and Senior Management of Head Office; determining the remuneration and incentive and restraint proposals for Directors and Senior Management of Head Office, including their benefits-in-kind, pension and compensations (including compensation for loss of office or appointment or removal from office or appointment which is not due to misconduct or termination of office or appointment) and making recommendations to the Board of Directors; reviewing and approving compensation payment to the

Directors and Senior Management for their loss or termination of office or appointment or their removal or dismissal due to misconduct, which shall be determined based on the relevant contracts or, in the absence of the relevant contracts, fair and reasonable; performing duties stipulated by the laws, regulations and listing rules of places where the Company is listed; dealing with other matters conferred by the Board of Directors.

The Compensation and Remuneration Committee convened five meetings, reviewed 15 proposals and received one report in 2018. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Lu Zhiqiang	5/5
Wu Di	5/5
Executive Directors	
Zheng Wanchun	5/5
Liang Yutang	4/4
Independent Non-executive Directors	
Tian Suning *(chairman of the committee since 29 June 2018)*	3/3
Liu Jipeng	5/5
Li Hancheng	5/5
Xie Zhichun	4/5
Peng Xuefeng	5/5
Cheng Hoi-chuen *(chairman of the committee before 29 June 2018)*	2/2

Notes:

1. On 21 June 2018, Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to the expiry of his term of office of six years;
2. On 29 June 2018, the composition of the Compensation and Remuneration Committee was adjusted on the 10th meeting of the seventh session of the Board. Tian Suning, a Director, was elected as a member of the Compensation and Remuneration Committee to fill the vacancy;
3. On 12 October 2018, the former Vice Chairman of the Company, Mr. Liang Yutang ceased to a member of Compensation and Remuneration Committee as he has reached the age of retirement;
4. The number of meetings attended by Tian Suning, Cheng Hoi-chuen and Liang Yutang was less than the number of meetings convened for the year.

2. Major achievements of the Compensation and Remuneration Committee in 2018

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 optimising and refining the remuneration and performance appraisal system of the Senior Management, gave full play to its functions and carried out all tasks in a proactive manner. Its major achievements of the year are as follows:

Corporate Governance

(1) Objective performance appraisals 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 performance appraisal of all the Directors for 2017 based on measurable key performance indicators during the Reporting Period and published the Performance Appraisal Report of Directors of the Board of China Minsheng Bank for 2017 (《中國民生銀行董事會2017年度董事履職評價報告》).

(2) Appraisal on due diligence of Senior Management for the year

The Compensation and Remuneration Committee of the Board carried out appraisal on due diligence of the Senior Management of the Head Office for 2017 under the authorisation of the Board according to related rules. It facilitated a thorough understanding of the Board and the Compensation and Remuneration Committee to the performance of Senior Management and guided them to improve their performance.

(3) Review of annual remuneration of the Directors and the Senior Management of the Head Office

The Compensation and Remuneration Committee reviewed the 2017 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 Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》) and the Administrative Measures on Venture Fund for Senior Management (《高級管理人員風險基金管理辦法》), the Compensation and Remuneration Committee reviewed the 2017 remuneration report of Senior Management of the Head Office appointed by the Board.

(4) Determination of targets of key performance indicators (KPI) for Senior Management in 2018

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 actual operation of the Company, the Compensation and Remuneration Committee of the Board studied and considered KPIs, risk weights and benchmark of Senior Management during the Reporting Period, which provided a rational basis for performance appraisal of Senior Management.

(5) Amendments to the Administrative Measures on Venture Fund for Senior Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司高管風險基金管理辦法》)

In accordance with the Regulatory Guideline of Stable Remuneration of Commercial Banks (《商業銀行穩健薪酬監管指引》), the Compensation and Remuneration Committee of the Board made amendments to the Administrative Measures on Venture Fund for Senior Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司高管風險基金管理辦法》) with reference to the actual situation of the Company and submitted the same to the Board for consideration and approval. It continued to strengthen the management of the risk responsibilities of Senior Management and further refined the long-term incentive and restraint system of Senior Management.

(6) Determination on the position classes and remuneration of Senior Management of the Head Office

As stipulated in the Terms of Reference of the Compensation and Remuneration Committee under the Board (《董事會薪酬與考核委員會工作細則》) and Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》), the Compensation and Remuneration Committee of the Board considered and determined the position classes and remuneration of part of the Senior Management of the Company.

(IV) Risk Management Committee

1. Composition of the Risk Management Committee and meetings in 2018

On 1 January 2018, the Risk Management Committee of the seventh session of the Board had five members. The chairman was Xie Zhichun and the members were Liang Yutang, Wu Di, Yao Dafeng and Song Chunfeng.

On 3 July 2018, the former Director, Mr. Yao Dafeng, tendered his resignation as a Director and member of the related special committees of the Company in order to devote more time and attention to other business commitments. The composition of the Risk Management Committee of the seventh session of the Board was adjusted as follows: Xie Zhichun as the chairman and Liang Yutang, Wu Di and Song Chunfeng as the members.

On 12 October 2018, the former Vice Chairman of the Company, Liang Yutang, tendered his resignation as a Director and member of the related special committees of the Company as he has reached the age of retirement. The composition of the Risk Management Committee of the seventh session of the Board was adjusted as follows: Xie Zhichun as the chairman and Wu Di and Song Chunfeng as the members.

The main functions and duties of Risk Management Committee shall be as follows:

Conducting research on national macroeconomic and financial policies and analysing the domestic and overseas market changes to formulate risk management guidelines for the Company and establish risk control indicator system for the Company; studying policies, regulations and regulatory indicators issued by regulatory authorities to provide suggestions for effective implementation; conducting researches on the development strategies and risk management system of the Company to provide suggestions on the improvement of organisation structure, control procedures and risk settlement; reviewing risk monitoring indicators system and risk management information analysis report to monitor the implementation of necessary identification, measurement, monitoring and control measures for various 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; organising risk assessment for material operation issues to formulate risk prevention measures and other duties authorised by the Board of Directors.

The Risk Management Committee convened nine meetings, reviewed 27 proposals and received six reports in 2018. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Wu Di	9/9
Yao Dafeng	5/5
Song Chunfeng	9/9
Executive Director	
Liang Yutang	6/6
Independent Non-executive Director	
Xie Zhichun *(chairman of the committee)*	9/9

Notes:

1. Mr. Yao Dafeng has ceased to be the Director of the Company since 3 July 2018;
2. Mr. Liang Yutang has ceased to be the Director of the Company since 12 October 2018;
3. The number of meetings attended by Mr. Yao Dafeng and Mr. Liang Yutang was less than the number of meetings convened for the year.

2. Major achievements of the Risk Management Committee in 2018

In 2018, under the leadership of the Board, the Risk Management Committee continued to strengthen the relevance and effectiveness of risk control efforts of the Board. It refined risk control system of the Board and improved the overall quality of risk control system. Its major achievements of the year were as follows:

(1) Formulation and implementation of Administrative Measures on Risk Appetite of China Minsheng Bank (《中國民生銀行風險偏好管理辦法》)

As part of its major tasks for 2018, the Risk Management Committee formulated the Administrative Measures on Risk Appetite of China Minsheng Bank (《中國民生銀行風險偏好管理辦法》) in accordance with the regulatory requirements and with reference to the suggestions from various parties and researches of peers. Having been considered and approved by the Risk Management Committee and the Board, the Administrative Measures on Risk Appetite of China Minsheng Bank (《中國民生銀行風險偏好管理辦法》) constitutes the overall framework of risk appetite management and sets up a solid foundation for the Board to strike a balance between strategic development and risk control and grasp the overall risk framework.

(2) Introduction of Core Values of Risk Management of China Minsheng Bank (《中國民生銀行風險經營核心理念》)

According to the plan of the Board and subject to the regulatory requirements and the actual needs of the Bank, the Risk Management Committee formulated the Core Values of Risk Management of China Minsheng Bank (《中國民生銀行風險經營核心理念》) with reference to the opinions from various parties and the suggestions from the staff. Based on over 20 years of experience of the Bank and having been considered and approved by the Risk Management Committee and the Board, the Core Values of Risk Management of China Minsheng Bank (《中國民生銀行風險經營核心理念》) further improved the core value of the establishment of the risk management culture and served as the important guiding principles for risk control for the Board, the management and business units at all levels.

(3) Improvement on risk management performance mechanism of the Board

Efforts were made to fulfill duties including guidance and supervision by the Board on the risk management. Taking into account the strategic transformation and the implementation of the three-year development plan, the Risk Management Committee completed the Guiding Opinion on Risk Management by the Board for 2018 (2018年董事會風險管理指導意見), Report on Risk Assessment for 2017 (2017年度風險評估報告), Interim Report on Risk Assessment for 2018 (2018半年度風險評估報告), special risk investigation and various risk reports on the operation management. Coupled with stronger coordination of these initiatives, the Board had established an integrated mechanism of guidance, implementation and evaluation of risk management.

(4) Emphasis on standardisation of review mechanism of major risk systems

In accordance with the Rules on the Review of Major Risk Systems of the Board of China Minsheng Bank (《民生銀行董事會關於重要風險制度的審查規則》, the Risk Management Committee further defined a couple of mechanisms in relation to the scope of review, submission principle, procedure and the division of work. It regulated the review procedures of major risk management systems and strengthened the performance efficiency and quality of the Board on risk management. The Risk Management Committee reviewed and considered a total of 10 major risk systems during the Reporting Period, including the Administrative Measures on Financial Asset Impairment of China Minsheng Bank (《民生銀行金融資產減值管理辦法》), Administrative Measures on Interest Rate Risk of Books of China Minsheng Bank (2018 Revised) (《民生銀行帳簿利率風險管理辦法(2018年修訂)》) and Regulations on Compliance Management of China Minsheng Bank (《民生銀行合規管理規定》).

(5) Fulfillment of duties of the Risk Management Committee in promoting all-round risk management

The Risk Management Committee performed its duties strictly according to the regulatory rules. During the Reporting Period, it held nine committee meetings, considered and approved 15 risk reports, including the Report on IT Risk of China Minsheng Bank for 2017 (《民生銀行2017年度信息科技風險管理報告》) and Annual Conclusion of Case Prevention for 2017 and Self-evaluation Report of China Minsheng Bank (《民生銀行2017年度案防工作年度總結及自我評估報告》). It also received and discussed various special reports concerning improvements on the duty performance and strategic transformation on risk management. It conducted researches and received reports on the risk management of the management and considered and approved quarterly reports on risk management.

(V) Audit Committee

1. Composition of the Audit Committee and meetings in 2018

On 1 January 2018, the Audit Committee of the seventh session of the Board had five members. The chairman was Liu Ningyu and the members were Tian Zhiping, Weng Zhenjie, Cheng Hoi-chuen and Peng Xuefeng.

On 29 June 2018, the composition of the Audit Committee was adjusted on the 10th meeting of the seventh session of the Board. The Audit Committee of the seventh session of the Board after the adjustment had five members. The chairman was Liu Ningyu and the members were Tian Zhiping, Weng Zhenjie, Peng Xuefeng and Tian Suning.

On 3 July 2018, Mr. Tian Zhiping tendered his resignation as a Director and member of the related special committees of the Board. As at the end of the Reporting Period, the Audit Committee of the Board had four members. The chairman was Liu Ningyu and the members were Weng Zhenjie, Peng Xuefeng and Tian Suning.

The Audit Committee of the seventh session of the Board consisted of three Independent Non-executive Directors and one Non-executive Director. The three Independent Non-executive Directors were experts in finance and management. One 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 to perform its supervisory duty effectively.

The members of the Audit 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 or relevant relations.

The main functions and duties of Audit Committee shall be as follows:

Making recommendations on the appointment or replacement of external auditor and reviewing the remuneration and terms of engagement of external auditor as well as handling any questions of registration or dismissal of external auditor; reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process; discussing with the external auditor about the nature and scope of audit and the reporting responsibility of auditing before the auditing works proceeded; formulating and implement policies regarding non-auditing services provided by external auditor; reviewing the financial and accounting policies and practice; examining the annual financial budgets and annual accounting reports of the Company; reviewing the quarterly, interim and annual financial reports to be disclosed by the Company and making recommendation on the truthfulness, completeness and accuracy of the information disclosed in such financial reports. The committee shall pay special attention to the following matters: coordinating the internal and external auditing; reviewing reports on the write-off of bad debts during the Reporting Period; reviewing the auditing rules, medium- to long-term auditing plan and annual working plan for internal auditing; providing guidance for internal auditing; supervising the internal auditing department and supervising the implementation of the internal auditing system to ensure sufficient resources are provided to and appropriate standing for the internal auditing department; evaluating the performance of the internal auditing department and the key officers; supervising the management to rectify problems identified during the internal auditing, reviewing the accounting records, financial accounts or proposals for the internal control management and proposals for the auditing on material matters provided to the management by the external auditing firm; assisting the management to provide corresponding responses and ensuring that the Board of Directors provides timely responses to the recommendations made by the external

auditing firm to the management; supervising the establishment of the internal control system and organising the self-evaluation of the internal control of the Bank; discussing the internal control system with the management to ensure the management has performed their duties to establish an effective internal control system, including whether the adequacy of resources, qualification and experience of accountants and financial reporting personnel and training programs for relevant employees and relevant budget meet demands; reviewing arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters; ensuring that proper arrangements are in place for a fair and independent investigation of such matters and for appropriate follow-up actions; monitoring the relationships between the Company and the external auditors in its capacity as a major representative; performing duties stipulated by the laws, regulations and listing rules of places where the Company is listed; and dealing with other matters authorised by the Board of Directors or related to the duties of the committee.

The Audit Committee convened nine meetings, reviewed 48 proposals and received three reports in 2018. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Tian Zhiping	5/5
Weng Zhenjie	9/9
Independent Non-executive Directors	
Liu Ningyu *(chairman of the committee during the Reporting Period)*	9/9
Cheng Hoi-chuen	4/4
Peng Xuefeng	9/9
Tian Suning	2/3

Notes:

1. On 21 June 2018, Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to expiry of his term of office of six years;
2. According to relevant resolution approved on the 10th meeting of the seventh session of the Board held on 29 June 2018, Mr. Tian Suning was elected as a member of the Audit Committee under the seventh session of the Board to fill the vacancy;
3. On 3 July 2018, Mr. Tian Zhiping tendered his resignation as a Director of the Company and member of the related special committees;
4. The number of meetings attended by Cheng Hoi-chuen, Tian Suning and Tian Zhiping was less than the number of meetings convened for the year.

2. Major achievements of the Audit Committee in 2018

During the Reporting Period, under the guidance of the Board, the Audit Committee performed its responsibilities and duties diligently by strengthening its supervision on auditing financial statements, optimising the internal control system and improving information quality of financial statements. Major work accomplished during the year are as follows:

(1) Improvement in the vertical management of internal audit and the construction of internal control

In active response to the changes in the economic and regulatory environment, the Audit Committee continued to strengthen the internal control system of the Company to enhance its internal control. On one hand, through approving the internal control work plan, reviewing the internal audit reports and attending the internal audit reporting meetings, the committee promoted the internal auditing to focus on key auditing targets including strategy implementation, overall risk management, compliance performance and consolidated financial statements of the Group. It enhanced the auditing and supervision of operation management, policy implementation, resources allocation, internal control and economic accountability of the management. On the other hand, continuous efforts were made to step up rectification and accountability of problems in order to improve the effectiveness of internal control mechanism, ensure the effective implementation of strategies and enhance the overall internal control of the Bank.

(2) Internal control inspections of and work guidance for branches

During the year, the Audit Committee investigated the internal control of the Kunming Branch and Dalian Branch and Minsheng Financial Leasing and profoundly understood the basic situation of operation management, the construction of internal control system as well as administrative measures on internal control of branches and subsidiaries. The Audit Committee put forward concrete requirements in respect of internal control management and risk management of branches and subsidiaries, and provided guidance on their work plan and layout of major works.

(3) Review of financial statements of the Company

Based on the disclosure requirements of the regulatory authorities for annual financial report and the review and disclosure plan of the Audit Committee, the Audit Committee organised the preparation and auditing of the 2017 Annual Report, and completed the review of the 2017 Report on Final Accounts, 2018 Financial Budget, 2018 Interim Financial Report, and the first and third quarterly reports of 2018 of the Company.

(4) Organisation 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 the supporting guidance, 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 2017 under the principle of comprehensiveness, significance and objectiveness. The Audit Committee strengthened the evaluation of 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.

(5) Completion of appraisal and re-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 (《會計師事務所聘任管理辦法》) and requirements of regulatory authorities, the Audit Committee completed the appraisal regarding the auditing work of external accounting firms for 2017. According to the appraisal results, the Company confirmed the re-appointment of KPMG Huazhen LLP and KPMG Certified Public Accountants as the accounting firms for the external auditing of the Company for 2018. The Audit Committee also completed the consideration and discussion on the remuneration of the external accounting firms.

(6) Engagement of the 2019 audit accounting firm through public tender

To ensure the objectivity and independence of external auditing of the Company and continuity of annual auditing, the Audit Committee of the Board commenced the public tender for the engagement of the 2019 audit accounting firms in accordance with the relevant requirements of the Articles of Association and the Administrative Measures on Engagement of Accounting Firm. An accounting firm engagement team was established to review tendering proposals and consultative documents and assess the accounting firms that participated in the public tender. The relevant proposal has been approved by the Audit Committee of the Board and the Board of Directors.

(VI) Related Party Transactions Supervision Committee

1. Composition of the Related Party Transactions Supervision Committee and meetings in 2018

On 1 January 2018, the Related Party Transactions Supervision Committee of the seventh session of the Board consisted of five members. The chairman of the committee was Li Hancheng, and the members were Liang Yutang, Song Chunfeng, Liu Jipeng and Liu Ningyu. On 12 October 2018, Mr. Liang Yutang, the former Vice Chairman of the Board, who tendered his resignation as a Vice Chairman of the Board, Executive Director and member of the related special committees of the Company because he has reached the age of retirement. As at the end of the Reporting Period, the number of members of the Related Party Transactions Supervision Committee of the seventh session of the Board was four, with Li Hancheng as the chairman and Song Chunfeng, Liu Jipeng and Liu Ningyu as members.

The Related Party Transactions Supervision Committee of the seventh session of the Board had three Independent Non-executive Directors who are experts in auditing, finance, laws and management, respectively. One Non-executive Director is a key person in charge of renowned companies in China and has extensive experience in management and sufficient knowledge in finance and accounting. The composition of the Related Party Transactions Supervision Committee of the Company is well-structured, with sufficient specialty and independence, which ensures that the Related Party Transactions Supervision Committee performs its supervisory duties effectively.

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.

Major duties of the Related Party Transaction Supervision Committee shall be as follows:

Managing related party transactions and formulating corresponding management system for related party transactions, which shall be implemented upon approval by the Shareholders' general meeting or the Board of Directors, in accordance with laws, administrative regulations, regulatory requirements of relevant regulatory authorities and stock exchanges, national uniform accounting system and international accounting standards, and the Articles of Association; reviewing and identifying related parties, reporting to the Board of Directors and the Board of Supervisors, and promptly announcing to the management of the Company in accordance with laws, administrative regulations, regulatory requirements of relevant regulatory authorities and stock exchanges, national uniform accounting system and international accounting standards, and the Articles of Association; defining the types of related party transactions and determining corresponding approval procedures and standards in accordance with laws, administrative regulations, regulatory requirements of relevant regulatory authorities and stock exchanges, national uniform accounting system and international accounting standards, and the Articles of Association; reviewing and approving related party transactions which shall be approved by the committee in accordance with the review procedures and standards; reviewing and approving related party transactions which shall be approved by the Board of Directors or the Shareholders' general meeting in accordance with the review and approval procedures and standards; examining the information disclosure of related party transactions; and performing other duties required by laws and administrative regulations of the places where the Company is listed, regulatory requirements of relevant regulatory authorities and stock exchanges, national uniform accounting system and international accounting standards, and the Articles of Association.

The Related Party Transactions Supervision Committee under the Board convened eight meetings, reviewed 31 proposals and received two reports in 2018. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Director	
Song Chunfeng	8/8
Executive Director	
Liang Yutang	5/5
Independent Non-executive Directors	
Li Hancheng *(chairman of the committee during the Reporting Period)*	8/8
Liu Jipeng	8/8
Liu Ningyu	8/8

Note: On 12 October 2018, Mr. Liang Yutang, tendered his resignation as a Vice Chairman, Executive Director and member of the related special committees of the Board of the Company because he has reached the age of retirement. Therefore, the number of meetings attended by Liang Yutang was less than the number of meetings convened for the year.

2. Major achievements of the Related Party Transactions Supervision Committee in 2018

During the Reporting Period, under the guidance of the Board, the Related Party Transactions Supervision Committee has performed its responsibilities and duties diligently in terms of management of related parties as well as review, approval and control, information disclosure, system establishment and improvements on procedures of related party transactions. Major work accomplished during the year are as follows:

(1) Amendments to the Administrative Measures on Related Party Transactions (《關聯交易管理辦法》) of the Company

During the Reporting Period, the Related Party Transactions Supervision Committee under the Board substantially amended the Administrative Measures on Related Party Transactions (《關聯交易管理辦法》) of the Company with respect to recognition standards for related parties, approval authority and management procedures in accordance with the listing rules newly revised by the SSE and the SEHK and in consideration of the restructuring and the actual situation of the management of related party transactions in recent years. The Administrative Measures on Related Party Transactions (《關聯交易管理辦法》) has been considered and approved by the Related Party Transactions Supervision Committee under the Board and the Board at a shareholders' general meeting and has been duly enforced. The amendments to the Administrative Measures on Related Party Transactions (《關聯交易管理辦法》) were made in strict compliance with the regulatory requirements and optimised the related party transaction management procedures of the Company, ensuring compliance of related party transactions.

(2) Re-organisation of list of related parties

According to the requirements of the CBIRC, the listing rules of the SSE, the Hong Kong Listing Rules and relevant requirements of accounting standards, the database of related parties was maintained through regularly collecting updated data from related parties by mail, and was managed dynamically with prompt update, and effectively delivered the importance and management principles of related party transactions and internal transactions to the shareholders, Directors, Supervisors, Senior Management and subsidiaries of the Company. 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 completed the filing, approval and disclosure of several related party transaction confirmations, related party credit granting and non-credit related party transactions. During the Reporting Period, the Related Party Transactions Supervision Committee put forward the integrated credit granting for groups. It examined the integrated credit granting for related party groups, including substantial shareholders, on a case-by-case basis, and submitted integrated credit granting that exceeded 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) Effective management of internal transactions of the Group

During the Reporting Period, the management of internal transactions remained in line with the Administrative Measures on Internal Transactions (《内部交易管理辦法》) with continuous standardisation of supervision, review, report, control and evaluation of internal transactions. During the Reporting Period, for the non-credit internal transactions between subsidiaries and the Company and between subsidiaries, the Company continued to adopt the management mechanism based on budget management and transaction amount control, leading to effective management of internal transactions.

VII. Board of Supervisors

The Board of Supervisors is the supervisory organisation 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 Association to promote the compliance of operation and stable development of the Company and safeguard interests of the Company and investors. The Board of Supervisors shall be accountable for the general meetings.

Corporate Governance

(I) Composition of the Board of Supervisors

On 20 February 2017, the change of session of the Board of Supervisors of the Company was completed. After elections by the general meeting of the Company and meeting of the representatives of employees, the seventh session of the Board of Supervisors of the Company comprised nine members, including three Shareholder Supervisors, three External Supervisors and three Employee Supervisors. The three External Supervisors are all experts in finance and management; the three Shareholder Supervisors have extensive management experience and 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. Mr. Cheng Guoqi resigned as Supervisor and member of the related special committee under the Board of Supervisors on 3 July 2018.

The Board of Supervisors is well-structured, with high degree of specialty and independence, which ensures that the Board of Supervisors 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 Board of Supervisors are not related to each other in terms of finance, business, family or other material or relevant relations.

(II) Functions and duties of the Board of Supervisors

According to the Articles of Association, the Board of Supervisors 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, Executive Vice Presidents, Chief Financial Officer and Board Secretary of the Company in performing their duties;

4. to demand any Director, President, Executive Vice President, 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;

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 resigned Directors or members 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 members of Senior Management according to Article 151 of the Company Law of the PRC;

11. to investigate any irregularities in the operation of the Company and, if necessary, may engage accounting firms, law firms or other professional firms to assist its work and costs will be borne by the Company; and

12. to exercise other rights prescribed by the Articles of Association or authorised by the general meeting.

Members of the Board of Supervisors may attend meetings of the Board as non-voting delegates and are entitled to voice their opinions at the meetings.

Corporate Governance

(III) Board of Supervisors meetings and contents of resolutions

During the Reporting Period, eight meetings have been held by the Board of Supervisors of the Company, including one non-decision-making meeting. The Board of Supervisors considered and approved 23 proposals, including the Annual Report, Working Report of the Board of Supervisors, regular reports for 2018, profit distribution plans, Internal Control Evaluation Report, Performance Appraisal Report, Strategic Transformation Evaluation Report and Amendments to Measures on Supervision of Due Diligence at the above meetings. During the Reporting Period, the Board of Supervisors had no objection towards the supervised matters.

(IV) Attendance record of Supervisors of the Company at meetings of the Board of Supervisors in 2018

Supervisors	Attendance/ Number of meetings
Zhang Juntong	8/8
Wang Jiazhi	8/8
Guo Dong	8/8
Wang Hang	8/8
Zhang Bo	8/8
Lu Zhongnan	8/8
Wang Yugui	8/8
Bao Jiming	8/8
Cheng Guoqi	3/3

Note: As Mr. Cheng Guoqi resigned as Supervisor and member of the related special committee under the Board of Supervisors on 3 July 2018, the number of meetings he attended was less than the number of meetings convened for the year.

(V) Attendance record of Supervisors of the Company at general meetings in 2018

The following table sets out the attendance of Supervisors of the Company at the general meetings in 2018:

Supervisors	Attendance/ Number of meetings
Zhang Juntong	2/2
Wang Jiazhi	2/2
Guo Dong	2/2
Wang Hang	2/2
Zhang Bo	2/2
Lu Zhongnan	2/2
Wang Yugui	2/2
Bao Jiming	2/2
Cheng Guoqi	2/2

VIII. Special Committees under the Board of Supervisors

The Board of Supervisors of the Company has a Nomination and Examination Committee and a Supervisory Committee. Members, rights and functions of such committees and their works in 2018 are as follows:

(I) Nomination and Examination Committee

1. Composition of the Nomination and Examination Committee and meetings in 2018

On 1 January 2018, the number of members of the Nomination and Examination Committee of the seventh session of the Board of Supervisors was seven with Wang Yugui as the chairman and Zhang Juntong, Wang Hang, Zhang Bo, Lu Zhongnan, Bao Jiming and Cheng Guoqi as members. Mr. Cheng Guoqi resigned as Supervisor and member of the related special committee under the Board of Supervisors on 3 July 2018. As at the end of the Reporting Period, the number of members of the Nomination and Examination Committee of the seventh session of the Board of Supervisors was six with Wang Yugui as the chairman and Zhang Juntong, Wang Hang, Zhang Bo, Lu Zhongnan and Bao Jiming as members.

The major duties of the Nomination and Examination Committee under the Board of Supervisors include:

Making recommendations to the Board of Supervisors on the size and composition of the Board of Supervisors; reviewing standards and procedures for election of Supervisors and making recommendations to the Board of Supervisors; extensively identifying qualified candidates for Supervisors or accepting recommendations on candidates for Supervisors by other persons as authorised under the Articles of Association; carrying out preliminary examination on qualification and conditions of the candidates for 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, procedures and plans of Supervisors and submitting reports to the general meeting for approval after being considered and approved by the Board of Supervisors; supervising the remuneration management system and policy of the Company and supervising if the remuneration plan of Senior Management are efficient and reasonable; conducting departure auditing of Senior Management when necessary; formulating training plans and organising training activities for Supervisors; and performing other duties authorised by the Board of Supervisors.

In 2018, the Nomination and Examination Committee under the Board of Supervisors convened five meetings and reviewed 13 proposals. The attendance record of each member is as follows:

Supervisors	Attendance/ Number of meetings
Wang Yugui *(chairman of the committee during the Reporting Period)*	5/5
Zhang Juntong	5/5
Wang Hang	5/5
Zhang Bo	5/5
Lu Zhongnan	5/5
Bao Jiming	5/5
Cheng Guoqi	3/3

Note: As Mr. Cheng Guoqi resigned as Supervisor and member of the related special committee under the Board of Supervisors on 3 July 2018, the number of meetings he attended was less than the number of meetings convened for the year.

During the Reporting Period, based on the work plan of the Board of Supervisors, the Nomination and Examination Committee under the seventh session of the Board of Supervisors actively performed its duties and functions conferred by the Articles of Association and the Terms of Reference of Nomination and Examination Committee under the Board of Supervisors (《監事會提名與評價委員會工作細則》). It carried out the performance appraisal, reviewed and approved the remuneration distribution plan for the Supervisors, conducted departure auditing of Senior Management and organised and arranged training programmes for Supervisors. All tasks in 2018 were successfully completed and the functions of the committee were performed in a relatively effective way.

2. The major achievements of the Nomination and Examination Committee under the Board of Supervisors in 2018

(1) Carrying out performance appraisal

During the Reporting Period, the Nomination and Examination Committee carried out annual performance appraisal for 2017. It 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 the Senior Management as non-voting delegates, reviewing meeting minutes of the Board, reviewing and examining the meeting documents of the Board and the Senior Management and refining the performance supervision files of Directors. The Nomination and Examination Committee collected and reviewed the duty performance of Directors and Supervisors for the first half of the year and issued a supervision report to remind them to pay attention to their performance. It carried out the annual performance appraisal of the Board of Directors, Senior Management and its members and self-evaluation of the Board of Supervisors and Supervisors based on the supervision information of performance during the year. It also formulated the Performance

Appraisal Report on the Board of Directors and Directors in 2017 (Draft) (《2017年度董事會及董事履職評價報告(草案)》), the Performance Appraisal Report on the Board of Supervisors and its Members in 2017 (Draft) (《2017年度監事會及其成員履職評價報告(草案)》) and the Performance Appraisal Report on the Senior Management and its Members in 2017 (Draft) (《2017年度高級管理層及其成員履職評價報告(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 include discussing and formulating remuneration policy and plans for Supervisors. During the Reporting Period, the Nomination and Examination Committee conducted review and examination of the remuneration distribution for Supervisors in 2017 based on researches and submitted the results to the Board of Supervisors for consideration, approval and disclosure along with the 2017 Annual Report.

(3) Conducting departure auditing of Senior Management

During the Reporting Period, departure auditing of Senior Management were conducted in accordance with the regulatory requirements and the relevant requirements of the Company. Based on thorough understanding of the duties during their office term of the personnel being audited, the committee prepared the departure auditing report by means of review, examination, careful consideration, analysis and interviews.

(4) Organising training programmes 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 Beijing Branch of CSRC.

(II) Supervisory Committee

1. Composition of the Supervisory Committee and meetings in 2018

On 1 January 2018, the number of members of the Supervisory Committee under the seventh session of the Board of Supervisors was seven, with Zhang Juntong as the chairman and Wang Jiazhi, Guo Dong, Wang Hang, Lu Zhongnan, Wang Yugui and Cheng Guoqi as members. Mr. Cheng Guoqi resigned as Supervisor and member of the related special committee under the Board of Supervisors on 3 July 2018. As at the end of the Reporting Period, the number of members of the Supervisory Committee under the seventh session of the Board of Supervisors was six, with Zhang Juntong as the chairman and Wang Jiazhi, Guo Dong, Wang Hang, Lu Zhongnan and Wang Yugui as members.

Corporate Governance

The major duties of the Supervisory Committee under the Board of Supervisors include:

Formulating proposals on the examination and supervision on the financial activities of the Company; formulating proposals on the examination and supervision of the operation decisions, risk management and internal control of the Company; evaluating the compliance and implementation of significant decisions of the Company; organising visits, researches, and investigations on business units of the Company and supervising the rectification of relevant deficiencies; carrying out specific investigations on key projects as required by regulatory authorities and submitting investigation reports in a timely manner; and performing other duties authorised by the Board of Supervisors.

In 2018, the Supervisory Committee under the Board of Supervisors convened 11 meetings, reviewed seven proposals and received 19 reports. The attendance record of each member is as follows:

Supervisors	Attendance/ Number of meetings
Zhang Juntong *(chairman of the committee during the Reporting Period)*	11/11
Wang Jiazhi	11/11
Guo Dong	11/11
Wang Hang	11/11
Lu Zhongnan	11/11
Wang Yugui	11/11
Cheng Guoqi	5/5

Note: As Mr. Cheng Guoqi resigned as Supervisor and member of the related special committee under the Board of Supervisors on 3 July 2018, the number of meetings he attended was less than the number of meetings convened for the year.

During the Reporting Period, based on the work plan of the Board of Supervisors, the Supervisory Committee under the seventh session of the Board of Supervisors actively performed the duties and functions conferred by the Articles of Association and the Terms of Reference of Supervisory Committee under the Board of Supervisors (《監事會監督委員會工作細則》). The Supervisory Committee carried out supervision in a prudent manner, assisted the Board of Supervisors in completing major researches and enhanced supervision on key strategies, finance, risks and internal control. Through further optimising its supervision and response mechanism, the Supervisory Committee duly performed its duties.

2. Major achievements of Supervisory Committee under the Board of Supervisors in 2018

(1) Strengthening the supervision of implementation of important strategies

During the Reporting Period, the Supervisory Committee assisted the Board of Supervisors in carrying out an appraisal of the implementation of the Phoenix Project and the transformation in accordance with the regulatory requirements and the development of the Company. It also assisted in the implementation of specific supervision processes. First, through receiving special reports on the progress of reform and transformation, the committee actively followed up the progress of the implementation of reform and transformation projects and the problems identified. Recommendations and advice were made through the compilation of the Supervision Summary of the Board of Supervisors on the Strategic Transformation and Reform (《監事會戰略轉型改革監督簡報》). Second, it visited a number of branches to supervise the implementation of the Phoenix Project and the reform and transformation. It also promoted the concept and implementation of reform and transformation. Specific comments or suggestions were made in respect of the actual problems arising from the reform and transformation of the branches. Third, through review of documents, interviews and on-site visits, the committee conducted the evaluation of the Phoenix Project in different stages in terms of its blueprint planning, organisation system, implementation mechanism and effects. It prepared the Evaluation Report on Strategic Transformation of Phoenix Project of China Minsheng Bank (《中國民生銀行鳳凰計劃戰略轉型評估報告》), in which recommendations were made to the Board and the management.

(2) Reinforcing financial monitoring

During the Reporting Period, the Supervisory Committee continued to reinforce the supervision and inspection of key financial activities and key accounting and auditing issues of the Company as well as the truthfulness and completeness of regular reports based on regulatory requirements and information disclosure requirements. Through receiving internal and external auditing reports regularly, attending relevant Board meetings as non-voting delegates and reviewing regular reports, the committee enhanced the supervision of the truthfulness, accuracy and completeness of the financial report of the Company. The Company paid close attention to the changes in major operational data and indicators, and made comparative analysis on profitability, growth rate, asset quality, regulatory indicators, development and efficiency, and prepared quarterly, interim and annual analysis and supervision reports of the operation and operation indicators of other banks and financial institutions and provided operational risk alerts to the management when necessary.

(3) Strengthening monitoring of risks

In accordance with the regulatory requirements and based on the actual situation of the Company, the committee further refined its supervision measures and focused on the supervision of overall risk management, risks in key areas and material risks. First, it issued supervisory opinions on risks relating to credit, market, remote credit extension, liquidity and deposits, wealth management and asset management. A total of 11 supervisory notices were issued and follow-up measures were monitored to ensure effective prevention of risks. Second, it promoted risk management culture at a number of branches and urged the front-line business units to attach greater importance to risk management and strengthen risk prevention. Specific advice and suggestions in respect of problems identified through investigations were made to operation decision-makers.

(4) Emphasising supervision of internal control and compliance management

The Supervisory Committee strengthened coordination between external and internal supervision and put great efforts in supervision and inspection of the internal control and compliance management in accordance with financial policies and regulatory requirements of the government. First, it received regular reports from departments in charge of internal auditing, internal control and compliance management on topics such as consolidated statements of the Group, emerging channel business, anti-money laundering, related party transactions and other works and made various management recommendations. Second, it conducted research and supervision on business development and compliance management by visiting the business units. 20 research reports of the Board of Supervisors were issued, which effectively improved internal control management of the Company. Third, it further enhanced supervision over legal compliance and internal control of overseas and subsidiaries. It visited Hong Kong Branch of the Company, CMBC International and four rural banks to conduct research and completed relevant research reports. Suggestions were made to these institutions for improving corporate governance, optimising Group-oriented management and promoting the coordinated development between these institutions and the Company.

(5) Improving supervision over rectification

For the problems identified through regulatory inspections and internal and external auditings, follow-up measures were monitored through receiving reports on the progress of rectification work on a regular basis. Efforts were made to implement rectification measures and promote the concept of legal compliance. In view of the problems raised in supervisory notices and research reports, an archive was established to track implementation progress. A feedback and follow-up evaluation mechanism was also set up to ensure the effective implementation of the supervisory suggestions. At the same time, in order to fully capitalising on its supervisory function, the committee increased the use and application of supervision results so as to facilitate the decision-making for operation and management.

IX. Decision-making System of the Company

The highest authority of the Company is the general meeting, which manages and supervises the operation of the Company through the Board of Directors and the Board of Supervisors. The President is appointed by the Board of Directors and is fully responsible for the daily operation and management of the Company. The Company adopts a single-level legal person system. Branches are all non-independent accounting entities, operating under the authorisation 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, organisations and finance. The Company maintains independence and integrity in managing its own businesses and operation, and its Board, the Board of Supervisors and internal departments also operate independently.

X. Establishment and Implementation of the Performance Evaluation and Incentive Mechanism for 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 and the results of their annual due diligence appraisal. With reference to the 2018 Financial Budget Report (《2018年度財務預算報告》), the Compensation and Remuneration Committee under the Board set the targets of the KPIs for 2018 and the Board determined the annual performance remuneration of Senior Management based on the KPI results, such as net profit and risk-adjusted return on capital, and the results of their due diligence appraisal. 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 from Senior Management's performance remuneration on a yearly basis. The management system of the venture funds for Senior Management was further improved in 2018.

(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 policies and guidelines for human resources management of the Company. The Company advocated a performance-based evaluation culture with an emphasis on value creation so as to encourage the Senior Management to press ahead along with the Company. The Company formulated a fair and coherent remuneration policy for Senior Management with reasonable structure and market competitiveness; set up incentive and restraint mechanism for Senior Management with simple and clear classification of 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 of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事、監事薪酬制度》). The remuneration of Directors comprises annual fee, allowances for special committees, reimbursement for attending meetings and reimbursement for researches and investigations.

XI. Information Disclosure and Investor Relations

(I) Information disclosure

The Company disclosed its information in strict compliance with the regulations of the securities regulatory authorities, and published all sorts of regular reports and interim announcements 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 78 interim announcements on the SSE. The Company also published 148 information disclosure documents both in Chinese and English, including 65 overseas regulatory announcements on the SEHK. According to the Hong Kong Listing Rules, the Company has issued the Environmental, Social and Governance Report for 2017.

(II) Investor relations

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.

The website of the Company, investor hotlines, investor journals and investment strategy conference with securities companies served as effective and smooth communication channels between the Company and investors. During the Reporting Period, the Company had organised three performance conferences. The Company also organised investor briefing session regarding profit distribution for the second half of 2017 on the roadshow platform of SSE through internet interaction to respond to investors' inquiries in relation to profit distribution plan for the second half of 2017. With proactive efforts to establish communication with domestic and overseas major institutional investors, the Company took part in six major institutional investment strategy seminars held by domestic and overseas investment banks or securities firms and received more than 70 research visits by investment institutions and 110 visits by investors, meeting a total of 420 persons. Through these communication channels, the Company actively announced its operating results, development strategies and transformation to the capital market and achieved great recognition from domestic and overseas institutions.

To safeguard the rights and interests of minority shareholders, the Company published 12 special issues of The Investors. The Company also received 113 calls from investors and responded to their concerns regarding the fluctuations of stock price, dividend distribution, asset quality and other hot issues. The Company also answered approximately 95 questions from investors through E-interaction platform of SSE ("上證e互動"網絡平台) and the market response was encouraging.

During the Reporting Period, the Company received wide market recognition for its efforts in information disclosure and investor relations. The Company won a couple of awards, including the "Investor Relation Management Award (投資者關係管理獎)" in the Golden Bauhinia Awards by China Securities, "Hong Kong Investor Relations Award — Certificate of Excellence (香港投資者關係大獎 — 卓越獎)" by Hong Kong Investor Relations Association, "Hong Kong Stock Connect Companies with Excellent Investment Returns (港股通公司投資回報實力排行榜大獎)" in the Golden Wing Awards for 2018 by Securities Times as well as "Annual Report Golden Award (年報金獎)" and "Technical Achievement Award (技術成就獎)" in the 2017 Annual Report Selection by the League of American Communications Professionals (LACP).

XII. Amendments to Articles of Association in 2018

During the Reporting Period, the annual general meeting of the Company for 2017 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). The amendments mainly include (1) incorporation of party-building work into the Articles of Association; and (2) amendments to other provisions based on regulatory rules and the actual situation of the Company. For details, please refer to the announcement dated 21 June 2018 and the circular dated 8 May 2018 in relation to the annual general meeting for 2017, the second A share class meeting for 2018 and the second H share class meeting for 2018 published on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk). The amended Articles of Association are still subject to approval by the CBIRC.

XIII. Continuous Professional Development Training of Directors

During the Reporting Period, all Directors of the Company abided by their obligations and duties as Directors of 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 and the Directors have improved and enhanced their knowledge and expertise through the study of relevant publications. All Directors have participated in reform and transformation seminars organised by Company for several times and studied various research reports in relation to risks and business to understand the reform and transformation and operation management of the Company. All Directors have participated in the online trainings for directors of listed companies organised by the SEHK. The Directors, Wu Di, Li Hancheng, Liu Ningyu, Lu Zhiqiang, Liu Yonghao and Weng Zhenjie have participated in the finance or corporate governance trainings organised by professional institutions.

Corporate Governance

XIV. Training of Company Secretary

During the financial year ended 31 December 2018, Wong Wai Yee, Ella, the Company Secretary, has undertaken not less than 15 hours of relevant professional trainings organised by the SEHK and other professional institutions.

XV. Contact with Company Secretary

During the Reporting Period, Ms. Wong Wai Yee, Ella of Tricor Services Limited, an external service provider, has been engaged by the Company as its 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 to the Hong Kong Listing Rules

During the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and most of the recommended best practices contained therein.

XVII. Internal Control

The Company has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Board of Supervisors and the management and maintained an effective internal control management system. In compliance the Law on Commercial Banks of the 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, improved 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 conducted preliminary identification of internal control deficiencies in accordance with the deficiency identification standards, and gave rectification requirements to the evaluated departments and followed up rectifications. In respect of major deficiencies in internal control, the audit department communicated and confirmed with the Senior Management of the Company, and suggested improvement measures. For major issues identified in the auditing and the decisions of the Senior Management on whether rectification measures should be taken, the audit department reported to the Audit Committee which would 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 2018, being the benchmark date of self-evaluation report on internal control, based on both daily and specialised supervision of internal control. The audit department issued the Self-evaluation Report of Internal Control of China Minsheng Bank for 2018 (《中國民生銀行2018年度內部控制評價報告》), according to which, no material deficiencies were found in the internal control on financial and non-financial reports. For details of the Self-evaluation Report of Internal Control of China Minsheng Bank for 2018, please visit the Company's website (www.cmbc.com.cn) and the website of the SSE (www.sse.com.cn).

KPMG Huazhen LLP engaged by the Company has conducted review and issued the Auditor's Report on Internal Control of China Minsheng Bank for 2018 (《中國民生銀行2018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 2018 in accordance with the relevant regulations, and no material deficiencies were identified in all material aspects of internal control on non-financial items. For details of the Auditor's Report on Internal Control of China Minsheng Bank for 2018, please visit the Company's website (www.cmbc.com.cn) and the website of the SSE (www.sse.com.cn).

XVIII. Risk Management

Based on the regulatory requirements and due diligence of risk management requirements, and in line with its development strategy and three-year plan, the Company steadily pressed ahead with risk management through enhancing coordination and synergy between different business segments, which further improved the relevance and effectiveness of the risk management performance of the Board.

Firstly, in response to major risk management issues of the Company during its strategic transformation and business development, the Board formulated and issued the Guidelines on Risk Management of the Board of Directors of China Minsheng Bank for 2018 (《中國民生銀行董事會2018年風險管理指導意見》) at the beginning of 2018. Annual targets and overall requirements for risk management of the management were proposed, which mainly included: principles of risk management, qualitative objectives and quantitative indicators of risk management, risk management strategies, focuses of risk management and implementation requirements, covering every aspect of comprehensive risk management. Catering to the requirements of strategic transformation and three-year plan, it placed an emphasis on the timely introduction of the management system of risk appetite and the core concept of risk management. The management is required to formulate implementation strategies and plans based on the risk management objectives of the Board and coordinate the communication and implementation. The Risk Management Committee under the Board is responsible for guiding and supervising the implementation and facilitating the accomplishment of risk management targets for 2018 through cooperation with the Board in investigations of risks, risk assessment and special inspections.

Corporate Governance

Secondly, the Board formulated and implemented the Administrative Measures on Risk Appetite of China Minsheng Bank (《中國民生銀行風險偏好管理辦法》) and established a comprehensive management framework of risk appetite, which served as the basis of the standardised management of risk appetite of the Company. The management of risk appetite is an important part of comprehensive risk management. It helps the Board to maintain the balance between strategic development and risk control and it also regulates the operation and management of the Bank. As the top-level design for risk appetite management of the Company, the Administrative Measures is based on risk-adjusted return on capital (RAROC), which ensures that the risk management mechanisms can maintain the balance between business development and risk control. Having fully considered the risk profile of every operation management aspect, the Administrative Measures has laid an important foundation for the management system of risk appetite that complies with the strategic development of the Bank.

Thirdly, the Board formulated the Core Values of Risk Management of China Minsheng Bank (《中國民生銀行風險經營核心理念》) (the "Core Values") which further facilitated the establishment of the risk management culture of the Company and served as the guiding principles. The Core Values determined and standardised the core principles of the risk management culture of the Company. As the important guiding principles of the operation and management and risk management of the Company, the Core Values were integrated into the whole process of risk management of the Board, the management and the business units so as to facilitate the coordination of operation plans, capital plans, financial plans, performance appraisal and risk management policies. Based on the Core Values, the Board improved the comprehensive risk management system and supported the management to incorporate the values into the daily operation and management. As such, the employees can perform their duties accordingly and the stable operation and sustainable development of the Company was promoted.

Fourthly, based on the strategic transformation and the three-year plan of the Company, the Risk Management Committee under the Board commissioned independent third parties to assess related risks including the strategy of becoming a bank for the NSOEs in order to have a good grasp of the risks arising from the strategic transformation. Through further focusing on the assessment of material and major risks, the overall operation and development was further coordinated by risk evaluation from the risk management side. As a result, the Board performed its risk management obligations more effectively in line with the strategic transformation and the three-year plan of the Company. Meanwhile, the Risk Management Committee under the Board also conducted specific research on risks and brought forward proposals on the improvement of risk management, providing a significant basis for decision-making on risk management of the Board.

Fifthly, in accordance with its information disclosure management system, the Company has adopted monitoring measures to monitor its business, 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. All departments, branches

(sub-branches), subsidiaries in which the Company has the controlling shareholdings as well as enterprises which the Company has equity interests in and could exert great influence on 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 was 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 and results 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 make timely clarification and report to regulatory authorities.

The Board is committed to establishing effective risk management and internal control systems and has the ultimate responsibilities for the risk management, internal control and compliance management of the Company. It is the obligation of the Board to review the effectiveness of such systems. Given the objectives of the risk management and internal control systems are to manage rather than eliminate the risks that prevent the achievement of business targets, the Board can only reasonably and not absolutely ensure that the risk management and internal control systems may prevent major misstatements or losses.

董事會報告

Report of the Board of Directors



Report of the Board of Directors

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 Accounting Data and Financial Indicators" and "Discussion and Analysis on Business Operation" in this report.

II. Environmental Policy and Performance of the Company

The Company has published the "2018 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 to the Hong Kong Listing Rules. Please refer to the website of the SSE, the HKEXnews 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 existing 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.

V. Profit Distribution Plan

According to the financial statements of the Company for 2018, net profit of the Company was RMB49,973 million and dividend of preference shares of RMB551 million was paid. 10% of the net profit of the Company for 2018, being RMB4,997 million, was allocated to the statutory surplus reserve. As the general provision for risks has complied with the rate of 1.5% of the balance of the risky assets as at the end of 2018, no further general provision for risks was made. The profits distributable to ordinary share holders as at the end of December 2018 was RMB187,895 million.

According to the Articles of Association of the Company in respect of profit distribution, having considered various factors including the capital adequacy ratio required by the regulatory authorities and the sustainable development of business 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 dates a cash dividend of RMB3.45 (tax inclusive) for every 10 shares being held. Based on the number of shares of the Company in issue, being 43,782 million shares, as at the end of 2018, the total cash dividend was approximately RMB15,105 million.

The actual amount of total cash dividend to be paid will be subject to the total number of shares recorded on the registers as at the record dates. The cash dividend will be denominated and declared in RMB, and will be paid in RMB to 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 dollar shall be calculated based on the benchmark exchange rate of RMB against Hong Kong dollar as quoted by the PBOC on the day of the general meeting.

The cash dividend is expected to be paid to holders of H shares on 26 July 2019.

The Independent Non-executive Directors of the Company are of the view that the profit distribution proposal for 2018 of the Company is in line with the actual condition of the Company, in the interests of the Company and its shareholders and in compliance with the relevant laws, regulations and the Articles of Association, and is favourable to the sustainable, stable and sound development of the Company.

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.

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 organisations 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.

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.

Report of the Board of Directors

Profit Distribution to Investors of Southbound Trading

- For investors of the SSE and SZSE (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.

- 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.127) (《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 shares.

VI. Distribution of Cash Dividends of the Company during the Past Three Consecutive Years (including the Reporting Period)

(Unit: RMB million)

	2018	2017	2016
Cash dividends	15,105	7,662	10,216
Net profit attributable to equity shareholders of the Company	50,327	49,813	47,843
Cash dividend payout ratio (%)	30.01	15.38	21.35

VII. Cash Dividends Policy of the Company

According to Article 298 of the Articles of Association, the distribution of profits of the Company emphasises 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 attributable to holders of ordinary shares 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.

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, the profit distribution policy after adjustment shall not violate the relevant requirements of regulatory authorities of the places where the Company is listed. Any proposal regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Non-executive Directors and the Board of Supervisors 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 made available 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 debentures of the Company as at 31 December 2018, please refer to "Changes in Share Capital and Information on Shareholders" in this report.

X. Auditing Opinions Issued by the Accounting Firm

The 2018 annual financial statements of the Company had been audited by KPMG Certified Public Accountants in accordance with the IFRSs. 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 by the above provisions 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.

XII. Charity and Other Donations

As at the end of the Reporting Period, the total amount of charitable donations of the Group was RMB175 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 during the Reporting Period are set out in Notes 13 and 34 (1) to the Financial Statements.

XIV. Contracts of Management and Administrative Management

During the Reporting Period, the Company did not enter into any administrative management contract relating to overall 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 maximise the value and return. In 2018, 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.

Report of the Board of Directors

XVIII. Protection of Rights and Interests of Consumers

During the Reporting Period, the Strategic Development and Investment Management Committee under the Board of the Company considered the special report on the protection of rights and interests of consumers prepared by the Senior Management. It also studied and discussed the protection of rights and interests of consumers, supervised the comprehensiveness, effectiveness and implementation of the management mechanism of protection of rights and interests of consumers, and considered the work plan for protection of rights and interests of consumers. The office of the Strategic Development and Investment Management Committee under the Board issued a letter to the Senior Management, which requires the Senior Management to report the implementation of protection of rights and interests of consumers, establishing a guiding and supervising mechanism of the Board for the protection of rights and interests of consumers of the Company.

During the Reporting Period, the management of protection of rights and interest of consumers of the Company had complied with the laws and regulations, which further promoted the improvements in protection of rights and interests of consumers and strengthened the management and supervision of product procedures. An internal appraisal mechanism for protection of rights and interests of consumers was established in order to advocate the culture, improve the quality and enhance the effectiveness of protection of rights and interests of consumers of the Company. Firstly, in respect of system development, in accordance with regulatory requirements, the Company strengthened areas of weakness in the system. Special programmes such as trainings and financial knowledge sharing in relation to protection of rights and interests of consumers were organised during the year. Secondly, in respect of system mechanism, the Company persists on the mechanism of joint meetings and convenes meetings about protection of rights and interests of consumers on a quarterly basis. During the year, the Company held the first meeting regarding protection of rights and interests of consumers, which provided guidance for better understanding and improving the overall protection. Task list for protection of rights and interests of consumers was introduced in order to ensure the effective implementation of the protection. Thirdly, in respect of financial knowledge sharing and learning activities, the Company organised several related programmes which greatly enriched customers' knowledge and enhanced their security awareness. These events included "Financial Consumers' Rights and Interests Promotion Day (金融消費者權益日)" and "Financial Knowledge Promotion Event (金融知識進萬家)". The Head Office of Minsheng Bank was accredited as "Advanced Unit (先進單位)" of "Financial Knowledge Promotion Event (金融知識進萬家)" by the CBIRC. Fourthly, in respect of product and service management, the Company strengthened the management and risk prevention and control of key businesses in relation to consumers' rights and interests. Fifthly, in respect of staff management and training, the Company organised a number of trainings concerning protection of rights and interests of consumers in order to enhance their awareness and capabilities of protection of rights and interests of consumers.

Report of the Board of Supervisors

I. Meetings of the Board of Supervisors and Special Committees

During the Reporting Period, a total of eight meetings (including one non-decision-making meeting) were convened by the Board of Supervisors, at which 23 resolutions were considered and approved and four reports were received. A total of 11 meetings were convened by the Supervisory Committee under the Board of Supervisors, at which seven resolutions were considered and approved and 19 reports were received. A total of five meetings were convened by the Nomination and Examination Committee under the Board of Supervisors, at which 13 resolutions were considered and approved. The personal attendance of all meetings of the Board of Supervisors and the committees under the Board of Supervisors were 100%.

II. Performance of the Board of Supervisors

During the Reporting Period, with high responsibilities to the regulatory authorities, shareholders and employees as well as the requirement of due diligence, in line with the changing macro economic landscape, the business development of the Bank, the core of the implementation of reform and transformation and three-year plan as well as regulatory requirements, the seventh session of the Board of Supervisors strengthened supervision, diversified supervision approaches and sufficiently, efficiently and independently performed its duties in corporate governance so as to ensure the healthy development of the Bank in compliance of relevant requirements.

Supervision of performance. During the Reporting Period, the Board of Supervisors further strengthened supervision on the performance of Directors and Senior Management and improved the corporate governance mechanism to enhance its corporate governance. Firstly, focus was put on the supervision of daily performance and the coverage of appraisal was diversified. Checklist of performance appraisal has been made. When attending meetings of the Board, the Board of Supervisors and their special committees as well as participating in investigations, the Supervisors are required to give written opinions on proposals to be considered at the meetings, reports and investigations, and appraise the performance of Directors and other Supervisors. The Board of Supervisors expanded the coverage of performance appraisal by modifying the performance appraisal system of Directors and Senior Management and self-and peer-appraisal questionnaires. By considering resolutions, listening to presentations, reviewing reports, participating in investigations and attending meetings of the Board and management, the Board of Supervisors conducted supervision on Directors and Senior Management in respect of formulation and implementation of strategies, decision-making related to operation, risk management, compliance and internal control, financial management, profit distribution, management of consolidated financial statements, management of related party transactions, event prevention and management and anti-money laundering. The comprehensiveness and objectivity of performance appraisal has been improved. Secondly, supervision of the Directors and Senior Management regarding their performance in the management of conduct of practitioners and their remuneration policies has been strengthened. According to the "Guidelines for the Management

Report of the Board of Supervisors

of Conduct of Practitioners of Banking Financial Institutions (《銀行業金融機構從業人員行為管理指引》)", the Board of Supervisors has further refined the 2018 annual performance appraisal system for the Board and Directors, Senior Management and relevant working plan. After a thorough study of the remuneration and appraisal system of Senior Management, the Board of Supervisors urged to establish a more scientific, rational and prudent remuneration and appraisal system with balance between operation indicators and indicators in relation to risk, internal control and compliance, and between short-term targets and long-term strategies.

Supervision of finance. During the Reporting Period, the Board of Supervisors continuously strengthened its supervision and inspection on the accuracy and completeness of major financial activities, important accounting items and regular reports. Firstly, the Board of Supervisors regularly reviewed reports on operation, preparation of regular reports, auditing of financial reports and review results regularly. It proposed working requirements to external auditors and supervised their performance to ensure the work quality of auditors and the truthfulness of financial information and gave independent and objective opinion. As at the end of 2018, the Supervisor representatives were appointed to participate in the engagement of accounting firm in order to supervise the legality and compliance of engagement standard and procedures. Secondly, the Board of Supervisors organised meetings to consider proposals on the changes in accounting policies of the Company for 2017 and the implementation of changes in accounting policy for the first quarter of 2018 and reviewed the report of the finance and accounting department on the impact of adopting new accounting standards of financial instruments. The Board of Supervisors focused on the impact on provisions, asset classification and valuation as well as capital adequacy ratio posed by the changes in relevant policies and required relevant departments to pay attention to policies of regulators and well perform their duties in accounting, auditing and information disclosure during the implementation of the new accounting standards. Thirdly, the Board of Supervisors analysed the operation results of banking institutions in 2017 and the changes in supervisory indicators in 2018 and prepared supervisory reports. Based on the information disclosed by major listed commercial banks, the Board of Supervisors made comparisons in terms of profitability, asset expansion, asset quality, regulatory indicators, development and efficiency and delivered operation risk alerts to Senior Management in a timely manner whenever necessary.

Supervision of risk management. In the face of increasingly complicated operation environment and risks during the Reporting Period, the Board of Supervisors further strengthened supervision of major risks. 11 reminders in relation to the risk trend and existed problems of the Bank were issued to the relevant departments of the Head Office to improve overall risk management and defend the bottom line of risks. Firstly, the Board of Supervisors strengthened the supervision of credit risk and enhanced risk management and control. The Board of Supervisors paid visits to branches and subsidiaries to conduct on-site investigation and supervision. Investigation reports on issues found were prepared by the Board of Supervisors, proposing to comply with new regulatory requirements and optimise risk management system to all business units. Specific opinions were also given according to the regional operation

environment, business model and management features of local branches. All these efforts strongly helped enhance risk management and internal control of the Bank. Furthermore, the Board of Supervisors had held meetings to review general reports on overall risk management as well as specific reports on rating-based credit limit system of corporate customers of the Company and the annul management of ratings and credit limits of 2018. The Board of Supervisors carefully studied the risk management strategies, risk management and control mechanism, determination and transmission mechanism of risk appetite, risk management policies and procedures of the Board and Senior Management as well as the identification, measurement, monitoring and control of risks. The Board of Supervisors discussed problems in the overall risk management and proactively supervised the management enhancement. In addition, by attending meetings of the Board and Senior Management, reviewing internal and external auditing reports and receiving reports of auditing and reviews for 2017 and the first half of 2018 from external auditors, the Board of Supervisors continued to monitor the changes in credit risk and management of credit business of the Bank, paid attention to asset classification, NPL management, quality management and control of new loans and early-warning loans. Secondly, the Board of Supervisors enhanced its supervision on liquidity, operational and market risks to strengthen risk prevention and control. It reviewed the reports on liquidity risk management of the Bank and received reports on changes in liquidity supervision indicators, asset and liability management of liquidity as well as management and control measures of liquidity risk and monitoring and management of relevant stress tests. The Board of Supervisors also suggested to rationally allocate assets based on the scale of liabilities and maturity structure, prepare contingency plan and conduct stress tests. Furthermore, the Board of Supervisors also received reports on the management of operational risks, reputation risk and credit investigation with focus on organisation structure, responsibility division and management system and tools. It also promptly monitored material incidents causing operational risk and consulted the relevant departments when necessary. Moreover, the Board of Supervisors considered reports on the management of stress tests of market risk and interest rate risk of banking account and received reports regarding the mechanism, procedures and measures of interest rate risk management. Thirdly, the Board of Supervisors enhanced its supervision on key businesses, for example, asset management, and capital management to facilitate transformation and development of light-capital operation. The Board of Supervisors received specific reports on the auditing of emerging channel business and credit card business, impact of the implementation of new regulatory requirements and management of wealth management business with focus on the business development and compliance, risk management framework and mechanism establishment of relevant businesses. The Board of Supervisors paid visits to bills business department and supply chain finance SBU to conduct researches. The Board of Supervisors prepared research report and made proposals and suggestions for improvements after a thorough study of the strategic planning, current development, customer management, risk management and control, appraisal and incentive system as well as resources allocation of relevant businesses. Furthermore, the Board of Supervisors reviewed report on capital management and received reports on asset and liability management of 2018 and allocation mechanism and plan of economic capital so as to review the performance of the Board and Senior Management on asset and liability management, capital management, advanced capital

measurement approach and the evaluation procedure of internal capital adequacy ratio. Fourthly, the Board of Supervisors enhanced its supervision on information technology, management of consolidated financial statements and related party transactions to enhance the overall risk management. The Board of Supervisors received reports on technology risk and data management with focus on the problems in technology risk and following rectifications. The Board of Supervisors proposed suggestions to enhance data management so as to improve data quality. The Board of Supervisors also received the report on the management of consolidated financial statements of the Group, conducted on-site investigations in subsidiaries, focusing on the management framework, management mechanism and management strategies of consolidated financial statements of the Group and problems, and proposed suggestions on the establishment and effectiveness of management mechanism. The Board of Supervisors attended Board meetings to supervise the legality and compliance of consideration and reviewing process of material related party transactions and proposed suggestions on the management mechanism and management procedures of related party transactions. Fifthly, the Board of Supervisors strengthened its supervision of anti-money laundering and regarded the supervision of performance of anti-money laundering as one of the major supervision targets of the Board of Supervisors. The Board of Supervisors also organised seminars to learn the spirit of meetings about anti-money laundering in financial industry, reviewed working reports and received reports from relevant departments. The Board of Supervisors further improved its performance mechanism and procedures of anti-money laundering and promoted proactive risk management culture in anti-money laundering in the Bank to promote operation compliance. Lastly, the Board of Supervisors strengthened risk evaluation to facilitate the implementation of reform and transformation. The Board of Supervisors conducted interim risk evaluation of the Bank with the Board and visited branches to carry out on-site investigations with focus on risk evaluation related to transformation in line with NSOE strategy apart from evaluation of regular items. The Board of Supervisors further focused on the operation and management of small business, interbank business and investment banking business so as to facilitate the implementation of strategic transformation and the three-year plan as well as the optimisation of risk management. The Board of Supervisors proactively supervised the auditing of comprehensive risk management conducted by the audit department and reviewed auditing plan as well as participated in department interviews to be familiar with the process and results of auditing. In consideration of the strategies of business operation and risk management of the Bank, the Board of Supervisors conducted supervision and inspection regarding the completeness and effectiveness of organisation structure, system establishment, decision-making mechanism, management procedure, system implementation, stress test, emergency plan and system support of overall risk management in order to facilitate and ensure the stable business development.

Supervision of internal control. During the Reporting Period, under tightened regulation, the Board of Supervisors further strengthened the supervision and inspection of internal control and rectifications of problems. Firstly, the Board of Supervisors visited business units to supervise internal control and compliance and learn the mechanism establishment of internal control and compliance operation

of business units. The Board of Supervisors concluded the problems of business units in respect of internal control and compliance management in their investigation reports and made proposals and suggestions to facilitate the effective implementation of compliance operation and management in the Bank. Secondly, the Board of Supervisors strengthened the supervision on compliance and internal control of overseas branches and subsidiaries. During the year, the Board of Supervisors visited Hong Kong Branch and CMBC International to conduct investigations, focusing on corporate governance, business development, risk management, internal control and anti-money laundering of overseas business units. The Board of Supervisors also gave suggestions on improvement of corporate governance, group-based management model and coordinated development between business units the Company. Besides, the Board of Supervisors also visited four rural banks to conduct investigations, discussed matters including operation, risk management, internal control and employee management and prepared investigation report on such issues. Thirdly, the Board of Supervisors convened meetings to review the Company's Internal Control Assessment Report for 2017 and received specific report on internal control and compliance management of 2018 with focus on adjustment in organisation structure of internal control and compliance and division of responsibility, internal control system, compliance risk management, management system of new business and new product, internal control under key risk environment and internal control and compliance accountability. It also supervised the performance of Directors and Senior Management in relevant issues. The relevant departments reviewed the present internal control management, analysed the discrepancy from internal control guidelines and carried out optimisation based on the opinions and suggestions provided by the Board of Supervisors and prepared work reports. This has facilitated the improvement of the management system of internal control and compliance as well as the optimisation of management procedures. Fourthly, the Board of Supervisors reviewed reports on auditing and major findings of 2017, major problems discovered during on-site visits by regulators in 2017, annual auditing work plan of 2018 and plans of major auditing projects of 2018. The Board of Supervisors supervised rectifications. Moreover, by integrating major concerns in auditing, coordinating auditing project and effective use of audit results, the Board of Supervisors expanded supervision scope, improved supervision efficiency, integrated supervision of internal control and compliance into daily work plans, promoted the implementation of legal enforcement and compliance management in the all-around operation and fostered the operation principle of legal enforcement and compliance management in all employees.

Supervision of strategy. The Board of Supervisors has attached great importance to supervision of strategy and continuously investigated, evaluated and supervised the implementation of the Reform and Transformation and Three-Year Development Plan, so as to keep abreast of the implementation results and the problem and difficulties encountered. Firstly, the Board of Supervisors investigated and evaluated the implementation of major projects of Phoenix Project in all branches. The Board of Supervisors organised meetings and interviews in certain branches and sub-branches in order to have in-depth understanding of the effectiveness of pilot projects and problems encountered. The Board of Supervisors formulated evaluation report and proposed suggestions to improve the human resources

supporting system in adapting to new business model brought about by the reform and transformation, optimise the customer-centric appraisal and incentive approach and strike a balance between short-term and long-term goals. The report was highly recognised by the Board and management. Secondly, the Board of Supervisors tightened its supervision on the implementation of reform and transformation. In addition to the investigations in branches and sub-branches, the Board of Supervisors continued to supervise the implementation of reform and transformation to understand the progress and effectiveness of the implementation and problems encountered. The Board of Supervisors prepared Briefing Report on the Supervision of Strategic Transformation and Reform of the Board of Supervisors (《監事會戰略轉型改革監督簡報》) and conducted enquiries or arranged interviews with relevant departments regarding issues concerned. The Board of Supervisors fully performed their supervisory duties. In addition, meetings of Board of Supervisors were convened to review reports on the progress of the reform and transformation. Through closely communicating with the Board and the management, the Board of Supervisors kept abreast of the movement of the reform and transformation and was able to know, verify and follow up the progress and implementation of reform.

During the Reporting Period, the Board of Supervisors expanded its scope of supervision and introduced various supervisory measures pursuant to regulatory requirements and the results were remarkable. Firstly, the Board of Supervisors expanded its supervisory functions and tightened the supervision of the implementation of regulatory requirements. The Board of Supervisors followed up and supervised the rectification of problems identified in on-site inspections and in the regulation report for 2017 issued by the CBIRC and continuously monitored the overall progress and results of rectification and accountability. In addition, through cooperation with the audit department, risk management department, legal affairs and compliance department, discipline inspection department and other departments, the Board of Supervisors jointly coordinated, planned and carried out supervision and inspection on the rectification of major problems, so as to further integrate supervision resources and establish a multi-dimension coordination system, which acted as an effective supplement for the supervision of the Board of Supervisors and ensured a more regular and more standardised supervision at all levels. Secondly, the Board of Supervisors established a standard supervision and inspection mechanism. The Board of Supervisors formulated a list of supervisory tasks and established an effective supervision and inspection network with clear division of responsibility and work as well as standardised working procedure. The Board of Supervisors summarised directions from the Head Office and feedbacks from departments in a timely order so as to respond to all supervisory matters promptly and appropriately. In addition, the Board of Supervisors established a system to transform the achievements of supervision and inspection of Board of Supervisors into operation and management decisions and thus fully performed its supervisory functions.

III. Independent Opinions of the Board of Supervisors

(I) Law-abiding operation of the Company

During the Reporting Period, the Company maintained law-abiding operation and 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.

(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 IFRSs, respectively. Standard and unqualified auditors' reports have been issued accordingly. The Board of Supervisors 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 two installments of special financial bonds for small and micro enterprises. The first and second installments of special financial bonds of RMB40 billion and RMB20 billion were issued on 22 November 2018 and 14 December 2018, respectively. The proceeds from the above issuance were specifically used for the extension of loans to small and micro enterprises. Hong Kong Branch of the Company successfully issued medium-term notes of USD1 billion. The proceeds of the above issuance were used for working capital and other general corporate purpose.

(IV) Acquisition and disposal of assets

During the Reporting Period, there was no new acquisition or disposal of assets of the Company.

(V) Related party transactions

During the Reporting Period, the management of related party transactions of the Company 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.

Report of the Board of Supervisors

(VI) Implementation of resolutions approved at general meetings

The Board of Supervisors raised no objection to the reports and proposals submitted by the Board to the general meetings for consideration and approval in 2018 and supervised the implementation of the resolutions approved at general meetings. The Board of Supervisors 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 Board of Supervisors raised no objection to the Self-evaluation Report of Internal Control of the Company for 2018. During the Reporting Period, no material deficiencies were found in respect of the completeness, reasonability and effectiveness of the internal control mechanism and system of the Company.

Major Events

I. Material Litigation and Arbitration

During the Reporting Period, the Company had no litigation or arbitration proceeding that had significant impact on its operations. As of the end of the Reporting Period, there were 6,344 pending litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB53,210.2876 million and 250 pending litigations involving the Company as defendant for approximately RMB3,448.4073 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 on 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. The onsite land handover was completed on 10 May 2018. Architecture firm for the project has been assigned to carry out the architectural design.

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. Construction of the project has been completed and has passed completion inspection. In November 2017, the Xiamen Branch of the Company relocated to the new building and commenced operation. The project is under settlement and auditing.

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. The underground structure of the project was completed in April 2018. It is now undergoing the construction of main buildings and secondary structure construction as well as the installation of fire control, pumping, drainage and air conditioning on the basement floor. The design for construction drawings for decorations and smart appliances has been completed.

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. The land handover was completed with Fuzhou Land Development Centre (福州市土地發展中心) in August 2018. The consulting report of project approval is currently being prepared.

The final acceptance of Shunyi Headquarters in Beijing has been completed and the building has been put into operation. The settlement and auditing of the construction has been completed and the transfer of entitlement is in progress. As at the end of the Reporting Period, the change of GFA and use of property have been submitted to Land Price Evaluation Division of Beijing Municipal Bureau of Land and Resources (北京市國土局地價評審科) for evaluation of land premium. The architectural design of phase II of Shunyi Headquarters in Beijing has been completed and the project has been submitted to the Commission of Economy and Informationisation for approval. Meanwhile, the Bank is currently preparing materials for internal approval.

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 earthwork excavation and pile foundation construction. The construction is currently suspended.

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 project has not commenced construction.

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 project has not commenced construction.

IV. Major Guarantees

During the Reporting Period, no major guarantees of the Group 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 explanation.

VI. Appointment of Accountants

The general meeting of the Company determined to continue to engage KPMG Huazhen LLP and KPMG Certified Public Accountants as the external auditors of the Company, being the auditing firms responsible for domestic and international auditing of the Company for 2018, respectively.

According to the terms of contracts, the total remuneration agreed between the Company and the auditors in respect of their audit services for the year, including 2018 annual auditing, 2018 interim review, agreed procedures of 2018 quarterly financial statements and auditing of internal control for 2018, was RMB12 million, including fees of RMB1.10 million for internal control auditing.

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 eight consecutive years. Dou Youming, the signing accountant, has provided services for the Company for three consecutive years. Jin Naiwen, the signing accountant, has provided services for the Company for four consecutive years.

VII. Major Related Party Transactions

The Company did not have any controlling related party or any major related party transaction with accumulated total transaction amount during the Reporting Period accounting for more than 5% of the audited net asset value of the Company. 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. Please refer to Note 48 "Related Party Transactions" to the consolidated financial statements for the related party transactions during the Reporting Period subject to the above accounting principle.

In accordance with 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:

Continuing connected transactions between the Company and Anbang Insurance for agency sale services of financial products

(I) Cooperation Framework Agreement with Anbang Insurance Group Co., Ltd. for 2018

1. Details of the transactions

On 30 August 2018, the 11th meeting of the seventh session of the Board considered and approved the Proposal on Entering into Business Cooperation Framework Agreement for Agency Sale of Financial Products between the Company and Anbang Insurance Group Co., Ltd. (《關於本公司與安邦保險集團股份有限公司簽署金融產品代理銷售業務合作框架協議的議案》) and agreed to enter into the Business Cooperation Framework Agreement for Agency Sale of Financial Products with Anbang Insurance Group Co., Ltd. ("Anbang Insurance"), a connected person, with a term from 1 January 2018 to 31 December 2018. 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 2018, the annual cap of the service fees was RMB2 billion, and the actual service fees for the connected transactions were RMB88 million.

The cooperation between the Company and Anbang Insurance is beneficial for both parties to achieve sharing of resources and mutual supplement of advantages 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 above agreement, Anbang Insurance and its subsidiaries held approximately 17.84% equity interests of the Company, and Anbang Insurance was therefore a substantial shareholder of the Company. Thus, Anbang Insurance and its subsidiaries constitute a connected person of the Company and the transactions between the Group and Anbang Insurance and its subsidiaries constitute continuing connected 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 connected transaction announcement of the Company published on 30 August 2018 on the HKEXnews website of the SEHK and the website of the Company.

2. Opinions of the Independent Directors

The Independent Non-executive Directors have reviewed the continuing connected party transactions regarding the business cooperation with Anbang Insurance for agency sale services of financial products, and confirmed that the transactions were:

a. entered into in the ordinary and usual course of business of the Company;

b. based on normal or more favorable commercial terms; and

c. based on the terms of agreement governing the relevant transactions, which are fair and reasonable, and without prejudicing the legal interests of other shareholders.

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 party 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 Party 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 connected transactions, nothing has come to the attention of the auditor that:

a. the disclosed continuing connected transactions have not been approved by the Board;

b. 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 Group;

c. the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. 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 HKEXnews website of the SEHK and the website of the Company on 30 August 2018.

(II) Cooperation Framework Agreement with Anbang Insurance Group Co., Ltd. in 2019

On 27 December 2018, the 13th meeting of the seventh session of the Board considered and approved the Proposal on the Execution of the Business Cooperation Framework Agreement for Agency Sales of Financial Products between the Company and Anbang Insurance Group Co., Ltd. (《關於本公司與安邦保險集團股份有限公司簽署金融產品代理銷售業務合作框架協議的議案》) and agreed to enter into the Business Cooperation Framework Agreement for the Agency Sales of Financial Products with Anbang Insurance, a connected person, with a term from 1 January 2019 to 31 December 2019. 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 ending 31 December 2019, the annual cap of the service fees was RMB3 billion.

The cooperation between the Company and Anbang Insurance is beneficial for both parties to achieve sharing of resources and mutual supplement of advantages 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 above agreement, Anbang Insurance and its subsidiaries held approximately 17.84% equity interests of the Company, and was therefore a substantial shareholder of the Company. Thus, Anbang Insurance and its subsidiaries constitute connected persons of the Company and the transactions between the Group and Anbang Insurance and its subsidiaries constitute continuing connected 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 sales 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 connected transaction announcement of the Company published on 27 December 2018 on the HKEXnews 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

Save as disclosed in this Annual Report, during the 12 months ended 31 December 2018, the Group has neither sold any securities of the Company nor repurchased 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 comprised Liu Ningyu (chairman), Weng Zhenjie, Peng Xuefeng and Tian Suning. On 21 June 2018, Mr. Cheng Hoi-chuen ceased to be an Independent Non-executive Director of the Company due to the expiry of his six-year term of office. On 29 June 2018, the Resolution on the Change of Members of Special Committees of the Seventh Session of the Board (《關於調整公司第七屆董事會部分專門委員會成員的決議》) was considered and approved at the tenth meeting of the seventh session of

the Board. According to the resolution, the Audit Committee under the seventh session of the Board of Directors had five members, including Liu Ningyu (chairman), Tian Zhiping, Weng Zhenjie, Peng Xuefeng and Tian Suning. On 3 July 2018, Mr. Tian Zhiping resigned as Director of the Company and member of the related special committees under the Board.

The main responsibilities of the Audit Committee include reviewing and supervising the financial reporting procedures and internal control system of the Company and providing advice to the Board. The Audit Committee of the Company had reviewed and confirmed the 2018 Annual Report and the 2018 Annual Results Announcement for the year ended 31 December 2018.

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

Up to date, the Company had no employee share ownership scheme.

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.

Major Events

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.

XV. Performance of Social Responsibilities and Poverty Alleviation Work

(I) Performance of social responsibilities

Adhering to its mission of "From the People, For the People (為民而生，與民共生)", the Company keep firmly in mind the responsibility and awareness of "Minsheng servicing the community, showing our care to win the love of the general public to Minsheng". The Company has regarded reform and innovation as the Company's responsibility and was committed to deepening the reform of its systems and mechanisms according to the national strategies. The Company strongly promoted inclusive finance to continuously support NSOEs. The Company had also put much efforts on targeted poverty alleviation. To advance the development of ecological civilisation, the Company placed emphasis on people's livelihood and contributed to society as we always do, which made contributions to the 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 enhanced its performance in social responsibility management by formulating Targeted Poverty Alleviation Plan for 2018 (《2018年定點扶貧計劃》), optimising the fourth 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 enriching the approaches of targeted poverty alleviation. To meet the specific demands of the targeted counties stricken with poverty, the Company improved the effectiveness of targeted poverty alleviation through adopting Seven-in-One poverty alleviation approach, which aimed to alleviate poverty from seven aspects, including finance, industry, education, healthcare, E-commerce, skills and consumption. The Company actively implemented the resolutions of the Public Welfare Decision-making Committee, promoted the free medical care programme for Tibetan children with congenital heart disease, supported the AIDS prevention project initiated by China Red Ribbon, financed the protection project of Dunhuang as well as prepared social responsibility report. All these efforts enhanced the influence of key projects and strengthened image of the Company as a responsible corporate.

The Company's practices in social responsibility in 2018 were highly recognised by the third parties such as relevant government authorities, charity organisations and mainstream media, and was awarded important prizes including the 10th "Chinese Charity Award (中華慈善獎)" by Public Affairs Department, the highest government charity award, "Best Charity Contribution Award (最佳公益慈善貢獻獎)" by

China Banking Association, the "Outstanding Poverty Alleviation Case (扶貧優秀案例)" by the Leading Group Office of Poverty Alleviation and Development of the State Council and the Chinese Academy of Social Sciences. The Company ranked first in the Top 100 NSOEs of Social Responsibility (中國民營企業社會責任100強) and in the Social Responsibility Index of China's Banking Industry (中國銀行業社會責任指數) by the Chinese Academy of Social Sciences. The Company was also awarded "Best 10 NSOEs — 10 Years of Social Responsibility Development of Chinese Enterprises (中國企業社會責任發展十年•民企十佳)" by the Chinese Academy of Social Sciences, "Corporate Social Responsibility Award (企業社會責任獎)" by Shanghai Securities News and "Best Enterprises of Social Responsibility (最佳責任企業)" by Southern Weekly. The Social Responsibility Report for 2017 of the Company was praised as "Five-star Corporate Social Responsibility Report (五星級企業社會責任報告)".

For details of the Social Responsibility Report for 2018 (《2018年度社會責任報告》) of the Company, please visit the website of the Company (www.cmbc.com.cn) and the website of the SSE (www.sse.com.cn).

(II) Performance of poverty alleviation work

During the Reporting Period, based on the guidance of the strategic mindset of poverty alleviation and development proposed by President Xi Jinping and the leadership and support of the Leading Group Office of Poverty Alleviation and Development of the State Council and the PBOC, the Company further improved work mechanism, enhanced awareness and focused on innovations in targeted poverty alleviation. Emphasis was placed on the integrated efforts for poverty alleviation, encouragement and education. These initiatives were proven effective in terms of poverty alleviation and even elimination of poverty, facilitating the development of poverty-stricken areas and increasing the income of the people with low incomes. As such, the Company has made remarkable contribution to the success of poverty alleviation. In 2018, the Company donated RMB48.012 million for poverty alleviation and set aside RMB6,751.9538 million as targeted poverty alleviation loans, of which RMB4,864.9581 million was for individuals and RMB1,886.9957 million was for enterprises.

1. Effective poverty alleviation plan

Hua County and Fengqiu County in Henan Province have been the targeted poverty alleviation counties of the Company. The Company formulated the Targeted Poverty Alleviation Plan for 2018 (《2018 年定點扶貧計劃》) based on the work plans for poverty elimination, the actual needs of these two counties and the business characteristics of the Company after consulting with relevant departments.

The Targeted Poverty Alleviation Plan for 2018 was introduced strictly in accordance with the strategic objective of the central government in respect of poverty elimination. Adhering to the principles of targeted poverty alleviation and elimination, under the guidance of enhancing the effectiveness

of poverty alleviation, the Company improved mechanism and enriched the approaches of poverty alleviation. The Company also allocated additional resources, made use of its expertise in the banking industry and integrated internal and external resources to practically perform duties to help Hua County to consolidate the achievement of poverty alleviation and help Fengqiu County out of poverty.

2. Overview of poverty alleviation for the year

The leaders of the Company highly addressed the substantial implementation of the guidance and strategies of the central government and the State Council in respect of poverty elimination. All employees of the Company placed great emphasis on poverty relief and worked hard to lift the people with low incomes out of poverty according to the schedule.

During the Reporting Period, adhering to the mindset of "effects are more important than figures (要以效果為標準，不以規模為指標)" and taking the advantage of its experience in banking sector and its flexible operation and management system, the Company provided stronger financial support and integrated social resources to poverty alleviation. The Company continued to adopt the Seven-in-One poverty alleviation approach, which aimed to alleviate poverty from seven aspects, including education, healthcare, finance, industry, skills, consumption and E-commerce. The Company proactively pushed forward targeted poverty alleviation of Hua County and Fengqiu County, helping Hua County to consolidate the achievement of poverty alleviation and help Fengqiu County out of poverty.

3. Achievements of targeted poverty alleviation

(Unit: RMB ten thousand)

Indicator		Amount and progress	
I. General information			
Of which:		**Amount for the year**	**Balance**
1. Funds	Amount	679,996.58	314,398.96
	Of which:		
	Poverty alleviation loans to individuals	486,495.81	188,923.83
	Poverty alleviation loans to enterprises	188,699.57	120,673.93
	Donations for the year	4,801.2	4,801.2
2. Number of poverty-stricken people helped to be removed from administrative record for poverty registering (person)			4,660

Indicator	Amount and progress
II. Input in different dimensions	
1. Poverty alleviation through industrial development	
Of which:	
1.1 Type of industrial development projects	√ Agriculture and Forestry ☐ Tourism √ E-commerce ☐ Return on assets ☐ Technology √ Others
1.2 Number of industrial development projects	34 (Number of enterprises with poverty alleviation loans)
1.3 Amount invested for industrial development projects	189,299.57
1.3.1 Amount of direct capital investment	600
1.3.2 Amount of loans extended	188,699.57
1.4 Number of poverty-stricken people helped to be removed from administrative record for poverty registering (person)	4,660
2. Poverty alleviation through transferring employment	
Of which:	534
2.1 Amount invested for vocational training	
2.2 Number of people received vocational training (person/time)	966
2.3 Number of poverty-stricken people helped to gain jobs	99

Major Events

	Indicator	Amount and progress
3.	Poverty alleviation through education	
	Of which:	234
	3.1 Amount of subsidies to poor students	
	3.2 Number of poverty-stricken students subsidised (person)	930
	3.3 Amount invested for the improvement in educational resources in poverty-stricken areas	650
4.	Poverty alleviation through healthcare	
	Of which:	286
	4.1 Amount invested for improvements in medical and healthcare resources in poverty-stricken areas	
5.	Poverty alleviation through public welfare	
	Of which:	0
	5.1 Amount invested for poverty alleviation coordination between Eastern and Western China	
	5.2 Amount invested for targeted poverty alleviation	30,614
	5.3 Public charity foundation for poverty alleviation	2,467.2
6.	Poverty alleviation through other approaches	
	Of which:	0
	6.1 The number of projects	
	6.2 Amount invested	0
	6.3 Number of poverty-stricken people helped to be removed from administrative record for poverty registering (person)	0
	6.4 Other	

Indicator	Amount and progress
III. Awards (details and grades)	
The 10th China Charity Award, the highest charity award of the government (中國公益領域最高政府獎第十屆 "中華慈善獎")	
"Outstanding Poverty Alleviation Case (優秀扶貧案例獎)" in 2018 by the Leading Group Office of Poverty Alleviation and Development of the State Council and the Chinese Academy of Social Sciences	
Selected in the Blue Book of Outstanding Poverty Alleviation Cases of Enterprises (《企業扶貧優秀案例》藍皮書) by the Chinese Academy of Social Sciences	

4. Continuing targeted poverty alleviation plan

Targeted poverty alleviation conducted by institutions under the leadership of central government is an important part of promoting development and alleviating poverty programme with Chinese characteristics and is an important embodiment of China's political and system advantages. In 2019, based on the guidance of the strategic mindset of poverty alleviation and development proposed by President Xi Jinping and the leadership and support of the Leading Group Office of Poverty Alleviation and Development of the State Council and the PBOC, the Company will continuously promote the senses of responsibility, mission and urgency and persist in targeted poverty alleviation and elimination. Leveraging on the advantages of the banking industry and the actual demands of the poverty-stricken areas, the Company will optimise working system, innovate approaches and improve the efficiency of poverty alleviation so as to make new and greater contribution to poverty elimination.

XVI. Other Major Events

Pursuant to the approvals by the CBIRC and the PBOC, the Company successfully issued tier-two capital bonds with an aggregate amount of RMB15 billion in the national interbank bond market. For details, please refer to the announcement of the Company dated 11 January 2018 published on the website of the Company at www.cmbc.com.cn and the HKEXnews website of the Hong Kong Stock Exchange at www.hkexnews.hk.

Pursuant to the approvals by the CBIRC and the PBOC, the Company successfully issued special financial bonds for small and micro enterprises with an aggregate amount of RMB40 billion in the national interbank bond market. For details, please refer to the announcement of the Company dated 22 November 2018 published on the website of the Company at www.cmbc.com.cn and the HKEXnews website of the Hong Kong Stock Exchange at www.hkexnews.hk.

Pursuant to the approvals by the CBIRC and the PBOC, the Company successfully issued special financial bonds for small and micro enterprises with an aggregate amount of RMB20 billion in the national interbank bond market. For details, please refer to the announcement of the Company dated 14 December 2018 published on the website of the Company at www.cmbc.com.cn and the HKEXnews website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The Company obtained the approval from the CBIRC (Yin Bao Jian Fu [2018] No. 469) (銀保監覆[2018]469 號) for the issuance of tier-two capital bonds with an aggregate amount up to RMB40 billion. For details, please refer to the announcement of the Company dated 28 December 2018 published on the website of the Company at www.cmbc.com.cn and the HKEXnews website of the Hong Kong Stock Exchange at www.hkexnews.hk.

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 Financial Statements for the Year 2018

IV. Unaudited Supplementary Information of Financial Statements for the Year 2018

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 261 to 496, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2018, 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 and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Bank and of the Group as at 31 December 2018 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.

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.

Loss allowances of loans and financial assets measured at amortized cost

Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies in note 2(5)(v).

The Key Audit Matter	How the matter was addressed in our audit
The Group has adopted IFRS 9 Financial Instruments ("IFRS 9") since 1 January 2018 and developed the expected credit loss model. The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of expected credit loss model is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial assets measured at amortized cost are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.	Our audit procedures to assess loss allowances of loans and advances to customers and financial assets measured at amortized cost included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers or financial assets measured at amortized cost, the credit grading process and the measurement of allowances for impairment; • with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Loss allowances of loans and financial assets measured at amortized cost (continued)

Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies in note 2(5)(v).

The Key Audit Matter	How the matter was addressed in our audit
Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of reporting period. We identified the impairment of loans and advances to customers and financial assets measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.	• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and financial assets information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and financial assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources; • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Loss allowances of loans and financial assets measured at amortized cost (continued)

Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies in note 2(5)(v).

The Key Audit Matter	How the matter was addressed in our audit
	• involving our IT specialists to assess the design of information system controls, including general information technology controls, validity of key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and system calculation of loss allowance for expected credit loss; • evaluating the reasonableness of the management's judgment as to whether the credit risk of loans and advances to customers or financial assets measured at amortized cost has increased significantly since the initial recognition and whether the credit impairment has occurred 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;

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Loss allowances of loans and financial assets measured at amortized cost (continued)

Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies in note 2(5)(v).

The Key Audit Matter	How the matter was addressed in our audit
	• performing credit review procedures for the sample of loans and advances to customers and financial assets measured at amortized cost 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 credit impaired loans and advances to customers and financial assets measured at amortized cost, 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 • evaluating whether the disclosure related to loss allowance for loans and advances to customers and financial assets measured at amortized cost meets the disclosure requirements of related financial reporting standards.

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Fair value of financial instruments

Refer to note 49 to the consolidated financial statements and the accounting policies on in note 2(5)(vi).

The Key Audit Matter	How the matter was addressed in our audit
Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, 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, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available for valuation techniques, 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 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 key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data; • engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs;

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Fair value of financial instruments (continued)

Refer to note 49 to the consolidated financial statements and the accounting policies on in note 2(5)(vi).

The Key Audit Matter	How the matter was addressed in our audit
	• assessing the appropriate application of fair value adjustments that form an integral part of fair values, inquiring of management about any changes in the fair value adjustments methodology and assessing the appropriateness of the inputs applied; 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 related financial reporting standards.

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Consolidation of structured entities

Refer to note 45 and note 46 to the consolidated financial statements and the accounting policies in note 2(2)(ii).

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)

Consolidation of structured entities (continued)

Refer to note 45 and note 46 to the consolidated financial statements and the accounting policies in note 2(2)(ii).

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)

Adjustments and disclosures in relation to transition to the new financial instruments standards

Refer to note 4(1) to the consolidated financial statements and the accounting policies in note 2(1).

The Key Audit Matter	How the matter was addressed in our audit
The Group has applied IFRS 9 since 1 January 2018. IFRS 9 revised the requirements for the classification and measurement of financial instruments previously adopted, and requires the loss allowance of expected credit losses to be recognized for relevant financial assets and credit commitments. In addition, it also provides greater flexibility of transaction types in applying hedging accounting. The Group is required to make retrospective adjustments on the classification and measurement, the loss allowance, and hedge accounting of financial instruments in accordance with the requirements of the new financial instruments standards. We identified the adjustments and disclosures in relation to the transition to the new financial instruments standards as a key audit matter, because of the complexity of the transition process which involved changes in internal controls of the financial reporting process, accounting treatments, and application of new system data; also, management judgment was applied.	Our audit procedures relating to the transition to the new financial instruments standards included the following: • assessing the key internal controls of the financial reporting process related to the transition to the new financial instruments standards, including internal control processes related to the selection and approval of accounting policy and expected credit loss model methodology, information system related controls, etc; • assessing the accuracy of the classification of financial instruments, including obtaining a list of financial instruments classified by management as at 1 January 2018, selecting samples to check the contractual cash flow terms, and understanding and evaluating the business model of the relevant financial instrument portfolio; • engaging our internal valuation specialists to assist us in evaluating the valuation method of financial assets and the key parameters used for financial assets that are measured at fair value due to changes in classification and measurement, and selecting samples to independently verify their fair value;

Independent Auditor's Report (Continued)

Key audit matters (Continued)

Adjustments and disclosures in relation to transition to the new financial instruments standards (continued)

Refer to note 4(1) to the consolidated financial statements and the accounting policies in note 2(1).

The Key Audit Matter	How the matter was addressed in our audit
	• with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments, and evaluating the reasonableness of key management judgments involved; • obtaining a list of hedge accounting items as at 1 January 2018 and selecting samples and checking relevant hedging documents to determine whether they meet the requirements of IFRS 9; • obtaining journal entries relating to adjustments made on transition to the new financial instruments standards and comparing them with the list of classification, valuation, expected credit loss of financial instruments, to assess the completeness and accuracy of adjustment journals, and assessing whether the journal entries in relation to transition to the new financial instruments standards were in compliance with the prevailing accounting standards; and • assessing whether the relevant disclosures in relation to transition to the new financial instruments standards at 1 January 2018 were in compliance with the prevailing accounting standards.

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)

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.

- 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.

Independent Auditor's Report (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- 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 (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.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

29 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2018	2017
Interest income		**235,347**	**230,910**
Interest expense		**(158,667)**	**(144,358)**
Net interest income	6	**76,680**	**86,552**
Fee and commission income		**52,684**	**54,068**
Fee and commission expense		**(4,553)**	**(6,326)**
Net fee and commission income	7	**48,131**	**47,742**
Net trading gain	8	**24,267**	**1,366**
Net gain arising from disposals of securities and discounted bills	9	**3,051**	**3,874**
Other operating income		**2,032**	**2,413**
Operating expenses	10	**(49,056)**	**(47,245)**
Impairment losses on assets	11	**—**	**(34,140)**
Credit impairment losses	12	**(46,274)**	**—**
Other impairment losses		**(46)**	**—**
Profit before income tax		**58,785**	**60,562**
Income tax expense	14	**(8,455)**	**(9,640)**
Net profit		**50,330**	**50,922**
Net profit attributable to:			
Equity shareholders of the Bank		**50,327**	**49,813**
Non-controlling interests		**3**	**1,109**
		50,330	**50,922**
Earnings per share (expressed in RMB)	15		
Basic earnings per share (restated for comparative period)		**1.14**	**1.13**
Diluted earnings per share (restated for comparative period)		**1.14**	**1.13**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	2018	2017
Net profit	**50,330**	**50,922**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt securities at fair value through other comprehensive income	**5,112**	**–**
Credit losses of debt securities at fair value through other comprehensive income	**1,079**	**–**
Transfer to profit or loss	**(360)**	**–**
Less: income tax relating to debt securities at fair value through other comprehensive income	**(1,522)**	**–**
Change in fair value of available-for-sale securities	**–**	**(1,104)**
Transfer to profit or loss	**–**	**(2,732)**
Less: income tax relating to available-for-sale securities	**–**	**957**
Cash flow hedging reserve	**35**	**958**
Less: income tax relating to cash flow hedging instruments	**(9)**	**(240)**
Exchange difference on translating foreign operations	**392**	**(453)**
Other comprehensive income, net of tax	**4,727**	**(2,614)**
Total comprehensive income	**55,057**	**48,308**
Total comprehensive income attributable to:		
Equity shareholders of the Bank	**55,018**	**47,293**
Non-controlling interests	**39**	**1,015**
	55,057	**48,308**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2018	2017
ASSETS			
Cash and balances with central bank	16	**389,281**	**442,938**
Balances with banks and other financial institutions	17	**52,154**	**75,257**
Precious metals		**7,205**	**20,836**
Positive fair value of derivatives	18	**33,112**	**18,734**
Placements with banks and other financial institutions	19	**246,525**	**143,205**
Financial assets held under resale agreements	20	**39,190**	**52,812**
Loans and advances to customers	21	**3,008,272**	**2,729,788**
Financial investments:	22	**1,970,017**	**2,135,897**
— Financial assets at fair value through profit or loss		**381,093**	**74,601**
— Financial assets at fair value through other comprehensive income		**461,693**	**—**
— Financial assets measured at amortised cost		**1,127,231**	**—**
— Available-for-sale securities		**—**	**378,889**
— Held-to-maturity securities		**—**	**708,244**
— Loans and receivables		**—**	**974,163**
Long-term receivables	23	**110,824**	**101,304**
Property and equipment	24	**48,765**	**48,338**
Deferred income tax assets	25	**30,691**	**29,162**
Investments in associates		**—**	**21**
Other assets	27	**58,786**	**103,794**
Total assets		**5,994,822**	**5,902,086**
LIABILITIES			
Borrowings from central bank		**304,323**	**335,173**
Deposits from customers	28	**3,194,441**	**2,966,311**
Deposits and placements from banks and other financial institutions	29	**1,091,860**	**1,315,993**
Financial liabilities at fair value through profit or loss		**987**	**3,373**
Negative fair value of derivatives	18	**18,000**	**18,076**
Financial assets sold under repurchase agreements	30	**89,687**	**107,522**
Borrowings from banks and other financial institutions	31	**125,043**	**146,999**
Provisions	32	**1,371**	**809**
Debt securities issued	33	**674,523**	**501,927**
Current income tax liabilities		**8,728**	**11,807**
Deferred income tax liabilities	25	**123**	**65**
Other liabilities	34	**54,735**	**104,219**
Total liabilities		**5,563,821**	**5,512,274**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2018	2017
EQUITY			
Share capital	35	**43,782**	**36,485**
Other equity instrument			
Including: Preference shares	36	**9,892**	**9,892**
Reserves			
Capital reserve	35	**57,470**	**64,753**
Surplus reserve	37	**39,911**	**34,914**
General reserve	37	**74,370**	**74,168**
Other reserves		**1,518**	**(4,662)**
Retained earnings	37	**193,131**	**163,420**
Total equity attributable to equity shareholders of the Bank		**420,074**	**378,970**
Non-controlling interests	38	**10,927**	**10,842**
Total equity		**431,001**	**389,812**
Total liabilities and equity		**5,994,822**	**5,902,086**

Approved and authorised for issue by the Board of Directors on 29 March 2019.

Hong Qi
Chairman

Zheng Wanchun
Director and President

Liu Ningyu
Director

(Company Seal)

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2018	2017
ASSETS			
Cash and balances with central bank	16	**385,239**	**438,071**
Balances with banks and other financial institutions	17	**38,688**	**50,149**
Precious metals		**7,205**	**20,836**
Positive fair value of derivatives	18	**33,007**	**18,696**
Placements with banks and other financial institutions	19	**264,255**	**145,705**
Financial assets held under resale agreements	20	**35,284**	**47,855**
Loans and advances to customers	21	**2,993,146**	**2,714,957**
Financial investments:	22	**1,954,382**	**2,125,116**
— Financial assets at fair value through profit or loss		**378,301**	**71,957**
— Financial assets at fair value through other comprehensive income		**456,904**	**—**
— Financial assets measured at amortised cost		**1,119,177**	**—**
— Available-for-sale securities		**—**	**377,315**
— Held-to-maturity securities		**—**	**708,244**
— Loans and receivables		**—**	**967,600**
Property and equipment	24	**22,366**	**21,559**
Deferred income tax assets	25	**29,500**	**28,205**
Investment in subsidiaries	26	**6,396**	**5,385**
Other assets	27	**36,744**	**77,362**
Total assets		**5,806,212**	**5,693,896**
LIABILITIES			
Borrowings from central bank		**303,837**	**334,500**
Deposits from customers	28	**3,167,112**	**2,936,021**
Deposits and placements from banks and other financial institutions	29	**1,098,044**	**1,324,632**
Financial liabilities at fair value through profit or loss		**873**	**3,373**
Negative fair value of derivatives	18	**17,995**	**18,057**
Financial assets sold under repurchase agreements	30	**88,628**	**107,390**
Provisions	32	**1,370**	**808**
Debt securities issued	33	**669,396**	**500,929**
Current income tax liabilities		**8,578**	**11,402**
Other liabilities	34	**37,278**	**84,594**
Total liabilities		**5,393,111**	**5,321,706**

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position (Continued)

As at 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2018	2017
EQUITY			
Share capital	35	**43,782**	**36,485**
Other equity instrument			
Including: Preference shares	36	**9,892**	**9,892**
Reserves			
Capital reserve	35	**57,150**	**64,447**
Surplus reserve	37	**39,911**	**34,914**
General reserve	37	**73,129**	**73,129**
Other reserves		**1,342**	**(4,866)**
Retained earnings	37	**187,895**	**158,189**
Total equity		**413,101**	**372,190**
Total liabilities and equity		**5,806,212**	**5,693,896**

Approved and authorised for issue by the Board of Directors on 29 March 2019.

Hong Qi
Chairman

Zheng Wanchun
Director and President

Liu Ningyu
Director

(Company Seal)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Bank												
				Reserves										
	Note	Share capital 35	Other equity instrument 36	Capital reserve 35	Surplus reserve 37	General reserve 37	Investment revaluation reserve 40	Exchange reserve	Cash flow hedging reserve 40	Subtotal	Retained earnings 37	Total	Non-controlling interests 38	Total equity
At 31 December 2017		36,485	9,892	64,753	34,914	74,168	(4,757)	98	(3)	169,173	163,420	378,970	10,842	389,812
Changes in accounting policies		–	–	–	–	–	1,489	–	–	1,489	(11,527)	(10,038)	(148)	(10,186)
At 1 January 2018		36,485	9,892	64,753	34,914	74,168	(3,268)	98	(3)	170,662	151,893	368,932	10,694	379,626
Net profit		–	–	–	–	–	–	–	–	–	50,327	50,327	3	50,330
Other comprehensive income, net of tax		–	–	–	–	–	4,401	264	26	4,691	–	4,691	36	4,727
Total comprehensive income		–	–	–	–	–	4,401	264	26	4,691	50,327	55,018	39	55,057
Appropriation to surplus reserve	37	–	–	–	4,997	–	–	–	–	4,997	(4,997)	–	–	–
Appropriation to general reserve	37	–	–	–	–	196	–	–	–	196	(196)	–	–	–
Cash dividends	39	–	–	–	–	–	–	–	–	–	(3,834)	(3,834)	(29)	(3,863)
Capital injection by non-controlling shareholders		–	–	98	–	–	–	–	–	98	(1)	97	242	339
Change in shareholdings in subsidiaries		–	–	(84)	–	6	–	–	–	(78)	(61)	(139)	(13)	(152)
Ordinary shares converted from capital reserve		7,297	–	(7,297)	–	–	–	–	–	(7,297)	–	–	–	–
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(6)	(6)
At 31 December 2018		43,782	9,892	57,470	39,911	74,370	1,133	362	23	173,269	193,131	420,074	10,927	431,001

		Attributable to equity shareholders of the Bank												
				Reserves										
	Note	Share capital 35	Other equity instrument 36	Capital reserve 35	Surplus reserve 37	General reserve 37	Investment revaluation reserve 40	Exchange reserve	Cash flow hedging reserve 40	Subtotal	Retained earnings 37	Total	Non-controlling interests 38	Total equity
At 1 January 2017		36,485	9,892	64,744	30,052	72,929	(1,834)	413	(721)	165,583	130,630	342,590	9,437	352,027
Net profit		–	–	–	–	–	–	–	–	–	49,813	49,813	1,109	50,922
Other comprehensive income, net of tax		–	–	–	–	–	(2,923)	(315)	718	(2,520)	–	(2,520)	(94)	(2,614)
Total comprehensive income		–	–	–	–	–	(2,923)	(315)	718	(2,520)	49,813	47,293	1,015	48,308
Appropriation to surplus reserve	37	–	–	–	4,862	–	–	–	–	4,862	(4,862)	–	–	–
Appropriation to general reserve	37	–	–	–	–	1,239	–	–	–	1,239	(1,239)	–	–	–
Cash dividends	39	–	–	–	–	–	–	–	–	–	(10,921)	(10,921)	(15)	(10,936)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	415	415
Equity transactions with non-controlling interests		–	–	9	–	–	–	–	–	9	(1)	8	(10)	(2)
At 31 December 2017		36,485	9,892	64,753	34,914	74,168	(4,757)	98	(3)	169,173	163,420	378,970	10,842	389,812

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	2018	2017
Cash flows from operating activities:		
Profit before income tax	**58,785**	**60,562**
Adjustments for:		
— Impairment losses on assets	**—**	**34,140**
— Credit impairment losses	**46,274**	**—**
— Other impairment losses	**46**	**—**
— Depreciation and amortisation	**7,197**	**4,794**
— Changes in provisions	**(862)**	**(266)**
— (Gains)/losses on disposal of property and equipment and other long-term assets	**(17)**	**96**
— Gains from changes in fair value	**(8,357)**	**(1,742)**
— Net gains on disposal of investment securities	**(12,307)**	**(2,797)**
— Interest expense on debt securities issued and other financing activities	**23,632**	**18,947**
— Interest income from investment securities	**(60,987)**	**(76,557)**
	53,404	**37,177**
Changes in operating assets:		
Net decrease in balances with central bank, banks and other financial institutions	**73,350**	**155,273**
Net (increase)/decrease in placements with banks and other financial institutions	**(70,073)**	**16,646**
Net decrease in financial assets held under resale agreements	**13,784**	**37,581**
Net increase in loans and advances to customers	**(312,907)**	**(365,169)**
Net (increase)/decrease in other operating assets	**(22,832)**	**16,459**
	(318,678)	**(139,210)**
Changes in operating liabilities:		
Net increase/(decrease) in deposits from customers	**200,982**	**(115,931)**
Net decrease in deposits and placements from banks and other financial institutions	**(231,026)**	**(92,026)**
Net decrease in financial assets sold under repurchase agreements	**(18,117)**	**(5,833)**
Income tax paid	**(11,108)**	**(11,196)**
Net (decrease)/increase in borrowings from central bank	**(30,850)**	**19,735**
Net (decrease)/increase in other operating liabilities	**(40,105)**	**50,225**
	(130,224)	**(155,026)**
Net cash used in operating activities	**(395,498)**	**(257,059)**

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2018	2017
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		**1,693,509**	**2,453,680**
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**2,028**	**3,427**
Net payments for acquisition of subsidiaries and other business units		**—**	**330**
Cash payment for purchase of investment securities		**(1,408,202)**	**(2,322,906)**
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		**(5,803)**	**(10,244)**
Net cash from investing activities		**281,532**	**124,287**
Cash flows from financing activities:			
Capital contribution from non-controlling interests to subsidiaries		**181**	**—**
Proceeds from issue of debt securities	42(2)	**1,167,503**	**885,225**
Repayments of debt securities issued	42(2)	**(1,003,023)**	**(788,740)**
Interest paid on debt securities issued	42(2)	**(19,305)**	**(12,282)**
Dividends paid	42(2)	**(3,863)**	**(10,934)**
Net cash from financing activities	42(2)	**141,493**	**73,269**
Net increase/(decrease) in cash and cash equivalents		**27,527**	**(59,503)**
Cash and cash equivalents at 1 January		**109,099**	**171,303**
Effect of foreign exchange rate changes		**1,400**	**(2,701)**
Cash and cash equivalents at 31 December	42	**138,026**	**109,099**

The accompanying notes form an integral part of these financial statements.

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 and Insurance Regulatory Commission ("CBIRC"), 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. The offshore preference shares are listed in Hong Kong Stock Exchange of Hong Kong Limited and the stock code is 04609.

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 2018, the Bank has 42 tier-one branches and 32 directly controlled subsidiaries.

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) financial assets at fair value through other comprehensive income 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. The present financial statement should be read in conjunction with the audited financial statements for the year 2017 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)

(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 2018 and relevant to the Group's operation:

- IFRS 15 "Revenue from contracts with customers"
- IFRS 9 "Financial instruments"
- Amendments to IFRS 2, Share-based payment "Classification and measurement of share-based payment transactions"
- Amendments to IAS 40, Investment property "Transfers of investment property"
- Annual Improvements to IFRSs 2014–2016 Cycle — "Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards and Amendments to IAS 28, Investments in associates and joint ventures"
- Amendments to IFRS 4, Insurance contracts "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"

The principal effects of adopting these amended IFRSs are as follows:

IFRS 15 "Revenue from contracts with customers"

Under IFRS 15, revenue is recognised based on a single model that applies to contracts with customers. The model features the replacement of the previous "transfer of risk-reward" by the "transfer of control" as the criteria for revenue recognition. The standard contains a contract-based five-step analysis of transactions to determine whether, how much and when (at a point in time or over time) revenue is recognised. Under IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, revenue is recognised in accordance with transactions distinguished from sales of goods, rendering of services and construction contracts.

2 Basis of preparation and accounting policies (continued)

(1) Basis of preparation (continued)

Changes in accounting policies (continued)

IFRS 15 "Revenue from contracts with customers" (continued)

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption will not have any material impact on the financial position and the financial result of the Group.

IFRS 9 "Financial instruments"

IFRS 9 Financial Instruments ("IFRS 9") introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets, hedge accounting and disclosure. The Group is required to adopt IFRS 9 from 1 January 2018 and the Group has applied the classification and measurement requirements of IFRS 9 retrospectively. The Group recognised any difference between the previous carrying amount under IAS 39 and the carrying amount at the beginning of the annual reporting period that includes the date of initial application (on 1 January 2018) in the opening retained earnings or reserves. Comparative information has not been restated. For the accounting policies regarding IAS 39, see Note 2 "Basis of preparation and accounting policies" to 2017 financial statements.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as FVOCI then interest revenue, impairment, foreign exchange gains/losses and gains/losses on disposal will be recognised in profit or loss.

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)

IFRS 9 "Financial instruments" (continued)

Classification and measurement (continued)

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated as FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without recycling.

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in an early recognition of credit losses.

Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

Disclosure

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit loss.

Transition

The Group is required to adopt IFRS 9 from 1 January 2018 and the Group has applied the classification and measurement requirements of IFRS 9 retrospectively. The Group recognised any difference between the previous carrying amount under IAS 39 and the carrying amount at the beginning of the annual reporting period that includes the date of initial application (on 1 January 2018) in the opening retained earnings or reserves.

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)

IFRS 9 "Financial instruments" (continued)

Transition (continued)

The following financial assets has been reclassified and remeasured on transition to IFRS 9 on 1 January 2018.

	IAS 39		IFRS 9	
Financial instruments	**Classification**	**Carrying amount**	**Classification**	**Carrying amount**
Financial assets:				
Cash and balances with central banks	Amortised cost (loans and receivables)	**442,938**	Amortised cost	**442,938**
Balances with banks and other financial institutions	Amortised cost (loans and receivables)	**218,462**	Amortised cost	**218,401**
Financial assets at fair value through profit or loss	FVTPL (trading)	**64,666**	FVTPL (mandatory)	**74,601**
	FVTPL (designated)	**9,935**	FVTPL (designated)	**–**
Derivatives	FVTPL	**18,734**	FVTPL (mandatory)	**18,734**
Financial assets held under resale agreements	Amortised cost (loans and receivables)	**52,812**	Amortised cost	**52,687**
Interest receivable	Amortised cost (loans and receivables)	**39,664**	Amortised cost	**39,720**
Loans and advances to customers	Amortised cost (loans and receivables)	**2,729,788**	Amortised cost	**2,629,980**
			FVOCI	**89,022**
Investment securities	Amortised cost (loans and receivables)	**974,163**	Amortised cost	**1,212,387**
	Amortised cost (held-to-maturity securities)	**708,244**	FVOCI	**345,207**
	FVOCI (available for sale)	**378,889**	FVTPL (mandatory)	**502,787**
Long-term receivables	Amortised cost (loans and receivables)	**101,304**	Amortised cost	**100,919**
Other assets	Amortised cost (loans and receivables)	**40,864**	Amortised cost	**40,916**

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)

IFRS 9 "Financial instruments" (continued)

Reconciliation between the carrying amounts of the financial instruments presented and measured under IAS 39 and that of financial instruments measured under IFRS 9 on 1 January 2018 is as follows:

Financial instruments	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial assets measured at amortised cost					
Cash and balances with central bank					
Balance under IAS 39 and IFRS 9		**442,938**			**442,938**
Balances with banks and other financial institutions					
Balance under IAS 39		**218,462**			
Remeasurement: provision for expected credit losses				**(61)**	
Balance under IFRS 9					**218,401**
Financial assets held under resale agreements					
Balance under IAS 39		**52,812**			
Remeasurement: provision for expected credit losses				**(125)**	
Balance under IFRS 9					**52,687**
Interest receivable					
Balance under IAS 39		**39,664**			
Less: to FVTPL (IFRS 9)			**(111)**		
Add: from loans and receivables (IAS 39)			**2**		
Add: from held-to-maturity securities (IAS 39)			**4**		
Add: from available-for-sale securities (IAS 39)			**161**		
Balance under IFRS 9					**39,720**

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)

IFRS 9 "Financial instruments" (continued)

Financial instruments	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Loans and advances to customers					
Balance under IAS 39		**2,729,788**			
Less: to FVOCI (IFRS 9)	A		**(88,807)**		
Remeasurement: provision for expected credit losses				**(11,001)**	
Balance under IFRS 9					**2,629,980**
Long-term receivables					
Balance under IAS 39		**101,304**			
Remeasurement: provision for expected credit losses				**(385)**	
Balance under IFRS 9					**100,919**
Financial invesments					
Balance under IAS 39		**–**			
Add: from held-to-maturity securities (IAS 39)			**708,040**		
Remeasurement: provision for expected credit losses				**(88)**	
Add: from loans and receivables (IAS 39)			**497,456**		
Remeasurement: provision for expected credit losses				**(165)**	
Add: from available-for-sale securities (IAS 39)	C		**7,259**		
Remeasurement: provision for expected credit losses				**(115)**	
Balance under IFRS 9					**1,212,387**
Financial invesments: held-to-maturity securities					
Balance under IAS 39		**708,244**			
Less: to interest receivable			**(4)**		
Less: to amortised cost (IFRS 9)			**(708,040)**		
Less: to FVTPL (IFRS 9) – mandatory	B		**(200)**		
Balance under IFRS 9					**–**

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)

IFRS 9 "Financial instruments" (continued)

Financial instruments	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial invesments: loans and receivables					
Balance under IAS 39		974,163			
Less: to interest receivable			(2)		
Less: to amortised cost (IFRS 9)			(497,456)		
Less: to FVOCI (IFRS 9)	A		(28,856)		
Less: to FVTPL (IFRS 9) – mandatory	B		(447,799)		
Less: to other assets			(50)		
Balance under IFRS 9					–
Other assets					
Balance under IAS 39		40,864			
Add: from loans and receivables (IAS 39)			50		
Remeasurement: provision for expected credit losses				2	
Balance under IFRS 9					40,916
Subtotal		5,308,239	(558,353)	(11,938)	4,737,948
Financial assets at fair value through profit or loss					
Financial investments-at fair value through profit or loss					
Balance under IAS 39		74,601			
Less: to FVOCI (IFRS 9)			(914)		
Add: from interest receivable			111		
Add: from loans and receivables (IAS 39)	B		447,799		
Remeasurement: from amortised cost to fair value				(1,421)	
Remeasurement: reverse of impairment allowance under IAS 39				358	
Add: from held-to-maturity securities (IAS 39)	B		200		
Add: from available-for-sale securities (IAS 39)	B		56,623		

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)

IFRS 9 "Financial instruments" (continued)

Financial instruments	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Remeasurement: reverse of impairment allowance under IAS 39				1,109	
Remeasurement: from amortised cost to fair value				31	
Remeasurement: fair value change				(1,109)	
Balance under IFRS 9					577,388
Derivatives					
Balance under IAS 39 and IFRS 9		18,734			18,734
Subtotal		93,335	503,819	(1,032)	596,122
Financial assets at fair value through other comprehensive income					
Financial investments: at FVOCI (debt securities)					
Balance under IAS 39		–			
Add: from loans and advances to customers	A		88,807		
Remeasurement: reverse of impairment allowance under IAS 39				599	
Remeasurement: from amortised cost to fair value				(384)	
Add: from FVTPL			914		
Add: from loans and receivables (IAS 39)	A		28,856		
Remeasurement: from amortised cost to fair value				432	
Add: from available-for-sale securities (IAS 39)			314,691		
Remeasurement: reverse of impairment allowance under IAS 39				303	
Remeasurement: fair value change				(144)	
Balance under IFRS 9					434,074

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)

IFRS 9 "Financial instruments" (continued)

Financial instruments	Note	Carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1 January 2018
Financial investments: at FVOCI (equity securities)					
Balance under IAS 39		–			
Add: from available-for-sale securities (IAS 39) – designated	D		155		
Balance under IFRS 9					155
Financial investments: available-for-sale securities (IAS 39)					
Balance under IAS 39		378,889			
Less: to interest receivable			(161)		
Less: to amortised cost (IFRS 9)	C		(7,259)		
Less: to FVOCI (IFRS 9) – debt instruments			(314,691)		
Less: to FVOCI (IFRS 9) – equity instruments	D		(155)		
Less: to FVTPL (IFRS 9)	B		(56,623)		
Balance under IFRS 9					–
Subtotal		378,889	54,534	806	434,229
Others		(809)	–	(1,424)	(2,233)
Deferred income tax assets		29,162	–	3,402	32,564
Total		5,808,816	–	(10,186)	5,798,630

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)

IFRS 9 "Financial instruments" (continued)

The Group has adopted IFRS 9 from 1 January 2018. There were a net increase of RMB1,413 million in other comprehensive income (after tax) and a net decrease of RMB11,599 million in retained profits (after tax) arising from the new requirements on classification and measurement of financial assets listed above as compared with that when recognised under IAS 39.

A. Certain loans and advances to customers held by the Group, and certain debt instruments originally classified as loans and receivables were held within a business model whose objective on the transition date was to collect contractual cash flows and sell financial assets. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal amount outstanding. Therefore, these assets were classified as financial assets at FVOCI under IFRS 9.

B. Certain debt instruments originally classified as loans and receivables, held-to-maturity securities or available-for-sale securities, their contractual cash flows were not identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets at FVTPL under IFRS 9. The reclassified and remeasured financial assets include certain non-trading equity investments (RMB4,622 million) which the Group did not choose to designate as at FVOCI on the standards transition date.

C. Certain debt instruments originally classified as available-for-sale securities were held within a business model whose objective on the standards transition date was to collect contractual cash flows. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as financial assets measured at amortised cost under IFRS 9 and their fair value as at 31 December 2018 was RMB5,988 million. Assuming that these financial assets were not reclassified upon transition to IFRS 9, any loss arising from changes in their fair value during the current period that would have been recognised in other comprehensive income was RMB105 million.

D. The reclassified and remeasured financial assets include certain non-trading equity investments which the Group chose irrevocably to designate as at FVOCI on the standards transition date.

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)

IFRS 9 "Financial instruments" (continued)

The following table reconciles the closing impairment allowance under IAS 39 to ECL allowance determined in accordance with IFRS 9 on the initial application date:

	Impairment allowance under IAS 39/ contingent liabilities as at 31 December 2017	Reclassification	Remeasurement	Impairment allowance under IFRS 9 as at 1 January 2018
Loans and receivables (IAS 39)/ Financial assets measured at amortised cost (IFRS 9)				
Balances and placements with banks and other financial institutions	(95)	–	(61)	(156)
Financial assets held under resale agreements	(5)	–	(125)	(130)
Loans and advances to customers	(73,920)	–	(11,214)	(85,134)
Long-term receivables	(3,426)	–	(385)	(3,811)
Financial investments	(1,908)	–	(165)	(2,073)
Other assets	(1,110)	–	2	(1,108)
Loans and advances (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)				
Loans and advances to customers	(599)	–	(40)	(639)
Financial investments	–	–	(288)	(288)
Loans and advances (IAS 39)/ Financial assets at fair value through profit or loss (IFRS 9)				
Financial investments	(358)	358	–	–
Held-to-maturity securities (IAS 39)/ Financial assets measured at amortised cost (IFRS 9)				
Financial investments	(62)	–	(88)	(150)
Available-for-sale securities (IAS 39)/ Financial assets measured at amortised cost (IFRS 9)				
Financial investments	(15)	–	(115)	(130)
Available-for-sale securities (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)				
Financial investments	(303)	–	(156)	(459)

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)

IFRS 9 "Financial instruments" (continued)

	Impairment allowance under IAS 39/ contingent liabilities as at 31 December 2017	Reclassification	Remeasurement	Impairment allowance under IFRS 9 as at 1 January 2018
Available-for-sale securities (IAS 39)/ Financial assets at fair value through profit or loss (IFRS 9) Financial investments	(1,109)	1,109	–	–
Credit commitments and financial guarantee contracts Credit commitments	(809)	–	(1,424)	(2,233)
Total	(83,719)	1,467	(14,059)	(96,311)

Amendments to IFRS 2, Share-based payment "Classification and measurement of share-based payment transactions"

The amendments clarify the accounting for the following classification and measurement issues under IFRS 2:

- Measurement of cash-settled share-based payments

  The amendments clarify that the fair value of liabilities for cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments — i.e. using the modified grant date method.

- Classification of share-based payments settled net of tax withholdings

  The amendments introduce an exception so that a share-based payment transaction with net settlement feature for withholding an amount to cover the employee's tax obligations is classified as equity-settled in its entirety when certain conditions are met, even though the entity is then required to transfer cash (or other assets) to the tax authority to settle the employee's tax obligation.

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 IFRS 2, Share-based payment "Classification and measurement of share-based payment transactions" (continued)

- Accounting for a modification of a share-based payment from cash-settled to equity-settled

  The amendments clarify that on such a modification the liability for the original cash-settled share-based payment is derecognised and the equity-settled share-based payment is measured at its fair value and recognised to the extent that the goods or services have been received up to that date.

Any difference between the carrying amount of the liability derecognised and the amount recognised in equity at the modification date is recognised in profit or loss immediately.

The amendments are expected to have no material impact on financial position and financial performance.

Amendments to IAS 40, Investment property "Transfers of investment property"

The amendments provide guidance on deciding when there is a change in use to transfer a property to or from investment property. The amendments clarify that a change in use occurs when the property meets or ceases to meet the definition of investment property and there is evidence of the change in use.

The amendments also re-characterise the list of evidence provided in the standard as a non-exhaustive list of examples i.e. other forms of evidence may support a transfer.

The amendments are expected to have no material impact on financial position and financial performance.

2 Basis of preparation and accounting policies (continued)

(1) Basis of preparation (continued)

Changes in accounting policies (continued)

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards and Amendments to IAS 28, Investments in associates and joint ventures

The amendments to IFRS 1 delete the short-term exemptions for first-time adopters that are already out-of-date.

The amendments to IAS 28 clarify that:

- a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint ventures at fair value through profit or loss on an investment-by-investment basis; and

- a non-investment entity investor may elect to retain the fair value accounting applied by its investment entity associate or joint venture and this election can be made separately for each investment entity associate or joint venture.

The annual improvements are expected to have no material impact on financial position and financial performance.

Amendments to IFRS 4, Insurance contracts "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"

The amendments address concerns arising from the different effective dates of IFRS 9 and the new insurance contracts standard, IFRS 17. The amendments introduce the following two approaches:

- Deferral approach — Temporary exemption from IFRS 9

  Companies whose activities are predominantly connected with insurance may choose to defer the application of IFRS 9 until 2021(the effective date of IFRS 17).

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 IFRS 4, Insurance contracts "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts" (continued)

- Overlay approach

  All companies that issue insurance contracts may choose to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is applied.

The amendments are expected to have no material impact on financial position and financial performance.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

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 2018 and which have not been adopted in these financial statements.

Standard	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Amendments to IFRS 9, *Prepayment features with negative compensation and modifications of financial liabilities*	1 January 2019
Amendments to IAS 28, *Long-term interests in associates and joint ventures*	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019
Amendments to IAS 19, *Plan amendment, curtailment or settlement*	1 January 2019
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020
IFRS 17, *Insurance contracts*	1 January 2021

So far the Group has concluded that the adoption of above standards is unlikely to have a significant 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)

(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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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 Notes 45 and 46.

(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 branches and subsidiaries 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; The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increases in shareholders' equity and are unrelated to contributions from shareholders. The Group fulfils its compliance obligations stated in the contract, that is, when the client takes control of the relevant goods or services, the revenue is recognized.

(i) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

(a) For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost;

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(4) Income recognition (continued)

(i) Interest income (continued)

(b) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

(a) The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— The customer controls the service provided by the Group in the course of performance;

— The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

(b) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

2 Basis of preparation and accounting policies (continued)

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Recognition and initial measurement of financial instrument

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) Classification and subsequent measurement of financial assets

a Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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) Classification and subsequent measurement of financial assets (continued)

a Classification of financial assets (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

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) Classification and subsequent measurement of financial assets (continued)

a Classification of financial assets (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

b Subsequent measurement of financial assets

Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

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) Classification and subsequent measurement of financial assets (continued)

b Subsequent measurement of financial assets (continued)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, financial guarantee liabilities or other financial liabilities.

a Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

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)

(iii) Classification and subsequent measurement of financial liabilities (continued)

b Financial guarantee liabilities

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 amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 2(5)(v)).

c Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(iv) Derecognition of financial assets and financial liabilities

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 financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or (iii) the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

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)

(iv) Derecognition of financial assets and financial liabilities (continued)

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

— The carrying amount of the financial asset transferred measured at the date of derecognition;

— The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

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.

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.

(v) Impairment of financial assets

The Group recognises loss allowances for expected credit loss (ECL) on:

— Financial assets measured at amortised cost;

— Debt investments measured at FVOCI;

— Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL.

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)

(v) Impairment of financial assets (continued)

Financial assets measured at fair value, including debt investments or equity securities at FVPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

a Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group applies a 'three-stage model' for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note 3 (2) Credit risk.

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)

(v) Impairment of financial assets (continued)

b Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income. For the loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, the Group recognises the loss allowance in provisions (credit loss of off-balance-sheet assets).

c Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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 generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;

- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

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

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 principal contract (the "host contract"), and embedded derivative financial instruments and the principal contract comprise a hybrid contract. The derivative financial instrument causes adjustment to some or all of the cash flows of the principal contract according to changes in specified interest rate, financial instrument price, foreign exchange rate, price or interest rate index, credit rating, credit index, or other similar variables.

If the host contract in a hybrid contract is classified as an asset according to the financial instruments standard, the Group will apply relevant financial asset classification provisions to the hybrid contract as a whole;

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)

The hybrid contract will be separated from the host contract and treated as a separate derivative financial instrument if the host contract in a hybrid contract is not classified as an asset according to the financial instruments standard, and meets the following conditions: (i) the economic characteristics and risks of the embedded derivative financial instrument are not closely related to the principal contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid instruments are not measured at fair value through profit or loss;

Where a hybrid contract includes one or more embedded derivative financial instruments and the host contract in the hybrid contract is not classified as an asset according to the financial instruments standard, the Group classifies the hybrid contract as a financial instrument measured at FVTPL except for the following cases: (i) the embedded derivative financial instruments do not significantly modify the cash flow of the hybrid contract; (ii) when determining for the first time whether such hybrid contracts require separation, it is clear without analysis that the embedded derivative financial instruments should not be separated from the contracts.

(ix) 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.

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)

(ix) Hedge accounting (continued)

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.

(x) 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.

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)

(x) Asset-backed securities (continued)

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 or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

(xi) 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(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.

(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 realisation 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 net recoverable amount. Repossessed assets do not carry depreciation and amortisation. The impairment losses of initial measurement and subsequent revaluation are charged to the income statement.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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.

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 improvement	5–10 years	0%	10%–20%
Office equipment	3–10 years	5%	9.5%–31.67%
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).

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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(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.

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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

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

(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.

(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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(13) Income tax (continued)

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.

(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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(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.

(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 lease charges

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) Assets leased out under operating leases

Fixed assets leased out under operating leases, except for investment properties (see Note 2(9)), are depreciated in accordance with the Group's depreciation policies described in Note 2(10). Impairment losses are recognised in accordance with the accounting policy described in Note 2(12). Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(16) Leases (continued)

(iii) 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)(v).

(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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(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.

(19) 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.

(20) 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(21) 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.

(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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(22) 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

As per the comprehensive risk management framework of COSO and the comprehensive risk management guidelines of CBRIC, risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. 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 of risks borne by the Group on its financial performance.

As at 31 December 2018, 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. The financial risk arising from commercial banking was the most significant risk for the Group's operations. In 2018, the Group formulated the Administrative Measures of Subsidiary Bodies of China Minsheng Banking Corporation Limited on Comprehensive Risk Management to further enhance the risk management of its subsidiary bodies.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(1) Financial risk management overview (continued)

Based on new regulatory requirements and market changes, the Group formulated risk preferences and risk policies based on actual conditions, to clarify objectives of portfolio limitation management, improve risk quantification tools and information systems, and establish and improved risk management and control mechanisms covering the entire process. Meanwhile, to re-examine and optimise the preference transmission mechanism, risk policy, portfolio management, systems and tools based on implementation to ensure the implementation of preferences and policies, and strengthen the support of risk management for strategic decision-making.

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 policies and their implementation, and assessing the effectiveness. In accordance with the risk management strategies, the Bank's senior management formulates and promotes compliance of risk management policies, practices and procedures.

The Development Planning Department under the Bank's senior management is responsible for the routine management of subsidiaries, with a comprehensive risk management framework at the Group level gradually established and refined.

(2) Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. 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.

The Bank is currently responsible for decision-making and overall coordination of credit risk prevention by the Risk Management Committee. The Bank adopts professional credit evaluation, full-process quality monitoring, faulty asset professional management and collecting and other major methods for credit risk management.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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 *CBIRC 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)

(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 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.

Other specific control and mitigation measures include: measuring, evaluating, early-warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and prevent and control customer concentration risks, and

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

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/require additional guarantors or squeeze the credit line.

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)

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

b Derivative instruments

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, 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(iii) ECL measurement

According to the new standard, the Group divided the financial instruments that require ECL provision recognition into three stages and applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortized cost or at FVOCI, as well as its loan commitments and financial guarantee contracts.

Financial instrument risk stages

The Group applies a 'three-stage model' for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition: The three stages are defined as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

Criteria for significant increases in credit risk ("SICR")

Criteria for SICR include but are not limited to:

— The principal or interest is overdue for more than 30 days;

— Significant change in credit rating. Internal rating results of the Group will be adopted as the result of credit rating;

— The debtor experiences serious production or operation problems, the overall profitability decreased significantly, and the financial position is poor;

— Changes or events with a significant negative impact on the solvency of the debtor;

— Other objective evidence of a significant increase in credit risk of financial asset.

3 Financial risk management (continued)

(2) Credit risk (continued)

(iii) ECL measurement (continued)

Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(iii) ECL measurement (continued)

Parameters for ECL measurement

Except for credit-impaired financial assets, according to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument. Expected credit losses are the weighted average of the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

— PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;

— LGD is expressed as a percentage loss per unit of EAD. LGD varies by type of product and availability of collateral etc;

— EAD refers to the total amount of on-and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet risk conversion factor etc., and may vary by product types.

Forward-looking information incorporated in the ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio, such as GDP, M2 and customer confidence index and so on. The forecasts of these economic variables are provided periodically and the most relevant variables are picked and estimated by the Group.

The Group determines the relationship between these economic variables and PD and LGD by constructing econometric model, so as to ascertain the impacts of historical changes in these variables on PD and LGD.

The Group determines the positive, neutral and negative scenarios and their weights according to the analysis of macro data and the judgement of experts, and calculate thereby the weighted average ECL allowance.

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	
	2018	2017	2018	2017
Balances with central bank	**382,297**	**434,858**	**378,423**	**430,227**
Balances with banks and other financial institutions	**52,154**	**75,257**	**38,688**	**50,149**
Financial assets at fair value through profit or loss	**310,733**	**69,564**	**310,605**	**68,996**
Positive fair value of derivatives	**33,112**	**18,734**	**33,007**	**18,696**
Placements with banks and other financial institutions	**246,525**	**143,205**	**264,255**	**145,705**
Financial assets held under resale agreements	**39,190**	**52,812**	**35,284**	**47,855**
Loans and advances to customers				
— Corporate loans and advances	**1,807,603**	**1,651,808**	**1,804,546**	**1,653,064**
— Personal loans and advances	**1,200,669**	**1,077,980**	**1,188,600**	**1,061,893**
Investment securities				
— Debt securities	**1,588,299**	**2,004,406**	**1,575,456**	**1,996,808**
Long-term receivables	**110,824**	**101,304**	**—**	**—**
Other financial assets	**38,568**	**80,720**	**22,882**	**63,193**
Total	**5,809,974**	**5,710,648**	**5,651,746**	**5,536,586**
Off-balance sheet credit commitments	**1,006,714**	**819,242**	**1,003,367**	**815,867**
Maximum credit risk exposure	**6,816,688**	**6,529,890**	**6,655,113**	**6,352,453**

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) Analysis on the credit quality of financial instruments

As at 31 December 2018, the credit risk stages of financial instruments are as followed:

		Group							
		Gross carrying amount				Provision for expected credit losses			
	Note	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost:									
Cash and balances with central bank		389,281	–	–	389,281	–	–	–	–
Balances with banks and other financial institutions		52,161	–	97	52,258	(7)	–	(97)	(104)
Placements with banks and other financial institutions		246,728	–	–	246,728	(203)	–	–	(203)
Financial assets held under resale agreements		39,195	–	–	39,195	(5)	–	–	(5)
Loans and advances to customers									
– Corporate loans and advances		1,612,811	107,458	27,412	1,747,681	(11,144)	(16,311)	(10,934)	(38,389)
– Personal loans and advances		1,189,668	16,644	27,184	1,233,496	(7,770)	(4,918)	(20,139)	(32,827)
Financial investments		1,121,094	2,141	7,055	1,130,290	(1,352)	(204)	(1,503)	(3,059)
Long-term receivables		103,457	9,959	1,053	114,469	(913)	(2,184)	(548)	(3,645)
Other financial assets	(i)	N/A	N/A	N/A	40,000	N/A	N/A	N/A	(1,432)
Total		4,754,395	136,202	62,801	4,993,398	(21,394)	(23,617)	(33,221)	(79,664)

	Group							
	Net carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets at fair value through other comprehensive income:								
Loans and advances to customers								
– Corporate loans and advances	97,453	–	858	98,311	(449)	–	(543)	(992)
Financial investments	460,843	–	225	461,068	(1,310)	–	(197)	(1,507)
Total	558,296	–	1,083	559,379	(1,759)	–	(740)	(2,499)
Credit commitments	1,005,533	1,082	99	1,006,714	(1,335)	(33)	(3)	(1,371)

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) Analysis on the credit quality of financial instruments (continued)

		Bank							
		Gross carrying amount				Provision for expected credit losses			
	Note	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost:									
Cash and balances with central bank		385,239	–	–	385,239	–	–	–	–
Balances with banks and other financial institutions		38,693	–	–	38,693	(5)	–	–	(5)
Placements with banks and other financial institutions		264,458	–	–	264,458	(203)	–	–	(203)
Financial assets held under resale agreements		35,289	–	–	35,289	(5)	–	–	(5)
Loans and advances to customers									
– Corporate loans and advances		1,610,259	107,236	27,224	1,744,719	(11,001)	(16,267)	(10,809)	(38,077)
– Personal loans and advances		1,177,655	16,299	26,863	1,220,817	(7,505)	(4,786)	(19,926)	(32,217)
Financial investments		1,113,213	2,141	6,748	1,122,102	(1,325)	(204)	(1,396)	(2,925)
Other financial assets	(i)	N/A	N/A	N/A	24,168	N/A	N/A	N/A	(1,286)
Total		4,624,806	125,676	60,835	4,835,485	(20,044)	(21,257)	(32,131)	(74,718)

	Bank							
	Net carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets at fair value through other comprehensive income:								
Loans and advances to customers								
– Corporate loans and advances	97,046	–	858	97,904	(436)	–	(543)	(979)
Financial investments	456,054	–	225	456,279	(1,288)	–	(197)	(1,485)
Total	553,100	–	1,083	554,183	(1,724)	–	(740)	(2,464)
Credit commitments	1,002,186	1,082	99	1,003,367	(1,334)	(33)	(3)	(1,370)

(i) As simplified approach of impairment allowance is applied to other financial assets, mainly including other receivables, three-stage model is not applicable.

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) Analysis on the credit quality of financial instruments (continued)

As at 31 December 2017, the analysis of the overdue situation of loans and advances to customers, RMB-denominated debt securities and long-term receivables is as follows:

	Group					
	Loans and advances to customers	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Long-term receivables
Gross balance						
Neither past due nor impaired	2,712,536	40,958	242,008	698,342	963,572	99,734
Past due but not impaired	43,882	–	–	–	–	3,011
Impaired	47,889	–	175	88	1,664	1,985
Subtotal	2,804,307	40,958	242,183	698,430	965,236	104,730
Less: allowance for impairment loss						
Neither past due nor impaired	(40,441)	–	–	–	(1,863)	(2,313)
Past due but not impaired	(5,666)	–	–	–	–	(377)
Impaired	(28,412)	–	(71)	(55)	(328)	(736)
Subtotal	(74,519)	–	(71)	(55)	(2,191)	(3,426)
Total	2,729,788	40,958	242,112	698,375	963,045	101,304

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) Analysis on the credit quality of financial instruments (continued)

	Bank				
	Loans and advances to customers	Financial assets at fair value through profit or loss	Available-for-sale securities	Held-to-maturity securities	Loans and receivables
Gross balance					
Neither past due nor impaired	2,697,936	40,958	241,986	698,342	961,457
Past due but not impaired	43,320	–	–	–	–
Impaired	47,358	–	50	88	1,664
Subtotal	2,788,614	40,958	242,036	698,430	963,121
Less: allowance for impairment loss					
Neither past due nor impaired	(39,974)	–	–	–	(1,863)
Past due but not impaired	(5,605)	–	–	–	–
Impaired	(28,078)	–	(31)	(55)	(328)
Subtotal	(73,657)	–	(31)	(55)	(2,191)
Total	2,714,957	40,958	242,005	698,375	960,930

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(vi) Loans and advances to customers

As at 31 December 2018, loans and advances to customers were analysed by types of collateral as follows:

	2018	
	Group	Bank
Stage 1		
Unsecured loans	**702,955**	**705,616**
Guaranteed loans	**560,794**	**555,426**
Loans secured by		
— Tangible assets other than monetary assets	**1,261,230**	**1,250,003**
— Monetary assets	**374,953**	**373,915**
Subtotal	**2,899,932**	**2,884,960**
Stage 2		
Unsecured loans	**15,043**	**15,040**
Guaranteed loans	**50,019**	**49,752**
Loans secured by		
— Tangible assets other than monetary assets	**36,423**	**36,159**
— Monetary assets	**22,617**	**22,584**
Subtotal	**124,102**	**123,535**
Stage 3		
Unsecured loans	**11,296**	**11,295**
Guaranteed loans	**24,483**	**24,303**
Loans secured by		
— Tangible assets other than monetary assets	**15,927**	**15,650**
— Monetary assets	**3,748**	**3,697**
Subtotal	**55,454**	**54,945**
Total	**3,079,488**	**3,063,440**
Fair value of collateral held against credit-impaired loans	**9,416**	**9,296**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(vi) Loans and advances to customers (continued)

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.

As at 31 December 2017, credit risk of loans and advances to customers were analysed as follows:

(a) Neither past due nor impaired

	2017	
	Group	Bank
Unsecured loans	**663,807**	**665,894**
Guaranteed loans	**590,852**	**584,910**
Loans secured by		
— Tangible assets other than monetary assets	**1,108,371**	**1,099,313**
— Monetary assets	**349,506**	**347,819**
Total	**2,712,536**	**2,697,936**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(vi) Loans and advances to customers (continued)

(b) Past due but not impaired

As at 31 December 2017, the ageing analysis of each type of loans and advances to customers of the Group and the Bank were analysed as follows:

Group

	2017				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Corporate loans and advances	**4,542**	**4,139**	**2,357**	**19,480**	**30,518**
Personal loans and advances	**6,167**	**2,716**	**3,260**	**1,221**	**13,364**
Total	**10,709**	**6,855**	**5,617**	**20,701**	**43,882**

Bank

	2017				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Corporate loans and advances	**4,536**	**4,139**	**2,356**	**19,479**	**30,510**
Personal loans and advances	**5,952**	**2,647**	**3,218**	**993**	**12,810**
Total	**10,488**	**6,786**	**5,574**	**20,472**	**43,320**

As at 31 December 2017, the balance of loans and advances past due but not impaired which were covered by collateral was RMB18,872 million. The fair value of collateral held against these loans and advances was amounted to RMB46,232 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.

3 Financial risk management (continued)

(2) Credit risk (continued)

(vi) Loans and advances to customers (continued)

(c) Impaired loans

Impaired loans and advances by type of collateral:

	2017	
	Group	Bank
Unsecured loans	**7,263**	**7,262**
Guaranteed loans	**23,919**	**23,672**
Loans secured by		
— Tangible assets other than monetary assets	**12,602**	**12,328**
— Monetary assets	**4,105**	**4,096**
Total	**47,889**	**47,358**
Fair value of collateral held against impaired loans	**11,070**	**10,954**

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.

(vii) 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 RMB18,978 million as at 31 December 2018 (31 December 2017: RMB14,837 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)

(vii) 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	
	2018	2017
Loans and advances to customers	**1,827**	**2,438**
% of total loans and advances	**0.06%**	**0.09%**

(viii) 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.

	2018	
	Group	Bank
Occurred credit impaired	**97**	**–**
Less: allowances for impairment losses	**(97)**	**–**
Subtotal	**–**	**–**
Neither past due nor credit-impaired:		
Grade A to AAA	**256,762**	**259,916**
Grade B to BBB	**60,928**	**60,607**
Unrated	**19,305**	**17,034**
Total	**336,995**	**337,557**
Interest accrued	**1,089**	**883**
Less: allowances for impairment losses	**(215)**	**(213)**
Subtotal	**337,869**	**338,227**
Total	**337,869**	**338,227**

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

	2017	
	Group	Bank
Neither past due nor impaired:		
Grade A to AAA	**200,321**	**176,730**
Grade B to BBB	**22,552**	**21,417**
Unrated	**48,401**	**45,562**
Total	**271,274**	**243,709**

Amounts due from banks and other financial institutions are analysed above according to the Group and the Bank's internal credit rating. Exposure limits are set for banks and non-bank financial institutions.

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) Distribution of debt securities analysed by rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

Group

	2018					
	Unrated	AAA	AA	A	Lower than A	Total
Occurred credit impaired						
– Banking and non-banking financial institution	6,958	–	–	–	–	6,958
– Other corporates	322	–	–	–	–	322
Total	7,280	–	–	–	–	7,280
Less: the impairment of financial assets measured at amortized cost						(1,503)
Subtotal						5,777
Neither overdue nor credit impaired						
– Government	3,485	766,945	137	51,341	–	821,908
– Policy banks	–	49,680	150	7,115	1,308	58,253
– Banking and non-banking financial institution	583,041	154,335	6,194	21,392	14,782	779,744
– Other corporates	78,560	96,323	9,797	5,765	26,300	216,745
Total	665,086	1,067,283	16,278	85,613	42,390	1,876,650
Interest accrued						18,161
Less: the impairment of financial assets measured at amortized cost						(1,556)
Subtotal						1,893,255
Total						1,899,032

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) Distribution of debt securities analysed by rating (continued)

Bank

	2018					
	Unrated	AAA	AA	A	Lower than A	Total
Occurred credit impaired						
– Banking and non-banking financial institution	6,846	–	–	–	–	6,846
– Other corporates	127	–	–	–	–	127
Total	6,973	–	–	–	–	6,973
Less: the impairment of financial assets measured at amortized cost						(1,396)
Subtotal						5,577
Neither overdue nor credit impaired						
– Government	3,485	765,732	137	51,341	–	820,695
– Policy banks	–	49,251	150	7,115	1,308	57,824
– Banking and non-banking financial institution	581,649	154,335	6,194	21,392	14,782	778,352
– Other corporates	74,753	96,323	9,797	5,525	20,646	207,044
Total	659,887	1,065,641	16,278	85,373	36,736	1,863,915
Interest accrued						18,098
Less: the impairment of financial assets measured at amortized cost						(1,529)
Subtotal						1,880,484
Total						1,886,061

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) Distribution of debt securities analysed by rating (continued)

The following tables show Standard & Poor's ratings on foreign currency debt securities of the Group and the Bank as at 31 December 2017.

Group

	2017				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
AAA	25	620	–	–	645
AA- to AA+	–	7,690	–	–	7,690
A- to A+	4,405	44,045	3,191	–	51,641
Lower than A-	14,121	20,714	6,521	–	41,356
Unrated	10,055	6,818	157	11,118	28,148
Total	28,606	79,887	9,869	11,118	129,480

Bank

	2017				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
AAA	25	620	–	–	645
AA- to AA+	–	7,690	–	–	7,690
A- to A+	4,405	44,045	3,191	–	51,641
Lower than A-	13,793	20,213	6,521	–	40,527
Unrated	9,815	6,391	157	6,670	23,033
Total	28,038	78,959	9,869	6,670	123,536

The Group's impaired debt securities which were individually assessed for impairment were valued at RMB2,262 million as at 31 December 2017, incurring an impairment loss of RMB765 million.

Analysis on the credit risk of RMB-denominated debt securities as at 31 December 2017 were discussed in Note 3 (v).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

(x) Credit risk concentration of financial assets

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. The Group continues to improve the management of risk concentration by industry and region to avoid excess lending to individual sectors, and to reduce credit extension to regions with scarce resources and fragile financial ecology.

a Geographical concentration

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

Group

	2018				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	377,169	1,759	1,346	2,023	382,297
Balances with banks and other financial institutions	39,394	6,469	834	5,457	52,154
Placements with banks and other financial institutions	185,026	1,074	–	60,425	246,525
Financial assets held under resale agreements	37,389	–	1,771	30	39,190
Gross loans and advances to customers	887,069	959,738	490,744	741,937	3,079,488
Less: allowance for impairment losses	(30,570)	(13,351)	(6,392)	(20,903)	(71,216)
Long-term receivables	110,824	–	–	–	110,824
Other financial assets	61,279	1,768	1,343	7,290	71,680
Total	1,667,580	957,457	489,646	796,259	3,910,942

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

a Geographical concentration (continued)

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

Group (continued)

	2017				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	429,181	3,040	879	1,758	434,858
Balances with banks and other financial institutions	50,097	8,099	4,453	12,608	75,257
Placements with banks and other financial institutions	115,772	700	–	26,733	143,205
Financial assets held under resale agreements	51,708	–	–	1,104	52,812
Gross loans and advances to customers	923,083	810,954	392,912	677,358	2,804,307
Less: allowance for impairment losses	(27,637)	(18,122)	(8,861)	(19,899)	(74,519)
Long-term receivables	101,304	–	–	–	101,304
Other financial assets	76,771	6,383	3,480	12,820	99,454
Total	1,720,279	811,054	392,863	712,482	3,636,678

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

a Geographical concentration (continued)

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

Bank

	2018				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	377,114	110	1,096	103	378,423
Balances with banks and other financial institutions	32,995	3,434	145	2,114	38,688
Placements with banks and other financial institutions	202,756	1,074	–	60,425	264,255
Financial assets held under resale agreements	33,483	–	1,771	30	35,284
Gross loans and advances to customers	886,843	949,206	489,238	738,153	3,063,440
Less: allowance for impairment losses	(30,556)	(12,949)	(6,331)	(20,458)	(70,294)
Other financial assets	49,564	1,768	1,130	3,427	55,889
Total	1,552,199	942,643	487,049	783,794	3,765,685

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

a Geographical concentration (continued)

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

Bank (continued)

	2017				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	429,136	381	532	178	430,227
Balances with banks and other financial institutions	31,484	4,798	3,184	10,683	50,149
Placements with banks and other financial institutions	115,772	700	–	29,233	145,705
Financial assets held under resale agreements	46,751	–	–	1,104	47,855
Gross loans and advances to customers	922,809	801,204	391,453	673,148	2,788,614
Less: allowance for impairment losses	(27,626)	(17,692)	(8,792)	(19,547)	(73,657)
Other financial assets	63,844	6,254	3,264	8,527	81,889
Total	1,582,170	795,645	389,641	703,326	3,470,782

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

a Geographical concentration (continued)

Financial assets — securities (by location of issuers)

Group

	2018				
	Mainland China	North America	Europe	Others	Total
Financial assets at fair value through profit or loss	284,024	70	14,945	11,694	310,733
Financial assets at fair value through other comprehensive income	405,921	2,443	26,923	25,781	461,068
Financial assets measured at amortised cost	1,115,901	6,426	—	4,904	1,127,231
Total	1,805,846	8,939	41,868	42,379	1,899,032

	2017				
	Mainland China	North America	Europe	Others	Total
Financial assets at fair value through profit or loss	54,982	5,926	405	8,251	69,564
Available-for-sale debt securities	287,586	14,556	958	18,899	321,999
Held-to-maturity investments	702,510	5,659	—	75	708,244
Loans and receivables	971,849	348	—	1,966	974,163
Total	2,016,927	26,489	1,363	29,191	2,073,970

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

a Geographical concentration (continued)

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

Bank

	2018				
	Mainland China	North America	Europe	Others	Total
Financial assets at fair value through profit or loss	283,916	70	14,945	11,674	310,605
Financial assets at fair value through other comprehensive income	403,780	2,443	26,923	23,133	456,279
Financial assets measured at amortised cost	1,112,323	6,196	—	658	1,119,177
Total	1,800,019	8,709	41,868	35,465	1,886,061

	2017				
	Mainland China	North America	Europe	Others	Total
Financial assets at fair value through profit or loss	54,910	5,926	405	7,755	68,996
Available-for-sale debt securities	287,479	14,556	958	17,971	320,964
Held-to-maturity investments	702,510	5,659	—	75	708,244
Loans and receivables	966,991	—	—	609	967,600
Total	2,011,890	26,141	1,363	26,410	2,065,804

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

b Industry concentration

Group

	2018						
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	382,297	–	–	–	–	–	382,297
Balances with banks and other financial institutions	–	52,154	–	–	–	–	52,154
Placements with banks and other financial institutions	–	246,525	–	–	–	–	246,525
Financial assets held under resale agreements	–	39,190	–	–	–	–	39,190
Corporate loans and advances	–	84,721	297,238	386,117	1,039,527	–	1,807,603
– of which: balance secured by collateral	–	44,484	133,868	319,671	480,790	–	978,813
Personal loans and advances	–	–	–	–	–	1,200,669	1,200,669
– of which: balance secured by collateral	–	–	–	–	–	719,932	719,932
Financial investments	830,898	844,077	20,323	26,001	177,733	–	1,899,032
Long-term receivables	–	4,393	18,388	5,187	74,999	7,857	110,824
Other financial assets	401	34,011	369	2,485	34,414	–	71,680
Total	1,213,596	1,305,071	336,318	419,790	1,326,673	1,208,526	5,809,974

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

b Industry concentration (continued)

Group (continued)

	2017						
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	434,858	–	–	–	–	–	434,858
Balances with banks and other financial institutions	–	75,257	–	–	–	–	75,257
Placements with banks and other financial institutions	–	143,205	–	–	–	–	143,205
Financial assets held under resale agreements	–	52,812	–	–	–	–	52,812
Corporate loans and advances	–	102,255	321,205	252,270	976,078	–	1,651,808
– of which: balance secured by collateral	–	46,813	130,854	206,704	415,654	–	800,025
Personal loans and advances	–	–	–	–	–	1,077,980	1,077,980
– of which: balance secured by collateral	–	–	–	–	–	672,134	672,134
Investment securities							
– debt securities	805,788	928,881	36,774	65,574	167,389	–	2,004,406
Long-term receivables	–	1,123	16,509	4,845	74,055	4,772	101,304
Other financial assets	9,045	53,246	9,495	7,162	82,381	7,689	169,018
Total	1,249,691	1,356,779	383,983	329,851	1,299,903	1,090,441	5,710,648

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

b Industry concentration (continued)

Bank

	2018						
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	378,423	–	–	–	–	–	378,423
Balances with banks and other financial institutions	–	38,688	–	–	–	–	38,688
Placements with banks and other financial institutions	–	264,255	–	–	–	–	264,255
Financial assets held under resale agreements	–	35,284	–	–	–	–	35,284
Corporate loans and advances	–	87,730	294,883	386,111	1,035,822	–	1,804,546
– of which: balance secured by collateral	–	44,484	132,358	319,668	479,071	–	975,581
Personal loans and advances	–	–	–	–	–	1,188,600	1,188,600
– of which: balance secured by collateral	–	–	–	–	–	710,431	710,431
Financial investments	829,685	842,395	19,922	25,762	168,297	–	1,886,061
Other financial assets	400	33,914	367	2,480	18,728	–	55,889
Total	1,208,508	1,302,266	315,172	414,353	1,222,847	1,188,600	5,651,746

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(2) Credit risk (continued)

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

b Industry concentration (continued)

Bank (continued)

	2017						
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	430,227	–	–	–	–	–	430,227
Balances with banks and other financial institutions	–	50,149	–	–	–	–	50,149
Placements with banks and other financial institutions	–	145,705	–	–	–	–	145,705
Financial assets held under resale agreements	–	47,855	–	–	–	–	47,855
Corporate loans and advances	–	104,759	320,639	252,270	975,396	–	1,653,064
– of which: balance secured by collateral	–	46,813	130,331	206,704	415,208	–	799,056
Personal loans and advances	–	–	–	–	–	1,061,893	1,061,893
– of which: balance secured by collateral	–	–	–	–	–	661,768	661,768
Investment securities							
– debt securities	805,095	927,696	36,705	64,859	162,453	–	1,996,808
Other financial assets	8,890	52,911	9,489	7,041	64,956	7,598	150,885
Total	1,244,212	1,329,075	366,833	324,170	1,202,805	1,069,491	5,536,586

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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.

(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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(3) Market risk (continued)

(i) Market risk measurement techniques (continued)

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, and value at risk (VaR).

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 Currency 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.

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 scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(ii) Currency risk

Currency 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 Currency risk by controlling each currency exposure limits and total exposure.

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

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) Currency risk (continued)

The following tables present the Group's and the Bank's Currency 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

	2018				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	348,249	40,517	260	255	389,281
Balances with banks and other financial institutions	27,632	18,254	4,017	2,251	52,154
Placements with banks and other financial institutions	206,562	30,503	6,987	2,473	246,525
Financial assets held under resale agreements	39,184	6	–	–	39,190
Loans and advances to customers	2,836,711	119,860	28,266	23,435	3,008,272
Financial investments	1,813,972	137,928	8,571	9,546	1,970,017
Long-term receivables	83,328	27,496	–	–	110,824
Other assets	128,068	32,767	1,776	15,948	178,559
Total assets	5,483,706	407,331	49,877	53,908	5,994,822
Liabilities:					
Borrowings from central bank	304,323	–	–	–	304,323
Deposits from customers	2,993,570	174,166	14,996	11,709	3,194,441
Deposits and placements from banks and other financial institutions	965,652	105,781	7,031	13,396	1,091,860
Financial assets sold under repurchase agreements	81,067	8,065	–	555	89,687
Borrowings from banks and other financial institutions	73,960	47,795	3,288	–	125,043
Debt securities issued	653,851	20,672	–	–	674,523
Other liabilities	76,674	6,144	851	275	83,944
Total liabilities	5,149,097	362,623	26,166	25,935	5,563,821
Net position	334,609	44,708	23,711	27,973	431,001
Foreign currency derivatives	324	(1,857)	74	–	(1,459)
Off-balance sheet credit commitments	955,252	41,014	3,024	7,424	1,006,714

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) Currency risk (continued)

Group (continued)

	2017				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	402,256	40,293	175	214	442,938
Balances with banks and other financial institutions	35,892	26,228	7,496	5,641	75,257
Financial assets at fair value through profit or loss	43,644	30,286	303	368	74,601
Placements with banks and other financial institutions	119,666	13,934	6,450	3,155	143,205
Financial assets held under resale agreements	52,812	–	–	–	52,812
Loans and advances to customers	2,563,333	111,048	30,527	24,880	2,729,788
Investment securities	1,960,359	88,583	4,169	8,185	2,061,296
Long-term receivables	76,372	24,932	–	–	101,304
Other assets	140,257	54,304	5,421	20,903	220,885
Total assets	5,394,591	389,608	54,541	63,346	5,902,086
Liabilities:					
Borrowings from central bank	335,173	–	–	–	335,173
Deposits from customers	2,750,441	188,439	21,547	5,884	2,966,311
Deposits and placements from banks and other financial institutions	1,163,855	127,023	6,723	18,392	1,315,993
Financial assets sold under repurchase agreements	104,680	2,842	–	–	107,522
Borrowings from banks and other financial institutions	94,080	49,479	3,440	–	146,999
Debt securities issued	484,969	16,958	–	–	501,927
Other liabilities	127,174	9,563	1,556	56	138,349
Total liabilities	5,060,372	394,304	33,266	24,332	5,512,274
Net position	334,219	(4,696)	21,275	39,014	389,812
Foreign currency derivatives	(4,053)	(2,561)	(219)	–	(6,833)
Off-balance sheet credit commitments	765,392	41,628	5,245	6,977	819,242

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) Currency risk (continued)

Bank

	2018				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	344,207	40,517	260	255	385,239
Balances with banks and other financial institutions	17,713	15,833	2,901	2,241	38,688
Placements with banks and other financial institutions	216,880	37,242	7,660	2,473	264,255
Financial assets held under resale agreements	35,278	6	–	–	35,284
Loans and advances to customers	2,818,578	119,860	31,273	23,435	2,993,146
Financial investments	1,810,351	129,242	5,292	9,497	1,954,382
Other assets	113,258	2,950	3,062	15,948	135,218
Total assets	5,356,265	345,650	50,448	53,849	5,806,212
Liabilities:					
Borrowings from central bank	303,837	–	–	–	303,837
Deposits from customers	2,965,264	174,628	15,511	11,709	3,167,112
Deposits and placements from banks and other financial institutions	970,285	107,330	7,032	13,397	1,098,044
Financial assets sold under repurchase agreements	81,041	7,032	–	555	88,628
Debt securities issued	648,728	20,668	–	–	669,396
Other liabilities	62,861	2,298	671	264	66,094
Total liabilities	5,032,016	311,956	23,214	25,925	5,393,111
Net position	324,249	33,694	27,234	27,924	413,101
Foreign currency derivatives	324	(1,857)	74	–	(1,459)
Off-balance sheet credit commitments	954,757	38,162	3,024	7,424	1,003,367

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) Currency risk (continued)

Bank (continued)

	2017				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	397,389	40,293	175	214	438,071
Balances with banks and other financial institutions	12,751	24,563	7,198	5,637	50,149
Financial assets at fair value through profit or loss	43,390	28,199	–	368	71,957
Placements with banks and other financial institutions	122,166	13,934	6,450	3,155	145,705
Financial assets held under resale agreements	47,855	–	–	–	47,855
Loans and advances to customers	2,545,998	111,048	33,031	24,880	2,714,957
Investment securities	1,957,599	84,692	2,683	8,185	2,053,159
Other assets	120,003	25,225	5,912	20,903	172,043
Total assets	5,247,151	327,954	55,449	63,342	5,693,896
Liabilities:					
Borrowings from central bank	334,500	–	–	–	334,500
Deposits from customers	2,720,026	188,465	21,646	5,884	2,936,021
Deposits and placements from banks and other financial institutions	1,171,496	128,020	6,724	18,392	1,324,632
Financial assets sold under repurchase agreements	104,555	2,835	–	–	107,390
Debt securities issued	483,971	16,958	–	–	500,929
Other liabilities	112,013	5,274	913	34	118,234
Total liabilities	4,926,561	341,552	29,283	24,310	5,321,706
Net position	320,590	(13,598)	26,166	39,032	372,190
Foreign currency derivatives	(4,053)	(2,561)	(219)	–	(6,833)
Off-balance sheet credit commitments	764,846	38,799	5,245	6,977	815,867

3 Financial risk management (continued)

(3) Market risk (continued)

(ii) Currency 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 2018, 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 RMB138 million (31 December 2017: increase by RMB80 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 RMB138 million (31 December 2017: decrease by RMB80 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) Currency 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 the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis 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 monthly 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.

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)

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

	Note	2018 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		382,297	–	–	–	6,984	389,281
Balances with banks and other financial institutions		44,938	6,573	643	–	–	52,154
Placements with banks and other financial institutions		65,678	156,307	24,540	–	–	246,525
Financial assets held under resale agreements		37,862	1,328	–	–	–	39,190
Loans and advances to customers	(i)	2,371,409	346,628	228,890	61,345	–	3,008,272
Financial investments		312,315	553,118	874,195	223,570	6,819	1,970,017
Long-term receivables		110,824	–	–	–	–	110,824
Other assets		647	1,254	–	–	176,658	178,559
Total assets		3,325,970	1,065,208	1,128,268	284,915	190,461	5,994,822
Liabilities:							
Borrowings from central bank		35,557	268,766	–	–	–	304,323
Deposits from customers		2,374,619	645,563	174,094	165	–	3,194,441
Deposits and placements from banks and other financial institutions		831,636	256,795	3,429	–	–	1,091,860
Financial assets sold under repurchase agreements		86,388	1,522	1,777	–	–	89,687
Borrowings from banks and other financial institutions		38,311	52,682	17,757	16,293	–	125,043
Debt securities issued		201,846	258,626	116,220	97,831	–	674,523
Other liabilities		967	–	–	20	82,957	83,944
Total liabilities		3,569,324	1,483,954	313,277	114,309	82,957	5,563,821
Total interest sensitivity gap		(243,354)	(418,746)	814,991	170,606	107,504	431,001

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)

		2017					
	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		434,858	–	–	–	8,080	442,938
Balances with banks and other financial institutions		71,335	3,922	–	–	–	75,257
Financial assets at fair value through profit or loss		13,394	17,709	40,932	1,503	1,063	74,601
Placements with banks and other financial institutions		46,865	90,626	5,714	–	–	143,205
Financial assets held under resale agreements		50,130	2,682	–	–	–	52,812
Loans and advances to customers	(i)	2,177,749	333,596	176,896	41,547	–	2,729,788
Investment securities		289,294	697,922	689,443	378,999	5,638	2,061,296
Long-term receivables		101,304	–	–	–	–	101,304
Other assets		9,322	6,198	–	–	205,365	220,885
Total assets		3,194,251	1,152,655	912,985	422,049	220,146	5,902,086
Liabilities:							
Borrowings from central bank		23,673	311,500	–	–	–	335,173
Deposits from customers		2,309,543	510,302	146,059	407	–	2,966,311
Deposits and placements from banks and other financial institutions		1,110,312	203,681	2,000	–	–	1,315,993
Financial assets sold under repurchase agreements		93,188	14,287	47	–	–	107,522
Borrowings from banks and other financial institutions		42,377	73,311	18,278	13,033	–	146,999
Debt securities issued		227,727	102,464	72,849	98,887	–	501,927
Other liabilities		–	3,373	–	–	134,976	138,349
Total liabilities		3,806,820	1,218,918	239,233	112,327	134,976	5,512,274
Total interest sensitivity gap		(612,569)	(66,263)	673,752	309,722	85,170	389,812

(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 RMB42,161 million as at 31 December 2018 (31 December 2017: RMB55,977 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	2018 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		378,423	–	–	–	6,816	385,239
Balances with banks and other financial institutions		33,176	4,869	643	–	–	38,688
Placements with banks and other financial institutions		72,483	167,232	24,540	–	–	264,255
Financial assets held under resale agreements		35,284	–	–	–	–	35,284
Loans and advances to customers	(i)	2,361,688	343,582	227,701	60,175	–	2,993,146
Financial investments		309,383	547,964	868,684	222,963	5,388	1,954,382
Other assets		647	1,254	–	–	133,317	135,218
Total assets		3,191,084	1,064,901	1,121,568	283,138	145,521	5,806,212
Liabilities:							
Borrowings from central bank		35,507	268,330	–	–	–	303,837
Deposits from customers		2,356,218	640,551	170,311	32	–	3,167,112
Deposits and placements from banks and other financial institutions		837,326	257,289	3,429	–	–	1,098,044
Financial assets sold under repurchase agreements		85,345	1,506	1,777	–	–	88,628
Debt securities issued		201,813	258,585	111,183	97,815	–	669,396
Other liabilities		873	–	–	–	65,221	66,094
Total liabilities		3,517,082	1,426,261	286,700	97,847	65,221	5,393,111
Total interest sensitivity gap		(325,998)	(361,360)	834,868	185,291	80,300	413,101

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)

		2017					
	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		430,227	–	–	–	7,844	438,071
Balances with banks and other financial institutions		48,642	1,507	–	–	–	50,149
Financial assets at fair value through profit or loss		11,780	17,709	40,436	1,503	529	71,957
Placements with banks and other financial institutions		46,865	93,126	5,714	–	–	145,705
Financial assets held under resale agreements		47,855	–	–	–	–	47,855
Loans and advances to customers	(i)	2,167,443	330,703	176,089	40,722	–	2,714,957
Investment securities		287,133	695,114	686,951	378,807	5,154	2,053,159
Other assets		9,322	6,198	–	–	156,523	172,043
Total assets		3,049,267	1,144,357	909,190	421,032	170,050	5,693,896
Liabilities:							
Borrowings from central bank		23,000	311,500	–	–	–	334,500
Deposits from customers		2,288,667	504,664	142,684	6	–	2,936,021
Deposits and placements from banks and other financial institutions		1,118,561	204,071	2,000	–	–	1,324,632
Financial assets sold under repurchase agreements		93,103	14,287	–	–	–	107,390
Debt securities issued		227,727	102,464	71,851	98,887	–	500,929
Other liabilities		–	3,373	–	–	114,861	118,234
Total liabilities		3,751,058	1,140,359	216,535	98,893	114,861	5,321,706
Total interest sensitivity gap		(701,791)	3,998	692,655	322,139	55,189	372,190

(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 RMB41,612 million as at 31 December 2018 (31 December 2017: RMB55,292 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)

If yield curves for respective currencies move in parallel for 100 basis points on 1 January, 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	
	2018 (Loss)/gain	2017 (Loss)/gain	2018 (Loss)/gain	2017 (Loss)/gain
Up 100 bps parallel shift in yield curves	**(2,775)**	**(4,206)**	**(3,156)**	**(4,594)**
Down 100 bps parallel shift in yield curves	**2,775**	**4,206**	**3,156**	**4,594**

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)

(4) Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

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.

During the reporting period, the Bank was required to maintain 11% 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)

(4) Liquidity risk (continued)

(i) Liquidity risk management policy

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

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. 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 liquidity coverage ratios, liquidity ratios, net stable funding ratios;

- To measure and monitor cash flows 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 (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	2018							
		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		336,665	52,616	–	–	–	–	–	389,281
Balances with banks and other financial institutions		–	37,969	3,054	3,915	6,573	643	–	52,154
Placements with banks and other financial institutions		–	–	43,427	22,251	156,307	24,540	–	246,525
Financial assets held under resale agreements		–	–	36,962	900	1,328	–	–	39,190
Loans and advances to customers	(ii)	35,418	7,464	524,849	216,902	904,474	794,671	524,494	3,008,272
Financial investments									
– Financial assets at fair value through profit or loss		63,049	–	28,075	41,189	192,414	52,024	4,342	381,093
– Financial assets at fair value through other comprehensive income		1,193	–	15,538	24,505	126,409	235,707	58,341	461,693
– Financial assets measured at amortised cost		7,648	761	40,374	47,514	246,004	621,287	163,643	1,127,231
Long-term receivables		3,522	59	5,199	5,274	26,333	58,329	12,108	110,824
Other assets		39,458	11,945	13,854	7,881	35,683	31,313	38,425	178,559
Total assets		486,953	110,814	711,332	370,331	1,695,525	1,818,514	801,353	5,994,822
Liabilities:									
Borrowings from central bank		–	–	9,130	26,427	268,766	–	–	304,323
Deposits from customers		–	1,326,493	665,344	382,782	645,563	174,094	165	3,194,441
Deposits and placements from banks and other financial institutions		–	176,492	292,203	362,941	256,795	3,429	–	1,091,860
Financial assets sold under repurchase agreements		–	–	78,834	7,554	1,522	1,777	–	89,687
Borrowings from banks and other financial institutions		–	–	17,289	21,022	52,682	17,757	16,293	125,043
Debt securities issued		–	–	26,207	173,955	258,626	116,220	99,515	674,523
Other liabilities		1,950	13,449	34,751	12,160	16,606	4,633	395	83,944
Total liabilities		1,950	1,516,434	1,123,758	986,841	1,500,560	317,910	116,368	5,563,821
Net position		485,003	(1,405,620)	(412,426)	(616,510)	194,965	1,500,604	684,985	431,001
Notional amount of derivatives		–	–	590,542	669,595	1,675,640	443,834	12,622	3,392,233

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)

		2017							
	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		408,965	33,973	–	–	–	–	–	442,938
Balances with banks and other financial institutions		–	59,170	6,231	5,934	3,922	–	–	75,257
Financial assets at fair value through profit or loss		5,037	–	3,900	5,448	17,780	40,933	1,503	74,601
Placements with banks and other financial institutions		–	–	28,465	18,400	90,626	5,714	–	143,205
Financial assets held under resale agreements		400	–	40,189	9,541	2,682	–	–	52,812
Loans and advances to customers	(ii)	49,157	8,536	407,013	239,300	928,326	606,502	490,954	2,729,788
Investment securities									
– available-for-sale securities		56,906	–	7,136	17,698	79,602	170,064	47,483	378,889
– held-to-maturity securities		33	–	1,373	2,840	37,631	360,821	305,546	708,244
– loans and receivables		1,334	–	121,382	66,989	577,836	179,371	27,251	974,163
Long-term receivables		4,071	–	5,155	5,408	22,107	54,377	10,186	101,304
Other assets		64,514	21,825	10,982	20,142	42,517	42,330	18,575	220,885
Total assets		590,417	123,504	631,826	391,700	1,803,029	1,460,112	901,498	5,902,086
Liabilities:									
Borrowings from central bank		–	–	–	23,673	311,500	–	–	335,173
Deposits from customers		4,098	1,371,679	582,424	351,743	510,302	146,059	6	2,966,311
Deposits and placements from banks and other financial institutions		–	175,494	411,300	523,518	203,681	2,000	–	1,315,993
Financial assets sold under repurchase agreements		–	–	81,332	11,856	14,334	–	–	107,522
Borrowings from banks and other financial institutions		–	–	16,265	26,112	73,311	18,278	13,033	146,999
Debt securities issued		–	–	63,989	163,738	102,464	72,849	98,887	501,927
Other liabilities		4,373	35,169	43,087	17,368	30,996	4,927	2,429	138,349
Total liabilities		8,471	1,582,342	1,198,397	1,118,008	1,246,588	244,113	114,355	5,512,274
Net position		581,946	(1,458,838)	(566,571)	(726,308)	556,441	1,215,999	787,143	389,812
Notional amount of derivatives		–	–	513,820	456,739	809,650	176,333	10,230	1,966,772

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

	Note	2018							
		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		334,171	51,068	–	–	–	–	–	385,239
Balances with banks and other financial institutions		–	29,304	301	3,571	4,869	643	–	38,688
Placements with banks and other financial institutions		–	–	45,434	27,049	167,232	24,540	–	264,255
Financial assets held under resale agreements		–	–	35,124	160	–	–	–	35,284
Loans and advances to customers	(ii)	34,926	7,389	523,769	218,180	895,587	792,329	520,966	2,993,146
Investment securities									
– Financial assets at fair value through profit or loss		60,335	–	28,075	41,190	192,336	52,023	4,342	378,301
– Financial assets at fair value through other comprehensive income		850	–	15,529	24,504	126,038	231,905	58,078	456,904
– Financial assets measured at amortised cost		7,450	761	40,109	46,336	241,299	619,579	163,643	1,119,177
Other assets		35,976	8,420	11,557	7,416	31,419	21,819	18,611	135,218
Total assets		473,708	96,942	699,898	368,406	1,658,780	1,742,838	765,640	5,806,212
Liabilities:									
Borrowings from central bank		–	–	9,130	26,377	268,330	–	–	303,837
Deposits from customers		–	1,312,462	663,350	380,406	640,551	170,311	32	3,167,112
Deposits and placements from banks and other financial institutions		–	180,961	293,832	362,533	257,289	3,429	–	1,098,044
Financial assets sold under repurchase agreements		–	–	77,791	7,554	1,506	1,777	–	88,628
Debt securities issued		–	–	26,203	173,927	258,585	111,183	99,498	669,396
Other liabilities		1,505	12,487	25,452	6,747	16,102	3,610	191	66,094
Total liabilities		1,505	1,505,910	1,095,758	957,544	1,442,363	290,310	99,721	5,393,111
Net position		472,203	(1,408,968)	(395,860)	(589,138)	216,417	1,452,528	665,919	413,101
Notional amount of derivatives		–	–	590,542	669,595	1,675,641	441,364	7,316	3,384,458

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)

	Note	2017							
		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		406,439	31,632	–	–	–	–	–	438,071
Balances with banks and other financial institutions		–	40,022	4,767	3,853	1,507	–	–	50,149
Financial assets at fair value through profit or loss		2,961	–	3,900	5,448	17,709	40,436	1,503	71,957
Placements with banks and other financial institutions		–	–	28,465	18,400	93,126	5,714	–	145,705
Financial assets held under resale agreements		400	–	40,189	7,266	–	–	–	47,855
Loans and advances to customers	(ii)	48,670	8,325	405,881	239,934	919,478	604,151	488,518	2,714,957
Investment securities									
– available-for-sale securities		56,280	–	7,082	17,698	79,581	169,383	47,291	377,315
– held-to-maturity securities		33	–	1,373	2,840	37,631	360,821	305,546	708,244
– loans and receivables		1,334	–	120,314	66,092	575,049	177,560	27,251	967,600
Other assets		34,426	18,022	9,858	17,249	36,856	38,535	17,097	172,043
Total assets		550,543	98,001	621,829	378,780	1,760,937	1,396,600	887,206	5,693,896
Liabilities:									
Borrowings from central bank		–	–	–	23,000	311,500	–	–	334,500
Deposits from customers		–	1,360,251	578,980	349,436	504,664	142,684	6	2,936,021
Deposits and placements from banks and other financial institutions		–	179,365	413,801	525,395	204,071	2,000	–	1,324,632
Financial assets sold under repurchase agreements		–	–	81,305	11,798	14,287	–	–	107,390
Debt securities issued		–	–	63,989	163,738	102,464	71,851	98,887	500,929
Other liabilities		811	31,968	36,050	16,120	27,118	3,848	2,319	118,234
Total liabilities		811	1,571,584	1,174,125	1,089,487	1,164,104	220,383	101,212	5,321,706
Net position		549,732	(1,473,583)	(552,296)	(710,707)	596,833	1,176,217	785,994	372,190
Notional amount of derivatives		–	–	513,820	456,439	809,650	175,491	9,285	1,964,685

(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)

(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

	2018					
	Less than 1 month	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	52,924	–	–	–	341,952	394,876
Balances with banks and other financial institutions	40,895	3,934	6,625	640	–	52,094
Placements with banks and other financial institutions	43,503	22,438	160,688	26,321	–	252,950
Financial assets held under resale agreements	36,994	901	1,328	–	–	39,223
Loans and advances to customers	594,779	243,854	990,856	1,017,025	877,453	3,723,967
Financial investments	90,021	124,043	612,667	1,015,377	327,245	2,169,353
Long-term receivables	5,831	5,938	29,876	69,709	22,219	133,573
Other financial assets	25,812	7,891	35,733	31,313	77,884	178,633
Total financial assets (expected maturity date)	890,759	408,999	1,837,773	2,160,385	1,646,753	6,944,669
Financial liabilities:						
Borrowings from central bank	9,141	26,566	274,260	–	–	309,967
Deposits from customers	1,991,206	384,774	657,669	189,469	169	3,223,287
Deposits and placements from banks and other financial institutions	466,060	365,093	260,498	3,736	–	1,095,387
Financial assets sold under repurchase agreements	78,879	7,588	1,540	1,777	–	89,784
Borrowings from banks and other financial institutions	17,341	21,209	54,085	19,478	21,601	133,714
Debt securities issued	26,240	175,050	264,013	126,345	134,363	726,011
Other financial liabilities	20,481	4,071	5,901	3,677	661	34,791
Total financial liabilities (contractual maturity date)	2,609,348	984,351	1,517,966	344,482	156,794	5,612,941

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)

Group (continued)

	2017					
	Less than 1 month	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	33,973	–	–	–	408,983	442,956
Balances with banks and other financial institutions	69,427	1,942	3,998	–	–	75,367
Financial assets at fair value through profit or loss	4,062	5,868	19,632	45,855	4,537	79,954
Placements with banks and other financial institutions	28,506	18,526	94,092	6,071	–	147,195
Financial assets held under resale agreements	40,212	10,055	2,790	–	–	53,057
Loans and advances to customers	493,900	263,824	1,005,255	780,893	824,567	3,368,439
Investment securities	131,134	91,274	749,965	812,223	473,839	2,258,435
Long-term receivables	5,454	5,986	24,847	64,485	20,721	121,493
Other financial assets	32,835	20,392	42,754	42,330	83,090	221,401
Total financial assets (expected maturity date)	839,503	417,867	1,943,333	1,751,857	1,815,737	6,768,297
Financial liabilities:						
Borrowings from central bank	–	23,799	318,061	–	–	341,860
Deposits from customers	1,951,759	352,758	518,232	156,276	3,379	2,982,404
Deposits and placements from banks and other financial institutions	586,669	528,343	209,353	2,327	–	1,326,692
Financial assets sold under repurchase agreements	81,833	8,741	14,566	49	–	105,189
Borrowings from banks and other financial institutions	16,301	26,317	75,498	20,033	17,032	155,181
Debt securities issued	64,137	165,104	109,034	74,207	139,256	551,738
Other financial liabilities	17,249	3,161	7,108	2,106	4,999	34,623
Total financial liabilities (contractual maturity date)	2,717,948	1,108,223	1,251,852	254,998	164,666	5,497,687

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

	2018					
	Less than 1 month	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	51,367	–	–	–	339,422	390,789
Balances with banks and other financial institutions	29,486	3,588	4,939	640	–	38,653
Placements with banks and other financial institutions	45,517	27,287	171,825	26,321	–	270,950
Financial assets held under resale agreements	35,156	160	–	–	–	35,316
Loans and advances to customers	593,130	242,125	981,970	1,014,683	873,926	3,705,834
Financial investments	89,711	122,758	607,191	1,009,600	323,585	2,152,845
Other financial assets	19,991	7,426	31,469	21,819	54,587	135,292
Total financial assets (expected maturity date)	864,358	403,344	1,797,394	2,073,063	1,591,520	6,729,679
Financial liabilities:						
Borrowings from central bank	9,141	26,516	273,824	–	–	309,481
Deposits from customers	1,975,237	382,487	652,686	185,589	36	3,196,035
Deposits and placements from banks and other financial institutions	472,160	364,687	260,996	3,736	–	1,101,579
Financial assets sold under repurchase agreements	77,836	7,588	1,524	1,777	–	88,725
Debt securities issued	26,236	175,024	263,974	120,766	134,343	720,343
Other financial liabilities	11,660	1,954	5,652	2,702	275	22,243
Total financial liabilities (contractual maturity date)	2,572,270	958,256	1,458,656	314,570	134,654	5,438,406

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 (continued)

	2017					
	Less than 1 month	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	406,457	–	–	–	31,632	438,089
Balances with banks and other financial institutions	44,791	3,865	1,526	–	–	50,182
Financial assets at fair value through profit or loss	4,062	5,865	19,606	45,337	4,714	79,584
Placements with banks and other financial institutions	28,506	18,526	96,668	6,071	–	149,771
Financial assets held under resale agreements	40,212	7,750	–	–	–	47,962
Loans and advances to customers	492,070	261,954	996,408	778,542	822,131	3,351,105
Investment securities	131,023	91,206	749,722	811,236	473,160	2,256,347
Other financial assets	27,909	17,499	37,093	38,535	51,523	172,559
Total financial assets (expected maturity date)	1,175,030	406,665	1,901,023	1,679,721	1,383,160	6,545,599
Financial liabilities:						
Borrowings from central bank	–	23,122	318,061	–	–	341,183
Deposits from customers	1,939,429	350,766	511,348	153,104	7	2,954,654
Deposits and placements from banks and other financial institutions	593,046	530,235	209,753	2,327	–	1,335,361
Financial assets sold under repurchase agreements	81,805	8,683	14,566	–	–	105,054
Debt securities issued	64,137	165,104	109,034	73,088	139,256	550,619
Other financial liabilities	16,994	1,167	6,895	1,581	1,538	28,175
Total financial liabilities (contractual maturity date)	2,695,411	1,079,077	1,169,657	230,100	140,801	5,315,046

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

	2018					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(25)	(53)	(224)	(797)	(26)	(1,125)
Credit derivatives	–	–	–	1	–	1
Total	(25)	(53)	(224)	(796)	(26)	(1,124)

	2017					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(5)	5	(4)	(17)	10	(11)
Credit derivatives	–	–	–	1	–	1
Total	(5)	5	(4)	(16)	10	(10)

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)

a Derivatives settled on a net basis (continued)

Bank

	2018					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(23)	(56)	(228)	(810)	(10)	(1,127)
Credit derivatives	–	–	–	1	–	1
Total	(23)	(56)	(228)	(809)	(10)	(1,126)

	2017					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(5)	4	(7)	(34)	–	(42)
Credit derivatives	–	–	–	1	–	1
Total	(5)	4	(7)	(33)	–	(41)

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

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 & options;
- Other derivatives: futures, equity and options 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

	2018					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(428,247)	(386,427)	(804,983)	(10,788)	–	(1,630,445)
– Cash inflow	427,853	386,064	804,283	10,787	–	1,628,987
Precious metal derivatives						
– Cash outflow	(34,454)	(21,620)	(136,492)	–	–	(192,566)
– Cash inflow	34,598	20,177	80,989	–	–	135,764
Others						
– Cash outflow	–	–	(3,639)	–	–	(3,639)
– Cash inflow	–	–	3,639	–	–	3,639
Total cash outflow	(462,701)	(408,047)	(945,114)	(10,788)	–	(1,826,650)
Total cash inflow	462,451	406,241	888,911	10,787	–	1,768,390

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)

	2017					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(434,438)	(324,897)	(505,028)	(9,918)	–	(1,274,281)
– Cash inflow	433,512	321,146	502,733	10,057	–	1,267,448
Precious metal derivatives						
– Cash outflow	(15,286)	(23,037)	(56,960)	–	–	(95,283)
– Cash inflow	12,105	22,128	53,023	–	–	87,256
Others						
– Cash outflow	(36)	–	(18,352)	–	–	(18,388)
– Cash inflow	36	27	18,361	–	–	18,424
Total cash outflow	(449,760)	(347,934)	(580,340)	(9,918)	–	(1,387,952)
Total cash inflow	445,653	343,301	574,117	10,057	–	1,373,128

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

	2018					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(428,247)	(386,427)	(804,983)	(10,788)	–	(1,630,445)
– Cash inflow	427,853	386,064	804,283	10,787	–	1,628,987
Precious metal derivatives						
– Cash outflow	(34,454)	(21,620)	(136,492)	–	–	(192,566)
– Cash inflow	34,598	20,177	80,989	–	–	135,764
Others						
– Cash outflow	–	–	(3,639)	–	–	(3,639)
– Cash inflow	–	–	3,639	–	–	3,639
Total cash outflow	(462,701)	(408,047)	(945,114)	(10,788)	–	(1,826,650)
Total cash inflow	462,451	406,241	888,911	10,787	–	1,768,390

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 (continued)

	2017					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(434,438)	(324,897)	(505,028)	(9,918)	–	(1,274,281)
– Cash inflow	433,512	321,146	502,733	10,057	–	1,267,448
Precious metal derivatives						
– Cash outflow	(15,286)	(23,037)	(56,960)	–	–	(95,283)
– Cash inflow	12,105	22,128	53,023	–	–	87,256
Others						
– Cash outflow	(36)	–	(18,352)	–	–	(18,388)
– Cash inflow	36	–	18,361	–	–	18,397
Total cash outflow	(449,760)	(347,934)	(580,340)	(9,918)	–	(1,387,952)
Total cash inflow	445,653	343,274	574,117	10,057	–	1,373,101

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

	2018			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	518,408	–	–	518,408
Letters of credit	113,092	115	–	113,207
Guarantees	75,761	58,240	2,863	136,864
Unused credit card commitments	231,054	–	–	231,054
Capital commitments	6,559	11,853	–	18,412
Operating lease commitments	3,245	9,516	1,388	14,149
Irrevocable loan commitments	726	1,914	1,348	3,988
Finance lease commitments	2,056	1,137	–	3,193
Total	950,901	82,775	5,599	1,039,275

	2017			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	461,630	–	–	461,630
Letters of credit	106,766	757	–	107,523
Guarantees	96,631	42,360	2,938	141,929
Unused credit card commitments	100,714	–	–	100,714
Capital commitments	4,515	14,601	–	19,116
Operating lease commitments	3,441	8,219	2,343	14,003
Irrevocable loan commitments	680	2,277	1,329	4,286
Finance lease commitments	3,158	2	–	3,160
Total	777,535	68,216	6,610	852,361

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 (continued)

Bank

	2018			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	**518,258**	**—**	**—**	**518,258**
Letters of credit	**113,092**	**115**	**—**	**113,207**
Guarantees	**75,757**	**58,240**	**2,863**	**136,860**
Unused credit card commitments	**231,054**	**—**	**—**	**231,054**
Capital commitments	**2,126**	**43**	**—**	**2,169**
Operating lease commitments	**2,958**	**8,968**	**1,343**	**13,269**
Irrevocable loan commitments	**726**	**1,914**	**1,348**	**3,988**
Total	**943,971**	**69,280**	**5,554**	**1,018,805**

	2017			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	**461,419**	**—**	**—**	**461,419**
Letters of credit	**106,766**	**757**	**—**	**107,523**
Guarantees	**96,627**	**42,360**	**2,938**	**141,925**
Unused credit card commitments	**100,714**	**—**	**—**	**100,714**
Capital commitments	**456**	**173**	**—**	**629**
Operating lease commitments	**3,342**	**8,082**	**2,315**	**13,739**
Irrevocable loan commitments	**680**	**2,277**	**1,329**	**4,286**
Total	**770,004**	**53,649**	**6,582**	**830,235**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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 continued to promote various operational risk management tasks, including further improving the application of the three major operational risk tools, conducting self-assessment in operational risk and control in key business areas and management areas, organising key risk indicator data reporting and daily monitoring, improving quality and efficiency of reporting of operational risk loss data, improving the operational risk loss database, etc.; performing comprehensive assessment of IT risks of the second line of defence, improving the structure of IT risk management; optimising the outsourcing risk management system, strengthening management of new project approval and outsourcing service providers, organising inspection and evaluation, and building a solid outsourcing risk management platform; further improving the management level of business continuity, optimising and improving the system and key business special emergency plan, performing the cross-branch and cross-department practical exercises, and prioritize a risk scenario where business recovery methods are available when systems are not available.

(6) Country risk

The Group is exposed to country risk which mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and implementation to accrue country risk reserve.

3 Financial risk management (continued)

(7) 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.

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

On 1 January 2013, the Group started computing the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBIRC.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the *Capital Rules for Commercial Banks (Provisional).* 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(7) Capital management (continued)

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined in accordance with Appendix 2 of the *Capital Rules for Commercial Banks (Provisional),* 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 *Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBIRC. 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (continued)

(7) 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 *Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBIRC as below:

	2018	2017
Core tier-one capital adequacy ratio	**8.93%**	**8.63%**
Tier-one capital adequacy ratio	**9.16%**	**8.88%**
Capital adequacy ratio	**11.75%**	**11.85%**
Components of capital base		
Core tier-one capital:		
Share capital	**43,782**	**36,485**
Valid portion of capital reserve	**57,470**	**64,753**
Surplus reserve	**39,911**	**34,914**
General reserve	**74,370**	**74,168**
Retained earnings	**193,131**	**163,420**
Valid portion of non-controlling interests	**6,997**	**6,750**
Others	**1,518**	**(4,662)**
Total core tier-one capital	**417,179**	**375,828**
Total core tier-one capital	**417,179**	**375,828**
Core tier-one capital deductions	**(1,453)**	**(1,204)**
Net core tier-one capital	**415,726**	**374,624**
Other tier-one capital	**10,824**	**10,790**
Net tier-one capital	**426,550**	**385,414**
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	**98,900**	**98,887**
Surplus provision for loan impairment	**19,966**	**28,300**
Valid portion of non-controlling interests	**1,865**	**1,800**
Tier-two capital deductions	**—**	**—**
Net tier-two capital	**120,731**	**128,987**
Net capital base	**547,281**	**514,401**
Credit risk-weighted assets	**4,281,596**	**3,998,394**
Market risk-weighted assets	**95,209**	**63,112**
Operational risk-weighted assets	**279,481**	**278,756**
Total risk-weighted assets	**4,656,286**	**4,340,262**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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. For the significant accounting judgements and estimates regarding IAS 39, see Note 4 "Significant accounting estimates and judgements" to 2017 financial statements.

(1) ECL measurement

For the debt instrument investments measured at amortized cost and at FVOCI, and the loan commitments and financial guarantee contracts not measured at FVTPL, complicated models and a huge amount of assumptions were adopted in the ECL measurement. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g. the likelihood of default by customers and the corresponding losses). Explanation of inputs, assumptions and estimation techniques of ECL measurement are indicated in Note 3 (2) (iii).

(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.

(3) 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 value added 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 value added tax, income tax and deferred income tax provisions in the period during which such a determination is made.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Significant Accounting Estimates and Judgements (continued)

(4) 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.

5 Segment Information

The Group conducts business activities in different geographical regions and key 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, retail banking, treasury and others. The Group primarily provides comprehensive financial services through these four business lines.

Segment assets, liabilities, operating gains and losses 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 are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark, and determines transfer prices with reference to internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

As the management mainly relies on net interest income, net fee and commission income to assess the total income of the Group's segment business, the interest income and expenses, fee and commission income and expenses for all business segments are presented on a net basis.

Segment assets include all tangible assets, intangible assets, other long-term assets and receivables attributable to each segment, deferred tax assets are excluded. Segment liabilities include all liabilities attributable to each segment, deferred income tax liabilities are excluded.

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment Information (continued)

Geographical segments:

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

(2) Eastern China: including branches in Shanghai, Nanjing, Hangzhou, Jinan, Suzhou, China (Shanghai) Pilot Free Trade Zone, Hefei, Qingdao, Ningbo, Wenzhou, Nanchang and 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, and Tianchang Rural Bank.

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

(4) Others: including branches in Hong Kong, Chengdu, Wuhan, Zhengzhou, Chongqing, Xi'an, Dalian, Changsha, Kunming, Guiyang, Hohhot, Shenyang, Changchun, Lanzhou, Urumqi, Lhasa, Harbin, Xining, Yinchuan, and CMBC International Holdings Ltd. ("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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment Information (continued)

Geographical segments: (continued)

Group

	2018					
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
Operating income	67,922	33,453	26,084	26,702	–	154,161
External net interest income	20,747	19,930	11,384	24,619	–	76,680
Inter-segment net interest (expense)/income	(22,175)	11,084	11,936	(845)	–	–
Net interest income*	(1,428)	31,014	23,320	23,774	–	76,680
Fee and commission income	42,350	3,522	3,540	3,272	–	52,684
Fee and commission expense	(3,108)	(489)	(429)	(527)	–	(4,553)
Net fee and commission income	39,242	3,033	3,111	2,745	–	48,131
Net other income	30,108	(594)	(347)	183	–	29,350
Operating expenses	(20,402)	(11,486)	(7,062)	(10,106)	–	(49,056)
Credit impairment losses	(24,743)	(7,383)	(3,529)	(10,619)	–	(46,274)
Other impairment losses	(8)	(38)	–	–	–	(46)
Profit before income tax	22,769	14,546	15,493	5,977	–	58,785
Depreciation and amortisation	4,852	884	515	946	–	7,197
Capital expenditure	6,476	563	148	470	–	7,657
Segment assets	4,806,232	1,328,486	623,629	990,178	(1,784,394)	5,964,131
Deferred income tax assets						30,691
Total assets						5,994,822
Segment liabilities	(4,477,209)	(1,301,441)	(603,671)	(965,771)	1,784,394	(5,563,698)
Deferred income tax liabilities						(123)
Total liabilities						(5,563,821)
Credit commitments	358,375	339,055	110,636	198,648	–	1,006,714

* According to the new accounting standard related to financial instruments effective from 1 January 2018, for financial assets measured at fair value through profit or loss, income generated during the holding period is no longer included in interest income.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment Information (continued)

Geographical segments: (continued)

Group (continued)

	2017					
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
Operating income	73,651	25,964	17,761	24,571	–	141,947
External net interest income	58,037	6,418	3,650	18,447	–	86,552
Inter-segment net interest (expense)/income	(31,500)	17,043	11,012	3,445	–	–
Net interest income	26,537	23,461	14,662	21,892	–	86,552
Fee and commission income	43,620	2,684	5,008	2,756	–	54,068
Fee and commission expense	(3,308)	(579)	(1,904)	(535)	–	(6,326)
Net fee and commission income	40,312	2,105	3,104	2,221	–	47,742
Net other income	6,802	398	(5)	458	–	7,653
Operating expenses	(19,536)	(10,987)	(6,756)	(9,966)	–	(47,245)
Impairment losses on assets	(14,463)	(7,947)	(3,652)	(8,078)	–	(34,140)
Profit before income tax	39,652	7,030	7,353	6,527	–	60,562
Depreciation and amortisation	3,049	688	370	687	–	4,794
Capital expenditure	7,979	987	593	793	–	10,352
Segment assets	5,083,940	1,295,906	662,721	941,025	(2,110,668)	5,872,924
Investments in associates	–	–	21	–	–	21
Deferred income tax assets						29,162
Total assets						5,902,086
Segment liabilities	(4,781,657)	(1,274,839)	(644,197)	(922,184)	2,110,668	(5,512,209)
Deferred income tax liabilities						(65)
Total liabilities						(5,512,274)
Credit commitments	323,716	236,813	89,067	169,646	–	819,242

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)

Business segments:

(1) 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 business.

(2) Retail banking — providing banking products and services for individual clients and small and micro-enterprises. These products and services include savings deposits, credit and debit cards, micro lending, residential mortgage and consumer credit.

(3) Treasury — including foreign exchange trading, derivatives transactions, money market transactions, precious metal trading. 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.

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)

Business segments: (continued)

Group

	2018				
	Corporate banking	Retail banking	Treasury	Others	Total
Operating income	66,272	56,895	26,475	4,519	154,161
Net interest income*	55,700	22,170	(1,846)	656	76,680
Including: inter-segment net interest income/(expense)	9,863	(22,624)	12,320	441	–
Net fee and commission income	10,044	32,974	3,486	1,627	48,131
Including: inter-segment net fee and commission (expense)/income	(41)	–	–	41	–
Net other income	528	1,751	24,835	2,236	29,350
Operating expenses	(20,970)	(18,018)	(8,623)	(1,445)	(49,056)
Credit impairment losses	(25,332)	(17,019)	(1,217)	(2,706)	(46,274)
Other impairment losses	(38)	–	–	(8)	(46)
Profit before income tax	19,932	21,858	16,635	360	58,785
Depreciation and amortisation	2,770	2,365	1,156	906	7,197
Capital expenditure	1,528	1,305	638	4,186	7,657
Segment assets	1,839,931	1,218,778	2,710,197	195,225	5,964,131
Deferred income tax assets					30,691
Total assets					5,994,822
Segment liabilities	(2,589,083)	(665,165)	(2,151,845)	(157,605)	(5,563,698)
Deferred income tax liabilities					(123)
Total liabilities					(5,563,821)
Credit commitments	772,467	231,054	–	3,193	1,006,714

* According to the new accounting standard related to financial instruments effective from 1 January 2018, for financial assets measured at fair value through profit or loss, income generated during the holding period is no longer included in interest income.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (continued)

Business segments: (continued)

Group (continued)

	2017				
	Corporate banking	Retail banking	Treasury	Others	Total
Operating income	64,396	48,621	23,609	5,321	141,947
Net interest income	50,149	23,521	11,726	1,156	86,552
Including: inter-segment net interest income/(expense)	9,265	(17,901)	8,619	17	–
Net fee and commission income	14,115	25,074	6,773	1,780	47,742
Including: inter-segment net fee and commission (expense)/income	(43)	–	–	43	–
Net other income	132	26	5,110	2,385	7,653
Operating expenses	(21,725)	(16,485)	(7,827)	(1,208)	(47,245)
Impairment losses on assets	(15,543)	(16,579)	(1,204)	(814)	(34,140)
Profit before income tax	27,128	15,557	14,578	3,299	60,562
Depreciation and amortisation	1,762	1,324	619	1,089	4,794
Capital expenditure	977	735	343	8,297	10,352
Segment assets	1,701,522	1,092,556	2,884,691	194,155	5,872,924
Investments in associates	–	–	–	21	21
Deferred income tax assets					29,162
Total assets					5,902,086
Segment liabilities	(2,485,406)	(577,068)	(2,278,437)	(171,298)	(5,512,209)
Deferred income tax liabilities					(65)
Total liabilities					(5,512,274)
Credit commitments	715,368	100,714	–	3,160	819,242

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

6 Net interest income

	2018	2017
Interest income arising from:		
— Loans and advances to customers		
— Corporate loans and advances	**86,905**	**71,542**
— Personal loans and advances	**55,945**	**50,576**
— Discounted bills	**4,537**	**4,334**
— Investment securities	**60,987**	**78,995**
— Including: Financial assets at fair value through profit or loss	**—**	**2,438**
— Placements with banks and other financial Institutions	**10,051**	**6,708**
— Long-term receivables	**6,733**	**6,431**
— Balances with central bank	**5,768**	**6,870**
— Financial assets held under resale agreements	**3,321**	**2,662**
— Balances with banks and other financial Institutions	**1,100**	**2,792**
Subtotal	**235,347**	**230,910**
Interest expense arising from:		
— Deposits from customers	**(66,431)**	**(52,244)**
— Deposits and placements from banks and other financial institutions	**(48,019)**	**(51,833)**
— Debt securities issued	**(23,632)**	**(18,947)**
— Borrowings from central bank	**(10,931)**	**(10,005)**
— Borrowings from banks and other financial institutions and others	**(6,405)**	**(5,877)**
— Financial assets sold under repurchase agreements	**(3,249)**	**(5,452)**
Subtotal	**(158,667)**	**(144,358)**
Net interest income	**76,680**	**86,552**
Of which: Interest income from impaired financial assets identified	**947**	**832**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

7 Net fee and commission income

	2018	2017
Fee and commission income		
— Bank card services	**28,946**	**22,009**
— Agency services	**8,869**	**11,648**
— Trust and other fiduciary services	**7,092**	**13,085**
— Settlement services	**3,415**	**3,028**
— Credit commitments	**2,653**	**2,493**
— Others	**1,709**	**1,805**
Subtotal	**52,684**	**54,068**
Fee and commission expense	**(4,553)**	**(6,326)**
Net fee and commission income	**48,131**	**47,742**

8 Net trading gain

	2018	2017
Gain on interest rate instruments	**23,499**	**88**
Gain/(loss) on exchange rate instruments	**6,210**	**(2,267)**
(Loss)/gain on precious metals and other products	**(5,442)**	**3,545**
Total	**24,267**	**1,366**

9 Net gain arising from disposals of securities and discounted bills

	2018	2017
Net gain arising from disposals of securities	**3,197**	**3,541**
Net (loss)/gain arising from disposals of discounted bills	**(146)**	**333**
Total	**3,051**	**3,874**

Gain or loss arising from disposals 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)

10 Operating expenses

	2018	2017
Staff costs, including directors' emoluments		
— Short-term employee benefits	**23,469**	**22,952**
— Post-employment benefits-defined contribution plans	**2,413**	**2,167**
Rental and property management expenses	**4,101**	**4,337**
Depreciation and amortisation	**3,118**	**3,350**
Office expenses	**1,444**	**1,610**
Tax and surcharges	**1,919**	**1,484**
Business expenses and others	**12,592**	**11,345**
Total	**49,056**	**47,245**

Auditors' remuneration included in the operating expenses of the Group for the year ended 31 December 2018 was RMB20 million (for the year ended 31 December 2017: RMB17 million).

11 Impairment losses on assets

	2017
Loans and advances to customers	**32,180**
Investment securities	
— loans and receivables	**634**
— available-for-sale securities	**488**
— held-to-maturity securities	**(20)**
Long-term receivables	**449**
Placements with banks and other financial institutions	**68**
Others	**341**
Total	**34,140**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

12 Credit impairment losses

	2018
Loans and advances to customers	**43,611**
Financial investments	
— Financial assets measured at amortised cost	**1,475**
— Financial assets at fair value through other comprehensive income	**747**
Long-term receivables	**631**
Credit loss of off-balance-sheet assets	**(869)**
Others	**679**
Total	**46,274**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

13 Directors and Supervisors' emoluments

For the year ended 31 December 2018 (in thousands of RMB)

	2018			
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Hong Qi[1] [2]	4,168	303	—	4,471
Zhang Hongwei	930	—	—	930
Lu Zhiqiang	915	—	—	915
Liu Yonghao	930	—	—	930
Zheng Wanchun[1] [2]	3,807	303	—	4,110
Shi Yuzhu	775	—	—	775
Wu Di	870	—	—	870
Song Chunfeng	—	—	—	—
Weng Zhenjie	—	—	—	—
Liu Jipeng	880	—	—	880
Li Hancheng	920	—	—	920
Xie Zhichun	890	—	—	890
Peng Xuefeng	875	—	—	875
Liu Ningyu	955	—	—	955
Tian Suning	410	—	—	410
Zhang Juntong[1] [2]	3,674	227	—	3,901
Wang Jiazhi[1] [2]	3,640	227	—	3,867
Guo Dong[1] [2]	2,852	193	—	3,045
Wang Hang	725	—	—	725
Zhang Bo	670	—	—	670
Lu Zhongnan	725	—	—	725
Wang Yugui	765	—	—	765
Bao Jiming	665	—	—	665
Liang Yutang[1] [2]	2,759	199	—	2,958
Yao Dafeng	505	—	—	505
Tian Zhiping	—	—	—	—
Cheng Hoi-chuen	485	—	—	485
Cheng Guoqi	395	—	—	395

(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 48.

(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 2018 financial statements.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

13 Directors and Supervisors' emoluments (continued)

For the year ended 31 December 2017 (in thousands of RMB)

	2017			
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Hong Qi[1] [2]	3,762	303	3,201	7,266
Zhang Hongwei	915	–	–	915
Lu Zhiqiang	890	–	–	890
Liu Yonghao	900	–	–	900
Liang Yutang[1] [2]	3,301	256	2,820	6,377
Zheng Wanchun[1] [2]	3,408	297	3,184	6,889
Shi Yuzhu	600	–	–	600
Wu Di	800	–	–	800
Yao Dafeng	820	–	–	820
Song Chunfeng	–	–	–	–
Tian Zhiping	–	–	–	–
Weng Zhenjie	–	–	–	–
Cheng Hoi-chuen	880	–	–	880
Liu Jipeng	865	–	–	865
Li Hancheng	950	–	–	950
Xie Zhichun	990	–	–	990
Peng Xuefeng	680	–	–	680
Liu Ningyu	810	–	–	810
Zhang Juntong[1] [2]	2,727	227	2,141	5,095
Wang Jiazhi[1] [2]	3,298	227	1,631	5,156
Guo Dong[1] [2]	2,522	189	1,289	4,000
Wang Hang	735	–	–	735
Zhang Bo	545	–	–	545
Lu Zhongnan	715	–	–	715
Wang Yugui	715	–	–	715
Bao Jiming	530	–	–	530
Cheng Guoqi	590	–	–	590
Wang Junhui	135	–	–	135
Guo Guangchang	130	–	–	130
Wang Lihua	290	–	–	290
Han Jianmin	180	–	–	180
Duan Qingshan[1] [2]	610	38	168	816
Zhang Disheng	120	–	–	120
Zhang Ke	125	–	–	125
Wang Liang	115	–	–	115

(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 48.

(2) 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 2017*, and the related emoluments were restated accordingly.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

13 Directors and Supervisors' emoluments (continued)

For the year ended 31 December 2018, 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.

14 Income tax expense

	2018	2017
Current tax for the year	**8,157**	**14,764**
Adjustment for prior years	**(107)**	**(110)**
Subtotal	**8,050**	**14,654**
Changes in deferred tax (Note 25)	**405**	**(5,014)**
Total	**8,455**	**9,640**

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

	Note	2018	2017
Profit before income tax		**58,785**	**60,562**
Income tax at the tax rate of 25%		**14,696**	**15,141**
Effect of non-taxable income	(i)	**(6,747)**	**(5,874)**
Effect of non-deductible expenses		**466**	**441**
Others		**40**	**(68)**
Income tax expense		**8,455**	**9,640**

(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 was 25% for the year ended 31 December 2018 (for the year ended 31 December 2017: 25%). The applicable income tax rate for Hong Kong branch and CMBC International was 16.5% (for the year ended 31 December 2017: 16.5%).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

15 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank for the period by the adjusted weighted average number of ordinary shares in issue. There's no dilutive potential shares during 2018 and 2017.

	2018	2017
Net profit attributable to equity shareholders of the Bank	**50,327**	**49,813**
Less: Profit for the year attributable to other equity holders of the Bank	**(550)**	**(523)**
Net profit attributable to ordinary equity shareholders of the Bank	**49,777**	**49,290**
Weighted average number of ordinary shares in issue (in millions)	**43,782**	**43,782**
Basic/diluted earnings per share (in RMB)	**1.14**	**1.13**

In 2018, the Bank implemented the 2017 equity distribution plan to convert capital reserve to share capital. Therefore, the earnings per share for each reporting period are recalculated according to the adjusted number of shares.

16 Cash and balances with central bank

	Group		Bank	
	2018	2017	2018	2017
Cash	**6,984**	**8,080**	**6,816**	**7,844**
Balances with central bank				
Statutory deposit reserves	**334,453**	**407,340**	**332,165**	**404,814**
Surplus deposit reserves	**45,814**	**25,893**	**44,232**	**23,788**
Fiscal deposits and others	**1,877**	**1,625**	**1,877**	**1,625**
Subtotal	**382,144**	**434,858**	**378,274**	**430,227**
Interest accrued	**153**	**–**	**149**	**–**
Total	**389,281**	**442,938**	**385,239**	**438,071**

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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

16 Cash and balances with central bank (continued)

As at 31 December 2018 the statutory deposit reserve rate applicable to domestic branches of the Bank for RMB deposits was 11.0% and the reserve rate for foreign currency deposits was 5.0% (31 December 2017: 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.

17 Balances with banks and other financial institutions

	Group		Bank	
	2018	2017	2018	2017
Mainland China				
— Banks	25,564	41,682	14,413	19,666
— Other financial institutions	7,442	7,644	7,437	7,644
Subtotal	33,006	49,326	21,850	27,310
Overseas				
— Banks	18,516	25,205	16,337	22,119
— Other financial institutions	533	726	343	720
Subtotal	19,049	25,931	16,680	22,839
Interest accrued	203	—	163	—
Less: allowance for impairment losses	(104)	—	(5)	—
Total	52,154	75,257	38,688	50,149

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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

	2018		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	**1,620,687**	**1,807**	**(461)**
Currency swaps	**1,406,375**	**15,092**	**(13,847)**
Currency options	**166,808**	**1,171**	**(1,139)**
Precious metal derivatives	**122,197**	**14,080**	**(1,934)**
Currency forwards	**66,739**	**343**	**(614)**
Extension options	**5,000**	**—**	**—**
Commodity options	**3,700**	**596**	**(3)**
Credit derivatives	**137**	**3**	**—**
Others	**590**	**20**	**(2)**
Total		**33,112**	**(18,000)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

18 Derivatives (continued)

Group (continued)

	2017		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	**1,129,297**	**10,304**	**(14,952)**
Interest rate swaps	**596,828**	**1,050**	**(315)**
Precious metal derivatives	**93,805**	**5,540**	**(868)**
Currency options	**72,787**	**375**	**(307)**
Currency forwards	**51,421**	**619**	**(1,062)**
Commodity options	**17,199**	**789**	**(554)**
Extension options	**5,000**	**—**	**—**
Credit derivatives	**131**	**4**	**—**
Others	**304**	**53**	**(18)**
Total		**18,734**	**(18,076)**

Bank

	2018		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	**1,612,912**	**1,702**	**(456)**
Currency swaps	**1,406,375**	**15,092**	**(13,847)**
Currency options	**166,808**	**1,171**	**(1,139)**
Precious metal derivatives	**122,197**	**14,080**	**(1,934)**
Currency forwards	**66,739**	**343**	**(614)**
Extension options	**5,000**	**—**	**—**
Commodity options	**3,700**	**596**	**(3)**
Credit derivatives	**137**	**3**	**—**
Others	**590**	**20**	**(2)**
Total		**33,007**	**(17,995)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

18 Derivatives (continued)

Bank (continued)

	2017		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	**1,129,297**	**10,304**	**(14,952)**
Interest rate swaps	**594,741**	**1,039**	**(296)**
Precious metal derivatives	**93,805**	**5,540**	**(868)**
Currency options	**72,787**	**375**	**(307)**
Currency forwards	**51,421**	**619**	**(1,062)**
Commodity options	**17,199**	**789**	**(554)**
Extension options	**5,000**	**—**	**—**
Credit derivatives	**131**	**4**	**—**
Others	**304**	**26**	**(18)**
Total		**18,696**	**(18,057)**

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

	2018		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swap	**6,478**	**60**	**(7)**
Total		**60**	**(7)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

18 Derivatives (continued)

Cash flow hedges (continued)

Group and Bank (continued)

	2017		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swap	3,371	109	–
Total		109	–

Credit risk weighted amount

	Group	
	2018	2017
Precious metal contracts	14,588	3,818
Exchange rate contracts	8,274	4,994
Interest rate contracts	1,633	585
Commodity option contracts	966	2,510
Other derivative contracts	76	45
Total	25,537	11,952

	Bank	
	2018	2017
Precious metal contracts	14,588	3,818
Exchange rate contracts	8,274	4,994
Interest rate contracts	1,566	577
Commodity option contracts	966	2,510
Other derivative contracts	76	18
Total	25,470	11,917

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 CBIRC. 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.

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	
	2018	2017	2018	2017
Mainland China				
— Banks	16,041	6,060	16,041	6,060
— Other financial institutions	188,590	112,497	198,891	114,997
Overseas				
— Banks	39,357	21,295	39,357	21,295
— Other financial institutions	2,105	3,448	9,487	3,448
Interest accrued	635	—	682	—
Less: Allowance for impairment losses	(203)	(95)	(203)	(95)
Total	246,525	143,205	264,255	145,705

20 Financial assets held under resale agreements

	Group		Bank	
	2018	2017	2018	2017
Bonds	33,239	46,751	33,141	46,751
Discounted bills	2,110	704	2,110	704
Others*	3,595	5,357	—	400
Subtotal	38,944	52,812	35,251	47,855
Interest accrued	251	—	38	—
Less: allowance for impairment losses	(5)	—	(5)	—
Net balance	39,190	52,812	35,284	47,855

* 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers

	Group		Bank	
	2018	2017	2018	2017
Measured at amortised cost:				
Corporate loans and advances				
— Corporate loans	1,727,890	1,615,830	1,724,931	1,617,816
— Discounted bills	—	82,650	—	81,880
	1,727,890	1,698,480	1,724,931	1,699,696
Personal loans and advances				
— Micro lending*	415,564	373,262	406,938	359,147
— Residential mortgage	335,502	350,986	332,912	349,073
— Credit cards	393,249	294,019	393,249	294,019
— Others	86,230	87,560	84,795	86,679
	1,230,545	1,105,827	1,217,894	1,088,918
Less: allowance for impairment losses of loans and advances to customers measured at amortised cost	(71,216)	(74,519)	(70,294)	(73,657)
Subtotal	2,887,219	2,729,788	2,872,531	2,714,957
Measured at amortised cost:				
Corporate loans and advances				
— Corporate loans	1,788	—	1,788	—
— Discounted bills	96,523	—	96,116	—
Subtotal	98,311	—	97,904	—
Interest accrued	22,742	—	22,711	—
Net balance	3,008,272	2,729,788	2,993,146	2,714,957

* 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)

21 Loans and advances to customers (continued)

(1) Loans and advances to customers (interest accrued excluded) analysed by industries

	Group				Bank			
	2018		2017		2018		2017	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Corporate loans and advances								
Real estate	387,942	12.69	256,127	9.13	387,934	12.76	256,127	9.18
Leasing and commercial services	344,669	11.28	275,289	9.82	343,848	11.31	275,259	9.87
Manufacturing	305,767	10.00	335,206	11.95	303,286	9.97	334,625	12.00
Wholesale and retail	185,485	6.07	221,770	7.91	184,538	6.07	221,499	7.94
Mining	117,374	3.84	125,949	4.49	117,347	3.86	125,942	4.52
Water, environment and public utilities management	101,924	3.33	89,079	3.18	101,705	3.34	89,061	3.19
Construction	94,069	3.08	75,924	2.71	93,643	3.08	75,841	2.72
Financial services	85,139	2.79	103,672	3.70	88,136	2.90	106,176	3.81
Transportation, storage and postal service	69,469	2.27	81,176	2.89	69,339	2.28	81,153	2.91
Production and supply of electric power, heat, gas and water	48,948	1.60	52,021	1.86	48,847	1.61	51,988	1.86
Agriculture, forestry, animal husbandry and fishery	13,916	0.46	10,788	0.38	13,457	0.44	10,688	0.38
Accommodation and catering	10,079	0.33	7,494	0.27	9,978	0.33	7,494	0.27
Public administration, social security and social organisations	7,379	0.24	10,284	0.37	7,369	0.24	10,284	0.37
Others	54,041	1.76	53,701	1.91	53,408	1.76	53,559	1.93
Subtotal	1,826,201	59.74	1,698,480	60.57	1,822,835	59.95	1,699,696	60.95
Personal loans and advances	1,230,545	40.26	1,105,827	39.43	1,217,894	40.05	1,088,918	39.05
Total	3,056,746	100.00	2,804,307	100.00	3,040,729	100.00	2,788,614	100.00

(2) Loans and advances to customers (interest accrued excluded) analysed by types of collateral

	Group				Bank			
	2018		2017		2018		2017	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Unsecured loans	725,263	23.72	678,023	24.18	727,910	23.93	680,107	24.39
Guaranteed loans	627,501	20.53	632,828	22.57	621,699	20.45	626,416	22.46
Loans secured by								
– tangible assets other than monetary assets	1,307,324	42.77	1,134,722	40.46	1,295,583	42.61	1,125,154	40.35
– monetary assets	396,658	12.98	358,734	12.79	395,537	13.01	356,937	12.80
Total	3,056,746	100.00	2,804,307	100.00	3,040,729	100.00	2,788,614	100.00

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(3) Overdue loans (interest accrued excluded) analysed by overdue period

Group

	2018				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	6,393	7,009	3,888	170	17,460
Guaranteed loans	12,285	12,111	7,522	2,732	34,650
Loans secured by					
— tangible assets other than monetary assets	6,937	7,121	5,565	2,720	22,343
— monetary assets	1,454	771	1,912	539	4,676
Total	27,069	27,012	18,887	6,161	79,129
% of total loans and advances	0.89%	0.88%	0.62%	0.20%	2.59%

	2017				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	5,731	5,287	3,098	69	14,185
Guaranteed loans	11,260	12,768	15,207	1,294	40,529
Loans secured by					
— tangible assets other than monetary assets	4,860	6,846	12,613	1,562	25,881
— monetary assets	2,204	1,842	3,970	506	8,522
Total	24,055	26,743	34,888	3,431	89,117
% of total loans and advances	0.87%	0.95%	1.24%	0.12%	3.18%

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(3) Overdue loans (interest accrued excluded) analysed by overdue period (continued)

Bank

	2018				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	6,391	7,008	3,877	170	17,446
Guaranteed loans	12,207	11,915	7,378	2,684	34,184
Loans secured by					
— tangible assets other than monetary assets	6,850	7,051	5,359	2,686	21,946
— monetary assets	1,451	721	1,898	539	4,609
Total	26,899	26,695	18,512	6,079	78,185
% of total loans and advances	0.88%	0.88%	0.61%	0.20%	2.57%

	2017				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	5,729	5,286	3,098	69	14,182
Guaranteed loans	11,132	12,684	15,001	1,254	40,071
Loans secured by					
— tangible assets other than monetary assets	4,733	6,742	12,378	1,526	25,379
— monetary assets	2,117	1,840	3,953	506	8,416
Total	23,711	26,552	34,430	3,355	88,048
% of total loans and advances	0.86%	0.95%	1.23%	0.12%	3.16%

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

(4) Changes in allowance for impairment losses:

As at 31 December 2018, changes in allowance for impairment losses of loans and advances to customers are as follows:

(i) Changes in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

Group

	Allowance for impairment losses
As at 31 December 2017	**(74,519)**
Changes in accounting policies	**(10,631)**
As at 1 January 2018	**(85,150)**

	Group			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	**(23,398)**	**(25,111)**	**(36,641)**	**(85,150)**
Transfer:				
— to 12-month ECL	**(3,313)**	**3,110**	**203**	**—**
— to lifetime ECL not credit-impaired	**1,036**	**(1,381)**	**345**	**—**
— to lifetime ECL credit-impaired	**646**	**2,502**	**(3,148)**	**—**
Reverse/(charge)	**6,115**	**(349)**	**(49,045)**	**(43,279)**
Write-offs	**—**	**—**	**58,421**	**58,421**
Recoveries of amounts previously written off	**—**	**—**	**(1,914)**	**(1,914)**
Unwinding of discount	**—**	**—**	**947**	**947**
Exchange difference and other movements	**—**	**—**	**(241)**	**(241)**
Balance at 31 December 2018	**(18,914)**	**(21,229)**	**(31,073)**	**(71,216)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

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

(i) Changes in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows: (continued)

Bank

	Allowance for impairment losses
As at 31 December 2017	(73,657)
Changes in accounting policies	(10,629)
As at 1 January 2018	(84,286)

	Bank			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(23,010)	(24,970)	(36,306)	(84,286)
Transfer:				
— to 12-month ECL	(3,310)	3,107	203	—
— to lifetime ECL not credit-impaired	1,031	(1,376)	345	—
— to lifetime ECL credit-impaired	643	2,469	(3,112)	—
Reverse /(charge)	6,140	(283)	(48,600)	(42,743)
Write-offs	—	—	57,918	57,918
Recoveries of amounts previously written off	—	—	(1,889)	(1,889)
Unwinding of discount	—	—	947	947
Exchange difference and other movements	—	—	(241)	(241)
Balance at 31 December 2018	(18,506)	(21,053)	(30,735)	(70,294)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

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

(ii) Changes in allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income are as follows:

	Group			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(295)	—	(365)	(660)
Transfer:				
— to 12-month ECL	—	—	—	—
— to lifetime ECL not credit-impaired	—	—	—	—
— to lifetime ECL credit-impaired	—	—	—	—
Charge	(154)	—	(178)	(332)
Balance at 31 December 2018	(449)	—	(543)	(992)

	Bank			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(273)	—	(365)	(638)
Transfer:				
— to 12-month ECL	—	—	—	—
— to lifetime ECL not credit-impaired	—	—	—	—
— to lifetime ECL credit-impaired	—	—	—	—
Charge	(163)	—	(178)	(341)
Balance at 31 December 2018	(436)	—	(543)	(979)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (continued)

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

As at 31 December 2017, changes in allowance for impairment losses of loans and advances to customers are as follows:

Group

	2017			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	(11,142)	(28,446)	(24,806)	(64,394)
Charge for the year	(10,604)	(6,904)	(16,673)	(34,181)
Release during the year	1,901	100	–	2,001
Reclassification	(2,055)	2,055	–	–
Transfer out	2,391	–	1,968	4,359
Write-offs	6,362	–	12,077	18,439
Recoveries	(1,015)	–	(758)	(1,773)
Unwinding of discount	487	–	345	832
Exchange difference	–	198	–	198
At 31 December	(13,675)	(32,997)	(27,847)	(74,519)

Bank

	2017			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	(11,099)	(28,306)	(24,270)	(63,675)
Charge for the year	(10,604)	(6,904)	(16,333)	(33,841)
Release during the year	1,878	–	–	1,878
Reclassification	(2,055)	2,055	–	–
Transfer out	2,391	–	1,957	4,348
Write-offs	6,330	–	12,018	18,348
Recoveries	(1,003)	–	(742)	(1,745)
Unwinding of discount	487	–	345	832
Exchange difference	–	198	–	198
At 31 December	(13,675)	(32,957)	(27,025)	(73,657)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Financial investments

	Note	Group 2018	Group 2017	Bank 2018	Bank 2017
Financial assets at fair value through profit or loss	(1)	**381,093**	**74,601**	**378,301**	**71,957**
Financial assets at fair value through other comprehensive income	(2)	**461,693**	**—**	**456,904**	**—**
Financial assets measured at amortised cost	(3)	**1,127,231**	**—**	**1,119,177**	**—**
Available-for-sale securities	(4)	**—**	**378,889**	**—**	**377,315**
Held-to-maturity securities	(5)	**—**	**708,244**	**—**	**708,244**
Loans and receivables	(6)	**—**	**974,163**	**—**	**967,600**
Total		**1,970,017**	**2,135,897**	**1,954,382**	**2,125,116**

(1) Financial assets at fair value through profit or loss

	Group 2018	Group 2017	Bank 2018	Bank 2017
Held for trading purpose				
Debt securities				
Government				
— listed outside Hong Kong	**2,163**	**1,565**	**2,163**	**1,565**
Policy banks				
— listed in Hong Kong	**653**	**65**	**653**	**65**
— listed outside Hong Kong	**2,714**	**1,064**	**2,714**	**1,064**
Banking and non-banking financial institution				
— listed in Hong Kong	**4,214**	**8,479**	**4,214**	**8,479**
— listed outside Hong Kong	**3,384**	**10,695**	**3,384**	**10,631**
— unlisted	**4,530**	**—**	**4,530**	**—**
Other corporates				
— listed in Hong Kong	**18,102**	**10,791**	**18,102**	**10,433**
— listed outside Hong Kong	**48,622**	**29,630**	**48,622**	**29,555**
— unlisted	**6,812**	**—**	**6,812**	**—**
Equity investments				
— listed in Hong Kong	**4,455**	**532**	**4,455**	**529**
— unlisted	**—**	**531**	**—**	**—**
Investment funds				
— unlisted	**44,092**	**1,314**	**42,851**	**—**
Subtotal	**139,741**	**64,666**	**138,500**	**62,321**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Financial investments (continued)

(1) Financial assets at fair value through profit or loss (continued)

	Group		Bank	
	2018	2017	2018	2017
Designated at fair value through profit or loss				
Debt securities				
Banking and non-banking financial institution				
— unlisted	—	3,633	—	3,633
Other corporates				
— unlisted	—	3,642	—	3,571
Investment funds				
— unlisted	—	2,660	—	2,432
Subtotal	—	9,935	—	9,636
Other financial assets at fair value through profit or loss				
Debt securities				
Other corporates				
— unlisted	277	—	179	—
Equity investments				
— listed in Hong Kong	3,133	—	3,131	—
— listed outside Hong Kong	1,975	—	1,403	—
— unlisted	3,938	—	3,089	—
Investment funds				
— unlisted	12,767	—	12,767	—
Asset management plans				
— unlisted	160,391	—	160,361	—
Wealth management products				
— unlisted	58,871	—	58,871	—
Subtotal	241,352	—	239,801	—
Total	381,093	74,601	378,301	71,957

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income

	2018	
	Group	Bank
Debt securities		
Government		
— listed in Hong Kong	**18**	**18**
— listed outside Hong Kong	**86,915**	**86,915**
— unlisted	**4,945**	**3,732**
Policy banks		
— listed in Hong Kong	**106**	**106**
— listed outside Hong Kong	**40,050**	**39,621**
Banking and non-banking financial institution		
— listed in Hong Kong	**26,859**	**26,859**
— listed outside Hong Kong	**145,047**	**144,666**
— unlisted	**27,132**	**26,691**
Other corporates		
— listed in Hong Kong	**19,773**	**19,514**
— listed outside Hong Kong	**93,242**	**93,242**
— unlisted	**12,928**	**10,919**
Subtotal	**457,015**	**452,283**
Equity investments (Note (i))		
— unlisted	**625**	**625**
Interest accrued	**4,053**	**3,996**
Total	**461,693**	**456,904**

(i) The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. During the reporting period, dividend income of RMB21 million recognised for such equity investments was included in the profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income (continued)

(ii) Changes in allowance for impairment losses of financial assets at fair value through other comprehensive income are as follows:

	Group			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(675)	–	(72)	(747)
Transfer:				
– to 12-month ECL	–	–	–	–
– to lifetime ECL not credit-impaired	–	–	–	–
– to lifetime ECL credit-impaired	–	–	–	–
Charge	(622)	–	(125)	(747)
Exchange difference and other movements	(13)	–	–	(13)
Balance at 31 December 2018	(1,310)	–	(197)	(1,507)

	Bank			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(664)	–	(72)	(736)
Transfer:				
– to 12-month ECL	–	–	–	–
– to lifetime ECL not credit-impaired	–	–	–	–
– to lifetime ECL credit-impaired	–	–	–	–
Charge	(614)	–	(125)	(739)
Exchange difference and other movements	(10)	–	–	(10)
Balance at 31 December 2018	(1,288)	–	(197)	(1,485)

Allowance for impairment losses on financial assets at fair value through other comprehensive income is recognised in other comprehensive income, and any impairment loss or gain is recognised in the profit or loss without decreasing the carrying amount of financial assets presented in the balance sheet. As at 31 December 2018, the financial assets at fair value through other comprehensive income included credit-impaired financial assets whose carrying amount was RMB225 million, with impairment provision of RMB197 million recognised during the year.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Financial investments (continued)

(3) Financial assets measured at amortised cost

	2018	
	Group	Bank
Bond		
Government		
— listed outside Hong Kong	**727,868**	**727,868**
Policy banks		
— listed outside Hong Kong	**14,729**	**14,729**
Banking and non-banking financial institution		
— listed in Hong Kong	**4,427**	**4,427**
— listed outside Hong Kong	**23,788**	**23,788**
— unlisted	**69,622**	**69,622**
Other corporates		
— listed in Hong Kong	**3,232**	**2,203**
— listed outside Hong Kong	**7,508**	**7,508**
— unlisted	**6,564**	**70**
Asset management plans		
— unlisted	**146,707**	**146,048**
Trust beneficiary rights		
— unlisted	**111,737**	**111,737**
Subtotal	**1,116,182**	**1,108,000**
Interest accrued	**14,108**	**14,102**
Less: allowance for impairment losses (Note (i))	**(3,059)**	**(2,925)**
Net value	**1,127,231**	**1,119,177**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Financial investments (continued)

(3) Financial assets measured at amortised cost (continued)

(i) Changes in allowance for impairment losses of financial assets measured at amortised cost are as follows:

	Group			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(1,837)	(50)	(466)	(2,353)
Transfer:				
– to 12-month ECL	(30)	30	–	–
– to lifetime ECL not credit-impaired	12	(12)	–	–
– to lifetime ECL credit-impaired	15	20	(35)	–
Reverse/(charge)	477	(192)	(1,760)	(1,475)
Transfer out	16	–	770	786
Exchange difference and other movements	(5)	–	(12)	(17)
Balance at 31 December 2018	(1,352)	(204)	(1,503)	(3,059)

	Bank			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(1,803)	–	(466)	(2,269)
Transfer:				
– to 12-month ECL	–	–	–	–
– to lifetime ECL not credit-impaired	12	(12)	–	–
– to lifetime ECL credit-impaired	14	–	(14)	–
Reverse/(charge)	437	(192)	(916)	(671)
Transfer out	16	–	–	16
Exchange difference and other movements	(1)	–	–	(1)
Balance at 31 December 2018	(1,325)	(204)	(1,396)	(2,925)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Financial investments (continued)

(4) Available-for-sale securities

	2017	
	Group	Bank
Debt securities at fair value		
Government		
— listed in Hong Kong	**18**	**18**
— listed outside Hong Kong	**93,019**	**93,019**
— unlisted	**835**	**835**
Policy banks		
— listed in Hong Kong	**337**	**337**
— listed outside Hong Kong	**34,183**	**34,183**
Banking and non-banking financial institution		
— listed in Hong Kong	**25,073**	**25,073**
— listed outside Hong Kong	**91,701**	**91,701**
— unlisted	**26,445**	**26,445**
Other corporates		
— listed in Hong Kong	**7,613**	**7,468**
— listed outside Hong Kong	**39,409**	**38,607**
— unlisted	**3,861**	**3,733**
Less: allowance for impairment losses (Note (i))	**(495)**	**(455)**
Subtotal	**321,999**	**320,964**
Equity investments		
— listed in Hong Kong	**62**	**62**
— listed outside Hong Kong	**1,732**	**1,275**
— unlisted	**4,776**	**4,750**
Less: allowance for impairment losses (Note (i))	**(932)**	**(932)**
Subtotal	**5,638**	**5,155**
Investment Funds		
— unlisted	**51,252**	**51,196**
Total	**378,889**	**377,315**

The book value of the Group's impaired available-for-sale financial assets amounted to RMB1,614 million as at 31 December 2017 and the provision amounted to RMB1,314 million.

22 Financial investments (continued)

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

The book value of the Bank's impaired available-for-sale financial assets amounted to RMB1,488 million as at 31 December 2017 and the provision amounted to RMB1,274 million.

The Group did not reclassify any available-for-sale securities in 2017.

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

Group

	2017		
	Available-for-sale debt instruments	Available-for-sale equity instruments	Total
At 1 January	(394)	(564)	(958)
Charge for the year	(148)	(368)	(516)
Release during the year	28	—	28
Exchange difference	19	—	19
At 31 December	(495)	(932)	(1,427)

Bank

	2017		
	Available-for-sale debt instruments	Available-for-sale equity instruments	Total
At 1 January	(389)	(564)	(953)
Charge for the year	(113)	(368)	(481)
Release during the year	28	—	28
Exchange difference	19	—	19
At 31 December	(455)	(932)	(1,387)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Financial investments (continued)

(5) Held-to-maturity securities

	Group and Bank 2017
Government	
— listed outside Hong Kong	**651,129**
Policy banks	
— listed outside Hong Kong	**19,760**
Banking and non-banking financial institution	
— listed in Hong Kong	**4,405**
— listed outside Hong Kong	**27,468**
— unlisted	**2,353**
Other corporates	
— listed in Hong Kong	**2,171**
— listed outside Hong Kong	**874**
— unlisted	**146**
Less: allowance for impairment losses (Note (i))	**(62)**
Total	**708,244**
Fair value of securities	**679,333**

During the year of 2017, the Group reclassified held-to-maturity debt securities with a total par value of RMB13,395 million 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 2017
At 1 January	**(82)**
Release during the year	**20**
At 31 December	**(62)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Financial investments (continued)

(6) Loans and receivables

	2017	
	Group	Bank
Bond		
Government		
— unlisted	**60,788**	**60,094**
Policy banks		
— listed outside Hong Kong	**500**	**500**
Banking and non-banking financial institution		
— listed outside Hong Kong	**6,793**	**6,787**
— unlisted	**129,567**	**129,089**
Other corporates		
— listed outside Hong Kong	**6,835**	**6,232**
— unlisted	**25,035**	**20,884**
Asset management plans		
— unlisted	**670,774**	**670,074**
Trust beneficiary rights		
— unlisted	**76,137**	**76,137**
Total	**976,429**	**969,797**
Less: allowance for impairment losses (Note (i))	**(2,266)**	**(2,197)**
Net value	**974,163**	**967,600**

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

	2017	
	Group	Bank
At 1 January	**(1,688)**	**(1,614)**
Charge for the year	**(772)**	**(701)**
Release during the year	**138**	**64**
Write-offs	**52**	**52**
Exchange difference	**4**	**2**
At 31 December	**(2,266)**	**(2,197)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

23 Long-term receivables

	Note	Group 2018	2017
Finance lease receivables		133,574	121,493
Less: unearned finance lease income		(19,105)	(16,763)
Present value of minimum finance lease receivables		114,469	104,730
Less: allowance for impairment losses	(i)	(3,645)	(3,426)
Net balance		110,824	101,304

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

Group

	2018			2017		
	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	41,646	(3,565)	38,081	36,287	(2,925)	33,362
1 year to 2 years	35,002	(3,724)	31,278	28,546	(3,032)	25,514
2 years to 3 years	18,734	(2,638)	16,096	19,964	(2,548)	17,416
3 years to 5 years	15,973	(3,102)	12,871	15,975	(3,024)	12,951
More than 5 years	18,018	(5,513)	12,505	15,023	(4,724)	10,299
Indefinite*	4,201	(563)	3,638	5,698	(510)	5,188
	133,574	(19,105)	114,469	121,493	(16,763)	104,730

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

23 Long-term receivables (continued)

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

	Allowance for impairment losses
As at 31 December 2017	(3,426)
Changes in accounting policies	(385)
As at 1 January 2018	(3,811)

	Group			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(684)	(1,815)	(1,312)	(3,811)
Transfer:				
— to 12-month ECL	—	—	—	—
— to lifetime ECL not credit-impaired	24	(24)	—	—
— to lifetime ECL credit-impaired	—	261	(261)	—
(Charge)/reverse	(291)	(617)	277	(631)
Exchange difference and other movements	38	11	748	797
Balance at 31 December 2018	(913)	(2,184)	(548)	(3,645)

	2017
At 1 January	(3,441)
Charge for the year	(449)
Transfer out	216
Write-offs	248
At 31 December	(3,426)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment

	Note	Group		Bank	
		2018	2017	2018	2017
Property and equipment	(1)	**48,763**	**48,338**	**22,364**	**21,559**
Disposal of property and equipment		**2**	**—**	**2**	**—**
Total		**48,765**	**48,338**	**22,366**	**21,559**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (continued)

(1) 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 2017	14,289	9,473	8,715	524	25,834	4,626	63,461
Increase	199	540	516	22	6,697	1,006	8,980
CIP transfers	750	–	–	–	–	(750)	–
Decrease	–	(4,277)	(466)	(24)	(2,874)	(2)	(7,643)
Balance at 31 December 2017	15,238	5,736	8,765	522	29,657	4,880	64,798
Increase	1,154	326	528	19	3,540	692	6,259
CIP transfers	1,726	–	–	–	–	(1,726)	–
Decrease	(58)	(1,385)	(402)	(35)	(1,843)	–	(3,723)
Balance at 31 December 2018	18,060	4,677	8,891	506	31,354	3,846	67,334
Accumulated depreciation							
Balance at 1 January 2017	(2,782)	(6,556)	(5,244)	(358)	(2,161)	–	(17,101)
Increase	(444)	(1,089)	(1,251)	(56)	(1,320)	–	(4,160)
Decrease	–	4,260	408	23	316	–	5,007
Balance at 31 December 2017	(3,226)	(3,385)	(6,087)	(391)	(3,165)	–	(16,254)
Increase	(543)	(905)	(1,065)	(46)	(1,540)	–	(4,099)
Decrease	–	1,366	379	32	211	–	1,988
Balance at 31 December 2018	(3,769)	(2,924)	(6,773)	(405)	(4,494)	–	(18,365)
Impairment losses							
Balance at 1 January 2017	–	–	–	–	(170)	–	(170)
Increase	–	–	–	–	(36)	–	(36)
Balance at 31 December 2017	–	–	–	–	(206)	–	(206)
Increase	–	–	–	–	(8)	–	(8)
Decrease	–	–	–	–	8	–	8
Balance at 31 December 2018	–	–	–	–	(206)	–	(206)
Net value							
Balance at 31 December 2017	12,012	2,351	2,678	131	26,286	4,880	48,338
Balance at 31 December 2018	14,291	1,753	2,118	101	26,654	3,846	48,763

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (continued)

(1) Property and equipment (continued)

Bank

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Construction in progress	Total
Original cost						
Balance at 1 January 2017	13,834	9,279	8,526	489	4,544	36,672
Increase	192	522	470	21	1,137	2,342
CIP transfers	750	–	–	–	(750)	–
Decrease	(1)	(4,233)	(449)	(18)	–	(4,701)
Balance at 31 December 2017	14,775	5,568	8,547	492	4,931	34,313
Increase	1,862	321	517	16	692	3,408
CIP transfers	1,726	–	–	–	(1,726)	–
Decrease	(58)	(1,374)	(400)	(30)	–	(1,862)
Balance at 31 December 2018	18,305	4,515	8,664	478	3,897	35,859
Accumulated depreciation						
Balance at 1 January 2017	(2,716)	(6,419)	(5,093)	(334)	–	(14,562)
Increase	(456)	(1,066)	(1,249)	(53)	–	(2,824)
Decrease	–	4,211	403	18	–	4,632
Balance at 31 December 2017	(3,172)	(3,274)	(5,939)	(369)	–	(12,754)
Increase	(531)	(889)	(1,045)	(43)	–	(2,508)
Decrease	–	1,362	377	28	–	1,767
Balance at 31 December 2018	(3,703)	(2,801)	(6,607)	(384)	–	(13,495)
Net value						
Balance at 31 December 2017	11,603	2,294	2,608	123	4,931	21,559
Balance at 31 December 2018	14,602	1,714	2,057	94	3,897	22,364

As at 31 December 2018 and 31 December 2017, 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 (continued)

(1) 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	
	2018	2017	2018	2017
Held in mainland China				
on medium-term lease (10–50 years)	**14,177**	**11,853**	**14,493**	**11,568**
on short-term lease (less than 10 years)	**1,867**	**2,510**	**1,823**	**2,329**
Total	**16,044**	**14,363**	**16,316**	**13,897**

As at 31 December 2018, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB1,315 million (31 December 2017: RMB1,016 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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

	2018		2017	
	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	31,079	124,316	24,686	98,744
Employee benefits payable	2,733	10,932	2,858	11,432
Fair value losses of				
— derivatives	4,509	18,036	4,515	18,060
— available-for-sale securities	—	—	1,635	6,543
— financial assets at fair value through other comprehensive income	130	520	—	—
— financial assets at fair value through profit or loss	1,112	4,448	107	427
Others	308	1,232	108	432
Subtotal	39,871	159,484	33,909	135,638
Deferred income tax liabilities				
Fair value gains of				
— derivatives	(8,256)	(33,024)	(4,647)	(18,586)
— available-for-sale securities	—	—	(79)	(316)
— financial assets at fair value through other comprehensive income	(609)	(2,436)	—	—
— financial assets at fair value through profit or loss	(315)	(1,260)	(21)	(84)
Others	(123)	(492)	(65)	(260)
Subtotal	(9,303)	(37,212)	(4,812)	(19,246)
Deferred income tax assets, net	30,568	122,272	29,097	116,392

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

	2018		2017	
	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	30,150	120,600	23,819	95,276
Employee benefits payable	2,701	10,804	2,822	11,288
Fair value losses of				
— derivatives	4,509	18,036	4,515	18,060
— available-for-sale securities	—	—	1,635	6,543
— financial assets at fair value through other comprehensive income	130	520	—	—
— financial assets at fair value through profit or loss	1,112	4,448	107	427
Subtotal	38,602	154,408	32,898	131,594
Deferred income tax liabilities				
Fair value gains of				
— derivatives	(8,256)	(33,024)	(4,647)	(18,586)
— available-for-sale securities	—	—	(25)	(98)
— financial assets at fair value through other comprehensive income	(548)	(2,192)	—	—
— financial assets at fair value through profit or loss	(298)	(1,192)	(21)	(84)
Subtotal	(9,102)	(36,408)	(4,693)	(18,768)
Deferred income tax assets, net	29,500	118,000	28,205	112,826

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Deferred income tax assets and liabilities

(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 and others	Gross deferred income tax liabilities
At 31 December 2017	24,686	6,257	2,966	33,909	(4,812)	(4,812)
Changes in accounting policies	3,158	370	–	3,528	(126)	(126)
At 1 January 2018	27,844	6,627	2,966	37,437	(4,938)	(4,938)
Recognised in profit or loss	3,235	111	75	3,421	(3,826)	(3,826)
Recognised in other comprehensive income	–	(987)	–	(987)	(539)	(539)
At 31 December 2018	31,079	5,751	3,041	39,871	(9,303)	(9,303)
At 1 January 2017	19,760	3,089	2,555	25,404	(2,038)	(2,038)
Recognised in profit or loss	4,926	2,470	411	7,807	(2,793)	(2,793)
Recognised in other comprehensive income	–	698	–	698	19	19
At 31 December 2017	24,686	6,257	2,966	33,909	(4,812)	(4,812)

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 and others	Gross deferred income tax liabilities
At 31 December 2017	23,819	6,257	2,822	32,898	(4,693)	(4,693)
Changes in accounting policies	3,063	366	–	3,429	(126)	(126)
At 1 January 2018	26,882	6,623	2,822	36,327	(4,819)	(4,819)
Recognised in profit or loss	3,268	115	(121)	3,262	(3,751)	(3,751)
Recognised in other comprehensive income	–	(987)	–	(987)	(532)	(532)
At 31 December 2018	30,150	5,751	2,701	38,602	(9,102)	(9,102)
At 1 January 2017	18,905	3,089	2,421	24,415	(2,013)	(2,013)
Recognised in profit or loss	4,914	2,470	401	7,785	(2,728)	(2,728)
Recognised in other comprehensive income	–	698	–	698	48	48
At 31 December 2017	23,819	6,257	2,822	32,898	(4,693)	(4,693)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Deferred income tax assets and liabilities (continued)

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

	Group		Bank	
	2018	2017	2018	2017
Deferred income tax assets	–	–	–	–
Deferred income tax liabilities	(9,180)	(4,747)	(9,102)	(4,693)

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

Group

	2018		2017	
	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	30,691	122,764	29,162	116,652
Deferred income tax liabilities	(123)	(492)	(65)	(260)

Bank

	2018		2017	
	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	29,500	118,000	28,205	112,826
Deferred income tax liabilities	–	–	–	–

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

26 Investment in subsidiaries

	2018	2017
Minsheng Financial Leasing	2,600	2,600
CMBC International	2,494	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	172	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	52
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	6,396	5,385

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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	RMB5,095 million	Limited company	51.03	51.03
CMBC International	Hongkong China	Investment banking	HKD3,000 million	Limited company	100.00	100.00
Minsheng Royal Fund	Guangdong China	Fund management	RMB300 million	Limited company	63.33	63.33
Pengzhou Rural Bank (i)	Sichuan China	Commercial bank	RMB55 million	Limited company	36.36	36.36
Cixi Rural Bank (i)	Zhejiang China	Commercial bank	RMB100 million	Limited company	35	35
Songjiang Rural Bank (i)	Shanghai China	Commercial bank	RMB150 million	Limited company	35	35
Qijiang Rural Bank (ii)	Chongqing China	Commercial bank	RMB61.57 million	Limited company	48.73	51.27
Tongnan Rural Bank (i)	Chongqing China	Commercial bank	RMB50 million	Limited company	50	50
Meihekou Rural Bank	Jilin China	Commercial bank	RMB50 million	Limited company	51	51
Ziyang Rural Bank	Sichuan China	Commercial bank	RMB211 million	Limited company	81.41	81.41
Jiangxia Rural Bank	Hubei China	Commercial bank	RMB86 million	Limited company	51	51
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Limited company	51	51
Yidu Rural Bank	Hubei China	Commercial bank	RMB52.4 million	Limited company	51	51
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Limited company	51	51
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Limited company	51	51
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Limited company	51	51
Anxi Rural Bank	Fujian China	Commercial bank	RMB100 million	Limited company	51	51
Funing Rural Bank	Jiangsu China	Commercial bank	RMB85 million	Limited company	51	51
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	Limited company	51	51
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Limited company	51	51
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Limited company	51	51
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51	51
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51	51
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	Limited company	51	51
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51	51
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB50 million	Limited company	51	51
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Limited company	51	51
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Limited company	51	51
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51	51
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB40 million	Limited company	51	51
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Limited company	51	51
Linzhi Rural Bank	Tibet China	Commercial bank	RMB25 million	Limited company	51	51

All interests in subsidiaries are directly held by the Bank.

(i) 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.

(ii) According to the concerted action agreement signed by the Bank and other shareholders, the Bank acquires control over Qijiang Rural Bank and therefore classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets

Group

	Note	2018 Gross balance	2018 Allowance for impairment losses	2018 Carrying amount	2017 Gross balance	2017 Allowance for impairment losses	2017 Carrying amount
Repossessed assets	(1)	10,631	(80)	10,551	11,099	(85)	11,014
Prepayments for leased assets	(2)	7,924	(97)	7,827	10,646	(173)	10,473
Commission receivable		7,678	–	7,678	4,797	(9)	4,788
Items in the process of clearance and settlement		6,156	(47)	6,109	13,436	(65)	13,371
Investment properties		4,604	–	4,604	7,008	–	7,008
Interest receivable	(3)	3,597	–	3,597	39,664	–	39,664
Land use right		3,564	–	3,564	3,958	–	3,958
Claims and legal fees recoverable		3,124	(1,286)	1,838	2,624	(863)	1,761
Prepayment		2,037	–	2,037	795	–	795
Intangible assets	(4)	1,192	–	1,192	957	–	957
Margin accounts receivable		934	(2)	932	908	–	908
Goodwill	(5)	201	–	201	198	(6)	192
Long-term deferred expenses		106	–	106	137	–	137
Others		8,550	–	8,550	8,768	–	8,768
Total		60,298	(1,512)	58,786	104,995	(1,201)	103,794

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (continued)

Bank

	Note	2018 Gross balance	2018 Allowance for impairment losses	2018 Carrying amount	2017 Gross balance	2017 Allowance for impairment losses	2017 Carrying amount
Repossessed assets	(1)	9,976	(53)	9,923	10,431	(61)	10,370
Commission receivable		7,678	–	7,678	4,788	–	4,788
Interest receivable	(3)	3,597	–	3,597	39,096	–	39,096
Items in the process of clearance and settlement		3,455	–	3,455	12,358	(46)	12,312
Claims and legal fees recoverable		3,118	(1,286)	1,832	2,618	(862)	1,756
Land use right		2,723	–	2,723	2,807	–	2,807
Prepayment		2,024	–	2,024	762	–	762
Intangible assets	(4)	1,140	–	1,140	897	–	897
Long-term deferred expenses		76	–	76	95	–	95
Others		4,296	–	4,296	4,479	–	4,479
Total		38,083	(1,339)	36,744	78,331	(969)	77,362

(1) Repossessed assets

Repossessed assets include buildings, land use right and motor vehicles. The Group disposed repossessed assets with a total cost of RMB1,377 million during the year of 2018 (2017: RMB1,176 million).

(2) Prepayments for leased assets

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (continued)

(3) Interest receivable

	Group		Bank	
	2018	2017	2018	2017
Loans and advances to customers	2,073	21,391	2,073	21,344
Debt and other securities	1,492	16,901	1,492	16,852
Others	32	1,372	32	900
Total	3,597	39,664	3,597	39,096

(4) Intangible assets

Group

	2018	2017
Cost		
Balance at 1 January	3,594	3,215
Increase	697	389
Decrease	(1)	(10)
Balance at 31 December	4,290	3,594
Accumulated amortisation		
Balance at 1 January	(2,637)	(2,267)
Increase	(462)	(377)
Decrease	1	7
Balance at 31 December	(3,098)	(2,637)
Net value		
Balance at 1 January	957	948
Balance at 31 December	1,192	957

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (continued)

(4) Intangible assets (continued)

Bank

	2018	2017
Cost		
Balance at 1 January	**3,478**	**3,136**
Increase	**691**	**352**
Decrease	**(1)**	**(10)**
Balance at 31 December	**4,168**	**3,478**
Accumulated amortisation		
Balance at 1 January	**(2,581)**	**(2,224)**
Increase	**(448)**	**(363)**
Decrease	**1**	**6**
Balance at 31 December	**(3,028)**	**(2,581)**
Net value		
Balance at 1 January	**897**	**912**
Balance at 31 December	**1,140**	**897**

(5) Goodwill

	2018	2017
At 1 January	**198**	**6**
Acquisition of subsidiaries	**—**	**192**
Disposal of subsidiaries	**(6)**	**—**
Exchange difference	**9**	**—**
Gross amount	**201**	**198**
Impairment	**—**	**(6)**
Net amount	**201**	**192**

Goodwill arising from business combinations has been allocated to the Group's Cash Generating Unit, which is not larger than the reportable segment of the Group, for impairment testing.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (continued)

(5) Goodwill (continued)

The allowance appropriated for the impairment of goodwill was nil as at 31 December 2018 (31 December 2017: RMB6 million).

28 Deposits from customers

	Group		Bank	
	2018	2017	2018	2017
Demand deposits				
— Corporate deposits	**1,104,706**	**1,187,367**	**1,092,485**	**1,172,480**
— Personal deposits	**197,933**	**182,652**	**196,350**	**181,070**
Time deposits (including call and notice deposits)				
— Corporate deposits	**1,473,907**	**1,267,880**	**1,469,156**	**1,262,267**
— Personal deposits	**377,356**	**309,356**	**368,926**	**301,168**
Certificates of deposit	**10,444**	**12,069**	**10,444**	**12,069**
Outward remittance and remittance payables	**2,946**	**6,987**	**2,929**	**6,967**
Subtotal	**3,167,292**	**2,966,311**	**3,140,290**	**2,936,021**
Interest accrued	**27,149**	**—**	**26,822**	**—**
Total	**3,194,441**	**2,966,311**	**3,167,112**	**2,936,021**

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

	Group		Bank	
	2018	2017	2018	2017
Pledged deposits for bank acceptances	**130,012**	**122,253**	**129,867**	**122,148**
Pledged deposits for letters of credit and guarantees	**55,284**	**23,596**	**55,259**	**23,582**
Other pledged deposits	**32,469**	**82,008**	**32,343**	**81,920**
Subtotal	**217,765**	**227,857**	**217,469**	**227,650**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

29 Deposits and placements from banks and other financial institutions

	Group		Bank	
	2018	2017	2018	2017
Mainland China				
— Banks	254,963	322,893	259,118	328,602
— Other financial institutions	726,295	887,264	727,507	889,694
Overseas				
— Banks	81,117	88,502	81,117	88,502
— Other financial institutions	22,863	17,334	23,657	17,834
Subtotal	1,085,238	1,315,993	1,091,399	1,324,632
Interest accrued	6,622	—	6,645	—
Total	1,091,860	1,315,993	1,098,044	1,324,632

30 Financial assets sold under repurchase agreements

	Group		Bank	
	2018	2017	2018	2017
Investment securities	55,956	60,539	54,930	60,539
Discounted bills	33,408	46,930	33,399	46,851
Including: bills rediscounted	26,294	16,273	26,284	16,194
Long-term receivables	16	53	—	—
Subtotal	89,380	107,522	88,329	107,390
Interest accrued	307	—	299	—
Total	89,687	107,522	88,628	107,390

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Borrowings from banks and other financial institutions

	Group	
	2018	2017
Credit borrowings	**102,955**	**123,419**
Secured borrowings		
— by tangible assets other than monetary assets	**21,310**	**23,580**
Subtotal	**124,265**	**146,999**
Interest accrued	**778**	**—**
Total	**125,043**	**146,999**

As at 31 December 2018, the secured borrowings of RMB21,310 million (31 December 2017: RMB23,580 million) were secured by equipment of RMB15,261 million (31 December 2017: RMB10,701 million) and the assets under financial lease of RMB15,782 million (31 December 2017: RMB14,364 million). As at 31 December 2018, there was no unused borrowing limit under secured borrowings (31 December 2017: None).

32 Provisions

	Group		Bank	
	2018	2017	2018	2017
Credit loss of off-balance-sheet assets	**1,371**	**809**	**1,370**	**808**

As at 31 December 2018, movements of credit loss of off-balance-sheet assets are as follows:

Group

	Allowance for impairment losses
As at 31 December 2017	**(809)**
Changes in accounting policies	**(1,424)**
As at 1 January 2018	**(2,233)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Provisions (continued)

	Group			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(1,791)	(442)	–	(2,233)
Transfer:				
– to 12-month ECL	(4)	4	–	–
– to lifetime ECL not credit-impaired	3	(3)	–	–
– to lifetime ECL credit-impaired	1	1	(2)	–
Reverse/(charge)	463	407	(1)	869
Exchange difference and other movements	(7)	–	–	(7)
Balance at 31 December 2018	(1,335)	(33)	(3)	(1,371)

Bank

	Allowance for impairment losses
As at 31 December 2017	(808)
Changes in accounting policies	(1,425)
As at 1 January 2018	(2,233)

	Bank			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2018	(1,791)	(442)	–	(2,233)
Transfer:				
– to 12-month ECL	(4)	4	–	–
– to lifetime ECL not credit-impaired	3	(3)	–	–
– to lifetime ECL credit-impaired	1	1	(2)	–
Reverse/(charge)	464	407	(1)	870
Exchange difference and other movements	(7)	–	–	(7)
Balance at 31 December 2018	(1,334)	(33)	(3)	(1,370)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Debt securities issued

	Note	Group		Bank	
		2018	2017	2018	2017
Certificates of interbank deposit		435,962	335,131	435,962	335,131
Financial bonds	(1)	114,951	50,951	109,963	49,953
Tier-two capital bonds	(2)	89,911	89,899	89,911	89,899
Medium-term notes	(3)	20,544	16,958	20,544	16,958
Hybrid capital bonds	(4)	4,994	4,993	4,994	4,993
Subordinated bonds	(5)	3,995	3,995	3,995	3,995
Subtotal		670,357	501,927	665,369	500,929
Interest accrued		4,166	–	4,027	–
Total		674,523	501,927	669,396	500,929

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

(1) Financial bonds

	Note	Group		Bank	
		2018	2017	2018	2017
RMB40.0 billion – 5-year fixed rate financial bonds 2018	(i)	39,990	–	39,990	–
RMB30.0 billion – 3-year fixed rate financial bonds 2017	(ii)	29,985	29,971	29,985	29,971
RMB20.0 billion – 5-year fixed rate financial bonds 2018	(iii)	19,995	–	19,995	–
RMB20.0 billion – 3-year fixed rate financial bonds 2016	(iv)	19,993	19,982	19,993	19,982
RMB4.0 billion – 3-year fixed rate financial bonds 2018	(v)	3,989	–	–	–
RMB1.0 billion – 3-year fixed rate financial bonds 2017	(vi)	999	998	–	–
Total		114,951	50,951	109,963	49,953

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Debt securities issued (continued)

(1) Financial bonds (continued)

(i) RMB40.0 billion worth of fixed-rate financial bonds were issued in 2018, with a term of five years, and a fixed coupon rate of 3.83% per annum.

(ii) RMB30.0 billion worth of fixed-rate financial bonds were issued in 2017, with a term of three years, and a fixed coupon rate of 4.00% per annum.

(iii) RMB20.0 billion worth of fixed-rate financial bonds were issued in 2018, with a term of five years, and a fixed coupon rate of 3.76% per annum.

(iv) 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.

(v) RMB4.0 billion worth of fixed-rate financial bonds were issued in 2018, with a term of three years, and a fixed coupon rate of 4.90% per annum.

(vi) RMB1.0 billion worth of fixed-rate financial bonds were issued in 2017, with a term of three years, and a fixed coupon rate of 4.50% per annum.

(2) Tier-two capital bonds

		Group and Bank	
	Note	2018	2017
RMB20.0 billion — 10-year fixed rate tier-two capital bonds 2014	(i)	**19,983**	**19,982**
RMB20.0 billion — 10-year fixed rate tier-two capital bonds 2015	(ii)	**19,983**	**19,981**
RMB20.0 billion — 10-year fixed rate tier-two capital bonds 2016	(iii)	**19,979**	**19,974**
RMB15.0 billion — 10-year fixed rate tier-two capital bonds 2017 1st tranche	(iv)	**14,983**	**14,981**
RMB15.0 billion — 10-year fixed rate tier-two capital bonds 2017 2nd tranche	(v)	**14,983**	**14,981**
Total		**89,911**	**89,899**

33 Debt securities issued (continued)

(2) Tier-two capital bonds (continued)

(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.

(iv) Tier-two capital bonds with a nominal value of RMB15.0 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued in 2017 as the 1st tranche. 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.

(v) Tier-two capital bonds with a nominal value of RMB15.0 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued in 2017 as the 2nd tranche. 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Debt securities issued (continued)

(3) Medium-term notes

	Note	Group and Bank 2018	2017
USD 0.6 billion — 5-year medium-term notes 2018	(i)	**4,110**	**—**
USD 0.5 billion — 3-year medium-term notes 2017	(ii)	**3,423**	**3,259**
USD 0.45 billion — 3-year medium-term notes 2017	(iii)	**3,085**	**2,935**
USD 0.45 billion — 3-year medium-term notes 2017	(iv)	**3,081**	**2,935**
USD 0.4 billion — 3-year medium-term notes 2018	(v)	**2,737**	**—**
USD 0.35 billion — 5-year medium-term notes 2017	(vi)	**2,398**	**2,282**
USD 0.25 billion — 3-year medium-term notes 2017	(vii)	**1,710**	**1,631**
USD 0.6 billion — 3-year medium-term notes 2015	(viii)	**—**	**3,916**
Total		**20,544**	**16,958**

(i) Medium-term notes with a nominal value of USD 0.6 billion of medium-term notes were issued in 2018, with a term of 5 years. The coupon rate is 3.38%.

(ii) Medium-term notes with a nominal value of USD 0.5 billion of medium-term notes were issued in 2017, with a term of 3 years. The coupon rate is 2.50%.

(iii) Medium-term notes with a nominal value of USD 0.45 billion of medium-term notes were issued in 2017, with a term of 3 years. The coupon rate is 2.44%.

(iv) Medium-term notes with a nominal value of USD 0.45 billion of medium-term notes were issued in 2017, with a term of 3 years. The coupon rate is 2.34%.

(v) Medium-term notes with a nominal value of USD 0.4 billion of medium-term notes were issued in 2018, with a term of 3 years. The coupon rate is 3.50%.

(vi) Medium-term notes with a nominal value of USD 0.35 billion of medium-term notes were issued in 2017, with a term of 5 years. The coupon rate is 2.54%.

33 Debt securities issued (continued)

(3) Medium-term notes (continued)

(vii) Medium-term notes with a nominal value of USD 0.25 billion of medium-term notes were issued in 2017, with a term of 3 years. The coupon rate is 2.88%.

(viii) Medium-term notes with a nominal value of USD 0.6 billion of medium-term notes were issued in 2015, with a term of 3 years. The coupon rate is 2.25%. The Bank has redeemed all the medium-term notes as at 21 May 2018.

(4) Hybrid capital bonds

	Note	Group and Bank 2018	2017
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	**3,321**	**3,320**
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	**1,673**	**1,673**
Total		**4,994**	**4,993**

(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.

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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Debt securities issued (continued)

(5) Subordinated bonds

	Note	Group and Bank 2018	2017
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(i)	**3,995**	**3,995**

(i) 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.

34 Other liabilities

	Note	Group 2018	2017	Bank 2018	2017
Items in the process of clearance and settlement		**11,498**	**22,235**	**11,342**	**22,221**
Employee benefits payable	(1)	**11,130**	**11,638**	**10,804**	**11,288**
Receipt in advance		**10,479**	**11,289**	**—**	**—**
Other tax payable	(2)	**4,390**	**3,588**	**3,909**	**3,404**
Intermediate collection and payment		**3,897**	**2,701**	**3,897**	**2,438**
Payable for long-term assets		**750**	**583**	**2,156**	**385**
Accrued expenses		**702**	**472**	**809**	**421**
Deferred fee and commission income		**387**	**381**	**387**	**381**
Guarantee deposits for finance lease		**327**	**318**	**—**	**—**
Interest payables	(3)	**—**	**42,276**	**—**	**40,925**
Others		**11,175**	**8,738**	**3,974**	**3,131**
Total		**54,735**	**104,219**	**37,278**	**84,594**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Other liabilities (continued)

(1) Employee benefits payable

Group

	At 1 January 2018	Increase	Decrease	At 31 December 2018
Short-term employee benefits				
Salaries, bonuses and allowances	11,297	18,241	(18,807)	10,731
Staff welfare fees	–	2,179	(2,179)	–
Social insurance and supplementary insurance	57	1,336	(1,307)	86
Housing fund	126	1,129	(1,110)	145
Labour union fee, staff and workers' education fee	24	584	(587)	21
Subtotal	11,504	23,469	(23,990)	10,983
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	92	1,424	(1,417)	99
Unemployment insurance	17	49	(47)	19
Annuity scheme	25	940	(936)	29
Subtotal	134	2,413	(2,400)	147
Total	11,638	25,882	(26,390)	11,130

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Other liabilities (continued)

(1) Employee benefits payable (continued)

Group (continued)

	At 1 January 2017	Increase	Decrease	At 31 December 2017
Short-term employee benefits				
Salaries, bonuses and allowances	9,784	17,771	(16,258)	11,297
Staff welfare fees	–	2,243	(2,243)	–
Social insurance and supplementary insurance	47	1,317	(1,307)	57
Housing fund	117	1,077	(1,068)	126
Labour union fee, staff and workers' education fee	38	544	(558)	24
Subtotal	9,986	22,952	(21,434)	11,504
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	89	1,199	(1,196)	92
Unemployment insurance	12	48	(43)	17
Annuity scheme	20	920	(915)	25
Subtotal	121	2,167	(2,154)	134
Total	10,107	25,119	(23,588)	11,638

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Other liabilities (continued)

(1) Employee benefits payable (continued)

Bank

	At 1 January 2018	Increase	Decrease	At 31 December 2018
Short-term employee benefits				
Salaries, bonuses and allowances	10,975	17,403	(17,937)	10,441
Staff welfare fees	–	2,120	(2,120)	–
Social insurance and supplementary insurance	55	1,300	(1,277)	78
Housing fund	126	1,088	(1,069)	145
Labour union fee, staff and workers' education fee	3	566	(566)	3
Subtotal	11,159	22,477	(22,969)	10,667
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	92	1,373	(1,368)	97
Unemployment insurance	17	46	(44)	19
Annuity scheme	20	913	(912)	21
Subtotal	129	2,332	(2,324)	137
Total	11,288	24,809	(25,293)	10,804

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Other liabilities (continued)

(1) Employee benefits payable (continued)

Bank (continued)

	At 1 January 2017	Increase	Decrease	At 31 December 2017
Short-term employee benefits				
Salaries, bonuses and allowances	9,383	16,917	(15,325)	10,975
Staff welfare fees	–	2,189	(2,189)	–
Social insurance and supplementary insurance	47	1,290	(1,282)	55
Housing fund	117	1,039	(1,030)	126
Labour union fee, staff and workers' education fee	20	516	(533)	3
Subtotal	9,567	21,951	(20,359)	11,159
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	88	1,152	(1,148)	92
Unemployment insurance	12	45	(40)	17
Annuity scheme	19	891	(890)	20
Subtotal	119	2,088	(2,078)	129
Total	9,686	24,039	(22,437)	11,288

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Other liabilities (continued)

(2) Other tax payable

	Group		Bank	
	2018	2017	2018	2017
Value added tax	3,029	2,467	3,017	2,453
Others	1,361	1,121	892	951
Total	4,390	3,588	3,909	3,404

(3) Interest payable

	2017	
	Group	Bank
Deposits from customers	24,905	24,613
Deposits from banks and other financial institutions	6,087	6,106
Debt securities issued	3,789	3,771
Borrowings from banks and other financial institutions	1,058	–
Others	6,437	6,435
Total	42,276	40,925

35 Share capital and capital reserve

	Group and Bank	
	2018	2017
Ordinary shares listed in Mainland China (A share)	35,462	29,551
Ordinary shares listed in Hong Kong (H share)	8,320	6,934
Total shares	43,782	36,485

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

35 Share capital and capital reserve (continued)

The shareholders approved the profit distribution and conversion of capital reserve to share capital plan for the second half of 2017 at the 2017 Annual General Meeting of Shareholders on 21 June 2018. The number of total shares issued before the implementation of the plan was 36,485 million, the Bank converted capital reserve to share capital on the basis of 2 shares for every 10 shares offered to all shareholders, and the total number of shares increased was 7,297 million. After the conversion, the total number of issued shares was 43,782 million.

The Group's capital reserve was RMB57,470 million as at 31 December 2018 (31 December 2017: RMB64,753 million), which mainly comprised capital premium.

36 Preference shares

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

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount	In original currency	In RMB	Maturity	Conversion condition	Conversion
					million shares	million	million			
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.

36 Preference shares (continued)

(2) Main Clauses (continued)

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.

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) CBIRC 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

36 Preference shares (continued)

(2) Main Clauses (continued)

f Redemption

Under the premise of obtaining the approval of the CBIRC 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.

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).

37 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 March 2019, the Board proposed the Bank to appropriate RMB4,997 million to statutory reserve for the second half of 2018, which is subject to shareholders' approval.

The Bank appropriated the statutory surplus reserve of RMB4,862 million for the year 2017.

The Bank did not make any appropriations to discretionary surplus reserve in 2018 and 2017.

(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.

The Bank did not appropriate profits recorded to the general reserve in 2018 (For the year ended 31 December 2017: RMB1,147 million).

(3) Retained earnings

As at 31 December 2018, retained earnings of the Group included the statutory surplus reserve of RMB561 million appropriated by the subsidiaries and attributable to the Bank (31 December 2017: RMB549 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

38 Non-controlling interests

As at 31 December 2018, the non-controlling interests of the subsidiaries were RMB10,927 million (31 December 2017: RMB10,842 million).

39 Dividends

Dividends for Ordinary Shares

The Board of Directors approved the profit distribution plan for 2018 in the Meeting held on 29 March 2019. The cash dividends declared was RMB3.45 (before tax) for every 10 shares, amounting to a total dividend of RMB15,105 million, while it is still subject to shareholders' approval.

The shareholders approved the cash dividend distribution plan for the second half of 2017 and the capital reserve conversion plan at the Annual General Meeting on 21 June 2018. The cash dividend declared was RMB0.90 (before tax) for every 10 shares, amounting to a total dividend of RMB3,284 million based on total stock of 36,485 million as at 31 December 2017. And the Bank converted capital reserve to share capital on the basis of 2 shares for every 10 shares to all shareholders, the total number of shares increased accordingly was 7,297 million shares.

The Board of Directors approved the profit distribution plan for the first half of 2017 in the Meeting held on 28 August 2017. The cash dividends declared was RMB1.20 (before tax) for every 10 shares, amounting to a total dividend of RMB4,378 million.

The shareholders approved the cash dividend distribution plan for the second half of 2016 at the Annual General Meeting on 16 June 2017. The cash dividend declared was RMB1.65 (before tax) for every 10 shares, amounting to a total dividend of RMB6,020 million.

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, amounting to a total dividend of RMB4,196 million.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

39 Dividends (continued)

Dividends for Preference Shares

According to the resolution on the distribution of dividends for overseas preference shares passed at the Board of Directors' meeting held on 30 October 2018, dividend to be distributed amounts to USD79 million (including tax), calculated at the initial annual payout ratio of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 14 December 2018.

According to the resolution on the distribution of dividends for overseas preference shares passed at the Board of Directors' meeting held on 4 December 2017, dividend to be distributed amounts to USD79 million (including tax), calculated at the initial annual payout ratio of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 14 December 2017.

40 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 2017	**(1,834)**	**(721)**	**(2,555)**
Changes in amount for the year	**(2,923)**	**718**	**(2,205)**
As at 31 December 2017	**(4,757)**	**(3)**	**(4,760)**
Changes in accounting policies	**1,489**	**—**	**1,489**
As at 1 January 2018	**(3,268)**	**(3)**	**(3,271)**
Changes in amount for the year	**4,401**	**26**	**4,427**
As at 31 December 2018	**1,133**	**23**	**1,156**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

40 Investment revaluation reserve and cash flow hedging reserve (continued)

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 2017	**(1,866)**	**(721)**	**(2,587)**
Changes in amount for the year	**(2,965)**	**718**	**(2,247)**
As at 31 December 2017	**(4,831)**	**(3)**	**(4,834)**
Changes in accounting policies	**1,552**	**—**	**1,552**
As at 1 January 2018	**(3,279)**	**(3)**	**(3,282)**
Changes in amount for the year	**4,564**	**26**	**4,590**
As at 31 December 2018	**1,285**	**23**	**1,308**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Bank statement of changes in equity

			Reserves								
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Subtotal	Retained earnings	Total
At 1 January 2017	36,485	9,892	64,447	30,052	71,982	(1,866)	49	(721)	163,943	126,500	336,820
Net profit	–	–	–	–	–	–	–	–	–	48,619	48,619
Other comprehensive income, net of tax	–	–	–	–	–	(2,965)	(81)	718	(2,328)	–	(2,328)
Total comprehensive income	–	–	–	–	–	(2,965)	(81)	718	(2,328)	48,619	46,291
Appropriation to surplus reserve	–	–	–	4,862	–	–	–	–	4,862	(4,862)	–
Appropriation to general reserve	–	–	–	–	1,147	–	–	–	1,147	(1,147)	–
Cash dividends	–	–	–	–	–	–	–	–	–	(10,921)	(10,921)
At 31 December 2017	36,485	9,892	64,447	34,914	73,129	(4,831)	(32)	(3)	167,624	158,189	372,190
Changes in accounting policies	–	–	–	–	–	1,552	–	–	1,552	(11,436)	(9,884)
At 1 January 2018	36,485	9,892	64,447	34,914	73,129	(3,279)	(32)	(3)	169,176	146,753	362,306
Net profit	–	–	–	–	–	–	–	–	–	49,973	49,973
Other comprehensive income, net of tax	–	–	–	–	–	4,564	66	26	4,656	–	4,656
Total comprehensive income	–	–	–	–	–	4,564	66	26	4,656	49,973	54,629
Appropriation to surplus reserve	–	–	–	4,997	–	–	–	–	4,997	(4,997)	–
Cash dividends	–	–	–	–	–	–	–	–	–	(3,834)	(3,834)
Ordinary shares converted from capital reserve	7,297	–	(7,297)	–	–	–	–	–	(7,297)	–	–
At 31 December 2018	43,782	9,892	57,150	39,911	73,129	1,285	34	23	171,532	187,895	413,101

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Notes to the consolidated cash flow statement

(1) Cash and cash equivalents

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

	Group	
	2018	2017
Cash (Note 16)	6,984	8,080
Surplus deposit reserve with central bank (Note 16)	45,814	25,893
Original maturity within 3 months:		
— Balances with banks and other financial institutions	40,527	63,116
— Placements with banks and other financial institutions	44,701	12,010
Total	138,026	109,099

(2) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Group				
	Liabilities		Equity		
	Debt securities issued	Interest payable on debt securities issued	Retained profits	Non-controlling interests	Total
Notes	33	34(3)	37	38	
Balance as at 31 December 2017	501,927	3,789	163,420	10,842	679,978
Changes in accounting policies	—	—	(11,527)	(148)	(11,675)
Balance as at 1 January 2018	501,927	3,789	151,893	10,694	668,303
Cash flows from financing activities					
Proceeds from issue of debt securities	1,167,503	—	—	—	1,167,503
Interests paid on debt securities issued	—	(19,305)	—	—	(19,305)
Repayments of debt securities issued	(1,003,023)	—	—	—	(1,003,023)
Dividends paid	—	—	(3,863)	—	(3,863)
Capital paid by non-controlling parties	—	—	—	181	181
Net cash flows from financing activities	164,480	(19,305)	(3,863)	181	141,493
Total liability-related other change	3,950	19,682	—	—	23,632
Total equity-related other change	—	—	45,101	52	45,153
Balance as at 31 December 2018	670,357	4,166	193,131	10,927	878,581

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Notes to the consolidated cash flow statement (continued)

(2) Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Group				
	Liabilities		Equity		
	Debt securities issued	Interest payable on debt securities issued	Retained profits	Non-controlling interests	Total
Notes	33	34(3)	37	38	
Balance as at 1 January 2017	**398,376**	**4,190**	**130,630**	**9,437**	**542,633**
Cash flows from financing activities					
Proceeds from issue of debt securities	**885,225**	**—**	**—**	**—**	**885,225**
Interests paid on debt securities issued	**—**	**(12,282)**	**—**	**—**	**(12,282)**
Repayments of debt securities issued	**(788,740)**	**—**	**—**	**—**	**(788,740)**
Dividends paid	**—**	**—**	**(10,921)**	**(13)**	**(10,934)**
Net cash flows from financing activities	**96,485**	**(12,282)**	**(10,921)**	**(13)**	**73,269**
Total liability-related other change	**7,066**	**11,881**	**—**	**—**	**18,947**
Total equity-related other change	**—**	**—**	**43,711**	**1,418**	**45,129**
Balance as at 31 December 2017	**501,927**	**3,789**	**163,420**	**10,842**	**679,978**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Transfer of financial assets

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.

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 2018, loans with an original carrying amount of RMB8,714 million (2017: RMB27,361 million) have been securitised by the Group, and meanwhile, the Group purchased a certain ratio of the asset-backed securities issued by structured entities. As at 31 December 2018, the carrying amount of prime grade assets that the Group held were RMB3 million (31 December 2017: RMB23 million), and the subordinated grade assets were RMB25 million (31 December 2017: RMB155 million). These assets were classified as financial assets at fair value through profit or loss.

Besides the securitisation transaction above, in 2018, loans with an original carrying amount of RMB9,869 million (2017: RMB9,869 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 2018, the carrying amount of assets that the Group continued to recognise was RMB1,038 million (31 December 2017: RMB1,038 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB1,038 million as at 31 December 2018 (31 December 2017: RMB1,038 million).

44 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.

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	
	2018	2017	2018	2017
Bank acceptances	**518,408**	**461,630**	**518,258**	**461,419**
Guarantees	**136,864**	**141,929**	**136,860**	**141,925**
Letters of credit	**113,207**	**107,523**	**113,207**	**107,523**
Unused credit card commitments	**231,054**	**100,714**	**231,054**	**100,714**
Finance lease commitments	**3,193**	**3,160**	**—**	**—**
Irrevocable loan commitments				
— original maturity date within 1 year	**726**	**680**	**726**	**680**
— original maturity date over 1 year (inclusive)	**3,262**	**3,606**	**3,262**	**3,606**
Total	**1,006,714**	**819,242**	**1,003,367**	**815,867**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 Contingent liabilities and commitments (continued)

(1) Credit commitments (continued)

	Group		Bank	
	2018	2017	2018	2017
Credit risk weighted amounts of credit commitments	432,578	323,252	431,464	322,462

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBIRC 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%.

(2) Capital commitments

	Group		Bank	
	2018	2017	2018	2017
Contracted but not paid for	18,400	19,097	2,157	616
Authorised but not contracted for	12	19	12	13
Total	18,412	19,116	2,169	629

(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	
	2018	2017	2018	2017
Within 1 year	3,245	3,441	2,958	3,342
After 1 year but within 5 years	9,516	8,219	8,968	8,082
After 5 years	1,388	2,343	1,343	2,315
Total	14,149	14,003	13,269	13,739

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 Contingent liabilities and commitments (continued)

(4) Assets pledged

	Group		Bank	
	2018	2017	2018	2017
Investment securities	**55,195**	**60,100**	**53,316**	**60,100**
Discounted bills	**33,399**	**46,930**	**33,399**	**46,851**
Finance lease receivables	**15,782**	**16,067**	**—**	**—**
Property and equipment	**15,272**	**15,428**	**—**	**—**
Balances with banks and other financial institutions	**414**	**—**	**—**	**—**
Others	**1,844**	**—**	**713**	**—**
Total	**121,906**	**138,525**	**87,428**	**106,951**

As at 31 December 2018, the Group's pledged assets included discounted bills under repurchase agreements that can be sold or repledged. The fair value of such pledged assets was RMB2,110 million as at 31 December 2018 (31 December 2017: RMB704 million). As at 31 December 2018, there were no pledged assets sold or repledged by the Group (31 December 2017: nil). The Group has an obligation to repurchase these pledged assets on due dates.

(5) Underwriting of securities

	Group and Bank	
	2018	2017
Medium- and short-term finance bills	**205,209**	**465,529**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 Contingent liabilities and commitments (continued)

(6) 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 2018 was RMB2,779 million (31 December 2017: RMB4,082 million). The original maturities of the bonds vary from one to five years.

(7) Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2018. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

45 Consolidated structured entities

Structured entities consolidated by the Group include asset management plans and funds issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As at 31 December 2018, the total assets of these consolidated structured entities were RMB303 million (31 December 2017: RMB4 million). The financial impact of any individual structured entity on the Group's financial performance is not significant.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

46 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 specialised asset management plans, trust beneficiary 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 and are financed through the issue of investment products to investors.

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

	2018	
	Carrying amount	Maximum exposure
Specialised asset management plans	**306,020**	**306,020**
Wealth management products	**58,871**	**58,871**
Trust beneficiary plans	**111,062**	**111,062**
Asset-backed financings	**141,724**	**141,724**
Total	**617,677**	**617,677**

	2017	
	Carrying amount	Maximum exposure
Specialised asset management plans	**668,706**	**668,706**
Trust beneficiary plans	**76,339**	**76,339**
Asset-backed financings	**39,491**	**39,491**
Total	**784,536**	**784,536**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

46 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 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	2018		
	Financial assets at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income
Specialised asset management plans	**160,391**	**145,629**	**—**
Wealth management products	**58,871**	**—**	**—**
Trust beneficiary plans	**—**	**111,062**	**—**
Asset-backed financings	**4,864**	**6,695**	**130,165**
Total	**224,126**	**263,386**	**130,165**

	2017		
	Loans and receivables	Available-for-sale financial assets	Financial assets held under resale agreements
Specialised asset management plans	**668,706**	**—**	**—**
Trust beneficiary plans	**75,939**	**—**	**400**
Asset-backed financings	**20,620**	**18,871**	**—**
Total	**765,265**	**18,871**	**400**

The maximum exposures to loss in the above specialised asset management plans, wealth management products, trust beneficiary plans and asset-backed financings 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.

46 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 non-principal-guaranteed wealth management products and investment funds. 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 2018, 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 2018, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, was RMB850,704 million and RMB277,848 million respectively (31 December 2017: RMB813,838 million and RMB371,326 million).

(3) Structured entities sponsored by the Group during the year which the Group does not consolidate and holds an interest at 31 December 2018.

During the year of 2018, the amount of fee and commission income received from the above mentioned structured entities by the Group was RMB5,708 million (for the year ended 31 December 2017: RMB10,327 million).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2018 but matured before 31 December 2018 was RMB812,360 million (for the year ended 31 December 2017: RMB1,487,827 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

47 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 RMB527,521 million as at 31 December 2018 (31 December 2017: RMB344,111 million). The Group's balances of pensions custodian operations were RMB243,990 million as at 31 December 2018 (31 December 2017: RMB85,034 million). The Group's balances of credit assets entrusted management were RMB8,062 million as at 31 December 2018 (31 December 2017: RMB26,106 million). And the Group's balances of entrusted loans were RMB281,073 million as at 31 December 2018 (31 December 2017: RMB384,592 million).

48 Related party transactions

(1) Related parties

(i) 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Related party transactions (continued)

(1) Related parties (continued)

(ii) The Bank's main shareholders

Company name	Registered location	Registered capital	No. of shares of the Bank held by the Company (share)	Proportion of the Bank held by the Company(%) (Note a)	Business (Note b)	Legal form	Legal representative
Anbang Life Insurance Inc.	Beijing	RMB30,790 million	7,352,284,689	16.79	Insurance business	Joint stock limited company	He Xiaofeng
Anbang Property Insurance Inc.	Shenzhen	RMB37,000 million	457,930,200	1.05	Insurance business	Joint stock limited company	He Xiaofeng
Huaxia Life Insurance Co., Ltd.	Tianjin	RMB15,300 million	1,375,763,341	3.14	Insurance business	Joint stock limited company	Li Fei
Orient Group Incorporation	Heilongjiang	RMB3,715 million	1,280,117,123	2.92	Wholesaling	Joint stock limited company	Sun Mingtao
China Oceanwide Holdings Group Co., Ltd.	Beijing	RMB20,000 million	2,019,182,618	4.61	Commercial service	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	USD0.05 million	604,300,950	1.38	Investment holding	Limited company	(Note c)
China Oceanwide International Investment Company Limited	Hong Kong	HKD1,548 million	8,236,920	0.02	Investment holding	Limited company	(Note c)
New Hope Liuhe Investment Co., Ltd.	Lhasa	RMB577 million	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Lhasa	RMB1,034 million	102,387,827	0.23	Retailing	Limited company	Li Jianxiong
Shanghai Giant Lifetech Co., Ltd.	Shanghai	RMB245 million	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
China Shipowners Mutual Assurance Association	Beijing	RMB0.10 million	1,314,284,476	3.00	Insurance business	National social groups	Song Chunfeng
Tongfang Guoxin Investment Holding Co., Ltd.	Chongqing	RMB2,574 million	737,918,456	1.69	Capital market service	Limited company	Liu Qinqin
Chongqing Guotou Equity Investment Management Co., Ltd.	Chongqing	RMB500 million	462,141,259	1.06	Commercial service	Limited company	Yu Xiaohua
Chongqing International Trust Company Limited	Chongqing	RMB15,000 million	128,354,061	0.29	Trust business	Joint stock limited company	Weng Zhenjie
Good First Group Co., Ltd.	Shanghai	RMB133 million	594,300,026	1.36	Research and experimental development	Limited company	Wu Di

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Related party transactions (continued)

(1) Related parties (continued)

(ii) The Bank's main shareholders (continued)

a As at 31 December 2018, proportion of ownership interest held by Anbang Life Insurance Inc. was 16.79% (31 December 2017: 6.50%), Anbang Property Insurance Inc. was 1.05% (31 December 2017: 5.61%), Huaxia Life Insurance Co., Ltd. was 3.14% (31 December 2017: 4.39%), China Shipowners Mutual Assurance Association was 3.00% (31 December 2017: 2.98%), Tongfang Guoxin Investment Holding Co., Ltd. was 1.69% (31 December 2017: 1.37%), Chongqing International Trust Company Limited and Good First Group Co., Ltd. respectively held 0.29% and 1.36% of the ownership interest (31 December 2017: 0.59% and 1.47% respectively), other proportions of ownership interest held by the above major shareholders remain the same as proportions on 31 December 2017.

At 26 September 2018, Anbang Property Insurance Inc. signed an agreement to transfer its 457,930,200 H shares to Anbang Life Insurance Inc.. The share transfer procedures have not been completed by 31 December 2018.

b Particulars of principal operations:

Anbang Life Insurance Inc.: 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 Former CIRC.

Huaxia Life Insurance Co., Ltd.: Various life insurance businesses such as life insurance, health insurance and accidental injury insurance businesses, related reinsurance businesses of the above insurances, funds application businesses permitted under the PRC laws and regulations, and other businesses approved by the Former CIRC.

Orient Group Incorporation: Investments in modern agriculture and healthy food industry, new urbanisation and development, financial industry and ports.

China Oceanwide Holdings Group Co., Ltd.: Finance, real property and investment management.

48 Related party transactions (continued)

(1) Related parties (continued)

(ii) The Bank's main shareholders (continued)

b Particulars of principal operations: (continued)

New Hope Liuhe Investment Co., Ltd.: Venture capital, investment management, finance consultancy, wealth management advisory, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer, technology consultancy services, etc.

South Hope Industrial Co., Ltd.: Research and development, wholesale and retail of feeds, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services).

Shanghai Giant Lifetech Co., Ltd.: Manufacturing and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technical development, consultancy, services and transfer in healthcare food aspect, back-to-back wholesale of prepackaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy.

China Shipowners Mutual Assurance Association: Marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service.

Tongfang Guoxin Investment Holding Co., Ltd.: Making investments with its own fund (accepting public deposits or accepting public deposits in any disguised form, granting loans and conducting securities, futures and other financial business are not allowed); providing its associated companies with consultancy services, including market information, in respect of markets in which they invested; providing planning and consultancy services in relation to corporate reorganisation, merger and acquisition; and providing corporate management services. (Businesses that require pre-approvals according to laws shall only be conducted after obtaining approvals from the relevant authorities).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Related party transactions (continued)

(1) Related parties (continued)

(ii) The Bank's main shareholders (continued)

b Particulars of principal operations: (continued)

Good First Group Co., Ltd.: Research, development and sale of high-tech products; industrial investment; investments in the education, agriculture, secondary industry and entertainment industry and healthcare products; sale of photographic equipment and new construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products as approved by the country.

c The Oceanwide International Equity Investment Limited and China Oceanwide International Investment Company Limited are registered overseas, both the above companies are ultimately controlled by Lu Zhiqiang.

The information of registered capital of the related parties as at 31 December is as below:

Company name	2018	2017
Anbang Life Insurance Inc.	RMB30,790 million	RMB30,790 million
Anbang Property Insurance Inc.	RMB37,000 million	RMB37,000 million
Huaxia Life Insurance Co., Ltd.	RMB15,300 million	RMB15,300 million
Orient Group Incorporation	RMB3,715 million	RMB3,715 million
China Oceanwide Holdings Group Co., Ltd.	RMB20,000 million	RMB20,000 million
Oceanwide International Equity Investment Limited	USD0.05 million	USD0.05 million
China Oceanwide International Investment Company Limited	HKD1,548 million	HKD1,548 million
New Hope Liuhe Investment Co., Ltd.	RMB577 million	RMB577 million
South Hope Industrial Co., Ltd.	RMB884 million	RMB884 million
Shanghai Giant Lifetech Co., Ltd.	RMB245 million	RMB245 million
China Shipowners Mutual Assurance Association	RMB0.10 million	RMB0.10 million
Tongfang Guoxin Investment Holding Co., Ltd.	RMB2,574 million	RMB2,574 million
Chongqing Guotou Equity Investment Management Co., Ltd.	RMB500 million	RMB500 million
Chongqing International Trust Company Limited	RMB15,000 million	RMB15,000 million
Good First Group Co., Ltd.	RMB133 million	RMB133 million

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Related party transactions (continued)

(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.

(ii) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	2018	2017
Shanghai Zhunji Business Consulting Partnership (LP)	Guaranteed	**7,536**	**–**
Beijing Oceanwide Dongfeng Real Estate Co., Ltd.	Collateralised	**4,310**	**–**
Wuhan Center Building Development Investment Co., Ltd.	Guaranteed	**3,984**	**–**
Orient Group Incorporation Company and its subsidiaries	Collateralised	**2,604**	**–**
	Pledged	**300**	**723**
Oceanwide Holding Co., Ltd.	Guaranteed	**2,325**	**–**
Chengdu Hengjilong Real Estate Co., Ltd	Collateralised	**1,503**	**–**
Legend Holdings Ltd.	Guaranteed	**1,202**	**1,500**
China Tonghai International Finance Co., Ltd.	Guaranteed	**877**	**–**
SHR FSST, LLC	Collateralised	**688**	**653**
Xiamen Jingding Sports Culture Development Co., Ltd.	Collateralised	**621**	**–**
Xiamen Rongyin Co., Ltd.	Pledged	**488**	**11**
	Collateralised	**220**	**–**
RPFCBIDCO PTY LIMITED	Credit	**484**	**–**
Sichuan Guida Industrial Co., Ltd.	Collateralised	**451**	**–**
Yuanyang Langji Real Estate Co., Ltd.	Collateralised	**432**	**–**
Xiamen Dazu Real Estate Development Co., Ltd.	Collateralised	**401**	**–**
Aixa Fengwei Photoelectric Co., Ltd.	Pledged	**371**	**–**
	Guaranteed	**148**	**–**
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	**351**	**–**
Xiamen Hongfu Trading Co., Ltd.	Guaranteed	**265**	**–**
Jindi (Group) Co., Ltd.	Guaranteed	**200**	**–**
Sino-Ocean Real Estate (Hong Kong) Holding Limited	Guaranteed	**191**	**–**
Guangxi Tanggui Investment Co., Ltd.	Collateralised	**189**	**–**
Chengdu New Hope Real Estate Co., Ltd.	Collateralised	**188**	**–**
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	**150**	**–**
Sichuan Te Qu Education Management Co., Ltd.	Collateralised	**150**	**–**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Related party transactions (continued)

(2) Related party transactions (continued)

(ii) Loans to related parties (continued)

	Types of collateral	2018	2017
Good First Group Co., Ltd.	Pledged	123	–
	Collateralised	–	668
	Guaranteed	–	177
Inner Mongolia Qinghua Group New Energy Photovoltaic Co., Ltd.	Guaranteed	110	–
	Pledged	60	–
Hebei Sulong Photovoltaic Power Generation Co., Ltd.	Collateralised	104	104
Xinjiang Oriental Hope Nonferrous Metals Co., Ltd.	Pledged	100	–
Shanghai Songjiang Water Company	Guaranteed	92	90
Tianjin Haihui Real Estate Development Co., Ltd.	Collateralised	60	–
HopeSenlan Science & Technology Co., Ltd.	Guaranteed	30	30
Sichuan Hope Senlan Energy and Chemical Co., Ltd.	Guaranteed	30	100
Chongqing Yufu Highway Co., Ltd.	Pledged	20	27
Sinopharm Group Co., Ltd. and its subsidiaries	Guaranteed	Note	5,730
AUSPICIOUS SUCCESS LIMITED	Guaranteed	Note	784
Xiamen Oita Sports Culture Development Co., Ltd.	Collateralised	–	650
Minsheng Yanglao Co., Ltd.	Guaranteed	–	346
Bybo Dental Group and its subsidiaries	Guaranteed	–	250
Nanjing Iron and Steel Unite Co., Ltd.	Pledged	Note	97
CUDECO LIMITED	Guaranteed	–	65
Sichuan Hope Senlan Air Conditioning Manufacturing Co., Ltd.	Guaranteed	Note	50
Shanxi New Hope Energy Investment Development Co., Ltd.	Pledged	–	50
Sichuan Meihao Estate Enterprise Marketing & Planning Co., Ltd.	Pledged	–	43
Sichuan Hope West Construction Co., Ltd.	Guaranteed	–	20
Individuals	Collateralised	14	26
	Guaranteed	3	–
Total		31,375	12,194
Ratio to similar transactions (%)		1.04	0.45

Note: As at 31 December 2018, these entities were no longer related parties of the Group.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Related party transactions (continued)

(2) Related party transactions (continued)

(ii) Loans to related parties (continued)

Amount of transactions:

	2018	2017
Interest income from loans	557	258
Ratio to similar transactions (%)	0.24	0.11

As at 31 December 2018, none of the above loans were found to be impaired individually (31 December 2017: nil).

(iii) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	2018		2017	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to simllar transaotions (%)
Placements with banks and other financial institutions	5,037	2.04	–	–
Financial assets measured at amortised cost	4,136	0.37	–	–
Financial assets at fair value through other comprehensive income	1,810	0.39	–	–
Balances with banks and other financial institutions	401	0.77	–	–
Financial assets at fair value through profit or loss	78	0.02	70	0.09
Financial assets held under resale agreements	35	0.09	–	–
Investment securities:				
– available-for-sale securities	–	–	1,235	0.33

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Related party transactions (continued)

(2) Related party transactions (continued)

(iii) Other transactions with related parties (continued)

	2018		2017	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Long-term receivables	–	–	416	0.41
Other assets	–	–	42	0.04
Deposits from customers	10,516	0.12	17,668	0.60
Deposits and placements from banks and other financial institutions	3,397	0.01	212	0.02
Other liabilities	–	–	48	0.05

Amount of transactions for the reporting period:

	2018		2017	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	379	0.16	32	0.01
Interest expense	255	0.16	591	0.41
Fee and commission income	88	0.17	352	0.65
Operating expenses	489	1.00	373	0.79

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Related party transactions (continued)

(2) Related party transactions (continued)

(iii) Other transactions with related parties (continued)

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

	2018		2017	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	2,948	0.65	3,849	0.83
Guarantees	3,468	3.03	3,421	2.41
Letters of credit	633	0.56	375	0.35
Unused credit card commitments	12	0.01	–	–

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

	2018		2017	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	32,676	1.09	11,851	0.43
Discounted bills under resale agreements, issued by related parties	1	–	–	–

None of the above related party transactions have a material impact on the Group's profit or loss for the years ended 31 December 2018 and 31 December 2017, and the Group's financial position as at 31 December 2018 and 31 December 2017.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

48 Related party transactions (continued)

(2) Related party transactions (continued)

(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 2018 and 31 December 2017.

(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 RMB5 million as at 31 December 2018 (31 December 2017: RMB6 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB114 million for the year ended 31 December 2018 (2017: RMB133 million, the related salaries and benefits were restated in accordance with the *Supplementary Announcement Regarding the Senior Management's Emoluments 2017 of China Minsheng Banking Crop., Ltd.).* Of which, pre-tax compensations for the Executive Directors, Chairman of the Supervisory Board, Vice Chairman of the Supervisory Board and executive officers included RMB55 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2017: RMB49 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. If losses are incurred in their tenure and attributable to them, the Bank withholds the right to stop payment and recover the paid amount. The Bank started to subscribe for supplementary pension insurance for the key management personnel from the second half year of 2018, the amount of which totaled to RMB5.51 million in 2018.

48 Related party transactions (continued)

(2) Related party transactions (continued)

(v) Transactions with key management personnel (continued)

The 2018 emoluments before tax of Executive Directors, the Chairman of the Supervisory Board, the Vice 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 2018 financial statements.

(vi) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	2018	2017
Balances with banks and other financial institutions	–	51
Placements with banks and other financial institutions	17,730	2,500
Loans and advances to customers	3,019	2,504
Other assets	2,199	376
Deposits and placements from banks and other financial institutions	6,689	8,638
Deposits from customers	1,422	497
Other liabilities	1,967	47

Amount of transactions for the reporting period:

	2018	2017
Interest income	876	251
Interest expense	216	182
Fee and commission income	128	286
Operating expenses	348	327

For the year ended 31 December 2018, the transactions between subsidiaries of the Group were mainly inter-bank deposits. As at 31 December 2018, the balance of the above transactions was RMB747 million (31 December 2017: RMB275 million).

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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 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 2018, 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)

49 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

	2018			
	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	29,022	59,963	2,486	91,471
Equity investments	8,225	520	4,756	13,501
Investment funds	56,859	–	–	56,859
Specialised asset management plans	–	160,361	30	160,391
Wealth management products	–	58,871	–	58,871
Financial assets at fair value through other comprehensive income				
Debt securities	62,527	394,860	3,681	461,068
Equity investments	–	–	625	625
Loans and advances to customers designated at fair value through other comprehensive income	–	98,311	–	98,311
Derivative financial assets				
Interest rate contracts	–	1,807	–	1,807
Exchange rate contracts	–	16,606	–	16,606
Others	–	14,699	–	14,699
Total	156,633	805,998	11,578	974,209
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	–	(461)	–	(461)
Exchange rate contracts	–	(15,600)	–	(15,600)
Others	–	(1,939)	–	(1,939)
Financial liabilities at fair value through profit or loss	(121)	(866)	–	(987)
Total	(121)	(18,866)	–	(18,987)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 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)

	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading purpose				
Debt securities	**23,076**	**39,213**	**–**	**62,289**
Equity investments	**532**	**–**	**531**	**1,063**
Investment funds	**1,314**	**–**	**–**	**1,314**
Financial assets designated at fair value through profit or loss				
Debt securities	**251**	**6,952**	**72**	**7,275**
Investment funds	**2,432**	**–**	**228**	**2,660**
Derivative financial assets				
Interest rate contracts	**–**	**1,050**	**–**	**1,050**
Exchange rate contracts	**–**	**11,298**	**–**	**11,298**
Others	**26**	**6,333**	**27**	**6,386**
Available-for-sale financial assets				
Debt securities	**59,740**	**262,203**	**56**	**321,999**
Equity investments	**1,067**	**358**	**4,061**	**5,486**
Investment funds	**51,252**	**–**	**–**	**51,252**
Total	**139,690**	**327,407**	**4,975**	**472,072**
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	**–**	**(315)**	**–**	**(315)**
Exchange rate contracts	**–**	**(16,321)**	**–**	**(16,321)**
Others	**(18)**	**(1,422)**	**–**	**(1,440)**
Financial liabilities at fair value through profit or loss	**(777)**	**(2,596)**	**–**	**(3,373)**
Total	**(795)**	**(20,654)**	**–**	**(21,449)**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 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

	2018			
	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	29,022	59,963	2,388	91,373
Equity investments	7,765	407	3,906	12,078
Investment funds	55,618	–	–	55,618
Specialised asset management plans	–	160,361	–	160,361
Wealth management products	–	58,871	–	58,871
Financial assets at fair value through other comprehensive income				
Debt securities	60,885	391,952	3,442	456,279
Equity investments	–	–	625	625
Loans and advances to customers designated at fair value through other comprehensive income	–	97,904	–	97,904
Derivative financial assets				
Interest rate contracts	–	1,702	–	1,702
Exchange rate contracts	–	16,606	–	16,606
Others	–	14,699	–	14,699
Total	153,290	802,465	10,361	966,116
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	–	(456)	–	(456)
Exchange rate contracts	–	(15,600)	–	(15,600)
Others	–	(1,939)	–	(1,939)
Financial liabilities at fair value through profit or loss	(7)	(866)	–	(873)
Total	(7)	(18,861)	–	(18,868)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 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)

	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading purpose				
Debt securities	22,579	39,213	–	61,792
Equity investments	529	–	–	529
Investment funds	–	–	–	–
Financial assets designated at fair value through profit or loss				
Debt securities	251	6,953	–	7,204
Investment funds	2,432	–	–	2,432
Derivative financial assets				
Interest rate contracts	–	1,039	–	1,039
Exchange rate contracts	–	11,298	–	11,298
Others	26	6,333	–	6,359
Available-for-sale financial assets				
Debt securities	58,828	262,080	56	320,964
Equity investments	611	358	4,061	5,030
Investment funds	51,196	–	–	51,196
Total	136,452	327,274	4,117	467,843
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	–	(296)	–	(296)
Exchange rate contracts	–	(16,321)	–	(16,321)
Others	(18)	(1,422)	–	(1,440)
Financial liabilities at fair value through profit or loss	(777)	(2,596)	–	(3,373)
Total	(795)	(20,635)	–	(21,430)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 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

	2018				
	Derivative financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total assets
			Debt securities	Equity securities	
At 1 January	27	5,607	178	155	5,967
— in profit or loss	—	(2,326)	—	—	(2,326)
— in other comprehensive income	—	—	266	—	266
Purchase	—	3,103	2,578	500	6,181
Addition	—	915	659	—	1,574
Settlement	(27)	(27)	—	(30)	(84)
At 31 December	—	7,272	3,681	625	11,578
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	—	(1,361)	69	—	(1,292)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 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)

	2017					
	Derivative financial assets	Financial assets held for trading purpose	Financial assets designated at fair value through profit or loss	Available-for-sale securitles		
				Debt securities	Equity securities	Total assets
At 1 January	84	472	–	14	3,911	4,481
– in profit or loss	–	(28)	20	19	–	11
– in other comprehensive income	–	–	–	(22)	(16)	(38)
Purchase	27	87	71	–	769	954
Addition	–	–	209	45	–	254
Settlement	(84)	–	–	–	(603)	(687)
At 31 December	27	531	300	56	4,061	4,975
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	–	(28)	20	27	–	19

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 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

	2018				
	Derivative financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total assets
			Debt securities	Equity securities	
At 1 January	–	4,964	178	155	5,297
– in profit or loss	–	(1,792)	–	–	(1,792)
– in other comprehensive income	–	–	27	–	27
Purchase	–	2,207	2,578	500	5,285
Addition	–	915	659	–	1,574
Settlement	–	–	–	(30)	(30)
At 31 December	–	6,294	3,442	625	10,361
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	–	(1,354)	69	–	(1,285)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 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)

	2017					
	Derivative financial assets	Financial assets held for trading purpose	Financial assets designated at fair value through profit or loss	Available-for-sale securities		Total assets
				Debt securities	Equity securities	
At 1 January	–	–	–	14	3,308	3,322
– in profit or loss	–	–	–	19	–	19
– in other comprehensive income	–	–	–	(22)	(16)	(38)
Purchase	–	–	–	–	769	769
Addition	–	–	–	45	–	45
At 31 December	–	–	–	56	4,061	4,117
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	–	–	–	27	–	27

(3) Transfers among levels

During the year, the transfers among level 1 and level 2 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)

49 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 measured at amortised, financial assets measured at amortised cost other than bonds and investment securities — loans and receivables

Loans and advances to customers measured at amortised, financial assets measured at amortised cost other than bonds, 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 Financial assets measured at amortised cost-bonds, held-to-maturity securities and available-for-sale equity investments which measured in cost

The fair value for financial assets measured at amortised cost-bonds, held-to-maturity assets and available-for-sale equity investments which measured in cost is 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

49 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

	2018					2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets										
Financial assets measured at amortised cost	1,127,231	1,112,704	6,879	1,105,825	–	–	–	–	–	–
Available-for-sale equity investments	–	–	–	–	–	152	152	–	–	152
Loans and receivables	–	–	–	–	–	974,163	971,020	–	971,020	–
Loans and advances to customers	2,909,961	3,318,785	–	3,318,785	–	2,729,788	3,144,570	–	3,144,570	–
Held-to-maturity investments	–	–	–	–	–	708,244	679,333	–	679,333	–
Total	4,037,192	4,431,489	6,879	4,424,610	–	4,412,347	4,795,075	–	4,794,923	152
Financial liabilities										
Deposits from customers	3,194,441	3,223,287	–	3,223,287	–	2,966,311	2,982,404	–	2,982,404	–
Debt securities issued	674,523	663,187	–	663,187	–	501,927	497,864	–	497,864	–
Total	3,868,964	3,886,474	–	3,886,474	–	3,468,238	3,480,268	–	3,480,268	–

Bank

	2018					2017				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets										
Financial assets measured at amortised cost	1,119,177	1,104,523	5,894	1,098,629	–	–	–	–	–	–
Available-for-sale equity investments	–	–	–	–	–	125	125	–	–	125
Loans and receivables	–	–	–	–	–	967,600	964,457	–	964,457	–
Loans and advances to customers	2,895,242	3,300,167	–	3,300,167	–	2,714,957	3,126,373	–	3,126,373	–
Held-to-maturity investments	–	–	–	–	–	708,244	679,333	–	679,333	–
Total	4,014,419	4,404,690	5,894	4,398,796	–	4,390,926	4,770,288	–	4,770,163	125
Financial liabilities										
Deposits from customers	3,167,112	3,196,035	–	3,196,035	–	2,936,021	2,954,654	–	2,954,654	–
Debt securities issued	669,396	658,146	–	658,146	–	500,929	496,867	–	496,867	–
Total	3,836,508	3,854,181	–	3,854,181	–	3,436,950	3,451,521	–	3,451,521	–

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

50 Bank statement of financial position

	2018	2017
ASSETS		
Cash and balances with central bank	**385,239**	**438,071**
Balances with banks and other financial institutions	**38,688**	**50,149**
Precious metals	**7,205**	**20,836**
Positive fair value of derivatives	**33,007**	**18,696**
Placements with banks and other financial institutions	**264,255**	**145,705**
Financial assets held under resale agreements	**35,284**	**47,855**
Loans and advances to customers	**2,993,146**	**2,714,957**
Financial investments:		
— Financial assets at fair value through profit or loss	**378,301**	**71,957**
— Financial assets at fair value through other comprehensive income	**456,904**	**—**
— Financial assets measured at amortised cost	**1,119,177**	**—**
— Available-for-sale securities	**—**	**377,315**
— Held-to-maturity securities	**—**	**708,244**
— Loans and receivables	**—**	**967,600**
Property and equipment	**22,366**	**21,559**
Deferred income tax assets	**29,500**	**28,205**
Investment in subsidiaries	**6,396**	**5,385**
Other assets	**36,744**	**77,362**
Total assets	**5,806,212**	**5,693,896**
LIABILITIES		
Borrowings from central bank	**303,837**	**334,500**
Deposits from customers	**3,167,112**	**2,936,021**
Deposits and placements from banks and other financial institutions	**1,098,044**	**1,324,632**
Financial liabilities at fair value through profit or loss	**873**	**3,373**
Negative fair value of derivatives	**17,995**	**18,057**
Financial assets sold under repurchase agreements	**88,628**	**107,390**
Provisions	**1,370**	**808**
Debt securities issued	**669,396**	**500,929**
Current income tax liabilities	**8,578**	**11,402**
Other liabilities	**37,278**	**84,594**
Total liabilities	**5,393,111**	**5,321,706**

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

50 Bank statement of financial position (continued)

	2018	2017
EQUITY		
Share capital	**43,782**	**36,485**
Other equity instrument		
Including: Preference shares	**9,892**	**9,892**
Reserves:		
Capital reserve	**57,150**	**64,447**
Surplus reserve	**39,911**	**34,914**
General reserve	**73,129**	**73,129**
Other reserves	**1,342**	**(4,866)**
Retained earnings	**187,895**	**158,189**
Total equity	**413,101**	**372,190**
Total liabilities and equity	**5,806,212**	**5,693,896**

51 Subsequent events

Up to the approval date of the financial statements, other than the dividends distribution plan set out in Note 39, the Group had no material subsequent events for disclosure.

52 Comparative figures

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

Unaudited Supplementary Information of Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio (%)

	As at 31 December 2018	Average for the year of 2018	As at 31 December 2017	Average for the year of 2017
Liquidity coverage ratio (RMB and foreign currency)	**121.13%**	**100.91%**	**95.46%**	**87.17%**

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

Pursuant to the *Administrative Measures on Liquidity risk of Commercial Banks*, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

2 Currency concentrations

	2018			
	USD	HKD	Others	Total
Spot assets	**407,397**	**49,926**	**54,116**	**511,439**
Spot liabilities	**(364,100)**	**(26,233)**	**(26,143)**	**(416,476)**
Forward purchases	**831,401**	**19,429**	**96,399**	**947,229**
Forward sales	**(808,991)**	**(40,017)**	**(164,803)**	**(1,013,811)**
Net long/(short) position*	**65,707**	**3,105**	**(40,431)**	**28,381**

	2017			
	USD	HKD	Others	Total
Spot assets	**386,901**	**55,112**	**63,665**	**505,678**
Spot liabilities	**(395,750)**	**(33,673)**	**(24,651)**	**(454,074)**
Forward purchases	**668,925**	**13,354**	**62,194**	**744,473**
Forward sales	**(586,963)**	**(26,937)**	**(113,783)**	**(727,683)**
Net long/(short) position*	**73,113**	**7,856**	**(12,575)**	**68,394**

* 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.

Unaudited Supplementary Information of Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers

(1) Impaired loans by geographical area

Group

	2018				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	14,834	9,156	5,900	25,564	55,454
Allowance for impairment losses	7,293	5,247	3,200	15,333	31,073

	2017				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	19,843	11,053	4,433	12,560	47,889
Allowance for impairment losses					
— Individual assessment	5,615	3,582	1,295	3,183	13,675
— Collective assessment	7,010	2,828	1,364	3,535	14,737

Bank

	2018				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	14,823	9,016	5,844	25,262	54,945
Allowance for impairment losses	7,282	5,147	3,174	15,132	30,735

	2017				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	19,830	10,815	4,365	12,348	47,358
Allowance for impairment losses					
— Individual assessment	5,615	3,582	1,295	3,183	13,675
— Collective assessment	7,005	2,670	1,331	3,397	14,403

Unaudited Supplementary Information of Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers (continued)

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

Group

	2018				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	14,072	8,679	5,137	24,172	52,060
Allowance for impairment losses	6,879	5,043	2,947	14,713	29,582

	2017				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	27,702	15,002	5,560	16,798	65,062
Allowance for impairment losses					
— Individual assessment	1,470	1,634	620	1,164	4,888
— Collective assessment	7,876	3,315	1,664	4,363	17,218

Bank

	2018				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	14,061	8,569	5,097	23,559	51,286
Allowance for impairment losses	6,868	4,964	2,928	14,465	29,225

	2017				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	27,688	14,757	5,508	16,384	64,337
Allowance for impairment losses					
— Individual assessment	1,470	1,473	620	1,164	4,727
— Collective assessment	7,871	3,154	1,629	4,178	16,832

Unaudited Supplementary Information of Financial Statements (Continued)

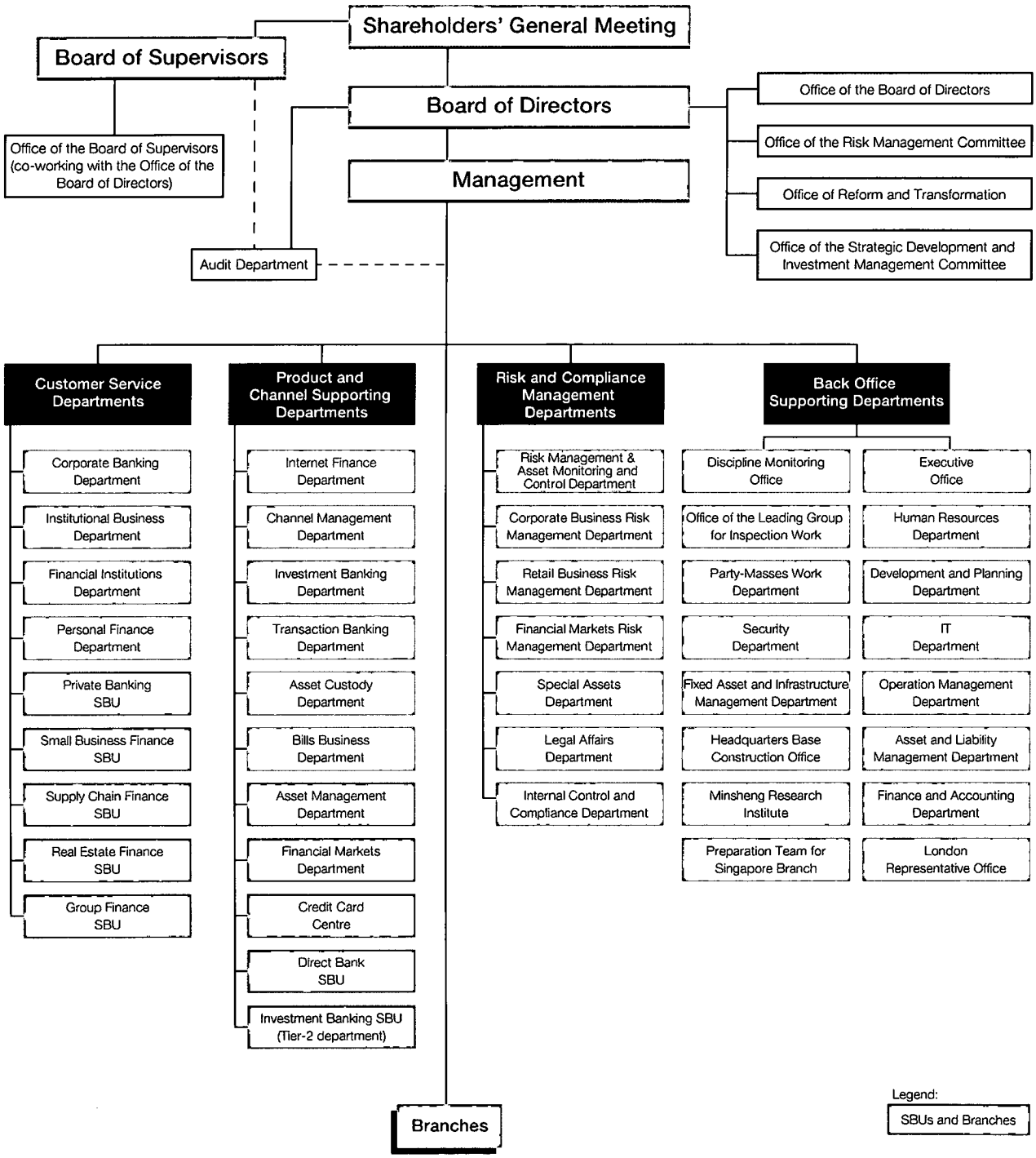
(Expressed in millions of Renminbi, unless otherwise stated)

4 International claims

	2018				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	**59,547**	**18,270**	**15,445**	**1,748**	**95,010**
Public sector entities	**3,505**	**137**	**—**	**—**	**3,642**
Others	**59,384**	**24,490**	**8,021**	**23,166**	**115,061**
Total	**122,436**	**42,897**	**23,466**	**24,914**	**213,713**

	2017				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	**34,794**	**9,624**	**4,924**	**5,182**	**54,524**
Public sector entities	**826**	**130**	**—**	**—**	**956**
Others	**117,807**	**29,043**	**6,148**	**19,715**	**172,713**
Total	**153,427**	**38,797**	**11,072**	**24,897**	**228,193**

Organisation Structure



List of Entities

■Beijing

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

■Shanghai

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

■Guangzhou

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

■Shenzhen

Entity:	**Shenzhen Branch**
Address:	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Postal code:	518038
Tel:	0755-82806003
Fax:	0755-82806890

■Wuhan

Entity:	**Wuhan Branch**
Address:	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan
Postal code:	430000
Tel:	027-85735869
Fax:	027-85735531

■Taiyuan

Entity:	**Taiyuan Branch**
Address:	3–5/F, 9–21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan
Postal code:	030006
Tel:	0351-8208620
Fax:	0351-8208407

■Shijiazhuang

Entity:	**Shijiazhuang Branch**
Address:	Minsheng Bank Tower, No.197 Yuhua Dong Road, Chang'an District, Shijiazhuang
Postal code:	050000
Tel:	0311-66889003
Fax:	0311-66889001

■Dalian

Entity:	**Dalian Branch**
Address:	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian
Postal code:	116001
Tel:	0411-62676996
Fax:	0411-62676985

List of Entities

■**Nanjing**

Entity: **Nanjing Branch**

Address: No. 20 Hongwu Bei Road, Xuanwu District, Nanjing

Postal code: 210005

Tel: 025-83279000

Fax: 025-83279002

■**Fuzhou**

Entity: **Fuzhou Branch**

Address: No. 282 Hudong Road, Gulou District, Fuzhou

Postal code: 350003

Tel: 0591-87875012

Fax: 0591-87617310

■**Hangzhou**

Entity: **Hangzhou Branch**

Address: Block Jinzun, Zunbao Mansion, No.98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou

Postal code: 310016

Tel: 0571-87232682

Fax: 0571-87239789

■**Jinan**

Entity: **Jinan Branch**

Address: Gongbei Building, Shungeng Hillview Hotel, No. 28 Shungeng Road, Shizhong District, Jinan

Postal code: 250002

Tel: 0531-86121680

Fax: 0531-86121690

■**Chongqing**

Entity: **Chongqing Branch**

Address: Tongjuyuanjing Building, No.9 Jianxin Bei Road, Jiangbei District, Chongqing

Postal code: 400020

Tel: 023-67695160

Fax: 023-67695160

■**Ningbo**

Entity: **Ningbo Branch**

Address: No.815 Juxian Road, Gaoxin District, Ningbo

Postal code: 315048

Tel: 0574-87260600

Fax: 0574-83865645

■**Xi'an**

Entity: **Xi'an Branch**

Address: China Minsheng Bank Tower, No.78 Erhuan Nan Road Xiduan, Xi'an

Postal code: 710065

Tel: 029-88266088

Fax: 029-88266090

■**Chengdu**

Entity: **Chengdu Branch**

Address: Block 6, No.966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu

Postal code: 610042

Tel: 028-85102110

Fax: 028-85102113

List of Entities

■Tianjin

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

■Qingdao

Entity:	**Qingdao Branch**
Address:	No.190 Hai'er Road, Laoshan District, Qingdao
Postal code:	266100
Tel:	0532-58610345
Fax:	0532-58610009

■Kunming

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

■Wenzhou

Entity:	**Wenzhou Branch**
Address:	Minsheng Bank Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou
Postal code:	325000
Tel:	0577-88903968
Fax:	0577-88903777

■Quanzhou

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

■Xiamen

Entity:	**Xiamen Branch**
Address:	Xiamen Minsheng Bank Tower, No. 50 Hubin Nan Road, Siming District, Xiamen
Postal code:	361000
Tel:	0592-2383388
Fax:	0592-2682826

■Suzhou

Entity:	**Suzhou Branch**
Address:	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Postal code:	215028
Tel:	0512-62569018
Fax:	0512-62569005

■Zhengzhou

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

List of Entities

■Changsha

Entity: **Changsha Branch**

Address: Minsheng Tower,
No.189 Binjiang Road,
Yuelu District, Changsha

Postal code: 410013

Tel: 0731-84907000

Fax: 0731-84907010

■Changchun

Entity: **Changchun Branch**

Address: Minsheng Tower,
No.500 Changchun Street,
Nanguan District, Changchun

Postal code: 130041

Tel: 0431-88553293

Fax: 0431-88553099

■Hefei

Entity: **Hefei Branch**

Address: Tian Qing Building,
No.135 Bozhou Road, Hefei

Postal code: 230041

Tel: 0551-65682900

Fax: 0551-65682901

■Nanchang

Entity: **Nanchang Branch**

Address: No.545 Huizhan Road,
Honggutan New District, Nanchang

Postal code: 330035

Tel: 0791-86751227

Fax: 0791-86761557

■Shantou

Entity: **Shantou Branch**

Address: 1–3/F, Huajing Plaza,
No.17 Hanjiang Road, Longhu District,
Shantou

Postal code: 515000

Tel: 0754-88363056

Fax: 0754-88363055

■Nanning

Entity: **Nanning Branch**

Address: 1–3/F, 3M/F, 30–31/F
and 36/F, Block C,
China Resources Building,
No.136-5 Minzu Avenue, Nanning

Postal code: 530000

Tel: 0771-5772193

Fax: 0771-5772168

■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

Tel: 0471-3458081

Fax: 0471-2849082

■Shenyang

Entity: **Shenyang Branch**

Address: No.65 Nanjing Bei Street,
Heping District, Shenyang

Postal code: 110001

Tel: 024-22587777

Fax: 024-22587716

List of Entities

■Hong Kong

Entity:	**Hong Kong Branch**
Address:	40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Postal code:	—
Tel:	00852-22816800
Fax:	00852-28992617

■Guiyang

Entity:	**Guiyang Branch**
Address:	Block 8, Tianyi International Plaza, No. 33 Yunling Nan Road, Gaoxin District, Guiyang
Postal code:	550081
Tel:	0851-88508011
Fax:	0851-88508012

■Haikou

Entity:	**Haikou Branch**
Address:	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou
Postal code:	570105
Tel:	0898-36797777
Fax:	0898-36799888

■Lhasa

Entity:	**Lhasa Branch**
Address:	Global Plaza, No.8 Beijing Xi Road, Lhasa
Postal code:	850000
Tel:	0891-6853619
Fax:	0891-6363808

■Shanghai

Entity:	**Shanghai Pilot Free Trade Zone Branch**
Address:	40/F, No.100 Pudong Nan Road, Pudong New District, Shanghai
Postal code:	200120
Tel:	021-61876887
Fax:	021-61876917

■Harbin

Entity:	**Harbin Branch**
Address:	1–6/F, Zone One, Olympic Centre, No.11 Aijian Road, Daoli District, Harbin
Postal code:	150000
Tel:	0451-58569000
Fax:	0451-58569000

■Lanzhou

Entity:	**Lanzhou Branch**
Address:	1–4/F, Gansu Daily Press Plaza, No.123 Baiyin Road, Chengguan District, Lanzhou
Postal code:	730030
Tel:	0931-6116100
Fax:	0931-6116230

■Urumqi

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

■**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

Tel: 0971-8257510

Fax: 0971-8257573

■**Yinchuan**

Entity: Yinchuan Branch

Address: 1–5/F, Block 19, Jinhaimingyue,
No.106 Shanghai Xi Road,
Jinfeng District, Yinchuan

Postal code: 750004

Tel: 0951-8688818

Fax: 0951-8688988

Statistics of Correspondent Banks of China Minsheng Banking Corp., Ltd.

As at the end of 2018, the Bank had 1,415 correspondent banks in 108 countries and regions



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