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

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OS AA01

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

Companies House

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

✗ **What this form is NOT**
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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.

OS AA01

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

A3 Audited accounts

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

Part 3 Signature

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

Signature

Signature

X X

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

OS AA01

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

Presenter information

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

Contact name

Company name ALLIOTTS LLP

Address Imperial House, 8 Kean Street

London

Post town

County/Region

Postcode W C 2 B 4 A S

Country

DX

Telephone 020 7240 9971

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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

Important information

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

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House,
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139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

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Further information

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

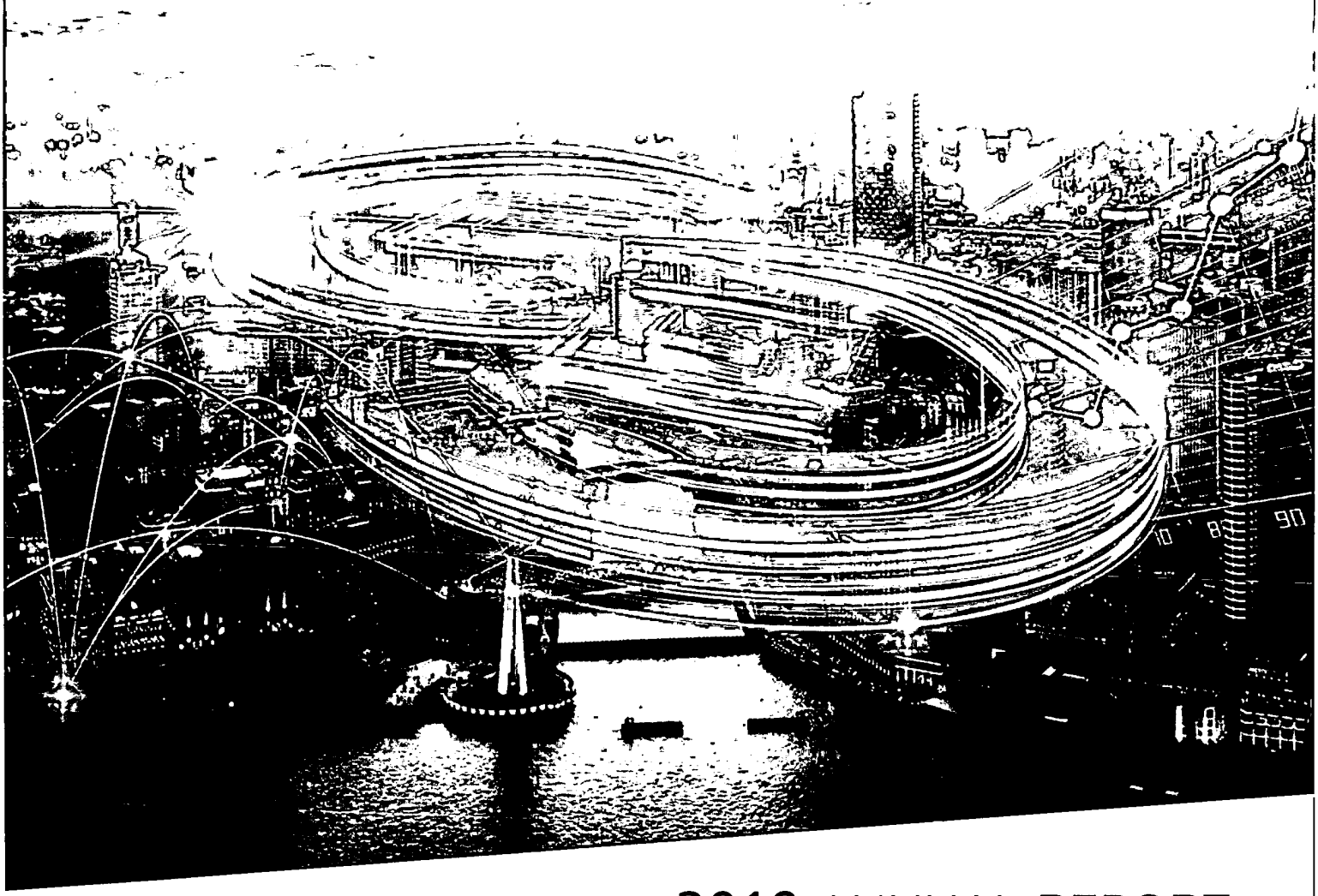
This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

中国民生银行
CHINA MINSHENG BANK

(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
行稳致远



2019 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 30 March 2020 at the 20th meeting of the seventh session of the Board of the Company. Of the 15 Directors who were entitled to attend the meeting, two Directors attended the meeting in person, 13 Directors, being the Vice Chairmen Zhang Hongwei, Lu Zhiqiang and Liu Yonghao, and Directors Shi Yuzhu, Wu Di, Song Chunfeng, Weng Zhenjie, Liu Jipeng, Li Hancheng, Xie Zhichun, Peng Xuefeng, Liu Ningyu and Tian Suning, participated in the meeting by teleconference. Of the nine Supervisors who were entitled to attend the meeting as non-voting delegates, nine Supervisors attended the meeting as non-voting delegates.

The profit distribution plan for 2019 was approved by the Board, pursuant to which a cash dividend of RMB3.70 (tax inclusive) will be distributed to all shareholders for every 10 shares being held on the record dates. The above profit distribution plan is subject to approval by the shareholders' general meeting of the Company.

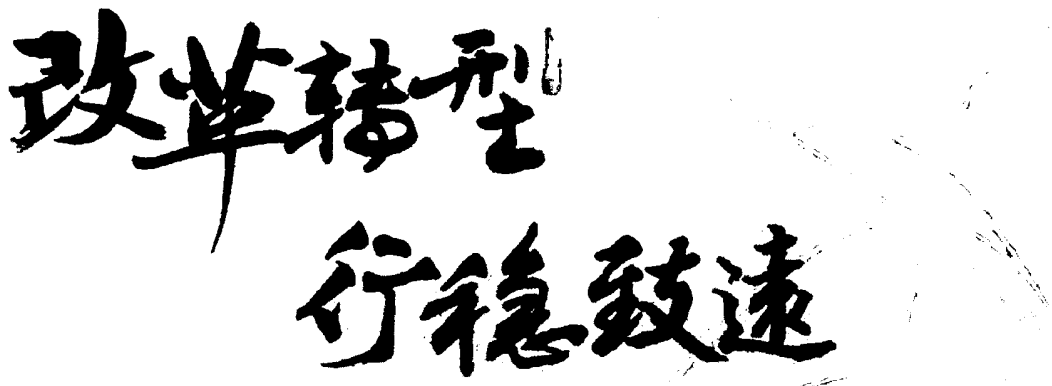
For the purpose of this Annual Report, China Minsheng Banking Corp., Ltd. shall be referred to as the "Company", the "Bank", "China Minsheng Bank" or "Minsheng Bank", whereas China Minsheng Banking Corp., Ltd. and its subsidiaries together shall be referred to as the "Group".

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.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, auditors of the Company, have audited the financial reports of 2019 prepared in accordance with the Chinese Accounting Standards ("CAS") and the IFRSs, respectively, and issued standard and unqualified auditors' reports.

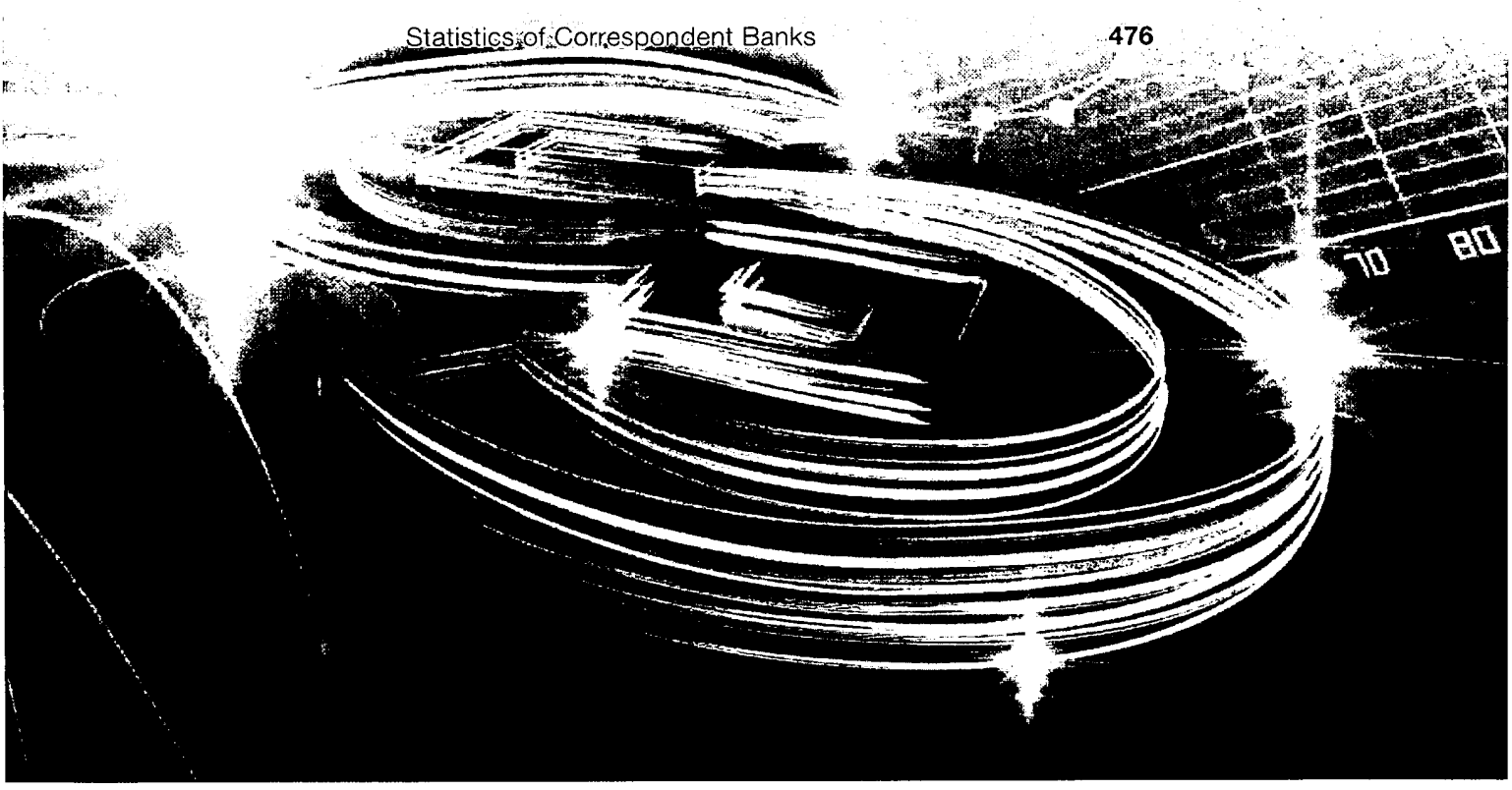
Board of Directors
China Minsheng Banking Corp., Ltd.

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.



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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-centric 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 2019 to 31 December 2019
"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. For potential risks, please refer to the section headed "XI. Prospects and Measures — (III) Potential risks" under Chapter 3 "Discussion and Analysis on Business Operation" of this report.



Chairman **Mr. HONG Qi**

Message from the Chairman

In 2019, situations at home and abroad as well as the macro-economy and financial systems were complicated with significantly increasing risks and challenges. Despite the challenges, the domestic economy and society maintained sustainable and healthy growth under the strong leadership of the CPC Central Committee, with General Secretary Xi Jinping as the core. Coupled with the significant milestone in reform and opening-up, these achievements took China a step closer to build a moderately well-off society in an all-round way. As for the financial sector, major progress was made in preventing and mitigating financial risks while the financial institutions continued to improve the quality and efficiency of their service for the real economy.

In 2019, on the backdrop of increasing risks and challenges in the macro-economy and financial systems, rising operating difficulties and financial pressures of the non-state-owned enterprises ("NSOEs") and small and micro enterprises, the adjustments to the operation strategies and business deployment of manufacturing enterprises due to the uncertainties arising from Sino-US trade frictions, and the substantial price fluctuations of financial products in various financial markets, China Minsheng Bank continued its pursuit of reform and transformation to facilitate its development, comprehensively enhanced its operation and management, and recorded the best operating results in recent years, as reflected in the four major aspects below:

Firstly, operating efficiency continued to improve. In 2019, the Group recorded net profit attributable to equity shareholders of the Company of RMB53,819 million, representing an increase of 6.94% as compared with the corresponding period of the previous year. Operating income amounted to RMB177,745 million, representing an increase of 15.30% as compared with the corresponding period of the previous year. Net interest margin was 2.11%, representing an increase of 0.24 percentage points as compared with the corresponding period of the previous year. Cost-to-income ratio was 27.14%, representing a decrease of 3.44 percentage points as compared with corresponding period of the previous year. These operating results were the best in recent years.

Secondly, rapid growth was made in strategic and key businesses. As at the end of 2019, Minsheng Bank extended a total of over RMB1.5 trillion loans to NSOEs, accounting for approximately 70% of total corporate loans and advances. Total retail loans amounted to RMB1,397,216 million, representing an increase of 14.72% as compared with the end of the previous year. Total amount of loans to small and micro enterprises was RMB444,560 million, representing an increase of 9.25% as compared with the end of the previous year. Total savings deposits was RMB706,354 million, representing an increase of 24.96% as compared with the end of the previous year. Savings deposits accounted for 19.76% of total deposits, representing an increase of 1.76 percentage points as compared with the end of the previous year.

Thirdly, asset quality was improved. As at the end of 2019, the Group recorded non-performing loans ("NPLs") of RMB54,434 million, representing an increase of RMB568 million as compared with the end of the previous year. Non-performing loan ("NPL") ratio decreased by 0.20 percentage points to 1.56% as compared with the end of the previous year, bringing to a halt the continuous increase in NPL ratio in recent years. Allowance to NPLs was 155.50%, representing an increase of 21.45 percentage points as compared with the end of the previous year. Allowance to total loans was 2.43%, representing an increase of 0.07 percentage points as compared with the end of the previous year.

Fourthly, capital strength was significantly enhanced. Capitalising on market opportunities and the adjustment period of policies in 2019, the Group successfully issued tier-two capital bonds of RMB40,000 million, undated capital bonds of RMB40,000 million and preference shares of RMB20,000 million, providing capital support for the sustainable development of its business.

With the all-round satisfactory operating results, Minsheng Bank consolidated its reform and transformation to align with its strategic positioning of becoming "a bank for the NSOEs", "a fintech-based bank" and "a bank of comprehensive services" in 2019. These strategic transformation efforts gradually demonstrated their significant contributions in the following major aspects:

— In terms of becoming "a bank for the NSOEs", the number of strategic NSOE customers of the Company reached 650 as at the end of 2019, representing an increase of 83.62% as compared with the end of the previous year. Daily average deposits amounted to RMB359,855 million, representing an increase of 86.20% as compared with the previous year. Total loans amounted to RMB436,468 million, representing an increase of 113.00% as compared with the end of the previous year. The number of small and micro enterprises, with total loans amounting to RMB444,560 million, exceeded 310 thousand.

— In terms of becoming "a fintech-based bank", the number of users of corporate online platforms of the Company reached 2,310.3 thousand as at the end of 2019, representing an increase of 498.3 thousand, or 27.50%, as compared with the end of the previous year. The number of users of retail online platforms reached 70,411.8 thousand, representing an increase of 11,112.0 thousand, or 18.74%, as compared with the end of the previous year.

— In terms of becoming "a bank of comprehensive services", subsidiaries of the Company recorded operating income and net profit attributable to equity shareholders of the Company of RMB6,141 million and RMB1,331 million in 2019, respectively, representing increases of 9.45% and 100.75% as compared with the corresponding period of the previous year, respectively.

Message from the Chairman

These achievements of Minsheng Bank in 2019 are the results of its continuous reform and transformation over the past five years. As mentioned five years ago, there would be larger risks and potential problems arising from the rapid growth of the Company as it had adopted an extensive development model for years. As such, the Board proposed to establish another version of Minsheng Bank five years ago to focus on its goals with specific targets, markets and customers based on its clear objectives, principles and expectations. From the management perspective, this version of Minsheng Bank is an integration of the front, middle and back offices by streamlining business system and staff management based on a customer-centric approach. Through this integration, operation procedures will be simplified, efficient, well-structured, controllable and complete. With optimised business operation, we will be able to satisfy the needs of customers.

Through the implementation of the "Phoenix Project" and reform and transformation over the past five years, as well as the continuous efforts of the Board and the management in instilling new concepts, carrying out promotion and supervision and introducing innovative measures, there was a significant change in the mind-sets and concepts of all employees from separate and extensive operation to coordinated and streamlined management. The initial extensive operation was gradually transformed into streamlined development in different business segments, such as strategic NSOE customers of corporate business, namelists of supply chain finance, small and medium-sized enterprises ("SMEs") of the "Ying Huo Plan (螢火計劃)", Small Business 3.0 of retail business, and agency services of financial markets business. Most importantly, the Company has fostered a core team of talents during the reform, who are insightful, dare to reform, professionally skilled and innovative. This is the most significant achievement and support to our reform and transformation. As proven by the current success of Minsheng Bank, as long as there is a firm will to reform, there will be fruitful results in return!

2020 is the final year for China to complete the process of building a moderately well-off society in an all-round way, the final year of the 13th Five-Year Plan and the year for prevention and mitigation of financial risks. With the outbreak of the COVID-19 epidemic and the increasing uncertainties in the external environment, banks will take on a more important role in supporting the real economy and will face greater pressure of reform and transformation. As stipulated in the Central Economic Work Conference held in December 2019, medium- to long-term financing of the manufacturing industry will be increased in order to mitigate the difficulties and high costs of NSOEs, medium, small and micro enterprises in financing. As being pointed out at the National Banking and Insurance Regulatory Work Conference (全國銀行業保險業監督管理工作會議) held in January 2020, financial services to NSOEs, especially those of the manufacturing industry, shall be strengthened with special support for the advanced manufacturing industry and industrial clusters. Mitigation efforts shall be particularly made for promising enterprises under liquidity strain. According to the Opinions on Creating Better Development Environment to Support the Reform and Development of NSOEs (《關於營造更好發展環境支持民營企業改革發展的意見》) issued by the State Council in December 2019, mechanism of the financial institutions of the banking industry for serving the NSOEs shall be consolidated while credit support for major areas, such as the manufacturing industry, small and micro enterprises and the NSOEs, shall be strengthened.

Message from the Chairman

As reflected from the decision-making and deployment of the central government, regulatory requirements and relevant policy documents, the potential of the financial services for NSOEs and small and micro enterprises in the banking industry is vast. The strategic positioning of Minsheng Bank to become "a bank for the NSOEs" is in line with the direction and positioning of national strategies and decision-making requirements. Minsheng Bank has been committed to providing financial services for NSOEs and small and micro enterprises over the years. Through continuous exploration in business models and service methods, Minsheng Bank has provided rich experience and diversified tools for the banking industry to provide financial services for NSOEs and small and micro enterprises. Minsheng Bank will play a more active role in supporting the economic development of private sectors and the economic growth of China. It will also have a greater development potential in the future.

In response to the outbreak of the COVID-19 epidemic in early 2020, Minsheng Bank promptly donated money and necessary items to fight against the epidemic. In addition, it immediately introduced measures to deal with the COVID-19 epidemic in accordance with the instructions and requirements of five authorities, including the PBOC, in an aim to effectively maintain stable and efficient financial services, ensure financial supply and financing support for epidemic prevention and control and help all enterprises to overcome the difficulties and resume operation and production.

In addition to providing financial support for epidemic prevention and control, Minsheng Bank will accelerate the implementation of six strategies in 2020:

Firstly, the implementation of NSOE strategy will be accelerated. In regard to the strategic NSOEs, the namelist of strategic NSOEs will be further updated, a synergy mechanism will be adopted, the system-based account planning process will be standardised and widely promoted, so as to significantly enhance the coordination of risk management and business operations. In regard to the niche NSOEs, businesses alongside the industry chains will be further developed, innovation mechanism will be further supported by the digital factory, and the capabilities of branch-level marketing teams will be further improved. In regard to small and medium-sized NSOEs, a system of differentiated products and services will be established to build up competitiveness in asset businesses.

Secondly, the retail business will be empowered by technology to achieve leaping development. The asset business and wealth management under retail business will be further innovated. The vertical management project for retail business will be promoted. Private banking services for entrepreneurs will be enhanced by improving wealth management capabilities, strengthening big data-based marketing platform, and optimising wealth management product system. Integrated operation of all retail channels will be strengthened to enhance customers' experience and channel effectiveness. The coordinated management of "big retail banking (大零售)" and the capabilities of headquarters for retail business will be improved.

Message from the Chairman

Thirdly, the transformation of asset management business will be facilitated. Asset management measures, including investment research, sales, asset acquisition, product innovation and outsourcing will be strengthened. The establishment of wealth management subsidiaries will be accelerated. Asset management capabilities will be further improved along with the development of wealth management business and subsidiaries, and will be supported by core talents, mechanisms and policies. A synergy mechanism between the wealth management subsidiaries and the Company will be established. Risk management procedures and policy systems will be set up to enhance risk management.

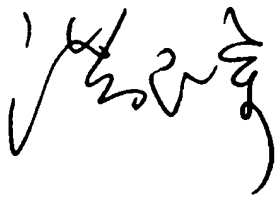
Fourthly, the effectiveness of professional management of non-performing assets will be improved. The value of non-performing assets will be fairly determined with improved professional management of non-performing assets, while valuation results will be linked with performance evaluation and resources allocation. Vertical and standardised management over branches, as well as vertical management over collection and disposal activities of business units will be tightened. Moreover, professional talents will be introduced to continuously enhance the professional operation of all branches.

Fifthly, fintech strategies and large-scale innovations will be implemented. Data governance will be consolidated to promote large-scale application of big data in key areas. Teams of data professionals will be built to further promote key data governance and enhance application results of data quality, marketing management and key business operations. Integration of IT and businesses and large-scale innovations will be promoted. Integration of internet finance and businesses will be completed to support the independent operation of direct bank. A fintech accelerator will be created for an open and efficient innovation platform.

Sixthly, vitality regeneration and innovation of systems and mechanisms will be carried out. To improve innovation, effective and practical innovation incentive policies and training systems will be launched in a timely manner in line with risk compliance. Innovation resources will be well-allocated to facilitate innovation laboratories, incubators and responsive innovation measures, so as to build a positive mechanism which encourages, inspires and boosts innovation, and open a new door to the innovative development of the Company.

Message from the Chairman

2020 will be an extraordinary and challenging year. As pointed out by General Secretary Xi Jinping, we will surely overcome this epidemic, maintain the satisfactory position of the economic and social development of China, and achieve the goals of building a moderately well-off society in an all-round way and alleviating poverty. I believe that so long as we are fully committed to reform and transformation and unswervingly implement our six strategies despite the challenges ahead, the goals of the 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方案》) will be successfully achieved. These efforts will enable Minsheng Bank to become a benchmark bank with distinctive features, increased value and continuous innovation!



HONG Qi
Chairman of the Board of Directors
China Minsheng Banking Corp., Ltd.
30 March 2020



President **Mr. ZHENG Wanchun**

Message from the President

Another year has passed, and spring has come.

The year of 2019 marked the 23rd anniversary of Minsheng Bank. Over the past 23 years, despite the challenges from the changes in internal and external environments, operation and management and market position, we have always adhered to our mission of "From the People, For the People (為民而生，與民共生)" and our vision of "a time-honoured bank (長青銀行，百年民生)". Taking our mission into action and our vision leading our thoughts, we have exerted tremendous efforts over the years and achieved outstanding development, demonstrating the vitality and devotion of Minsheng Bank.

In 2019, capitalising on the opportunities from the 70th anniversary of the founding of the People's Republic of China (PRC), Minsheng Bank was dedicated to promoting innovation and business development through reform and transformation. Key indicators including scale, structure, efficiency and quality maintained steady growth. In 2019, operating income of the Group amounted to RMB177,745 million, representing an increase of 15.30% as compared with the previous year. Net profit attributable to equity shareholders of the Company amounted to RMB53,819 million, representing an increase of 6.94%. As at the end of the year, total assets and total liabilities on balance sheet amounted to RMB6.68 trillion and RMB6.15 trillion, respectively. Of which, the increase in both deposits and loans hit record high. Both of NPL ratio and overdue ratio decreased and asset quality remained satisfactory. As at the end of the year, capital adequacy ratio (CAR) of the Bank was 13.27%, the best record ever. After enduring hardships, making adjustments and gathering experiences in the past few years, the contradiction and risks accumulated from the rapid development of Minsheng Bank in history were gradually diminished. We are proud to say that our reform and transformation are the key to high quality development, and we have moved forward to the journey of development featuring light capital, high quality service, high intelligence and strong characteristics.

In 2019, Minsheng Bank endeavoured to establish a sound service framework for strategic NSOEs, SMEs as well as small and micro enterprises to provide customised services for different enterprises and create a unique brand of featured services. With respect to strategic NSOEs, the Bank adopted "1+3" comprehensive service model, refined the team working mechanism of "five-in-one" and provided butler service. With respect to SMEs, the Bank carried out the "Minsheng SME Project", created the brand of "Ying Huo Plan" and provided personalised financial services. With respect to small and micro enterprises, the Bank adopted Small Business 3.0 model, focused on "1+1+N" small and micro enterprises eco-system and provided quality and comprehensive financial services.

Message from the President

In 2019, Minsheng Bank focused on reforming the systems and mechanisms, products and services and data governance with wide application of fintech. We established a technology company, streamlined the organisational structure and operation procedures in response to the business needs with strong technology support. The Bank refined the design to "keep data running faster and make customers less troubled" and offered real time financial services. A development blueprint centering technology was formulated in a scientific approach for a comprehensive and prospective planning of technology and relevant business lines. Insisting on the concepts of "data + technology" and "platform + scenario", Minsheng Bank aims to become a "digitalised, internet-based and intelligent" bank. The development of technology-empowered businesses was accelerated. Mobile banking, WeChat banking, direct banking, remote banking and open-ended banking services were comprehensively optimised. As at the end of the year, the number of customers of internet finance retail platforms exceeded 70 million and the balance of related financial assets amounted to RMB1.79 trillion.

In 2019, Minsheng Bank focused on providing comprehensive, integrated and diversified services to customers by adopting internal assessment, cross selling and innovative models. We changed the performance evaluation framework from the traditional base of "corporate, retail and financial markets" to a new base of customer groups and product lines to break down the man-made severance. Emphasising on five aspects including payroll agency, entrepreneur customer groups, agency business, credit card and asset custody, cross-selling mechanism for key products was strengthened and diversified solutions were provided. To provide one-stop services covering full business circles and process to corporate customers and convenient services to retail customers, we continued to improve the scenario-based transaction bank, customised investment bank, tailor-made entrepreneur services, convenient online bank and comprehensive wealth management.

We continued to review and summarise, think and pursue improvement during the course of our operation. In the midst of the world's unprecedented changes over the century, the banking industry is facing different challenges including innovation, competition, reform and restructuring. To cope with various external changes, banks shall reform to achieve stable development.

— Despite the ever-changing economic cycle and development environment, from recession to prosperity or from a bear market to a bull market, the original aspiration and mission of banks to serve enterprises and facilitate the growth of economy shall continue. As the first national joint-stock commercial bank initiated and established by NSOEs, being "a bank for the NSOEs" has been an inherent mission of Minsheng Bank and also our unswerving strategies. We adhere to the goal of "serving the public, caring about livelihood (服務大眾、情繫民生)" and "honesty shapes the way to success (誠於民、道相生)". Committing to achieving our mission with perseverance, we have been launching innovative products and optimising our services. We aim to facilitate NSOEs to grow during economic upswing period and get support during economic downturn, so as to share prosperity and growth with them.

Message from the President

— Despite the ever-changing varieties of banking services and products, as well as the way to provide services, the efforts of banks to improve service efficiency shall continue. Technology has improved efficiency of banks in every stage of their business model evolution, for example, from "Banking 1.0" with physical outlets, "Banking 2.0" with self-services and "Banking 3.0" with digitalised and intelligent services, to "Banking 4.0" with omnipresent financial services, or from passbook, bank card to APP. Minsheng Bank has been a pioneer in applying technology and improving efficiency. Our direct bank has ranked top in terms of consumer experience for consecutive years and won great market recognition. With the perfect combination of its low-cost, high-efficiency and high-security features, the distributed core system of Minsheng Bank far surpasses all other peers. We put great efforts in eliminating shortcomings of a large-scale enterprise by enhancing organisation performance and reforming authorisation process to improve procedure efficiency, so as to provide quickest services to facilitate our customers to grasp business opportunities.

— Despite the ever-changing demands of customers along with the upgrade of production and living style, the efforts of banks to satisfy the ultimate experience of customers shall continue. Banking services have been evolving as a result of pursuing ultimate customer experience, for example, from currency exchange to deposits and loans, and then to the comprehensive services including deposits, loans, remittance, investment, payment and settlement, wealth management, asset management and risk management, or from a banca waiting for business opportunities at the waterfront in Venice in the 14th century to banking institutions providing banking services which can be accessed anywhere nowadays. Minsheng Bank provided foreign trade enterprises with "single-window" services, which facilitate them to complete all declaration formalities with one-time information collection. By launching new supply chain finance, we achieved a breakthrough in pledge and collateral arrangements and provided enterprises in various industry chains with brand new investment and financing services. We also enhanced the coordination of offline and online systems and explored customer service channels. The Company has worked efficiently with the subsidiaries and expanded the service coverage from banking services to fields including investment banking, leasing and fund services. We are committed to reducing worries and increasing confidence of our customers based on our understanding of them.

Message from the President

— Despite the ever-changing industry development circumstances and regulatory policies, the efforts of banks to defend the bottom lines of risks shall continue. Banking supervision and regulation have been tighter, for example, from micro-prudential supervision to macro-prudential supervision, or from the regulatory inspection of "three violations, three arbitrages, four improperness, ten chaos (三三四十)" for pushing back the banking business to its origin, to the new capital rules for removing rigid repayment. Banking operations need to be re-regulated. Minsheng Bank is clearly aware of the importance of risk control and deems compliance with the regulatory requirements as its highest principle of operation. We keep abreast of market situation and pay attention to risks to ensure the stable development of our financial markets business while strengthening inter-bank services. We have established a policy database and promoted compliance culture education to universalise compliance in operation in order to facilitate stable development.

— Despite the ups and downs in banks' operational performance as affected by internal and external circumstances, the efforts of banks in fulfilling social responsibility shall continue. Banking management is like a marathon of long term competition. During this course, we still need to bear in mind of our root and people in need. Minsheng Bank is always grateful to perform its social responsibility to contribute to the society. In 2019, we established a poverty alleviation system of "One Body and Two Wings (一體兩翼)", which mainly focused on targeted poverty alleviation, and stressed on helping poverty-stricken areas in Tibet, Xinjiang, Sichuan, Yunnan, Gansu and Qinghai and carrying out charity campaigns to encourage the society to participate in poverty alleviation. Donation on poverty alleviation for the year amounted to RMB67.69 million and the balance of loans for targeted poverty alleviation as at the end of the year amounted to RMB3,229 million.

Since its establishment 23 years ago, Minsheng Bank has now become a large modern commercial bank with RMB6.68 trillion total assets (the Group), RMB530.8 billion net assets (the Group), 58.9 thousand employees and 2,610 branches, ranking 28th in the world banking industry. As the pilot of financial reform in China, Minsheng Bank has proven, with its over 20 years of practices, the capabilities of NSOEs to run a bank and to provide quality service back to NSOEs. Competition has changed in the banking industry now, it is time for us to reconsider what is the mission for a pilot in the new era and how to contribute more.

We believe the core mission of a pilot in the new era is to capitalise our advantages in the system and mechanism and bravely carry out innovation, so as to enhance services and competitiveness in the new round of reform and opening up, support the quality development of NSOEs and non-state-owned economy, and contribute to the establishment of a modernised economic system and further satisfy the people's expectation towards a better life. We will continue to adhere to our original aspirations, adapt with changes and make good balance between reform and stability.

Message from the President

At the beginning of 2020, the coronavirus outbreak has caused a nationwide health emergency in China. How can we navigate the ongoing challenges as a plain sailing bank? In addition to making charitable donations, Minsheng Bank has tailored a series of professional and targeted financial services for the customers under the influence of epidemic, including favourable interest rates, simplified procedures, deferred payments and credit protection. We join hands with our customers under the uncertainty to face the difficulties together. We believe our customers and ourselves will be stronger and more resilient when the hard time is gone, and more cooperation will be established.

An unusual beginning turns 2020 into a year of challenges. We consider that the epidemic will cause a negative impact on the economy in the short term, but will not change the trend towards growth in the long term. It is inevitable that the business of banks will suffer in the short term. However, we will maintain a strong commitment to our customers.

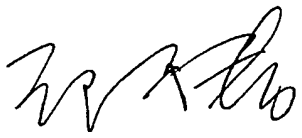
In the coming year, Minsheng Bank will strictly comply with major national strategies and focus on the three major strategic positionings of becoming "a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services". We will adhere to the customer-centric operating principle, take various measures to support the development of NSOEs and small and micro enterprises, deepen reform and transformation, and prevent financial risks, making new and better contribution to the economic and social development and the financial reform.

In the coming year, Minsheng Bank will focus on technology to construct a digitalised, internet-based and intelligent bank. We will take "transaction banking, supply chain and risk control" as the breakthroughs to improve our capabilities in one-stop 2B digital services, refine "wealth management, small business eco-system, consumer credit" and other scenarios to improve our capabilities in scenario-based 2C digital services, and build the three major platforms of "asset management cloud, custody cloud and inter-bank capital cloud" to improve our capabilities in comprehensive 2F digital services.

In the coming year, Minsheng Bank will complete the reform and transformation and the three-year plan. We will consistently show no fear to tackle the difficulties and achieve all goals, including full upgrading from products and services to business model, from front office to middle and back offices, and from organisation efficiency to resources allocation, making phenomenal progress in various businesses including direct bank, small business finance, investment bank, credit card, supply chain finance and asset management, so as to achieve higher quality, higher efficiency and greater momentum.

Message from the President

Throughout the 24 years of history, Minsheng Bank maintained a strong commitment to its aspirations. We made changes in pursuit of excellence. Looking ahead, we will go forward at a faster pace. On the journey towards a time-honoured bank, Minsheng Bank will endeavour to continuously create more values for the customers, the shareholders and the society.



ZHENG Wanchun
President
China Minsheng Banking Corp., Ltd.
30 March 2020

Strategic Positioning and Reform and Transformation of the Company

I. Mission

The world is witnessing major changes unseen in a century. In view of complex economic and financial regulatory situations domestically and internationally, and in response to various challenges such as greater economic downward pressure, accelerated liberalisation of interest rates, stricter financial regulation and extensive application of fintech, the Company has further improved corporate governance, optimised systems and mechanisms, and enhanced organisational efficiency. In particular, the Company has deepened reform and transformation, accelerated business model reform and business adjustment, and continuously promoted the use of technology in business operation and large-scale innovation. Focusing on its development strategies and adhering to its three major strategic positioning of becoming a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services, the Company has further facilitated the continuous improvement of its development quality and competitiveness.

II. Strategic Positioning and Target

(I) Strategic positioning

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

(II) Strategic target

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

During the Reporting Period, the Board and the management led the development of the Bank by adhering to the three strategic positioning of being "a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services". Emphasising on the ten major tasks and 25 key initiatives of the reform and transformation, the Company promoted the transformation of business model and management mechanism to achieve development with high quality, high benefit and high efficiency.

Strategic Positioning and Reform and Transformation of the Company

Firstly, to put "a bank for the NSOEs" in practice, the Company focused on the major NSOE customer groups, especially the strategic customers, niche customers, SMEs and small and micro customers.

The Company accelerated to build the service system for strategic NSOEs, and completed the extension of the list of strategic NSOEs at Head Office and branch levels, enhanced the comprehensive service model of "1+3", implemented the account planning for strategic customers and the "five in one" team work model, and improved the management mechanism for categorised marketing and service. In response to the needs of strategic NSOEs, the Company provided more differentiated and customised financial service solutions based on transaction banking, investment banking and financial markets agency services.

The Company established a new supply chain finance business model, innovated the highly competitive supply chain financing products such as E-Credit Finance (信融E) and E-Receivables (應收E), improved the contectualised supply chain service system, optimised the online marketing and service and risk control procedures, forming a full-chain service capability for niche NSOEs around core enterprises. The Company continued to expand the target customer base of supply chain financial services and provided industrial solutions to 12 major industries.

The Company firmly promoted the "Minsheng SME Project (中小企業民生工程)". By establishing system platform, optimising service procedures and launching highly competitive products, the Company continued to improve comprehensive service capabilities in settlement, financing and wealth management for SME customers. As part of the "Ying Huo Plan (螢火計劃)", the Company promoted the business model of "share option + comprehensive services", which contributed a total of 550 contracted customers. Scale economies and brand reputation of financial services for small and medium-sized NSOEs were gradually formed.

The Company continued to improve the service capability for small and micro enterprises. In response to the new market condition, the Company adjusted the business structure, developed innovative products, streamlined its service channels, accelerated the establishment of online services for small business, cultivated the eco-system of "1+1+N" for small business customer groups, explored integrated operation of "Settlement + Wealth + Credit", and enhanced the professional level of small business services. With the transformation and upgrading of loan business to comprehensive services, the leading position of the Company in the industry was further consolidated.

Secondly, to build up "a fintech-based" bank, the Company accelerated fintech application and promoted business transformation with new technology.

The Company facilitated fintech application based on the core nature of fintech. By making full use of new technology to support business development, the Company expanded the scope of customer service, restructured procedures for product design, optimised supply of financial products and diversified customer service channels. The Company reformed its business patterns based on user thinking and took technology as the locomotive for business transformation.

Based on "platform + data + scenario", the Company established a new scenarised financial service platform for corporate business consisting of six major product systems, six major mid-office systems and six major risk systems. The Company supported the transformation of retail customer group management by optimising the control of big data-based marketing, constructing online eco-system and open-ended banking system to facilitate more accurate online marketing and services.

As the application of distributed technology is becoming increasingly mature, the Company gradually restructured systems for direct bank, certificate management, payment engines and core system of SAP liability in order to facilitate the business transformation towards open-ended and scenario-based financial services, and the IT transformation towards platform and intelligence-oriented operation, and to form the capability of exporting technology.

Thirdly, to build "a bank of comprehensive services", the Company strove to realise the synergy of "One Minsheng" based on the customer-centric philosophy.

Adhering to customer-centric philosophy, the Company focused on the needs of target customers, enriched product supply, optimised service processes and streamlined internal management to promote cross-selling and synergy system under "One Minsheng".

At the Bank level, the Company improved resource allocation and performance evaluation mechanism, promoted synergy across business segments, lines and organisations, improved customer acquisition and management capabilities, and expanded the scope and extent of comprehensive customer services. With the accomplishment of the customer-centric renovation of business outlets, the service and marketing capabilities of the on-site teams were significantly improved and their business performance maintained rapid growth.

At the Group level, the Company strengthened strategic synergy between the Bank and its subsidiaries, coordinated customer-centric business and management to effectively improve joint services for target customers and the financial competitiveness of the Group as a whole.

Annual Awards

The Company was honoured as the "Best Institution in China for 2019 (2019年度中國最佳機構)" by Asia Risk

The Company won the "Top 10 Investment Banking Innovation Award (十佳投資銀行創新獎)", the "2019 China's Financial Innovation Award (2019中國金融創新獎)" and the "Top 10 Mobile Banking Innovation Award (十佳手機銀行創新獎)" by The Chinese Banker

The Company won the "Best Development Award (最佳發展獎)" by China Banking

The Company was awarded the "Best Custodian Bank of the Year (年度最佳託管銀行)" by the Financial Times in its Gold Medal Award of Chinese Financial Institutions (中國金融機構金牌榜)

The Company won the "First Prize for Outstanding Case of Financial Services for Global Industry Chain (金融服務全球產業鏈優秀案例一等獎)" by the Asian Financial Cooperation Association

The Company won the prize of "Hurun New Finance Report in 2019 (2019胡潤新金融百強榜)" at the "Summit of Hurun New Finance Report in 2019 (2019胡潤新金融百強榜峰會)" jointly organised by Hurun Report (胡潤百富) and Tuniu (小鋼人)

The Company won the "Golden Wealth Management" — Private Banking Excellence Award of the Year (「金理財」年度私人銀行卓越獎) by the Shanghai Securities News

The Company was awarded the "Most Influential Brand in the PRC Consumer Market (中國消費市場行業影響力品牌)" by the Consumption Daily (消費日報)

The Company was awarded the "Golden Bull Wealth Management Bank of the Year (年度金牛理財銀行)" in the "Golden Bull Wealth Management Awards (金牛理財綜合評選)" organised by the China Securities Journal

The Company was honoured as the "Outstanding Listed Enterprise in Social Responsibilities" at the 4th Golden Hong Kong Stocks Awards (第四屆金港股「最具社會責任上市公司」大獎) by zhitongcaijing.com (智通財經)

The Company was granted the "2018 Annual Report Gold Award (2018年年報金獎)", "Top 80 Chinese Annual Reports (最佳80強中文年報)" and "Sci-Tech Innovation Award (科技創新獎)" in the International ARC Award (年報大賽) (ARC)

The Company won the "Annual Case of Brand Communication Award (品牌傳播年度案例獎)" by China Financial Publishing House

The Company won the "2019 Chinese Brand Case Award (2019年度中國品牌案例)" by the People's Daily and was listed among "People's Daily Top 100 Index of Chinese Brand Development (Enterprise) (人民日報中國品牌發展(企業)指數100強)"

The Company was granted the "Trustworthy Bank of 2019 (2019年度用戶信賴銀行)" by hexun.com

The Company won the "Best IR Team (最佳IR團隊)" award in the Golden Bauhinia Awards by China Securities

The Company was presented with the "Fifth Investor Relations Award (第五屆投資者關係大獎)" by the Hong Kong Investor Relations Association

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:	Bai Dan
	Company Secretary:	Wong Wai Yee, Ella
	Representative of Securities Affairs:	Wang Honggang
5.	Mailing 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
6.	Registered Address:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
	Postal Code:	100031
	Website:	www.cmbc.com.cn
	Email:	cmbc@cmbc.com.cn
7.	Branch Office and Place of Business in Hong Kong:	40/F and 4106–08, 41/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
8.	Newspapers Selected by the Company for Information Disclosure:	China Securities Journal, Shanghai Securities News and Securities Times
	Website Designated by the CSRC for Publishing the A Share Annual Report:	www.sse.com.cn
	Website Designated by the SEHK for Publishing the H Share Annual Report:	www.hkexnews.hk
	Place for Collection of the Annual Reports:	Office of the Board of the Company

Bank Profile

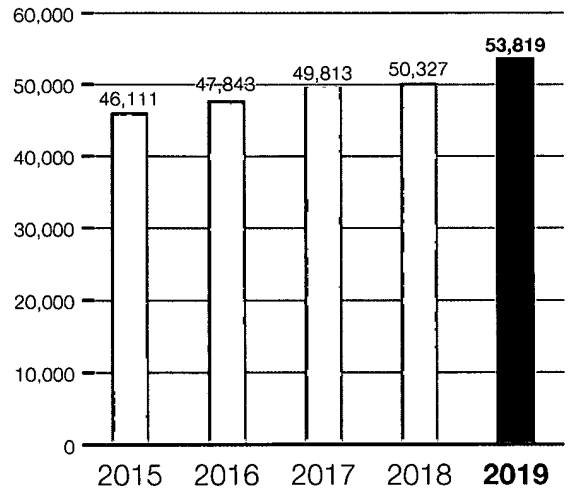
9.	Legal Adviser as to PRC Law:	Grandall Law Firm, Beijing Office
	Legal Adviser as to Hong Kong Law:	Clifford Chance
10.	Domestic Accounting Firm:	PricewaterhouseCoopers Zhong Tian LLP
	Office Address:	11/F, PricewaterhouseCoopers Centre, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai
	International Accounting Firm:	PricewaterhouseCoopers
	Office Address:	22/F, Prince's Building, 10 Chater Road, Central, Hong Kong
	Signing Accountants:	Yan Lin, Zhang Honglei
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
	Domestic Preference Share:	SSE; Stock Name: Minsheng Preference 1; Stock Code: 360037
	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

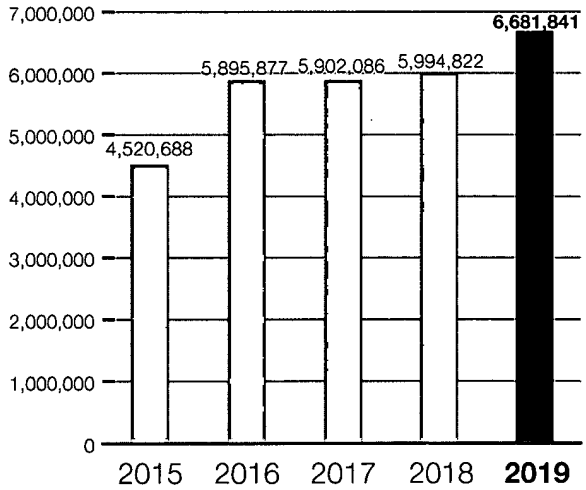
I. Major Accounting Data and Financial Indicators

	2019	2018	Changes of the Reporting Period over the corresponding period of the previous year	2017	2016	2015
Operating results (RMB million)			Increase/decrease (%)			
Net interest income	97,943	76,680	27.73	86,552	94,684	94,268
Net interest income (after adjustment)	113,292	97,942	15.67	86,552	94,684	94,268
Net non-interest income	79,802	77,481	3.00	55,395	59,367	59,483
Net non-interest income (after adjustment)	64,453	56,219	14.65	55,395	59,367	59,483
Operating income	177,745	154,161	15.30	141,947	154,051	153,751
Operating expenses	50,016	49,056	1.96	47,245	52,424	58,176
Impairment losses on loans and advances	60,850	43,611	39.53	32,180	41,214	33,029
Profit before income tax	64,738	58,785	10.13	60,562	60,249	60,774
Net profit attributable to equity shareholders of the Company	53,819	50,327	6.94	49,813	47,843	46,111
Net cash flow from operating activities	-84,927	-395,498	Negative for both periods	-257,059	1,028,855	225,121
Data per share (RMB)						
Basic earnings per share	1.22	1.14	7.02	1.13	1.09	1.08
Diluted earnings per share	1.22	1.14	7.02	1.13	1.09	1.06
Net cash flow per share from operating activities	-1.94	-9.03	Negative for both periods	-5.87	23.50	5.14
Profitability indicators (%)			Changes in percentage points			
Return on average assets	0.87	0.85	0.02	0.86	0.94	1.10
Return on weighted average equity	12.40	12.94	-0.54	14.03	15.13	16.98
Cost-to-income ratio	27.14	30.58	-3.44	32.24	31.21	31.35
Net fee and commission income to operating income ratio	29.42	31.22	-1.80	33.63	33.92	33.30
Net interest spread	1.87	1.64	0.23	1.35	1.74	2.10
Net interest margin (restated)	2.11	1.87	0.24	1.62	1.93	2.31

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



Total Assets (RMB million)



Summary of Accounting Data and Financial Indicators

	31 December 2019	31 December 2018	Changes from the end of the previous year to the end of the Reporting Period	31 December 2017	31 December 2016	31 December 2015
Scale indicators (RMB million)			Increase/decrease (%)			
Total assets	6,681,841	5,994,822	11.46	5,902,086	5,895,877	4,520,688
Total loans and advances to customers	3,487,601	3,056,746	14.10	2,804,307	2,461,586	2,048,048
Total liabilities	6,151,012	5,563,821	10.55	5,512,274	5,543,850	4,210,905
Total deposits from customers	3,604,088	3,167,292	13.79	2,966,311	3,082,242	2,732,262
Share capital	43,782	43,782	—	36,485	36,485	36,485
Total equity attributable to equity shareholders of the Company	518,845	420,074	23.51	378,970	342,590	301,218
Total equity attributable to ordinary shareholders of the Company	448,985	410,182	9.46	369,078	332,698	301,218
Net assets per share attributable to ordinary shareholders of the Company (RMB)	10.26	9.37	9.50	8.43	7.60	6.88
Asset quality indicators (%)			Changes in percentage points			
NPL ratio	1.56	1.76	-0.20	1.71	1.68	1.60
Allowance to NPLs	155.50	134.05	21.45	155.61	155.41	153.63
Allowance to total loans	2.43	2.36	0.07	2.66	2.62	2.46
Capital adequacy ratio indicators (%)						
Core tier-one capital adequacy ratio	8.89	8.93	-0.04	8.63	8.95	9.17
Tier-one capital adequacy ratio	10.28	9.16	1.12	8.88	9.22	9.19
Capital adequacy ratio	13.17	11.75	1.42	11.85	11.73	11.49
Total equity to total assets ratio	7.94	7.19	0.75	6.60	5.97	6.85

Notes: 1. For 2017 and the years before, earnings per share, net cash flow per share from operating activities and net assets per share attributable to ordinary shareholders 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 since 1 January 2018, pursuant to which, gains from the holding of financial assets at fair value through profit or loss are no longer recorded as interest income. The adjusted data of relevant gains to interest income was stated with adjustment.

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. The effect of the distribution of preference shares dividends 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 on interest-earning assets – average cost ratio of interest-bearing liabilities.

7. Net interest margin = net interest income/average balance of interest-earning assets. The comparative figures had been restated.

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 (《關於調整商業銀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

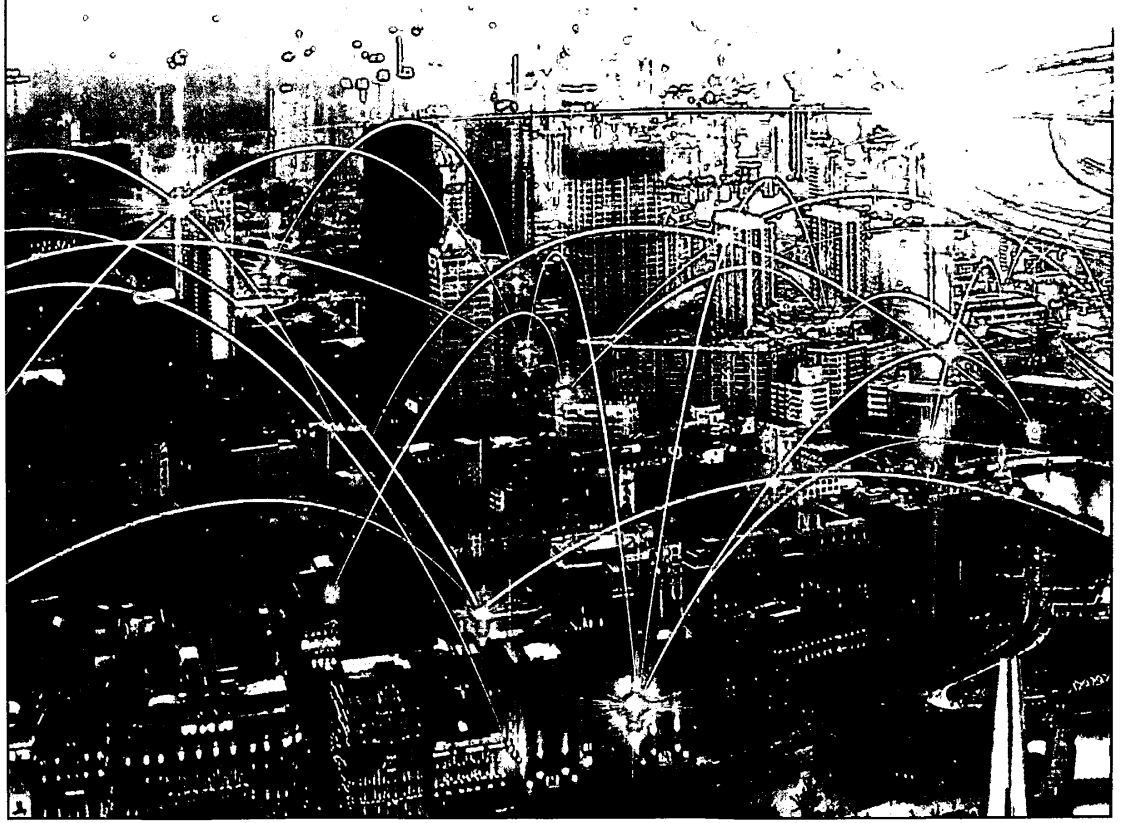
(Unit: %)

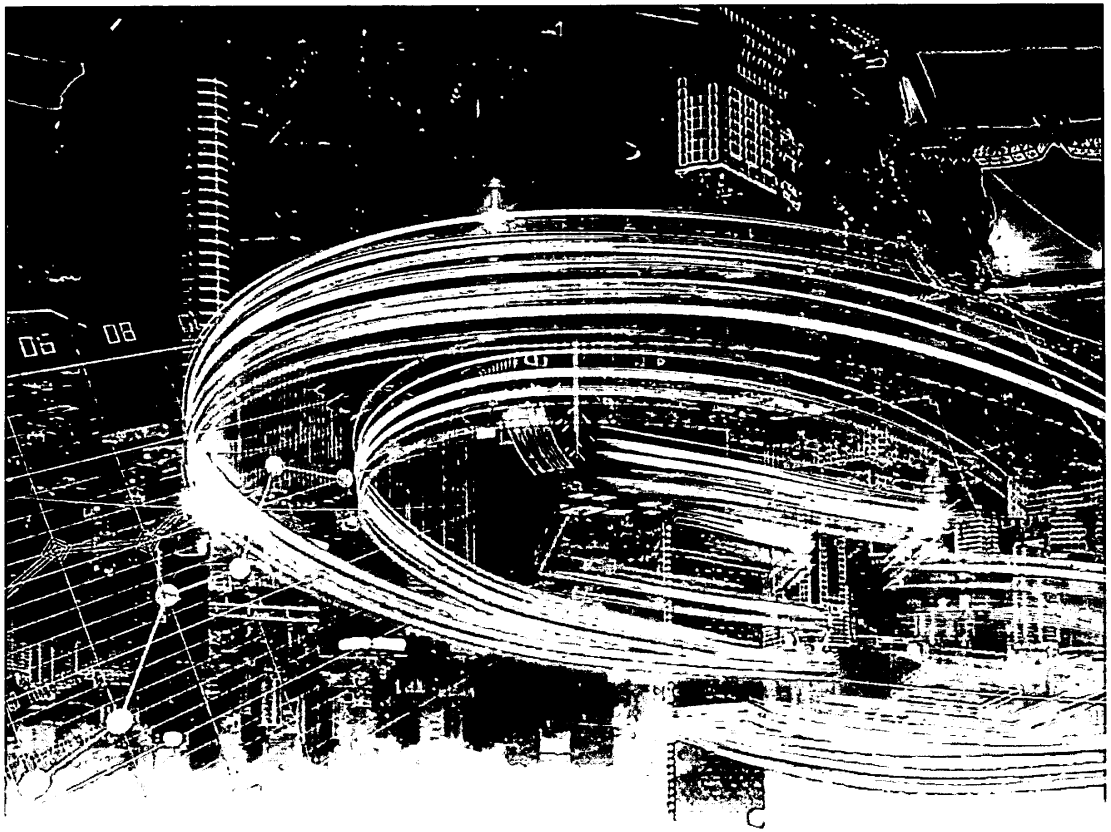
Major Indicators		Benchmark	31 December 2019	31 December 2018	31 December 2017
Liquidity ratio	Consolidated in RMB	≥25	54.06	51.64	39.80

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

改革转型

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Discussion and Analysis on Business Operation

I. Review of Economic and Financial Conditions and Government Policies

During the Reporting Period, most of the major economies cut their interest rates amid the prolonged global economic downturn. The escalation of the trade frictions has materially and adversely affected the multilateral trading system. On one hand, global economy continued its downturn trend. Noting that the global economic growth in 2019 was in the slowest pace since the global financial crisis, IMF further lowered its global economic growth forecast. The U.S. economic growth slowed down obviously and the Federal Reserve adopted preventive rate cuts instead of rate hike. European economy remained its sluggish growth and the Brexit issues have not yet been resolved. European Central Bank cut interest rates and restarted its quantitative easing measures. Japanese economy continued to struggle with lacklustre growth and Japan's central bank continued to implement ultra-loose policies. Major emerging economies showed slower growth generally and tended to adopt monetary policies to cut interest rate. On the other hand, the trade frictions further escalated. The escalation of trade frictions among major economies, such as China and the U.S., Europe and the U.S., and Japan and Korea, has stalled the operation of WTO and materially and adversely affected the global multilateral trading system. Trade frictions deeply affected the global industrial division and the global value chain, which slowed down the growth of global trade and investment and hindered the progress of global economic recovery. Changes in global economic and financial trend have affected China's economy in various aspects, including trade, investment, exchange rates, risk appetite and expectation. China's economy faced numerous difficulties and challenges. Nonetheless, at the end of the year, the trade frictions between the U.S. and China have eased and the global economy has regained its footing with the counter-cyclical adjustment efforts of various countries.

During the Reporting Period, against the backdrop of the complicated and ever-changing internal and external environment, China's economy maintained its stable and resilient growth. Transformation of growth momentum was accelerated, while reform and opening-up were firmly promoted. Nonetheless, China's economy still faced difficulties and problems. Economic structural, systematic and cyclical problems still lingered. In the face of economic downturn, the Chinese government insisted on promoting steady economic growth and focused on supply-side structural reform, in order to foster high-quality economic and social development. In addition to sound and moderate monetary policies, counter-cyclical measures were timely and properly implemented in order to maintain reasonably adequate liquidity. By increasing banks' credit granting capacity and smoothing up monetary transmission mechanism with reforms, the Chinese government aimed to reduce financing costs of the real economy. Proactive fiscal policies were strengthened, including the adoption of more extensive tax reduction and greater surcharge reduction. Fiscal expenditures were increased to support major projects and strengthen areas of weakness in infrastructure investment. Supply-side structural financial reform was conducted to optimise financing and credit structures, strengthen support for high-quality development of manufacturing industry and facilitate small and micro NSOEs in financing and reduce their financing costs. Compatibility of the financial system and supply and demand system was improved. Measures were taken to prevent and mitigate significant financial risks and break rigid payment. Long-term mechanisms were established to strengthen areas of weakness in the prudent

macro-economic policy framework and regulatory system. The financial risks rapidly accumulated in the early stage had been mitigated gradually. Through further speeding up the financial reform and open-up and deepening the financial cooperation with different countries and regions, China improved the coordination on international macro-economic and financial policies.

With policies to strengthen services to the real economy and counter-cyclical measures, the scale of commercial banks expanded steadily. The structure of assets and liabilities of commercial banks was further optimised, while the proportion of credit to interest-earning assets further increased. Commercial banks placed more focuses on credit granting for small and micro enterprises and NSOEs instead of relying on loans to other banks and financial institutions. The expansion of scale, steady growth of net interest margin and significant increase in fee contributed to the satisfactory profitability of the banking industry. Efforts were put in replenishing capital and the capital adequacy ratio of the banking industry was stable, which laid a solid foundation for the capital sustainability, scale expansion, sound operation and risk disposal. However, financing demand of enterprises remained weak and there was a shortage of quality assets. Loans were mainly granted for retail, infrastructure and real estate sectors and the banking industry continued to have low risk appetite. Due to the intense competition in deposits, the banking industry faced pressure of tending to time deposits. The partial contraction of credit resulted in the increase in number of inferior banks and pressure on risk prevention. Despite the steady growth of the banking industry, the operation of banks considerably diverged. Leading banks maintained their sound and rapid growth, while inferior banks faced great pressure on assets quality and profitability, which affected the overall performance of the banking industry. To proactively respond to the changes in business environment, effectively support the development of real economy and prevent various types of financial risks, the Company adopted the following measures and achieved good results:

1. The Company steadily continued the implementation of its reform and transformation. According to 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 Company implemented major tasks of the reform and transformation for the year. Various measures were taken to comprehensively boost values of corporate, retail and interbank customers, explore low-cost source of liabilities and optimise liability structure. Actions were centralised throughout the Bank to speed up the implementation of NSOE strategies. The Company also enhanced the synergy among information technology, internet finance and business to promote the development of fintech. Efforts were put to improve the development of cross-selling system and further promote comprehensive operation. Synergy of risk and business was strengthened to improve the overall risk management system. Value-oriented and strategy-oriented resource allocation and performance appraisal were adopted, and the organisational structure and staff composition were optimised.

2. Adhering to its historical mission of "From the People, For the People (為民而生，與民共生)", the Company served as a bank for the NSOEs. According to its NSOE strategies, the Company accelerated the systematic and comprehensive implementation of four segments, including strategic NSOEs, small and medium-sized NSOEs, small and micro-sized NSOEs and niche NSOEs. In order to coordinate the implementation of NSOE strategies at the Head Office and branches, the Company focused on key strategies with supporting measures. With an aim to improve the quality and efficiency of financial services for small and micro enterprises, the Company adopted differentiated polices on the existing quality small and micro customers of secured loans in accordance with the national requirements on supporting small and micro enterprises. The "small supply chain financial model" was developed. By leveraging on the thorough access to market conditions and understanding of customers of its business units, the Company provided supply-chain financial services for all participants across the supply chain and established the characteristics and strengths of its supply chain finance, speeding up its implementation of supply chain finance strategies.

3. The Company improved technology-business synergy to become a fintech-based bank. In more open-minded and active response to the opportunities and challenges arising from fintech development, the Company formulated a three-year plan for the strategic development of fintech with an aim to accomplish its objective of technological advancement and digitalisation of the Bank. The Company enhanced its smart services and continuously improved customer experience by promoting the development of direct banking, remote banking, online small business loans and credit card online services. The synergy between technology and business was strengthened with the transformation of distributed framework and data governance as two driving forces to promote the implementations of strategies and reform and transformation and guarantee the resources base.

4. The Company established a "customer-centric" integrated service system to develop into a bank of comprehensive services. The Company proactively supported strategies of the government, including the integration of Yangtze River Delta and development of Guangdong-Hong Kong-Macao Greater Bay Area, to serve the coordinated development of regional economy and society. Based on the operation strategy of "promoting synergy", the Company formulated and refined the cross-selling mechanism for strategic NSOE customers to improve the quality and efficiency of the development of cooperate business and to promote the growth of retail and financial markets businesses, as well as businesses of its subsidiaries. The Company exerted great efforts in establishing a comprehensive service system with the combination of capital, intelligence and commerce. The Company optimised its organisational structure and supported the development of operating institutions in key regions, so as to promote the business synergy and coordination between Minsheng Bank, overseas institutions and affiliated institutions.

5. The Company strengthened its comprehensive and refined management. The Company promoted the growth of asset and liability by enhancing its asset and liability management. Through effectively managing the pricing under the mechanism of dual interest rate system, the Company further increased its net interest margin. The Company improved its capital management and sped up the transformation into light-capital business model. The Company refined its financial management by optimising strategy-oriented budget management and value-oriented financial resource allocation, and continuously reducing cost and enhancing efficiency, to further improve the input-output efficiency of financial resources. The Company also optimised and upgraded its business models by intensifying omni-channel planning.

6. The Company enhanced its overall risk management. An overall risk management system was established to enhance the risk management. In order to lay a sound foundation for business development and reform and transformation, the Company enhanced its money laundering risk management system. The Company also further optimised its internal control system and refined the operation mechanism of its internal control committee. Coordinated management measures for audit, risk and internal control and compliance departments were revised to promote normalised operation of the coordinated mechanism for these managerial departments. The Company implemented a specialised operation and management mechanism for managing non-performing assets to improve the efficiency of recovery and disposal of non-performing assets throughout the Bank. In order to ensure the compliant operation of the Bank and its subsidiaries, the Company strengthened internal control and compliance guidance on and management of the subsidiaries.

7. The Company further improved the organisational efficiency. In order to cope with changes in operating environment and further promote its reform and transformation, the Company reshaped its corporate culture based on the "strategy-oriented, value-oriented, sustainability-oriented" principles to become a light-weighted institution with highly capable and competent staffs and outstanding performance. With clearly defined organisational structure, job positions, staff arrangements, performance objectives, recruitment and remuneration, the Company restructured the six systems of human resources management by optimising organisational structure, streamlining business processes, re-organising job responsibilities, confirming staff arrangements, re-establishing appraisal system, matching job positions with suitable employees and confirming value of each job positions. The Company also enhanced structural capabilities and talent cultivation to push forward the transformation from a "big Head Office" to a "powerful Head Office".

Discussion and Analysis on Business Operation

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. The Company strictly complied with the national strategies and the requirements of economic and financial policies, and continued to promote the three major strategic positionings of becoming "a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services". Adhering to the customer-centric approach, the Company supported the development of the real economy with effective services and continued reform and transformation. Operating efficiency improved steadily with continuously optimised business structure. Technology and business innovations were accelerated, the prevention and control of financial risks were enhanced and the asset quality remained stable. A sound development was achieved in all businesses of the Company.

(I) Significant improvement in operating efficiency with steady growth in profits

Operating efficiency continued to increase. During the Reporting Period, the Group recorded net profit attributable to equity shareholders of the Company of RMB53,819 million, representing an increase of RMB3,492 million, or 6.94%, as compared with the corresponding period of the previous year. Profit before allowance and income tax amounted to RMB127,729 million, representing an increase of RMB22,624 million, or 21.53% as compared with the corresponding period of the previous year. Operating income was RMB177,745 million, representing an increase of RMB23,584 million, or 15.30%, as compared with the corresponding period of the previous year. Net interest margin was 2.11%, representing an increase of 0.24 percentage points as compared with the corresponding period of the previous year. Cost-to-income ratio was 27.14%, representing a decrease of 3.44 percentage points as compared with the corresponding period of the previous year.

Returns to shareholders remained steady. During the Reporting Period, return on average assets of the Group and return on weighted average equity attributable to ordinary equity shareholders of the Company were 0.87% and 12.40%, representing an increase of 0.02 percentage points and a decrease of 0.54 percentage points as compared with the corresponding period of the previous year, respectively. Basic earnings per share was RMB1.22, increased by RMB0.08 as compared with the corresponding period of the previous year. As at the end of the Reporting Period, net assets per share attributable to ordinary shareholders of the Company was RMB10.26, increased by RMB0.89 as compared with the end of the previous year.

Asset and liability scale maintained coordinated growth. As at the end of Reporting Period, total assets of the Group amounted to RMB6,681,841 million, representing an increase of RMB687,019 million, or 11.46%, as compared with the end of the previous year. Total loans and advances to customers amounted to RMB3,487,601 million, representing an increase of RMB430,855 million, or 14.10%, as compared with the end of the previous year. Of which, retail loans amounted to RMB1,412,924 million, representing an increase of RMB182,379 million, or 14.82%, as compared with the end of the previous year. Total liabilities amounted to RMB6,151,012 million, representing

an increase of RMB587,191 million, or 10.55%, as compared with the end of the previous year. Total deposits amounted to RMB3,604,088 million, representing an increase of RMB436,796 million, or 13.79%, as compared with the end of the previous year. Of which, total savings deposits amounted to RMB718,363 million, representing an increase of RMB143,074 million, or 24.87%, as compared with the end of the previous year. Proportion of savings deposits was 19.93%, representing an increase of 1.77 percentage points, as compared with the end of the previous year.

(II) Focus on NSOEs and continuous improvement in comprehensive services

NSOE strategy was further implemented. With focus on the NSOE strategies, the Company established strategic NSOE customer lists at both Head Office and branch levels. The "1+3" comprehensive service model was launched with the support of "five-in-one (五位一體)" service systems, offering professional, personalised and quality services for customers in the white name list. As at the end of Reporting Period, strategic NSOE customers amounted to 650, representing an increase of 83.62%, as compared with the end of the previous year. Daily average deposit amounted to RMB359,855 million, representing an increase of 86.20%, as compared with the end of the previous year. Total loans amounted to RMB436,468 million, representing an increase of 113.00%, as compared with the end of the previous year.

Niche NSOE customers were further developed. Through the application of technologies including cloud computing, big data, internet of things and other new technologies, the Company consolidated its resources to facilitate the coordinated development of financial services and transformed from an intermediary agency of funds and services to a supply-chain service provider. Scenarised supply-chain products and service model were developed and a service system covering the whole chain for niche NSOEs with focus on core enterprises was established. As at the end of the Reporting Period, the Company provided services for over 10,000 customers along the industry chains.

Breakthroughs were made in SME customer services. The Company continued to promote its "Minsheng SME Project (中小企業民生工程)" by further improving the comprehensive service quality for SME customers and developed the brand for SME services through "Ying Huo Plan (螢火計劃)". During the Reporting Period, daily average deposits of SMEs amounted to RMB594,855 million, representing an increase of 12.83% as compared with the previous year.

Comprehensive values of small business finance customers were enhanced. The Company further refined the new Small Business 3.0 model and improved the comprehensive service capabilities of "1+1+N", facilitating the transformation from loan business into a comprehensive service model. As at the end of the Reporting Period, total loans to small and micro enterprises amounted to RMB444,560 million, representing an increase of 9.25%, as compared with the end of the previous year.

(III) Business development empowered by technologies and achievements in digital transformation

Technologies empowered business model transformation. Based on the fintech strategy, the Company formulated the Fintech-Based Strategic Development Plan of China Minsheng Bank (2019–2022) (《中國民生銀行科技金融戰略發展規劃(2019–2022年)》). Adhering to the strategic vision of becoming a digitalised bank empowered by technologies, the Company insisted on innovative development with focus on the two major development models, namely "finance + internet" and "internet + finance". The Company actively reformed its technological system, established a middle office system for scenarised financial services and accelerated the transformation of technologies from a supporting tool for business development to a driving force for business innovation. For corporate business, a smart NSOE eco-system was established through the comprehensive corporate service platform featuring "platform + data + scenario". For retail business, a smart retail banking eco-system was established through big data-based management, marketing and risk control. For interbank business, a smart interbank eco-system was established by offering one-stop "fund management +" services. The Company refined its profit model based on customer's experience and took technologies as the driving force for business development.

Steady progress was made in digital transformation. Based on the two major development models, namely "finance + internet" and "internet + finance", the Company enhanced its capabilities in smart marketing, smart risk control and smart operation, laying solid foundation for the digital online bank. On one hand, an overall plan of the online banking platform was formed. The Company launched the online eco-system and open banking system consisting of "three banking systems" including mobile banking, online banking and WeChat banking, as well as "four platforms" of digital operation platform, direct connection platform between bank and enterprises (銀企直聯平台), online payment platform and open banking service platform (開放銀行服務平台). On the other hand, the Company established the leading direct bank in the industry, developed a new quasi-independent operation and management model, applied distributed core technology and differentiated risk control model, to facilitate the transformation and upgrading of business model. As at the end of the Reporting Period, corporate online platform users of the Company amounted to 2,310.3 thousand, representing an increase of 498.3 thousand, or 27.50%, as compared with the end of the previous year. Retail online platform users amounted to 70,411.8 thousand, representing an increase of 11,112.0 thousand, or 18.74%, as compared with the end of the previous year. Total number of direct banking customers was 29,203.0 thousand and financial assets managed by the Company amounted to RMB109,832 million.

(IV) Coordinated business development with continuous enhancement in comprehensive service capabilities

Cross-selling among customers and products was strengthened. The Company promoted the comprehensive services for strategic NSOEs and enhanced the synergy among customer groups and products. Cross-selling mechanism of key businesses including payroll agency, entrepreneur customer groups, agency business, credit card and asset custody was strengthened in order to provide customers with comprehensive financial services with combination of capital, intelligence and commerce. Cross-selling among key businesses effectively facilitated the consolidation of customer base, expansion of financial asset scale and growth of revenue.

Synergy between the parent company and subsidiaries was enhanced. Persisting on the principle of "One Minsheng (一個民生)", the Company refined the management and control system of the Group, adopted integrated planning and organisation, and established an intensive management model for subsidiaries in order to enhance the coordination between the parent company and subsidiaries in terms of business and management. The Company actively supported the business synergy of subsidiaries and formulated coordinated development strategy with focus on major business lines. Profitability, comprehensive strengths and market positions of the subsidiaries continued to improve. During the Reporting Period, total operating income of subsidiaries amounted to RMB6,141 million, representing an increase of 9.45%, as compared with the corresponding period of the previous year. Net profit of subsidiaries amounted to RMB2,427 million, and net profit attributable to equity shareholders of the Company amounted to RMB1,331 million, representing an increase of 100.75%, as compared with the corresponding period of the previous year.

(V) Strengthened risk prevention and control and maintained generally stable asset quality

During the Reporting Period, the Group continued to improve its overall risk management system, enhance its risk monitoring and control, strengthen the establishment of risk culture and optimise the internal control and compliance management system. The Group actively expanded the application of risk measurement tools, enhanced the prevention and active management of various risks and continued to strengthen recovery and disposal of existing problem and non-performing assets. The assets quality remained generally stable. The allowance to NPLs has been gradually improved.

As at the end of the Reporting Period, total NPLs of the Group amounted to RMB54,434 million, increased by RMB568 million, or 1.05%, as compared with the end of the previous year. The NPL ratio was 1.56%, representing a decrease of 0.20 percentage points as compared with the end of the previous year. The allowance to NPLs and the allowance to total loans were 155.50% and 2.43%, respectively, representing increases of 21.45 percentage points and 0.07 percentage points, respectively, as compared with the end of the previous year.

(VI) Expanded channels to replenish capital and increased capital strength

During the Reporting Period, the Group actively grasped market opportunities and window periods of policies, and made full use of innovative capital instruments to replenish its capital. Tier-Two capital bonds of RMB40 billion, undated capital bonds of RMB40 billion and preference shares of RMB20 billion were issued successfully, providing favourable support to its sustainable business development. As at the end of the Reporting Period, net capital base of the Group amounted to RMB673,741 million, representing an increase of RMB126,460 million, or 23.11%, as compared with the end of the previous year. Capital adequacy ratio was 13.17%, representing an increase of 1.42 percentage points as compared with the end of the previous year.

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 RMB53,819 million, maintaining a steady growth with an increase of RMB3,492 million, or 6.94%, 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	2019	2018	Change (%)
Operating income	177,745	154,161	15.30
Of which: Net interest income	97,943	76,680	27.73
Net non-interest income	79,802	77,481	3.00
Operating expense	50,016	49,056	1.96
Impairment losses on credit	62,807	46,274	35.73
Impairment losses on other assets	184	46	300.00
Profit before income tax	64,738	58,785	10.13
Less: Income tax expense	9,814	8,455	16.07
Net profit	54,924	50,330	9.13
Of which: Net profit attributable to equity shareholders of the Company	53,819	50,327	6.94
Profit or loss attributable to non-controlling interests	1,105	3	36,733.33

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	2019 Amount	2019 % of total	2018 Amount	2018 % of total	Change (%)
Net interest income	97,943	55.10	76,680	49.74	27.73
Interest income	250,724	141.05	235,347	152.66	6.53
Of which: Interest income from loans and advances to customers	162,054	91.17	147,387	95.61	9.95
Interest income from investment	64,259	36.15	60,987	39.56	5.37
Interest income from placements with banks and other financial institutions	10,711	6.03	10,051	6.52	6.57
Interest income from long-term receivables	6,411	3.61	6,733	4.37	-4.78
Interest income from balances with central bank	5,195	2.92	5,768	3.74	-9.93
Interest income from financial assets held under resale agreements	1,430	0.80	3,321	2.15	-56.94
Interest income from balances with banks and other financial institutions	664	0.37	1,100	0.71	-39.64
Interest expenses	-152,781	-85.95	-158,667	-102.92	-3.71
Net non-interest income	79,802	44.90	77,481	50.26	3.00
Net fee and commission income	52,295	29.42	48,131	31.22	8.65
Other net non-interest income	27,507	15.48	29,350	19.04	-6.28
Total	177,745	100.00	154,161	100.00	15.30

Discussion and Analysis on Business Operation

(I) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group was RMB97,943 million, representing an increase of RMB21,263 million, or 27.73%, as compared with the corresponding period of the previous year, or representing an increase of 15.67% (after adjustment of the gains of RMB15,349 million from the holding of financial assets at fair value through profit or loss). The net interest margin of the Group was 2.11%, representing an increase of 0.24 percentage points as compared with the corresponding period of the previous year.

The analysis of the net interest income of the Group is listed below:

(Unit: RMB million)

Item	2019 Average balance	2019 Interest Income (after adjustment)	2019 Average return (%)	2018 Average balance	2018 Interest Income (after adjustment)	2018 Average return (%)
Interest-earning assets						
Total loans and advances to customers	3,013,089	162,054	5.38	2,847,287	147,387	5.18
Of which: Corporate loans and advances	1,930,845	101,637	5.26	1,833,908	91,442	4.99
Personal loans and advances	1,082,244	60,417	5.58	1,013,379	55,945	5.52
Investment in trading and banking books Note 1	1,997,180	79,608	3.99	1,950,769	82,249	4.22
Balances with central bank	331,892	5,195	1.57	367,301	5,768	1.57
Placements with banks and other financial institutions	266,011	10,711	4.03	227,600	10,051	4.42
Long-term receivables	119,976	6,411	5.34	120,352	6,733	5.59
Balances with banks and other financial institutions	53,120	664	1.25	59,164	1,100	1.86
Financial assets held under resale agreements	51,035	1,430	2.80	88,113	3,321	3.77
Total	5,832,303	266,073	4.56	5,660,586	256,609	4.53

Notes: 1. Interest income from investment in trading and banking books has been adjusted for the gains from the holding of financial assets at fair value through profit or loss.

Discussion and Analysis on Business Operation

Item	2019 Average balance	2019 Interest expenses	2019 Average cost (%)	2018 Average balance	2018 Interest expenses	2018 Average cost (%)
Interest-bearing liabilities						
Deposits from customers	3,369,064	79,525	2.36	3,065,952	66,431	2.17
Of which: Corporate deposits	2,721,398	64,966	2.39	2,532,141	56,173	2.22
Demand	1,032,427	9,617	0.93	1,061,651	10,252	0.97
Time	1,688,971	55,349	3.28	1,470,490	45,921	3.12
Personal deposits	647,666	14,559	2.25	533,811	10,258	1.92
Demand	198,709	834	0.42	188,747	727	0.39
Time	448,957	13,725	3.06	345,064	9,531	2.76
Balances from banks and other financial institutions	982,421	28,162	2.87	1,137,058	43,553	3.83
Debt securities issued	715,429	25,131	3.51	548,994	23,632	4.30
Borrowings from central bank and other financial institutions and others	362,001	13,267	3.66	464,152	17,336	3.73
Placements from banks and other financial institutions	134,409	3,763	2.80	158,220	4,466	2.82
Financial assets sold under repurchase agreements	116,607	2,933	2.52	108,585	3,249	2.99
Total	5,679,931	152,781	2.69	5,482,961	158,667	2.89
Net interest income (after adjustment)		113,292			97,942	
Net interest spread			1.87			1.64
Net interest margin [Note 2]			2.11			1.87

Notes: 2. As incomes from credit card installment and overdraft, fund investment and operating lease assets are excluded from interest income, the Group adjusted the corresponding interest-bearing liabilities and capital costs when calculating net interest margin.

3. 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.

Discussion and Analysis on Business Operation

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

(Unit: RMB million)

Item	Changes in scale from the corresponding period of the previous year to 2019	Changes in interest rate from the corresponding period of the previous year to 2019	Net increase/ decrease
Changes in interest income (after adjustment):			
Total loans and advances to customers	8,583	6,084	14,667
Investment in trading and banking books	1,957	-4,598	-2,641
Balances with central bank	-556	-17	-573
Placements with banks and other financial institutions	1,696	-1,036	660
Long-term receivables	-21	-301	-322
Balances with banks and other financial institutions	-112	-324	-436
Financial assets held under resale agreements	-1,397	-494	-1,891
Subtotal	10,150	-686	9,464
Changes in interest expenses:			
Deposits from customers	6,568	6,526	13,094
Deposits from banks and other financial institutions	-5,923	-9,468	-15,391
Debt securities issued	7,164	-5,665	1,499
Borrowings from central bank and other financial institutions and others	-3,815	-254	-4,069
Placements from banks and other financial institutions	-672	-31	-703
Financial assets sold under repurchase agreements	240	-556	-316
Subtotal	3,562	-9,448	-5,886
Changes in net interest income (after adjustment)	6,588	8,762	15,350

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.

1. Interest Income

During the Reporting Period, interest income of the Group was RMB250,724 million, representing an increase of RMB15,377 million, or 6.53%, as compared with the corresponding period of the previous year, mainly due to the increases of 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 RMB162,054 million, representing an increase of RMB14,667 million, or 9.95%, as compared with the corresponding period of the previous year. In particular, interest income from corporate loans and advances amounted to RMB101,637 million, representing an increase of RMB10,195 million, or 11.15%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances amounted to RMB60,417 million, representing an increase of RMB4,472 million, or 7.99%, 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 RMB64,259 million, representing an increase of RMB3,272 million, or 5.37%, 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 RMB12,805 million, representing a decrease of RMB1,667 million, or 11.52%, as compared with the corresponding period of the previous year.

(4) Interest income from long-term receivables

During the Reporting Period, interest income from long-term receivables of the Group amounted to RMB6,411 million, representing a decrease of RMB322 million, or 4.78%, 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 RMB5,195 million, representing a decrease of RMB573 million, or 9.93%, as compared with the corresponding period of the previous year.

2. Interest expenses

During the Reporting Period, interest expenses of the Group was RMB152,781 million, representing a decrease of RMB5,886 million, or 3.71%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease of the scale and the cost ratio of interbank liabilities.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB79,525 million, representing an increase of RMB13,094 million, or 19.71%, as compared with the corresponding period of the previous year, mainly because of the expansion of deposits and the increase in cost ratio.

(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 RMB34,858 million, representing a decrease of RMB16,410 million, or 32.01%, as compared with the corresponding period of the previous year. The decrease was mainly due to the reduction in scale and interest rate of deposits from banks and other financial institutions.

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses on debt securities issued of the Group amounted to RMB25,131 million, representing an increase of RMB1,499 million, or 6.34%, as compared with the corresponding period of the previous year.

(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 RMB13,267 million, representing a decrease of RMB4,069 million, or 23.47%, as compared with the corresponding period of the previous year. The decrease was mainly due to the reduction in the scale 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 RMB79,802 million, representing an increase of RMB2,321 million, or 3.00%, as compared with the corresponding period of the previous year. The year-on-year increase would be 14.65% after exclusion of the gains from the holding of financial assets at fair value through profit or loss of RMB15,349 million.

(Unit: RMB million)

Item	2019	2018	Change (%)
Net fee and commission income	52,295	48,131	8.65
Other net non-interest income	27,507	29,350	-6.28
Total	79,802	77,481	3.00

Discussion and Analysis on Business Operation

1. Net fee and commission income

During the Reporting Period, net fee and commission income of the Group amounted to RMB52,295 million, representing an increase of RMB4,164 million, or 8.65%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2019	2018	Change (%)
Bank card services	35,036	28,946	21.04
Agency services	7,669	8,869	-13.53
Trust and other fiduciary services	6,205	7,092	-12.51
Settlement services	3,696	3,415	8.23
Credit commitments	2,474	2,653	-6.75
Others	1,944	1,709	13.75
Fee and commission income	57,024	52,684	8.24
Less: Fee and commission expenses	4,729	4,553	3.87
Net fee and commission income	52,295	48,131	8.65

2. Other net non-interest income

During the Reporting Period, other net non-interest income of the Group was RMB27,507 million, representing a decrease of RMB1,843 million, or 6.28%, as compared with the corresponding period of the previous year, which was mainly because of the influence of the adoption of new accounting standards for financial instruments, gains from the holding of financial assets at fair value through profit or loss recorded as other net non-interest income. The year-on-year increase would be 50.32% after exclusion of the relevant gains of RMB15,349 million.

(Unit: RMB million)

Item	2019	2018	Change (%)
Net trading gain	9,067	6,520	39.06
Net gain from investment securities	15,895	20,798	-23.57
Other operating income	2,545	2,032	25.25
Total	27,507	29,350	-6.28

(III) Operating expenses

During the Reporting Period, the Group continued to refine financial management to further improve its input-output benefits. Operating expenses amounted to RMB50,016 million, representing an increase of RMB960 million, or 1.96%, as compared with the corresponding period of the previous year. Cost-to-income ratio was 27.14%, representing a decrease of 3.44 percentage points as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2019	2018	Change (%)
Staff cost (including Directors' emoluments)	27,751	25,882	7.22
Depreciation and amortisation	5,703	3,118	82.91
Office expenses	1,622	1,444	12.33
Rental and property management expenses	1,060	4,101	-74.15
Tax and surcharges	1,772	1,919	-7.66
Business expenses and others	12,108	12,592	-3.84
Total	50,016	49,056	1.96

(IV) Impairment losses on credit

During the Reporting Period, the Group recorded impairment losses on credit of RMB62,807 million, representing an increase of RMB16,533 million, or 35.73%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in provision of impairment on loans and disposal of NPLs.

(Unit: RMB million)

Item	2019	2018	Change (%)
Loans and advances to customers	60,850	43,611	39.53
Financial assets measured at amortised cost	1,048	1,475	-28.95
Long-term receivables	510	631	-19.18
Off-balance sheet assets	59	-869	Negative for the previous period
Financial assets at fair value through other comprehensive income	-414	747	Negative for the current period
Others	754	679	11.05
Total	62,807	46,274	35.73

(V) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB9,814 million, representing an increase of RMB1,359 million, or 16.07%, 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 steady growth. As at the end of the Reporting Period, total assets of the Group amounted to RMB6,681,841 million, representing an increase of RMB687,019 million, or 11.46%, as compared with the end of the previous year.

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

(Unit: RMB million)

	31 December 2019		31 December 2018		31 December 2017	
Item	Amount	% of total	Amount	% of total	Amount	% of total
Total loans and advances to customers	3,487,601	52.20	3,056,746	50.99	2,804,307	47.51
Add: Accrued interests on loans	25,301	0.38	22,742	0.38	—	—
Less: Allowance for impairment losses on loans at amortised cost	82,475	1.23	71,216	1.19	74,519	1.26
Net loans and advances to customers	3,430,427	51.35	3,008,272	50.18	2,729,788	46.25
Net investments in trading and banking books	2,184,305	32.69	1,970,017	32.86	2,135,897	36.19
Cash and balances with central bank	371,155	5.55	389,281	6.49	442,938	7.50
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	367,544	5.50	337,869	5.64	271,274	4.60
Long-term receivables	116,593	1.74	110,824	1.85	101,304	1.72
Property and equipment	51,365	0.77	48,765	0.81	48,338	0.82
Others	160,452	2.40	129,794	2.17	172,547	2.92
Total	6,681,841	100.00	5,994,822	100.00	5,902,086	100.00

Note: Net investment in trading and banking books at the end of the current period and 2018 included financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost while financial assets at fair value through profit or loss, available-for-sale securities, held-to-maturity securities as well as loans and receivables at the end of 2017.

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 RMB3,487,601 million, representing an increase of RMB430,855 million, or 14.10%, as compared with the end of the previous year. Total loans and advances to customers accounted for 52.20% of total assets, representing an increase of 1.21 percentage points as compared with the end of the previous year.

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

(Unit: RMB million)

Item	31 December 2019		31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loan and advances	2,074,677	59.49	1,826,201	59.74	1,698,480	60.57
Of which: Discounted bills	166,372	4.77	96,523	3.16	82,650	2.95
Personal loans and advances	1,412,924	40.51	1,230,545	40.26	1,105,827	39.43
Total	3,487,601	100.00	3,056,746	100.00	2,804,307	100.00

The breakdown of personal loans and advances is as follows:

(Unit: RMB million)

Item	31 December 2019		31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	455,358	32.23	415,564	33.77	373,262	33.75
Credit card overdrafts	445,881	31.56	393,249	31.96	294,019	26.59
Residential mortgage	419,907	29.72	335,502	27.26	350,986	31.74
Others	91,778	6.49	86,230	7.01	87,560	7.92
Total	1,412,924	100.00	1,230,545	100.00	1,105,827	100.00

Discussion and Analysis on Business Operation

2. Investments in trading and banking books

As at the end of the Reporting Period, net investments in trading and banking books of the Group amounted to RMB2,184,305 million, representing an increase of RMB214,288 million, or 10.88%, as compared with the end of the previous year, and accounted for 32.69% of the total assets, representing a decrease of 0.17 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 2019		31 December 2018	
Item	Amount	% of total	Amount	% of total
Financial assets at amortised cost	1,143,079	52.33	1,127,231	57.22
Financial assets at fair value through profit or loss	528,338	24.19	381,093	19.34
Financial assets at fair value through other comprehensive income	512,888	23.48	461,693	23.44
Total	2,184,305	100.00	1,970,017	100.00

(2) Holdings of financial bonds

As at the end of the Reporting Period, financial bonds held by the Group were mainly policy financial bonds and debt securities of commercial banks. 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
2019 financial bonds	5,490	3.03	2022-01-18	0.96
2019 financial bonds	4,670	3.30	2024-02-01	0.65
2019 financial bonds	4,270	3.18	2022-05-17	0.72
2019 financial bonds	3,700	3.45	2022-07-09	2.21
2019 financial bonds	3,650	3.65	2029-05-21	0.63
2018 financial bonds	3,580	3.30	2021-11-21	0.65
2018 financial bonds	3,490	3.76	2023-08-14	0.53
2016 financial bonds	3,220	3.18	2026-04-05	0.58
2017 financial bonds	3,160	4.20	2020-04-17	0.63
2019 financial bonds	2,700	3.33	2022-09-26	1.62
Total	37,930			9.18

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 RMB367,544 million, representing an increase of RMB29,675 million, or 8.78%, as compared with the end of the previous year, and accounted for 5.50% of the total assets, representing a decrease of 0.14 percentage points as compared with the end of the previous year.

4. Derivative financial instruments

(Unit: RMB million)

Item	31 December 2019		
	Nominal amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency swaps	1,635,356	12,287	12,504
Currency options	242,534	1,244	769
Currency forwards	42,502	251	248
Interest rate swaps	1,807,599	794	1,078
Precious metal derivatives	134,309	16,471	3,066
Credit derivatives	2,170	6	5
Others	590	47	123
Total		31,100	17,793

(II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB6,151,012 million, representing an increase of RMB587,191 million, or 10.55%, 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 2019		31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	3,637,034	59.13	3,194,441	57.41	2,966,311	53.81
Of which: Total deposits from customers (excluding accrued interest)	3,604,088	58.59	3,167,292	56.93	2,966,311	53.81
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,264,759	20.56	1,181,547	21.24	1,423,515	25.82
Debt securities issued	817,225	13.29	674,523	12.12	501,927	9.11
Borrowings from central bank and other financial institutions	331,138	5.38	429,366	7.72	482,172	8.75
Others	100,856	1.64	83,944	1.51	138,349	2.51
Total	6,151,012	100.00	5,563,821	100.00	5,512,274	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 RMB3,604,088 million, representing an increase of RMB436,796 million, or 13.79%, 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 79.88%, 19.93% and 0.19%, respectively. In respect of maturity structure, the proportions of demand deposits, time deposits and other deposits in total deposits were 39.34%, 60.47% and 0.19%, respectively.

(Unit: RMB million)

	31 December 2019		31 December 2018		31 December 2017	
Item	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	2,878,931	79.88	2,578,613	81.42	2,455,247	82.77
Demand	1,201,626	33.34	1,104,706	34.88	1,187,367	40.03
Time	1,677,305	46.54	1,473,907	46.54	1,267,880	42.74
Personal deposits	718,363	19.93	575,289	18.16	492,008	16.59
Demand	216,424	6.00	197,933	6.25	182,652	6.16
Time	501,939	13.93	377,356	11.91	309,356	10.43
Certificates of deposit	4,446	0.12	10,444	0.33	12,069	0.41
Outward remittance and remittance payables	2,348	0.07	2,946	0.09	6,987	0.23
Total deposits from customers	3,604,088	100.00	3,167,292	100.00	2,966,311	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 RMB1,264,759 million, representing an increase of RMB83,212 million, or 7.04%, 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 RMB817,225 million, representing an increase of RMB142,702 million, or 21.16%, as compared with the end of the previous year.

Discussion and Analysis on Business Operation

(III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB530,829 million, representing an increase of RMB99,828 million, or 23.16%, as compared with the end of the previous year. Among which, total equity attributable to equity shareholders of the Company amounted to RMB518,845 million, representing an increase of RMB98,771 million, or 23.51%, 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 and the issuance of other equity instruments.

(Unit: RMB million)

Item	31 December 2019	31 December 2018	Change (%)
Share capital	43,782	43,782	—
Other equity instruments	69,860	9,892	606.23
Of which: Preference shares	29,867	9,892	201.93
Perpetual bonds	39,993	—	Nil for the previous period
Reserves	186,457	173,269	7.61
Of which: Capital reserve	57,411	57,470	-0.10
Surplus reserve	45,162	39,911	13.16
General reserve	81,657	74,370	9.80
Other reserves	2,227	1,518	46.71
Retained earnings	218,746	193,131	13.26
Total equity attributable to equity shareholders of the Company	518,845	420,074	23.51
Non-controlling interests	11,984	10,927	9.67
Total	530,829	431,001	23.16

(IV) Off-balance sheet items

Balances of major off-balance sheet items of the Group are as follows:

(Unit: RMB million)

Item	31 December 2019	31 December 2018	Change (%)
Bank acceptances	542,571	518,408	4.66
Unused credit card commitments	440,038	231,054	90.45
Guarantees	159,266	136,864	16.37
Letters of credit	136,952	113,207	20.97
Irrevocable loan commitments	45,910	3,988	1,051.20
Finance lease commitments	689	3,193	-78.42
Capital commitments	1,020	18,400	-94.46

Note: As at 31 December 2019, operating lease commitments of the Group mainly comprised short-term lease and low-value lease, the amount of which had no material impact on the Group (31 December 2018: RMB14,149 million).

(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 2019, 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 12.91%. Among nine national joint-stock commercial banks in China, the market share of total loans of the Company amounted to 13.08%. (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 2019		31 December 2018	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Real estate	476,199	13.66	387,942	12.69
Leasing and commercial services	442,883	12.70	344,669	11.28
Manufacturing	284,055	8.14	305,767	10.00
Wholesale and retail	177,685	5.09	185,485	6.07
Financial services	138,039	3.96	85,139	2.79
Water, environment and public utilities management	122,282	3.51	101,924	3.33
Mining	110,152	3.16	117,374	3.84
Construction	106,783	3.06	94,069	3.08
Transportation, storage and postal service	77,031	2.21	69,469	2.27
Production and supply of electric power, heat, gas and water	55,151	1.58	48,948	1.60
Accommodation and catering	11,858	0.34	10,079	0.33
Agriculture, forestry, animal husbandry and fishery	10,225	0.29	13,916	0.46
Public administration, social security and social organisations	8,376	0.24	7,379	0.24
Others	53,958	1.55	54,041	1.76
Subtotal	2,074,677	59.49	1,826,201	59.74
Personal loans and advances	1,412,924	40.51	1,230,545	40.26
Total	3,487,601	100.00	3,056,746	100.00

(II) Geographical distribution of loans

(Unit: RMB million)

Item	31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total
Headquarters	474,512	13.61	415,349	13.59
Yangtze Delta	841,123	24.12	720,860	23.58
Pearl River Delta	465,618	13.35	429,622	14.05
Bohai Rim	564,343	16.18	496,998	16.26
Northeast China	89,488	2.57	84,037	2.75
Central China	451,441	12.94	399,716	13.08
Western China	519,713	14.90	442,186	14.47
Overseas and subsidiaries	81,363	2.33	67,978	2.22
Total	3,487,601	100.00	3,056,746	100.00

Note: For details of the geographical distribution of institutions of the Group, please refer to Note 4 "Segment Information" to the financial statements.

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

(Unit: RMB million)

Item	31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total
Unsecured loans	793,364	22.75	725,263	23.72
Guaranteed loans	632,463	18.13	627,501	20.53
Loans secured by				
— Tangible assets other than monetary assets	1,555,472	44.60	1,307,324	42.77
— Monetary assets	506,302	14.52	396,658	12.98
Total	3,487,601	100.00	3,056,746	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 RMB82,908 million, accounting for 2.39% 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	18,000	0.52
B	11,450	0.33
C	9,310	0.27
D	7,516	0.22
E	6,619	0.19
F	6,500	0.19
G	6,411	0.18
H	6,085	0.17
I	5,600	0.16
J	5,417	0.16

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 2019	31 December 2018	31 December 2017
Percentage of loans to the single largest loan customer	≤10	2.67	1.78	2.69
Percentage of loans to the top ten loan customers	≤50	12.31	12.53	12.04

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.

(V) Five-category classification of credit assets

As at the end of the Reporting Period, the NPL ratio of the Group was 1.56%, representing a decrease of 0.20 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	31 December 2019		31 December 2018		
	Amount	% of total	Amount	% of total	Change (%)
Performing loans	3,433,167	98.44	3,002,880	98.24	14.33
Of which: Pass	3,329,882	95.48	2,899,509	94.86	14.84
Special-mentioned	103,285	2.96	103,371	3.38	-0.08
NPLs	54,434	1.56	53,866	1.76	1.05
Of which: Substandard	22,181	0.63	28,648	0.94	-22.57
Doubtful	19,441	0.56	14,199	0.46	36.92
Loss	12,812	0.37	11,019	0.36	16.27
Total	3,487,601	100.00	3,056,746	100.00	14.10

(VI) Migration ratio of loans

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

(Unit: %)

Item	31 December 2019	31 December 2018	31 December 2017
Pass	3.19	3.40	3.62
Special-mentioned	14.12	21.83	16.95
Substandard	46.56	38.51	46.54
Doubtful	38.93	29.14	18.90

Discussion and Analysis on Business Operation

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, total restructured loans of the Group was RMB16,860 million, representing a decrease of RMB2,118 million as compared with the end of the previous year. The percentage of restructured loans to total loans and advances to customers was 0.48%, representing a decrease of 0.14 percentage points as compared with the end of the previous year. Total overdue loans was RMB70,547 million, representing a decrease of RMB8,582 million as compared with the end of the previous year. The percentage of overdue loans to total loans and advances to customers was 2.02%, representing a decrease of 0.57 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total
Restructured loans	16,860	0.48	18,978	0.62
Overdue loans	70,547	2.02	79,129	2.59

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)

Item	31 December 2019	31 December 2018
Repossessed assets	9,978	10,631
Of which: Real estate and land use right	7,191	7,406
Motor vehicles	13	73
Others	2,774	3,152
Allowance for impairment	112	80

(IX) Changes in allowance for impairment losses on loans

(Unit: RMB million)

Item	31 December 2019	31 December 2018
Opening balance	72,208	85,810
Charge for the period, net	60,850	43,611
Write-offs and transfer out during the period	-50,930	-58,421
Recoveries	3,618	1,914
Others	-1,099	-706
Ending balance	84,647	72,208

Method for assessing allowance for impairment losses on loans:

According to the International Financial Reporting Standards No. 9 — Financial instrument (IFRS 9) and the 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)) issued by the Ministry of Finance, the Company adopted the new accounting standards for financial instruments and used the expected credit loss model to calculate the allowance for impairment losses. According to the new accounting standards 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), 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 accounting standards for financial instruments, the provision of allowance for loan impairment losses of the Company was more forward-looking and the level of management of allowance for impairment losses of the Company was further refined.

Discussion and Analysis on Business Operation

(X) NPLs

As at the end of the Reporting Period, the Group had NPL balance of RMB54,434 million, representing an increase of RMB568 million, or 1.05%, as compared with the end of the previous year.

1. Industry concentration of NPLs

(Unit: RMB million)

Item	31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	12,251	22.50	12,352	22.94
Wholesale and retail	3,757	6.90	5,954	11.05
Leasing and commercial services	2,877	5.29	961	1.78
Mining	3,710	6.82	2,549	4.73
Real estate	1,325	2.43	1,117	2.07
Transportation, storage and postal service	1,066	1.96	855	1.59
Financial services	555	1.02	1,356	2.52
Agriculture, forestry, animal husbandry and fishery	495	0.91	729	1.35
Construction	1,077	1.98	1,225	2.27
Production and supply of electric power, heat, gas and water	664	1.22	677	1.26
Accommodation and catering	222	0.41	235	0.44
Others	284	0.52	164	0.30
Subtotal	28,283	51.96	28,174	52.30
Personal loans and advances	26,151	48.04	25,692	47.70
Total	54,434	100.00	53,866	100.00

2. Geographical distribution of NPLs

(Unit: RMB million)

Item	31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total
Headquarters	15,629	28.71	10,785	20.02
Yangtze Delta	4,615	8.48	5,484	10.18
Pearl River Delta	4,068	7.47	5,213	9.68
Bohai Rim	6,539	12.01	10,031	18.62
Northeast China	4,233	7.78	4,872	9.05
Central China	13,466	24.74	11,379	21.13
Western China	4,724	8.68	5,577	10.35
Overseas and subsidiaries	1,160	2.13	525	0.97
Total	54,434	100.00	53,866	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.

VI. Analysis of Capital Adequacy Ratio

(I) 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. Among the investees in which the Group holds a majority equity interest or control, there are two rural banks with regulatory capital shortfall of RMB32 million in aggregate.

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

(Unit: RMB million)

Item	31 December 2019	
	The Group	The Company
Net core tier-one capital	455,088	432,933
Net tier-one capital	525,959	502,785
Total net capital base	673,741	646,424
Core tier-one capital	456,565	440,788
Core tier-one capital deductions	-1,477	-7,855
Other tier-one capital	70,871	69,860
Other tier-one capital deductions	—	-8
Tier-Two capital	147,782	143,652
Tier-Two capital deductions	—	-13
Total risk-weighted assets	5,117,026	4,871,884
Of which: Credit risk-weighted assets	4,733,503	4,487,939
Market risk-weighted assets	88,596	100,022
Operational risk-weighted assets	294,927	283,923
Core tier-one capital adequacy ratio (%)	8.89	8.89
Tier-One capital adequacy ratio (%)	10.28	10.32
Capital adequacy ratio (%)	13.17	13.27

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 which can be put into the calculation was RMB4.0 billion.

As at the end of the Reporting Period, net tier-one capital increased by RMB27,245 million, on- and off-balance sheet assets after adjustment increased by RMB433,928 million, while the leverage ratio decreased by 0.03 percentage points as compared with the end of September 2019. The leverage ratio of the Group is as follows:

(Unit: RMB million)

Item	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Leverage ratio (%)	6.87	6.90	6.61	6.12
Net tier-one capital	525,959	498,714	484,044	443,936
On- and off-balance sheet assets after adjustment	7,658,421	7,224,493	7,322,551	7,254,441

For details of the regulatory capital, please refer to the section headed "Investors Relations — Announcements and Disclosures — Regulatory Capital" on the Company's website (www.cmbc.com.cn).

(II) Evaluation of internal capital adequacy ratio

According to the requirements of the New Rules, the Company established a relatively comprehensive evaluation procedures and governance structure of internal capital adequacy ratio, and formulated related policies and systems of internal capital adequacy. The Company also formulated and issued the Administrative Measure on the Evaluation Procedures of Internal Capital Adequacy Ratio of China Minsheng Bank (中國民生銀行內部資本充足評估程序管理辦法), which specified the responsibilities of the Board, the Senior Management and related departments in the evaluation procedures of internal capital adequacy ratio. Through continuous establishment of comprehensive and effective evaluation measures and administrative procedures, the comprehensiveness and efficiency of the capital management and risk management of the Company have been ensured.

(III) Capital plan and capital adequacy ratio management plan

To cope with the complicated economic and financial situation of domestic and international markets, as well as to implement the regulatory requirements and further enhance its capital management to take advantage of the leading role of capital in its business development and to facilitate the sustainable and healthy business growth, the Company formulated 2018–2020 Capital Management Plan of China Minsheng Banking Corp., Ltd. (中國民生銀行有限公司2018–2020年資本管理規劃). Taking the internal and external operating circumstances, regulatory requirements, sustainable development needs of the Company and other factors related to the actual risks of the Company into consideration, the plan clearly stated the objectives of the plan of capital adequacy ratio management. The Company has realised the objectives of the plan of capital adequacy ratio management by adopting various measures, including enhancing the management of capital budgets, carrying out "light capital" development model, stably improving the capital efficiency and capital return, refining the internal economic capital management system and strengthening the contingency capital management.

(IV) Credit risk exposure

The following table sets forth the exposure to credit risk of the Group measured according to the New Rules.

(Unit: RMB million)

Item	31 December 2019
On-balance sheet credit risk exposure	6,516,703
Of which: asset-backed securitisation risk exposure	246,051
Off-balance sheet credit risk exposure	931,572
Counterparty credit risk exposure	40,023
Total	7,488,298

(V) Market risk capital requirements

The Group adopted standardised approach to measure market risk capital requirements. The following table sets forth different types of market risk capital requirements of the Group as at the end of the Reporting Period.

(Unit: RMB million)

	31 December 2019
Interest rate risk	5,697
Stock risk	977
Exchange risk	327
Commodity risk	79
Option risk	8
Total	7,088

(VI) Operational risk capital requirements

As at the end of the Reporting Period, the operational risk capital requirements of the Group measured according to basic indicator approach was RMB23,594 million.

VII. Segment Report

The Group carried out its operation in its key business lines and regions. During the Reporting Period, the Group fostered the business development and strengthened the internal cooperation mechanism. A "customer-centric" management and review system was established to implement the management of customer groups. Based on the distribution of customer bases of each institution, the Group re-adjusted the business segments into corporate banking business, retail business and others for purposes of management, reporting and evaluation. Based on economic regions the institutions were located, geographical segments were re-categorised to eight segments, namely, the Headquarters, Yangtze River Delta, Pearl River Delta, Bohai Rim, Northeast China, Central China, Western China, overseas and subsidiaries for purposes of management, reporting and evaluation.

(I) Segment operating results by business line

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate business	4,378,885	102,097	50,299
Retail business	1,396,224	67,261	24,701
Others	870,682	8,387	-10,262
Total	6,645,791	177,745	64,738

(II) Segment operating results by geographical region

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Headquarters	3,270,046	70,007	25,931
Yangtze River Delta	1,149,633	25,521	14,008
Pearl River Delta	591,348	18,419	9,640
Bohai Rim	1,209,248	21,700	6,379
Northeast China	130,854	2,664	-1,366
Central China	450,942	15,156	1,397
Western China	525,703	15,894	3,994
Overseas and subsidiaries	382,540	8,384	4,755
Inter-segment elimination	-1,064,523	—	—
Total	6,645,791	177,745	64,738

VIII. Other Financial Information

(I) Explanation on changes in accounting policies

During the Reporting Period, for the details of the changes on the accounting policies of the Company and their effects, please refer to Note "2.4 Key changes in 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 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 the valuation models and systems and strengthen the verification of prices obtained externally. Moreover, the Company has correspondingly implemented internal control measures over the process of fair value measurement, including double-checking on price enquiry and confirmation, and adopting an evaluation procedure on fair value measurement which requires the person in charge and reviewer to sign off in order to give effect to the measurement. Furthermore, by supervising and checking the range determined for fair value measurement and measurement methodology and procedure, the Internal Audit Department improved internal control within the Company.

The Company has adopted 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 and impairment assessment. Fair value measurement have been conducted in accordance with the new accounting standards.

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, its 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.

(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 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 customer groups, improved the quality and structure of assets and liabilities, accelerated product innovation and upgrading as well as facilitated the transformation from an extensive style to a capital-saving business model. As a result, the corporate banking business was continuously expanded with enhancing competitiveness.

During the Reporting Period, the Company's customer group-based business philosophy has taken root, and the operation mode adapted to various customer groups has been continuously optimised. The customer-centric, comprehensive service, successful solution, and customer group-based sales paradigm has gradually formed, and customer service capability continued to improve. The product system adapted to the classified customer groups has become increasingly perfect, and continuous product innovation, upgrade and optimisation have been carried out to continuously enrich and improve product functions to better meet customer needs. Led by the Bank's fintech strategy, technology reshaped the business system, formed an intelligent corporate banking business, and gradually brought results in helping business development.

Discussion and Analysis on Business Operation

1. Corporate customers and principal business

Accelerated development of strategic NSOEs. In active response to the national policy and in line with the three-year development plan proposed by the Board, the Company innovated its strategic NSOEs services and strengthened the coordination between the middle and back offices to further enhance its supports to strategic NSOEs by providing comprehensive and professional financial solutions under the consolidated "1+3" service model with the support of "five-in-one" service system. As at the end of the Reporting Period, the Company had 650 strategic NSOE customers, representing an increase of 83.62%, as compared with the end of the previous year. Daily average deposits was RMB359,855 million, representing an increase of 86.20% as compared with the previous year. Total loans was RMB436,468 million, representing an increase of 113.00%, as compared with the end of the previous year.

"Minsheng SME Project (中小企業民生工程)". The Company promoted its five major tasks, namely "online development, offline promotion, improvement of existing customers, exploitation of elite customers and implementation of the Ying Huo Plan (線上開發、線下拓展、存量提升、精英挖潛、螢火推進)", in order to provide SMEs with comprehensive financial and non-financial services including payments and settlements, cash management, credit facilities, industry chain and equity investment services. As at the end of the Reporting Period, the number of SME customers was 194.3 thousand, representing an increase of 86.3 thousand, as compared with the end of the previous year; total deposits was RMB702,418 million, representing an increase of 22.94% as compared with the end of the previous year; daily average deposits was RMB594,855 million, representing an increase of 12.83% as compared with the previous year.

Expanded basic customer groups. By persisting on its "customer-centric" philosophy, refining the hierarchical classification of its customers and implementing an innovative customer services, the Company has provided integrated, intelligent and one-stop services to its customers and continuously improved the experiences of its customer so as to become a "bank with the best customer experience". As at the end of the Reporting Period, domestic corporate customers with deposits of the Company increased by 129.5 thousand, or 11.09%, to 1,297.4 thousand as compared with the end of the previous year. The number of domestic customers with outstanding general loan balances of the Company was 9,026.

Continuous growth of deposit business. During the Reporting Period, the Company strengthened the development of its settlement business platform and enhanced the chain development of strategic customers, key institutional customers and core customers of supply chain. It also stepped up its efforts for the batch acquisition of SME customers and the settlement business development among the customer groups under its assets business in order to comprehensively increase the contribution of general corporate deposits. The Company adjusted active liabilities in line with liquidity and interest rate trends to sustain the steady growth of deposits. As at the end of the Reporting Period, total corporate deposits of the Company amounted to RMB2,861,873 million, representing an increase of RMB300,232 million, or 11.72%, as compared with the end of the previous year. During the Reporting Period, in active response to national financial policies, the Company (1) swiftly echoed key national strategies by stepping up its support for key regions such as the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei region; (2) focused on relevant aspects regarding establishment of infrastructure, industry upgrading and transformation, and set foot in strategic and emerging industries such as high-end equipment and new generation of IT industry; and (3) implemented its NSOE strategy and continued to strengthen its support for NSOEs. As at the end of the Reporting Period, total corporate loans of the Company amounted to RMB2,071,935 million. The NPL ratio of corporate loans was 1.36%.

2. Institutional business

During the Reporting Period, the Company continued to improve its professional services to customers of budget organisations such as fiscal institutions and government departments by strengthening qualification construction, classified management and structural optimisation, and made its institutional business more solid and professional.

During the Reporting Period, the Company won the bid to become the central fiscal non-tax revenue collection agency. With this qualification, coupled with two other qualifications of "Central Financial Treasury Direct Payment Agent (中央財政國庫直接支付代理資格)" and "Central Financial Treasury Authorised Payment Agent (中央財政國庫授權支付代理資格)" obtained by the Company at the end of the previous year, the Company has become one of the five "full-qualified" banks for central financial agency business.

During the Reporting Period, the Company actively launched financial services for special debt projects of local governments, and supported their efforts in constructing infrastructure and boosting real economy. The Company refined its local debt investment and treasury cash management businesses, and improved its services to central and local financial departments. As at the end of the Reporting Period, the Company had 23.7 thousand institutional customers, representing an increase of 1,020 as compared with the end of the previous year. The total institutional deposits amounted to RMB681,463 million, representing an increase of RMB145,458 million as compared with the end of the previous year. The annual average daily deposits amounted to RMB638,595 million, representing an increase of RMB102,784 million as compared with the previous year. Among them, the average daily deposits of general institutions amounted to RMB505,825 million, representing an increase of RMB72,157 million as compared with the previous year.

3. Investment banking

During the Reporting Period, the Company further reformed the investment banking business framework by focusing on the light-asset business model and attaching more importance on key products, customers and regions, and provided comprehensive and customised investment banking services to help the development of customers, and strove to build into an investment bank with "commercial banking+investment banking", and "finance+intelligence".

In respect of the capital market business, the scale of products such as M&A loans, syndicated loans, and debt-to-equity swaps recorded steady increases. Key customer base of investment banking was continuously consolidated and the customer experience was continuously improved.

In respect of bond underwriting, the Company strengthened the multi-level business promotion 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 RMB364,077 million in the inter-bank bond market, ranking ninth among all leading underwriters in the inter-bank bond market.

In respect of asset securitisation, the Company continued to introduce innovative products and successfully invested in the first consolidated fund securitisation project for enterprises owned by the central government/state-owned enterprises in China, the first pipe gallery PPP + ABS project in China and the first scalable REITs project in China.

4. Transaction banking

During the Reporting Period, the Company focused on the scenario of daily production and operation of customers, and continued to promote upgrading of scenario-based products, strengthen the business advantages of light capital, optimised debt level and scenarised functions, and improve the product and service systems in order to offer suitable products to customers based on their needs. The Company provided more digitalised, smart and convenient products and services so as to become a transaction bank with settlement and financing functions, domestic and overseas coverage as well as digitalised and scenario-based features.

During the Reporting Period, the Company promoted the integrated use of innovative products such as "single window" financial services, global cash management, cross-border e-commerce and "Minsheng Global Fast Payment (民生環球速匯)" and completed the first cross-border e-commerce direct collection pilot project in China, offering convenient cross-border trading services. The Company also actively explored business opportunities such as trade finance, cross-border investment and overseas project contracting, and strove to provide all-around and tailor-made cross-border financial services to "Going Global" customers as well as customers engaged in imports and exports. Through continuously exploring new business frontiers, the Company enhanced its competitiveness in international business.

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 responded to the cash management needs of group customers and launched a new inter-bank cash management business to facilitate more efficient and comprehensive capital management for enterprises. The Company focused on a wide range of service demands of strategic customers, supply chain customers, institutional customers and SME customers for new type of settlement, internal capital management and wealth enhancement. New products such as Non-Tax Express (非稅通) and C&B Express (薪福通) were introduced, and product functions such as Housing Management Express (房管通), Tender Express (招標通), Purchase and Sales Express (購銷通), Order Cashier (訂單收銀台) and large-amount certificates of deposits were also improved and upgraded, which further enriched and improved the product systems of "Express (通)", "Pool (聚)" and "Earnings (盈)".

The domestic trade finance and factoring business focused on its original functions, and results of transformation were significant. During the Reporting Period, focusing on demands of customers, the Company proactively explored the scenarised models and improved the customised functions of domestic letters of guarantees, domestic letters of credit and factoring. Typical solutions were designed for key industries such as pharmaceutical, electricity and construction industries, further enhancing the Company's distinctive competitiveness in its trade finance. The Company made in-depth studies on diversified scenarios of non-financing guarantees such as tendering, contract performance, litigation and payroll for migrant workers, and launched the first e-letter of guarantee in the industry and worked on the design of tailored e-letter of guarantee for specific scenario, which effectively improved customers' experience.

The Company continued to upgrade its digital services to effectively improve customers' experience. During the Reporting Period, the Company continued to integrate and improve its existing products, channels and services in response to customer's demands, and actively promoted the digital and smart upgrading of products in transaction banking products. The Company further promoted self-service business with more standardised operation, and provided new comprehensive financial service models with higher efficiency and convenience for corporate customers.

5. Supply chain finance

During the Reporting Period, the supply chain finance business developed rapidly, and business in key industries continued to expand. Efforts were made to streamline the procedures, optimise and upgrade the product system and expedite the construction of technology platforms. Risk management standards were further enhanced.

Improved scenario-based supply chain product service system. The Company continued to promote expansion in key industries. It put emphasis on key businesses such as automobile, liquor, home appliance, construction and pharmaceutical. Based on the characteristics of each industry, the Company helped customers overcome their difficulties in operation by offering tailor-made financial solutions based on product packages and innovative services, to improve and refine supply chain product series. On one hand, the Company improved its existing product and service systems, such as "E-series of financing products + settlement + value-adding (融資產品E系列+結算+增值)", and enriched its financing products such as "Credit Financing E (信融E)", "Warehouse Receipt E (倉單E)" and "Lease Financing E (賃融E)" for receivables, payables and inventory in the supply chain. On the other hand, by further streamlining procedures and launching more online functions, the Company continued to upgrade the existing product functions to enhance customer experience. As at the end of the Reporting Period, the Company had over 10 thousand customers along the industry chains.

Accelerated fintech innovation of supply chain and refined risk management. On one hand, the Company accelerated the development of the new supply chain financial platform and the analysis on function requirement and overall structure design were completed. Such platform was planned and designed to incorporate customers' financial needs, integrate product marketing, optimise business procedures, enhance risk control and ensure effective market response mechanism. Through supporting comprehensive product innovation based on industry scenarios, it enabled the establishment of a production and finance eco-system with competitive integrated services. On the other hand, the Company further optimised its policies and system for supply chain risk management with wider application of new technologies and models in risk control. Supply chain risk early-warning and prevention mechanism was strengthened to strictly manage and control risks.

(II) Retail Banking

During the Reporting Period, the economic condition was complicated with increasing downward pressure and uncertainties. In respect of policy, the new asset management rules were enforced, the financial regulation was further tightened, policies on reduction of tax and surcharges were promulgated and more favourable financial policies for SMEs were issued, resulting in challenges and opportunities for the retail business.

During the Reporting Period, in accordance with the strategic deployment of reform and transformation for its retail banking, the Company strove for business development while carrying out its reform and transformation. Reform and transformation tasks were implemented in an orderly manner. Committed to customer group management, the Company further enhanced its standardised retail management system and stepped up its reform efforts for vertical retail management and control. The development of wealth management business was accelerated to enhance capacity per capita and per network and consolidate the foundations of both wealth management and asset management. Technologies were empowered to speed up the development of digital, online and scenarised financial services. During the Reporting Period, as a result of the reforms, the retail banking business of the Company recorded rapid income growth and high-quality development.

During the Reporting Period, the major retail businesses of the Company maintained a relatively fast growth. Operating income from retail business of the Company was RMB67,261 million, representing an increase of 19.63% as compared with the corresponding period of the previous year, and accounted for 39.15% of the total operating income of the Company, representing an increase of 1.52 percentage points as compared with the corresponding period of the previous year. Net non-interest income from retail banking was RMB40,303 million, representing an increase of 17.29% as compared with the corresponding period of the previous year, and accounted for 59.92% of operating income from retail banking and 52.79% of net non-interest income of the Company.

During the Reporting Period, the major achievements of retail banking reform and transformation were as follows:

Firstly, intermediary income from wealth management increased significantly. As the Phoenix Project C7 financial reform continued to implement, the standardised operating model of "C7+FC" was improved and the sales system for complex wealth management products was refined, expediting the reform and transformation of wealth management. During the Reporting Period, intermediary income from wealth management, agency sales of insurance and agency sales of funds amounted to RMB4,852 million, RMB1,809 million and RMB1,752 million, respectively, representing increases of 27.48%, 51.28% and 26.46%, respectively, as compared with the corresponding period of the previous year.

Secondly, the customer group management of small business finance was further developed. Under its new Small Business 3.0, the Company planned and implemented strategies for development, promotion of data marketing and supervision of assessment and evaluation. The coverage scope of business and social circles of small business customers was enlarged, and product portfolios satisfying comprehensive service needs of SME customers and their enterprises, employees and families were provided to enhance the service capabilities of "1+1+N". During the Reporting Period, the number of newly opened accounts, deposits from and financial assets of small and micro enterprises grew steadily. In particular, total deposits from small and micro enterprises increased by 33.91% as compared with the end of the previous year.

Thirdly, the business model of credit card was transformed progressively. Proportion of quality customers in the newly acquired customers during the year increased, and total number of new millennial customers was over 21 million. As a result of the differentiated pricing policy, installment service fee income increased significantly. A customer rating system was established to improve classified management of customer groups. Scenarised financial channels were preliminarily developed and the newly launched Small Business Inclusive Credit Card (小微普惠信用卡) achieved satisfactory results.

1. Retail customer groups

Continued customer group management. During the Reporting Period, the Company further defined customer groups by taking customer groups of NSOE eco-system, small business and private banking entrepreneurs as distinctive groups, and the ones of the wealth management and the millennials as the core groups, so as to precisely allocate resources, improve service capabilities, and cultivate financial service brands for different groups and gain differentiated competitive advantages.

Enhanced batch acquisition of customers. During the Reporting Period, through scenario-based customer acquisition platform and integrated online and offline channels, the Company carried out precise marketing based on classified customer groups and strengthened the retail operation. Focusing on quality customer groups, the Company further promoted the cross-selling between retail and corporate businesses. Payroll agency service was expanded, and customer acquisition platforms such as ETC service for car owners, industry-based "Payment Express (繳費通)" and "QR Code Express for Industrial Parks (園區一碼通)" were developed. More resources were put into the marketing of "UnionPay Quick Pass (雲閃付)", and scenarised application of debit cards was upgraded. The Company continued to conduct marketing events such as "Value-Added Payroll (薪上加薪)" and "Square Dancing Contest (樂享人生悦舞季)" to enhance its precise batch acquisition of customers.

Explored online service model of simplified operation. During the Reporting Period, the Company explored the online service model of simplified operation for retail long-tail customers The Company connected to customers precisely through various digital channels via remote banking and offered online wealth management consultation services to customers through 95568 hotline service. To cater the needs of classified customer groups, financial service scenarios of "wealth management planning report (理財規劃報告)" and "Dream Planning (夢想計劃)" were set up. The Company also cooperated with leading internet companies with the theme of "interest + product + traffic (權益+產品+流量)" in order to provide efficient and personalised financial services for customers.

As at the end of the Reporting Period, the number of retail customers with deposits of the Company was 41,859.7 thousand, representing an increase of 3,465.2 thousand as compared with the end of the previous year.

2. Financial assets

Improved standardised operation model. During the Reporting Period, adhering to the major strategy of customer group management, the Company finished importing and solidifying the standardised procedures of the C7 financial reform project. By applying the digital marketing system, the Company stipulated the management plans for classified customer groups to establish a strategy matrix. The Company exerted more efforts in improving the wealth management business platform to optimise and upgrade the management and standard operation of wealth management teams, thus to achieve transparent management regarding key performance, improve refined data-driven sales and boost sales performance.

Optimised functions and customer experience of deposit products. During the Reporting Period, with an aim to improve customer experience, the Company developed competitive deposit products, and launched new functions including monthly interest payment, online transfer and early withdrawal for large-denomination certificate of deposits (CD), as well as paper CD (民生安心存紙質存單). The user interface of mobile banking was also upgraded to continuously improve the functions of deposit products. In addition, the Company strengthened platform support to recommend product mix and carry out precise marketing based on customer data labeling.

Refined wealth management product mix. During the Reporting Period, the Company actively overcame the impacts from lower demand for traditional wealth management products by coordinating the supply and sales of major products through online and offline channels, and continued to enrich and improve the product mix by launching Minsheng Panshi series (民生盤石系列) featuring stable return from absolute income and Minsheng Premium series (民生優選系列) featuring maximum return from relative income. The Company also launched Morning Report on Wealth Reform (財富革新晨報), Minsheng Wealth Morning Report (民生財富早報), "Minsheng Smart Insurance (民生慧保)" and assessment report of insurance products to provide all-round support for smart frontline sales.

As at the end of the Reporting Period, financial assets of individual customers under the management of the Company amounted to RMB1,836,975 million, representing an increase of RMB186,855 million as compared with the end of the previous year. Total retail deposits (including the deposits of small and micro enterprises) amounted to RMB827,057 million, representing an increase of RMB176,869 million as compared with the end of the previous year. Savings deposits amounted to RMB706,354 million, representing an increase of RMB141,078 million as compared with the end of the previous year.

3. Retail loans

During the Reporting Period, under the new environment and situation of retail loans business, the Company continuously carried out product innovation and procedure optimisation to improve its customer services and support for business development of small and micro enterprises, as well as to satisfy the reasonable capital demands of residents for daily consumption and housing mortgages. As such, retail loans maintained a steady and healthy growth. As at the end of the Reporting Period, retail loans of the Company amounted to RMB1,397,216 million, representing an increase of RMB179,322 million as compared with the end of the previous year. Of which, loans to small and micro enterprises amounted to RMB444,560 million, representing an increase of RMB37,622 million as compared with the end of the previous year. Consumption credit amounted to RMB506,775 million, representing an increase of RMB89,068 million as compared with the end of the previous year.

Fully upgraded consumer finance system. During the Reporting Period, in strict compliance with the macro control policies on real estate market, the Company optimised the business procedure of housing mortgage loans, adjusted the business policies and refined management to ensure the stable development of housing mortgage loans business. The Company continued to classify consumer credit customer groups, develop relevant products, and streamline business procedures based on customer needs and better experience, so as to fully upgrade the consumer finance system. Efforts were also made to explore scenarios for automobile and e-commerce businesses, and various projects including housing finance, automobile insurance and loans, Ant Borrow by Alipay (借唄), Ant Credit Pay by Alipay (花唄) and fenqile.com (分期樂) were developed and launched. The establishment of data source was accelerated by using big data-based risk control technology, and an online automatic approval engine for "Minsheng Easy Loan (民生民易貸)" was launched to further improve financial services for digital credit approval and online consumer finance.

Strengthened new model of Small Business 3.0. During the Reporting Period, in accordance with the national development strategy of inclusive finance, the Company continued to stand firmly on the strategic positioning of small business finance, promote new development path of small business finance, and improved online and comprehensive service capabilities for small business finance. The Company also took proactive measures to resolve the financing difficulties and high financing costs of small and micro enterprises. As a result, small business loans of the Company recorded steady growth and the service scope continued to expand.

Enhanced comprehensive services for small business eco-system. The Company provided more systematic supports to small business finance by establishing the Inclusive Finance Management Committee of China Minsheng Bank and refining the organisational structure of inclusive finance, in order to provide all-round policy support for inclusive finance businesses. Through improving internal resources allocation, incentive and evaluation, the Company boosted enthusiasm of operating units in developing small business finance and realised steady growth in terms of loan amounts and number of customers. During the Reporting Period, the aggregate amount of loans to small and micro enterprises amounted to RMB512,011 million. More innovative products and services were introduced, upgraded and promoted, including "Cloud Loan (雲快貸)", "Value-Added Loan (增值貸)", "Tax-Based Online Loan (納稅網樂貸)" and other online loan products, which provided more convenient financing services for small business customers. Operation procedures were optimised, streamlined and standardised to shorten the processing time and improve customer experience. Based on customer classification, the Company provided differentiated credit products and diversified financial service portfolios. The Company also further developed settlement scenarios and promoted convenient payment service platform products for industries such as education and leasing. Effective implementation and promotion of industry scenarios, such as regional supermarkets, shopping malls, tourism and parking fee payment, were carried out in order to satisfy the needs of small business customers for settlement and financial management. As part of the integrated management of small business finance customer groups, the Company improved the service and management capabilities as well as development efficiency. To align with the launch of "Digital Small Business Finance (數字小微)", various projects commenced operation in different segments, which included developing digital model, establishing mobile and internet system and optimising functions of mobile banking services for small business. As such, data and systems provided stronger support for business operations. The road show of Small Business Finance Open Day and the campaign of Bank-Enterprise Cooperation (百行進萬企)" were launched to cater to the needs of small business customers and promote the new business concept of Small Business Finance 3.0.

Targeted quality customers and scenarios of credit card loans. During the Reporting Period, the Company focused on precise customer acquisition and classified management strategy, pushed forward business transformation and innovation in pursuit of higher efficiency. In respect of precised customer acquisition, the Company focused on targeted valuable customers, established customer labeling system, adopted differentiated credit and pricing strategies and improved selection of channels to acquire customers, and effectively increased the percentage of targeted customers. In respect of classified management, firstly, the Company optimised product design based on customer's needs. During the Reporting Period, the Company launched the Small Business Inclusive Credit Card (小微普惠信用卡) for small business customer group to make credit card an important tool in serving small and micro enterprises. The Company launched the "Self-Portrait Card (自畫像卡)", "Bracelet Credit Card" (腕帶閃付卡) and other products tailored for the millennial generation. Aiming to capture the potential of college and university customer groups, the Company launched co-branded credit cards with Xiamen University and Nankai University. "Tribute to Dunhuang (致敬敦煌)" card, "Artist (藝術家)" card and other

themed products were launched to build up culture image of the Company. Secondly, the Company established a customer rating system which classified existing customers based on their qualifications, value growth, risk level and other factors, in order to achieve differentiated product pricing, precise marketing and quality control. In respect of transformation and innovation, the core competitiveness of scenario-based financial services continued to be enhanced and the number and quality of the merchants further increased. Outstanding results were achieved in terms of scenario-based customer acquisition, transactions, installment and brand promotion. Registered users of the "Daily Life APP (全民生活APP)" increased to over 20 million, and innovative services of "Easy Installment (全民易分期)" and "Discount Shopping (惠買單)" on the APP platform were well-received in the market.

During the Reporting Period, the credit card business of the Company was awarded various honours, such as "The 2019 Popularity Award of Élan Awards (2019依蘭獎大眾喜愛獎)" from International Card Manufacturers Association (國際制卡商協會), the "Outstanding Cash Back Award (優秀產品返現獎)" from VISA, the "Global Marketing Innovation Award for UnionPay Card (銀聯卡跨境營銷創新推廣獎)" from China UnionPay, the "2019 Outstanding Cooperation Award (2019年傑出精誠合作獎)" from American Express, the "Best Global Partner of 2019 (2019年度全球最佳合作夥伴)" from JCB International, and the "Most Influential Brand in the Consumer Market of China (中國消費市場行業影響力品牌)" from the 13th China Consumer Economy Forum (第十三屆中國消費經濟高層論壇) in 2019.

As at the end of the Reporting Period, the aggregate number of issued credit cards of the Company reached 57,456.1 thousand, of which, 7,908.9 thousand were newly issued during the Reporting Period. Transaction volume of credit card business was RMB2,480,530 million, representing an increase of 12.16% as compared with the corresponding period of the previous year. The balance of accounts receivable amounted to RMB445,881 million, representing an increase of 13.38% as compared with the end of the previous year. Non-performing asset ratio was 2.48%, representing an increase of 0.33 percentage points as compared with the end of the previous year.

4. Private banking

Deepened reform and transformation. During the Reporting Period, the private banking business of the Company was further reformed with enhanced efficiency as a result of the "three reforms" on customer classification management system for wealth management, comprehensive service and the corporate-individual synergy mechanism for entrepreneur customer group, and the product system under the new capital rules. A solid customer group management system was established, and the growth rate of new customers, retention rate of customers and profitability were continuously improved. The customer group structure and business model have been further optimised.

Strengthened wealth management system. During the Reporting Period, more private banking centres were established, customers were classified to match operation capacity, bringing higher productivity. Under innovative business model, synergy between corporate customers and individual customers was generated. Product structure was optimised by introducing more net-worth wealth management products and structural deposit products. With product sales driven by asset allocation, product portfolios were significantly improved while customer group management has made preliminary achievements. Through continuous cooperation with professional overseas institutions, the scale of overseas assets allocated, such as overseas funds and overseas insurance, was further enlarged. The Company continuously optimised its sales channels with the aid of technologies to establish smart private banking platform and continuously enhance customer experience.

As at the end of the Reporting Period, the number of eligible private banking customers with financial assets of more than RMB8 million was 21,998, representing an increase of 14.28% as compared with the end of the previous year. The financial assets of eligible private banking customers under the Company's management was RMB404,250 million.

5. Community finance

Continuously increased contribution of various segments. 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 Company organised the fifth anniversary meeting of community finance with the theme of "Sharing long-lasting happiness and warmth (共享美好，溫暖長在)" and a series of marketing campaigns. These efforts resulted in higher competitiveness and marketing influence of community finance and rapid growth in community financial capacity. As at the end of the Reporting Period, the Company had 1,175 licensed community sub-branches and 147 small business sub-branches. Total financial assets of the community (small business) sub-branches continuously increased to RMB284,060 million, and the average financial assets of the community network were RMB215 million. Total savings deposits exceeded RMB100 billion and reached RMB103,179 million. The contribution to value growth was significant. The number of customers was 6,696.5 thousand, of which 815.1 thousand were active. The customer base was further consolidated.

(III) Treasury business

1. Investment business

During the Reporting Period, the Company carried out its investment business in an orderly manner, with continuous growth in business scale. As at the end of the Reporting Period, net investments in trading and banking books of the Company amounted to RMB2,160,548 million, representing an increase of RMB206,166 million, or 10.55%, as compared with the end of the previous year. The proportion of net investments in trading and banking books in total assets of the Company decreased by 0.30 percentage points as compared with the end of the previous year.

2. inter-bank business

During the Reporting Period, the Company strengthened the compliance of its inter-bank business. Driven by customer groups and products, the Company further promoted transformation of inter-bank business to customer group management and optimised the structure of inter-bank assets and liabilities. The inter-bank business maintained stable and healthy development.

In respect of customer group management, leveraging on the results of transformation, the Company formulated classified marketing guidelines for inter-bank customers and marketing plans for key inter-bank customers to effectively strengthen the coordination with customers and comprehensive marketing efforts. The cross-selling mechanism for inter-bank customers was under smooth operation. Classified management of inter-bank customers was further refined with one-to-one marketing planning. Based on customer assessment and customer value, differentiated marketing and service systems were established. Through participating in inter-bank cooperation summits and interactions with regional customers, the Company continued to promote its brand value. The Company also launched an APP of "Minsheng Inter-Bank Business e+ (民生同業e+)" APP to create and enrich the financial eco-system with its inter-bank customers for mutual benefits.

In respect of product management, the Company strengthened its management of inter-bank business funds with increased stability and decreased cost of inter-bank liabilities. As at the end of the Reporting Period, inter-bank assets amounted to RMB373,655 million, representing an increase of 10.69% as compared with the end of the previous year. inter-bank liabilities (including IBNCD) amounted to RMB1,842,258 million, representing an increase of 14.02% as compared with the end of the previous year. During the Reporting Period, a total of 627 tranches of IBNCD were issued with an accumulated amount of RMB905,190 million and the balance amounted to RMB583,105 million, representing an increase of 33.75% as compared with the end of the previous year.

3. Custody business

By doing in-depth market analysis, the Company actively responded to market changes and grasped strategic opportunities arising from the net-value transformation of wealth management products. It focused on custody products such as public funds, banking wealth management and asset securitisation. According to the general concept of "Establishment of platform, mechanism and innovative model", an integrated precise marketing system with coordination among the Head Office, branches and sub-branches was established to form interlocking supervision. Feedback, evaluation and early warning mechanism on key customers were set up. "One bank one policy (一行一策)" and "one customer one policy (一戶一策)" were also implemented. The asset custody business realised rapid growth. As at the end of the Reporting Period, total assets under custody of the Company (including various types of funds under supervision) exceeded RMB10 trillion, representing an increase of 14.88% as compared with the end of the previous year. Revenues generated by custody business was RMB5,072 million, representing an increase of 12.61% as compared with the previous year.

In respect of pension business, as a qualified player for the management and custody of corporate annuity accounts, the Company capitalised on the opportunities in China's pension market development and continued to allocate more resources in pension business, refine its products and improve management and services. The Company fully engaged in occupational annuity (the second pillar) and corporate annuity business, and proactively prepared to join the market of personal pension (the third pillar) management. Innovative pension products concerning pension security and management were introduced to facilitate rapid growth of pension business throughout the Bank. As at the end of the Reporting Period, the Company had RMB587,766 million pension funds under custody, representing an increase of 140.90%, as compared with the end of the previous year, and managed 186.6 thousand corporate annuity accounts.

4. Wealth management business

During the Reporting Period, despite the slowdown of economic growth in China and disturbance caused by international economic and trading events, under the guidance of the Board and the Senior Management, the Company deepened the reform in wealth management business and ensured its healthy development. On one hand, under the premise of consolidated compliance and effective risk control, the Company proactively promoted the transformation of wealth management products to net-value products with enriched types, increased scale and expanded categories. On the other hand, the Company closely followed the major national strategies and promoted financial services for the society and supported the real economy through direct or indirect involvement in various financial tools and products. As at the end of the Reporting Period, the scale of wealth management products (excluding structural deposits) of the Company in effect amounted to RMB896,049 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 markets (i.e., the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 2,524.26 tons, and the trading volume of silver (including agency sales for legal persons and individuals) amounted to 16,656.60 tons. The total trading value amounted to RMB1,056,906 million. The Company's precious metals business grew steadily with leading trading volume in the markets. The Company was also one of the most active dealers at the Shanghai Gold Exchange. The Company actively participated in the market making of precious metals and the establishment of standardised market making system, and obtained the qualifications of market maker for inter-bank gold price inquiry (銀行間黃金詢價市場正式做市商), market maker for gold price matching on the Shanghai Gold Exchange (上海黃金交易所競價黃金做市商) and the market maker for golden coin price matching on the Shanghai Gold Exchange (上海黃金交易所競價金幣做市商).

As at the end of the Reporting Period, the volume of gold lease to corporate customers of the Company was 18.01 tons, representing an increase of 6.19% as compared with the end of the previous year. During the Reporting Period, the sales volume of physical gold to retail customers was RMB556 million. The Company effectively satisfied the demands of customers with diversified products.

During the Reporting Period, the transaction volume of domestic spot settlement of the Company amounted to USD736,758 million, representing an increase of 44.71% 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 USD1,137,107 million, representing a decrease of 12.92% as compared with the corresponding period of the previous year. The Company actively engaged in innovative products and businesses concerning option and its portfolios. The transaction volume of RMB foreign exchange options amounted to USD112,819 million, representing an increase of 0.45% as compared with the corresponding period of the previous year.

Discussion and Analysis on Business Operation

(IV) Distribution channels

1. Internet finance

During the Reporting Period, the Company further implemented the strategy of "fintech-based bank", actively explored and applied cutting-edge fintech and upgraded its internet finance platform. Continuous innovations were made in the "three banking systems (三個銀行)", namely online banking, mobile banking and WeChat banking, and the "four platforms (四個平台)", namely bank-enterprise direct connection platform (銀企直聯平台), online payment platform, digital operation platform and open banking service platform (開放銀行服務平台), which greatly improved the services of internet finance. The Company continued to expand its market share and brand influence and received 11 awards in 2019, including the "2019 Forerunner Award in Corporate Standards for Online Banking Services (2019年度網上銀行服務企業標準「領跑者」)" by the PBOC, the "Most Popular Mobile Banking Award (最受歡迎手機銀行獎)" by Sina Finance and the "Best Fintech Innovation and Application Award (最佳金融科技創新應用獎)" by China Financial Certification Authority.

(1) Retail online platform

During the Reporting Period, adhering to the principles of "openness, intelligence and inclusiveness", the Company continued to innovate the platforms and products of personal mobile bank, online bank and WeChat bank to optimise user's experience. The Company upgraded the unified customer identification system — "Minsheng Pass (民生通行證)", which enabled customers to access to multiple platforms such as mobile bank, online bank and the "Daily Life (全民生活)" APP of credit card with only one set of account and password. The Company launched an open account system that supported the register of users of other banks to the retail online platform of Minsheng Bank, which further expanded the service scope. The Company launched the Minsheng Mini Programme on WeChat (民生小程序) to offer users more convenient financial services by using the technology and service platform of mobile banks. The Company established differentiated service systems for small business, private banking, credit card and other customer groups, in order to satisfy the individual needs of various core customer groups with only one APP. The Company developed a new 5.0 version of personal mobile bank with access to remote bank, which improved the coordinated capabilities of online and offline services. The Company launched various new functions for wealth management customers, including wealth frontpage (財富首頁), financial products ranking (金融產品排行榜), Minsheng Smart Insurance (民生慧保), real time quotes of index funds (指數基金晴雨錶), AI-Based financial hotspots (AI財經熱點) and top news (資訊熱榜). The Company continued to explore the application scenarios of cutting-edge technologies in financial services to innovate smart mobile banking services by using big data, biometric identification technology, natural language processing, machine learning and safety technologies, in an aim to provide more convenient, faster and safer online financial services.

As at the end of the Reporting Period, the number of retail online platform users was 70,411.8 thousand, representing an increase of 11,112.0 thousand, or 18.74%, as compared with the end of the previous year. The retail online platform substitution rate was 99.68%. In terms of customer transaction activity, the Company remained its leading position in the banking industry.

(2) Corporate online platform

During the Reporting Period, the Company focused on the establishment of corporate online platform and launched an integrated corporate online service system consisting of various channels including mobile devices, personal computers, bank-enterprise direct connection platform and WeChat platform, that can be accessed with one corporate user pass, which better served the real economy and supported the rapid growth of enterprises. The brand new corporate mobile finance platform was developed and the 2.0 version of corporate mobile bank was launched, providing corporate customers with convenient self-service functions including transfer, AI-Based smart bank notes verification, account opening appointment and contract signing at banking outlets. The security and ease of use of the APP were enhanced and product functions on the platform were enriched. Under the customer-centric principle and in order to fulfil the differentiated and distinctive needs of customers, the Company launched specialised versions of mobile banking services for corporate customers, SMEs and inter-bank customers, respectively. The corporate online banking platform and the bank-enterprise direct connection platform were upgraded and optimised with new functions such as customised menus, electronic bills, settlements and sales of foreign exchanges, bank deductions (行内扣款) and quick access, which fully improved the service quality in terms of usage, interaction, visual design and experience. The Company also continued to develop more WeChat-Based products to small and micro customers.

As at the end of the Reporting Period, the number of users of corporate online platform reached 2,310.3 thousand, representing an increase of 498.3 thousand, or 27.50%, as compared with the end of the previous year. The number of bank-enterprise direct connection customers was 2,916, with annual average daily financial assets of RMB448,715 million.

Discussion and Analysis on Business Operation

(3) Online payment business

During the Reporting Period, focusing on the two major service systems of "mobile payment and online acceptance (移動支付+網絡收單)", the Company put great efforts in product and service innovation based on market needs and industrial problems. The online payment services and brand influence of "Minsheng Pay® (民生付®)" were continuously enhanced. The Company promoted mobile payment projects and their marketing, and diversified the application scenarios of services. The Company closely cooperated with China UnionPay and became the first bank providing function to bind credit card with application of UnionPay Quick Pass with only one click. The Company further optimised mobile payment products with additional functions such as face recognition and cross-bank withdrawal by scanning QR code. The mobile quick payment service of the Company fully supports the payment of class I/II/III accounts and allows users of Apple, Huawei, Xiaomi, OPPO, Vivo and other popular mobile phone brands and users of major scenarios to make quick payments. To foster the development of inclusive finance, the Company promoted the electronic wallet proposal of "account + payment". The Company enhanced the industry application of its online payment services by adding new functions of fund loading and agency payment to Easy Collection and Payment (收付易), and launching Easy Bill Split (分賬易) product for compliant fund clearance of platform merchants. The Company also established emerging payment and monitoring platform, and introduced various functions including API gateway for the cashier of Minsheng Pay, agreed payment, mobile acceptance on WeChat, compliant settlement on platforms and payment split.

During the Reporting Period, the number of mobile payment transactions via debit cards amounted to 63,252.7 thousand, representing an increase of 385.56% as compared with the previous year.

2. Direct bank

During the Reporting Period, the Company accelerated the reform and transformation by continuously improving the internet banking system and mechanism. The Company put in trial the "Group Eco-Wallet System (集團生態錢包系統)" that consisted of a "wallet" plan for members, a "benefit" plan for employees, and a "value-added" plan for distribution, which provided highly-adhesive scenario-based financial solutions to enterprises, customers and employees. The Company integrated services, such as deposits, loans, remittances, investments, payments, membership system, employee benefits, distribution settlement, financing and intelligent services, into accessible, scenario-based and feasible functions, which enabled business managers to easily enjoy all-round financial services covering management, operation, customer acquisition and cash realisation. Currently, the Company has provided the "group wallet" services to a number of leading companies such as China Airlines, Huawei,and Eastern Airlines, etc., and is rapidly replicating this business model to a wide range of fields such as retail, medicare, energy, education, and business travel.

The brand effect of direct bank has been significantly improved. During the Reporting Period, the Company has won nine major awards, including the "2019 Direct Bank of the Year" in the 13th Golden Cicadas Awards (第十三屆金蟬獎"2019年度直銷銀行") and the "Best Direct Bank Award (最佳直銷銀行獎)" issued by China Financial Certification Centre (CFCA), which further strengthened the Company's leading position in the field of internet finance.

As at the end of the Reporting Period, the total number of direct bank customers was 29,203.0 thousand with financial assets managed by the Company amounted to RMB109,832 million.

3. Remote bank

In terms of customer service, adhering to the principle of customer-centric services, the Company expanded the accessibility and convenience of its financial services by launching remote bank to provide its customers with more efficient, inclusive and easy-to-use services, and rebuilt its retail customer online operation. In terms of video services, the Company provided 7*12 hours remote video counter services, and achieved a new end-to-end remote banking service without breakpoints as combined with the offline logistics delivery system. In terms of the brand of "cloud butler (雲管家)", the Company provided a wide range of personal financial butler services, such as service butler, wealth butler and information butler. In terms of customer group management, relying on digitalised precise services and multi-channeled remote interaction technology, the Company provided customers with vertical services and operations, which promoted the classified management of customer groups across the Bank. Firstly, the Company established a growth ladder for the public customer groups and matched their financial and non-financial interests according to customer portraits, and changed the situation of insufficient customer maintenance resources. Secondly, through crossover cooperation with quality internet companies, the Company jointly created a new service eco-system of "traffic + products + interests", which provided various services such as remote account opening and wealth butler, in an aim to broaden the sources of online customer acquisition. Thirdly, as the remote banking operations are intensified, standardised and digitalised, the Company took its advantages in implementing data strategies, closed-loop marketing monitoring, specific customer group services and non-financial interest operations, in an aim to improve the retail operating efficiency and effectiveness of the Bank.

4. Physical distribution channels

The Company has established an effective domestic distribution network that covered all provinces in the Chinese mainland with focus on the 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 covered 125 cities in the Chinese mainland, including 132 branch-level institutions (including 41 tier-one branches, 82 tier-two branches and nine remote sub-branches), 1,154 business outlets of sub-branches (including business departments), 1,175 community sub-branches, and 147 small business sub-branches.

Discussion and Analysis on Business Operation

The Company proactively promoted innovations in channel operation models, continued to introduce and optimise customer-friendly banking offices, and accelerated the transformation of offices of banking outlets into integrated and customer-centric distribution channels offering advisory, sales and services. As at the end of the Reporting Period, all standard domestic outlets completed the customer-friendly model transformation.

The Company continued to improve its customer services by supervising its service quality of all channels and further strengthening NPS supervision and analysis. Through launching full-channeled retail customer experience management projects and establishing customer experience management system, the Company improved customer experience. The Company promoted the establishment of business outlets with decent and standardised services. During the Reporting Period, 52 business outlets of the Company won the title of "Five-Star Banking Outlets of Decent and Standardised Services in 2019 (2019年銀行業文明規範服務五星級網點)" by the China Banking Association and the market reputation and image of the Company were further enhanced.

5. Operation management

The Company fully implemented the requirements of the regulatory authorities, and continuously provided high quality, high efficiency and competitive services to customers inside and outside the Bank by adhering to the principle of "facilitating compliance, preventing risks, enhancing efficiency, strengthening cooperation and promoting growth", the customer-centric philosophy and the value-oriented objectives. The Company was named as the "Advanced Group of Banking and Financial Institutions (銀行業金融機構先進集體)" in the major reform of "Cancellation of License Issuance for Opening Corporate Bank Account" organised by the PBOC. Responding to the requirements of the State Council of streamlining management structure, strengthening supervision and optimising services, the Company introduced "Cloud Mortgage Express (雲速押)", a mortgage model that using electronic warrants for online application and extension of secured loans to retail and small and micro enterprises with one-time counter service. Responding to the national requirements of "deepening the development of inclusive finance and promoting the innovation of fintech", the Company boosted its growth with technological innovations and achieved breakthrough in remote banking operation and services which featured inclusiveness and convenience, which continuously improved customer experience. The "95568 Remote Bank" won the first team prize of the "Voice of Customer Service (客服好聲音)" in the fourth session of the "Banking Voice (尋找好聲音)" competition of China Banking Association for four consecutive years.

(V) Fintech

The Company fully implemented the "fintech-based bank" strategy and achieved remarkable results. During the Reporting Period, the Company formulated the "Strategic Development Plan for Fintech of China Minsheng Bank (2019–2022) (《中國民生銀行科技金融戰略發展規劃(2019–2022年)》)". Under the guidance of the Board, the Company continued to increase investments in fintech development and provided sufficient talent supply, in achieving the strategic goal of a "digital bank empowered by technology (科技引領，數字民生)". During the Reporting Period, the Company focused on the two major development models of "Finance + Internet" and "Internet + Finance", adhered to the concept of innovation and development, greatly enhanced the platform empowerment and digital operation and service capabilities. The Company also continued to improve the eco-system-oriented service system for NSOEs, retail, and inter-bank customers.

The Company improved digital operation and service capabilities by establishing smart NSOE eco-systems along the upstream and downstream of core enterprises, and transformed service model to online, data-based and intelligent services to support their business development. Relying on technologies such as blockchain, big data, AI and the Internet of Things, the Company consolidated the industry-finance chain by applying data of assets, credit and risks collected in the production and operation of enterprises, to realise cross-validation and continuous accumulating data set of real transaction data and behaviour data, so as to deal with high financing costs of SMEs due to information asymmetry. Focusing on the different aspects in production, supply and sales, the Company integrated highly competitive products, such as transaction banking product of "Express, Pool and Earnings (通聚盈)" and supply chain finance product of "E" series, to create an online, mobile and intelligent banking product and service system, and thus to improve its comprehensive service management capabilities, operating efficiency and customer experience, and increase value.

The Company optimised retail customer experience by building a smart retail eco-system around the customer journey. Through the retail scenario-based integrated service platform, the Company aimed to transform its retail business from traffic management to customer group management, and from product-driven model to integrated service model. During the Reporting Period, based on the management-driven, event-driven and transaction-driven scenarios, 35 key scenarios covering the entire retail customer base were newly added, and the scenario-centric business models were created to match products, channels, customers, and strategies. A scenario awareness, response and decision-making model was established to use real-time data analysis to provide personalised and intelligent product recommendations and multi-channel coordinated marketing to more than 20 key customer groups, including new customers, payroll agency customers and credit customers, thus to enable the Bank to become a smart new retail bank that truly understands its customers and their scenarios. The intelligent marketing system, built upon data application, enabled standardised business modeling in respect to the ten key factors of marketing activities, and provided standardised customer

information, 360-degree customer portraits and cross-channel integrated marketing. During the entire life cycle of consumer loans and small business loans, big data was used to automatically manage risk, realise intelligent pre-loan approval, automated early-warning during loan extension and centralised post-loan collection, so as to solve problems of high credit costs. Combined with experiences of experts and AI algorithms, a quantitative risk model library was formulated to solve difficulties in risk assessment.

The Company improved one-stop comprehensive service capabilities by building smart inter-bank eco-systems based on different industry characteristics of inter-bank customers. By establishing a comprehensive financial service platform for financial markets, unifying data standards of inter-bank customers, relying on real-time technology of big data and implementing real-time calculation and occupancy of credit lines in capital transaction management, the Company enhanced its processing capabilities of financial markets business risk management. The model of "inter-bank e + platform" extended the cooperation of inter-bank customers from offline to online, promoted the reform of business model with the evolution of technology platforms, broke through the limitations of time, space and channels, fully took advantages of inter-bank customers, and realised the transformation of bilateral transactions into multiple interaction, so as to facilitate the sustainable development of information and revenue sharing. With the intelligent investment consulting, intelligent investment research, intelligent information and other fintech capabilities, an asset management cloud platform was established, which covered five core processes of product, investment research, investment, risk and operation.

The Company provided efficient online financial services and accelerated digitalisation of the entire process. The cumulative number of mobile banking users exceeded 52.11 million, the monthly active users exceeded 10.21 million, and the annual transaction volume was more than RMB9.2 trillion. Innovative home products such as "Fortune e Store (財富e棧)" were launched, providing a variety of considerate and convenient "zero-contact services" and realising the complete migration of offline business to online and cloud. With video communication, remote authentication and other technological means, services including personal mortgages, consumer loans and small business loans can be applied in a remote manner through online bank, direct bank and remote bank, providing customers with considerate in-house financial services. Mobile APP for corporate finance was introduced for corporate mobile bank, corporate online bank and corporate mini service platforms, which facilitated the interconnection of corporate customer services between different platforms, and improved corporate customers' experiences. Platform security system was comprehensively upgraded with new technological framework, to provide stronger security and protection to corporate customers.

The Company focused on scientific and technological research and development and made breakthroughs in key technology applications. In terms of technological research and development, the Company has obtained 25 software copyrights and applied for 22 patents. During the Reporting Period, the distributed transformation of the Company entered into the "critical phase" and achieved phased success. It completed the development of certain distributed functions of core capabilities, such as deposits, cards, accounts and customer management, which enabled the Company to provide massive supports, flexible extension, high concurrency and high performance. The Company applied AI in marketing, risk control, operation and other fields, and established a cloud platform for group finance that provided cloud services such as branch-specific cloud, wealth cloud, online loan cloud, payment cloud, and data cloud, and also achieved breakthroughs in the cloud native field in terms of enterprise-level application service development platforms and enterprise-level mobile application platforms.

The Company persisted on data-driven development and deepened data empowerment. During the Reporting Period, the Company continued to increase its investments in big data and other platforms, and focused on achieving mid-office-oriented, intelligent and real-time data collection and application by completing the establishment of data application infrastructures, such as data mid-office 2.0, real-time data systems, model laboratories and integrated platforms of data analysis and application, which significantly improve the capabilities of big data technology. The Company adopted various measures for data governance throughout the Bank, improved the long-term mechanism for data governance and focused on solving key data problems from business source to significantly improve data quality, data foundation and data governance. Focusing on various specific data application business scenarios, the Company continued to leverage its leading advantages in core technologies in big data, AI, cloud computing and other fields, continued to promote deep integration of data and business, and built a unified "value cloud map" across the Bank to support its strategic decision-making, which effectively improved the overall capabilities of intelligent decision-making. The Company built intelligent marketing platforms to continuously strengthen digital marketing capabilities, and implemented the new generation of quantitative risk control system to enhance digital risk control capabilities of its credit businesses. The Company also effectively extended and enriched data application scenarios to further improve customer service experience and service efficiency.

(VI) Comprehensive services

During the Reporting Period, the Company established the "One Minsheng" group-based management and control system, formulated customer-centric service mechanism, and effectively promoted the implementation of "a bank of comprehensive services".

Discussion and Analysis on Business Operation

Optimised accounting and assessment models. The Company improved its accounting, assessment and evaluation system by dividing the business promotion departments of the Head Office into customer group departments and product departments, and evaluated performance contribution of departments throughout the value chain, in an aim to encourage all departments to jointly focus on providing customer-centric, integrated and comprehensive services to customers.

Promoted cross-selling and synergy. Firstly, the Company established a cross-selling and business synergy system with "one goal, two phases, three mechanisms and four major supports", and promoted cross-selling and business synergy between business segments, institutions, and parent company and subsidiaries. Secondly, focusing on the key points, the Company strengthened the promotion of cross-selling. In respect of customer groups, the Company focused on the strategic NSOE customers established a "1 + 3" cross-selling operation model and improved the "five-in-one (五位一體)" cross-marketing mechanism. In respect of products, the Company focused on the development of key products, such as payroll agency, entrepreneur customer groups and agency services, and continued to optimise the supporting mechanisms to promote cross-selling across the Bank. In respect of institutions, the Company established a coordinated marketing platform to expand the depth and breadth of cooperation. The cross-selling of key businesses has played a positive role in consolidating customer base and stimulating the growth of size and revenue of financial assets. Thirdly, the Company optimised its mechanisms and vigorously promoted business synergy of its subsidiaries. By expanding the scope of business synergy of its subsidiaries and carrying out bidirectional diversion of customers and business referrals, the Company incorporated products of its subsidiaries into its own comprehensive financial service solutions to establish a complementary business model, which has gradually brought good results of group operations.

Optimised management model of subsidiaries. In accordance with the overall deployment of "one unification, six synergies (一個統一、六個協同)", the Company tightened its management over subsidiaries to establish the "One Minsheng" group management and control system. The Company organised the preparation of integrated plans for its subsidiaries by incorporating business development of its subsidiaries into the overall strategic synergy system of the Bank to achieve consistent business orientation and policy synergy between the parent company and its subsidiaries. The Company scientifically formulated business plans, improved risk management and control mechanisms, optimised resource allocation, and promoted IT system integration of the parent company and its subsidiaries, in an aim to ensure the healthy and stable development of its subsidiaries.

(VII) Overseas business

During the Reporting Period, under the stringent market environment and regulatory pressure, the Hong Kong Branch actively followed the Company's development strategy, implemented the reform and transformation as well as the three-year development plan and continued to strengthen the three major businesses, namely the corporate banking, financial markets and private banking and wealth management, to give full play of its functions as an overseas business platform of the Company.

Discussion and Analysis on Business Operation

Capitalising on the cross-border synergy with the Head Office and grasping the strategic opportunities arising from the "Guangdong-Hong Kong-Macau Greater Bay Area" and others, the Hong Kong Branch focused on providing professional cross-border financial solutions for quality customers. The Hong Kong Branch focused on the capital market, expanded its featured business and recorded a remarkable income from investment banking businesses, such as syndicated loans, loans for merger and acquisition and structured financing. Cooperation with State Power Investment Corporation, China Duty Free International Limited and Mutual Fund of Greater Bay Area (大灣區共同基金) and other enterprises with high influence in the industry were successfully launched, which strengthened the professional services of the Hong Kong Branch in capital market and new economic sectors.

Capitalising on the strategic position of Hong Kong as an international financial centre, the Hong Kong Branch actively expanded its financial markets business. During the Reporting Period, the Hong Kong Branch actively developed bond investment, trading business and structured notes investment, and achieved higher returns. As at the end of the Reporting Period, total bond investments of Hong Kong Branch was HKD63,031 million. During the Reporting Period, bond issuance business achieved record high. As at the end of the Reporting Period, the global ranking of the Company in terms of underwriting scale of overseas USD bonds issued by Chinese companies sharply rose to the 16th and the underwriting scale of USD bonds for urban investment ranked first in the market, reflecting the Company's brand influence and market position in the overseas bond markets. The Hong Kong Branch expanded its custody business proactively. As at the end of the Reporting Period, the scale of assets under its custody reached HKD34,913 million. Meanwhile, a custody sub-brand, "Cross-Border+ (跨境+)", was launched in China in line with the strategy of the Head Office.

During the Reporting Period, the personal banking business of Hong Kong Branch continued to grow rapidly. The personal wealth management of the Hong Kong Branch was positioned as an internet-based simplified bank based on online banking and mobile banking. Focusing on cross-border wealth management business, the Hong Kong Branch aims to expand its shares in mid- to high-end individual markets and develop itself into a platform under the Company to acquire and manage mid- to high-end customers in order to further enhance cross-border comprehensive financial service capabilities. During the Reporting Period, the Hong Kong Branch gradually launched the online fund service platform and became one of the few Chinese joint-stock commercial banks with online fund management platform in Hong Kong. As at the end of the Reporting Period, the number of customers who had opened accounts for personal wealth management exceeded 57.6 thousand, with total deposits of HKD4,120 million. The sales of "Minsheng Insurance (民生保)", a high-end retail banking product series, recorded 440 transactions with a total insurance premium of over HKD10 billion.

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

As at the end of the Reporting Period, the Company had investments in subsidiaries of RMB6,634 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, in addition to firmly implementing the three-year plan, Minsheng Financial Leasing promoted high-quality and featured development through streamlining business, focusing on highlighted areas and lightening its capital, which brought positive results of its strategic reform and development. As at the end of the Reporting Period, total assets and net assets of Minsheng Financial Leasing amounted to RMB187,738 million and RMB19,150 million, respectively.

Firstly, Minsheng Financial Leasing streamlined its businesses in an active manner. It reduced overdue and non-performing assets, inefficient operating lease assets and implemented plans for exiting from inefficient assets, industries with potential risks or limited growth prospects and quasi credit business to continuously optimise and improve its asset structure and quality. Minsheng Financial Leasing also streamlined its management and implemented comprehensive reforms to accelerate business turnover and improve management efficiency.

Secondly, Minsheng Financial Leasing focused on highlighted areas. It focused on leasing areas such as aircraft, vessels and vehicles, and strove to create three core strategic segments of aircraft, vessels and vehicles with distinctive features and outstanding profitability. In addition, by focusing on the strategy of "One Body and Two Wings (一體兩翼)", the asset size and profit contribution of operating leases and asset tradings of Minsheng Financial Leasing have gradually increased.

Thirdly, Minsheng Financial Leasing lightened its capital. It accelerated asset turnover and expanded asset transaction business to increase revenue from asset turnover. It also focused on the development of low-capital consumption business and gradually improved its profit structure to increase the proportions of operating lease income, service income and non-interest margin income.

In addition, focusing on "One Minsheng" strategy of the Group, the synergy model was optimised and management capabilities complementary to that of the Head Office was enhanced continuously. Minsheng Financial Leasing strengthened its risk management and control and combined business risk with management risk to consolidate basic management and establish a risk prevention and control

structure which would ensure sound development. Minsheng Financial Leasing closely monitored its credit risk during the economic downturn, highly emphasised its market risks in the complex environment and strengthened its compliance and moral risk management and control under stringent regulatory conditions.

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 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 RMB1,971 million and net assets of RMB1,088 million. A total of 56 public funds were managed under Minsheng Royal Fund, which covered various types with high, medium and low risks and cross-border products. Total public funds under its management was RMB148,845 million, representing an increase of 11.00% as compared with the end of the previous year. Non-monetary public funds under its management was RMB124,177 million, representing an increase of 36.01% as compared with the end of the previous year. Non-monetary wealth management funds under its management was RMB104,060 million, representing an increase of 120.55% as compared with the end of the previous year. Minsheng Royal Fund also managed 58 private equity management plans with a management scale of RMB32,123 million.

The performance of medium- and long-term investments 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), as at the end of the Reporting Period, Minsheng Royal Fund ranked 23rd out of 86 funds in terms of the active management capacity for three-year-term stock investment, which was among the top 26%. It also ranked 12th out of 79 funds in terms of the active management capacity for three-year-term bond investment, which was among the top 15%. Minsheng Royal Fund ranked 6th out of 70 funds in terms of the active management capacity for five-year-term stock investment, which was among the top 9%. It also ranked 3rd out of 62 funds in terms of the active management capacity for five-year-term bond investment, which was among the top 5%. During the Reporting Period, Minsheng Royal Fund was awarded again four Golden Bull awards, also known as the Oscar award for the fund management industry, namely "2019 Fixed Income Investment Golden Bull Fund Company (2019年固定收益投資金牛基金公司)", "Most Trusted Golden Bull Fund Company (最受信賴金牛基金公司)", "Five-year-term Open Hybrid Continued Superior Golden Bull Fund (五年期開放式混合型持續優勝金牛基金)" and "Most Popular Golden Bull Fund Manager (最佳人氣金牛基金經理)". With outstanding results, Minsheng Royal Fund has won 17 "Golden Bull Awards (金牛獎)" in recent seven years, showing high recognition by the investors and the industry on its investment capacities and overall strengths.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 51.00% equity interest of Minsheng Royal Asset Management. Minsheng Royal Asset Management's registered capital was RMB668 million and the scope of business included specific customer asset management and other businesses permitted by the CSRC. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB50,544 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 Securities and Futures Commission of Hong Kong 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 restructuring, underwriting and issuance of bonds, asset management, stock brokerage, direct investment and structured finance. CMBC International is an important and strategic platform for the integrated development and international expansion of the Company. Through continuously tightened business synergy with the Company, it offers 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 HKD24,541 million and HKD20,346 million, respectively. Net assets amounted to HKD4,195 million. During the Reporting Period, net profit of CMBC International amounted to HKD512 million, representing an increase of 37.63% as compared with the corresponding period of the previous year.

During the Reporting Period, through adhering to the "One Minsheng (一個民生)" strategy and an upgraded version of "One Body and Two Wings (一體兩翼)" strategy, CMBC International further optimised the structures of products and customers of investment and financing business to promote the revenue and the market position of investment banking and asset management businesses in a comprehensive manner. During the Reporting Period, CMBC International completed two IPO sole sponsorship and underwriting projects and two IPO sole underwriting projects on the Main Board of the SEHK. The Newborntown project ranked top among all IPO projects listed on the SEHK in 2019 in terms of over-subscription with 1,441.83 times of over-subscription in the public offering. The IPO market presence of CMBC International was significantly strengthened. Leveraging on its advantages of domestic and overseas network and business synergy mechanism, CMBC International assisted 82 enterprises to complete 102 offshore bond issuance with a total underwriting amount of USD30,511 million, accounting for 12.38% of the total underwriting amount in the market. Benefiting from the active asset management market, the scale of the assets under the management of CMBC

International increased to HKD17.6 billion. CMBC International surpassed its peers with its performance of portfolio management. Based on the change in regulations of Hong Kong, CMBC International moderately adjusted the development of its non-standardised financing business and put efforts in promoting standardised investment business. The proportion of its structured finance business dropped dramatically. The investment and financing business grew at a moderate pace.

During the Reporting Period, CMBC International strictly complied with the regulatory requirements. Based on the movement in the market and regulations and its actual situation, CMBC put great efforts in strengthening its capabilities in three main aspects, including marketing and communication, investment and trading and compliance and risk control. In addition, CMBC International placed great emphasis on the education of three bottom lines, namely legal affairs and compliance, risk control and prevention and interests of the company. In order to achieve sustainable development, CMBC International continued to strengthen 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 referred to as "rural banks") are 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 rural banks with 85 business outlets. Total assets amounted to RMB35,310 million, representing an increase of RMB1,841 million, or 5.50%, as compared with the end of the previous year. Total loans amounted to RMB20,228 million, representing an increase of RMB1,204 million, or 6.33%, as compared with the end of the previous year. Total deposits amounted to RMB29,368 million, representing an increase of RMB946 million, or 3.33%, as compared with the end of the previous year. Total net profits amounted to RMB181 million during the Reporting Period.

During the Reporting Period, the Company adopted measures in compliance with the relevant requirements of the Board to maintain "effective risk control, steady business development and effective internal management" to encourage the rural banks to focus on their traditional values in strict compliance with regulations and laws, give strong support to the rural vitalisation strategies, and sincerely serve the rural areas, agriculture and farmers, small business customers as well as residents in communities. The number of credit customers of the rural banks amounted to 42 thousand. All rural banks were committed to exploring local markets and improving service quality so as to explore a business model of sustainable development. The rural banks have become important platforms for the Company to perform social responsibilities and effectively expand brand and service coverage to county areas.

During the Reporting Period, all rural banks were dedicated to serving inclusive finance and supporting the establishment of "beautiful villages and new rural areas. The rural banks further expanded the coverage and quality of financial services and achieved satisfactory results, winning great recognition from customers, peers, government and the public. Several rural banks won the awards for serving rural areas, agriculture and farmers.

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

Structured entities consolidated to the financial statements of the Group mainly comprised of principal-guaranteed wealth management products issued and managed by the Group. The Group provided a commitment to the principal of such wealth management products with the investment and corresponding liabilities of such wealth management products separately accounted for as financial assets at fair value through profit or loss and deposits from customers.

6. Management of consolidated financial statements

During the Reporting Period, the Company focused on its strategic position as "a bank of comprehensive services and adhered to its "One Minsheng" strategy. Through further optimising the management system of consolidated financial statements and strengthening the management of its subsidiaries, the comprehensive services of the Group showed great improvement.

The Board optimised and supervised performance appraisal and launched innovative supervision mechanism, so as to solve the difficulties in managing the consolidated financial statements. The Company strengthened its integrated risk management and centralised credit management of the Group. Through promoting the cross-selling of major products and business of the Group, business synergy and resource-sharing of the Group achieved great progress. The Company refined the management system of consolidated financial statements of the Group and successfully launched nine major platforms to improve management. In addition, the Company continued to optimise its management of consolidated financial statements in respect of corporate governance, finance, capital, internal control and compliance, and internal transactions, which enhanced the efficiency of management of the Group.

X. Risk Management

The core principle of the Company's risk management is "Tallying with strategies and development, ensuring compliance and stable growth, and carrying out proactively and overall risk management". The Company focuses on the coordinated development of quality, profit and scale, while pushes forward the establishment of an overall risk management system, improves core competitiveness, and ensures long-term interest of its shareholders, employees and customers, so as to maximise shareholders' value.

(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 loans extension and non-credit business are also strictly controlled.

During the Reporting Period, the Company further enhanced credit risk management to ensure the healthy and orderly development of all business lines. Firstly, the Company strengthened policy guidance and promoted structural adjustment. The Company formulated and released the Annual Risk Policy for 2019 (《2019年度風險政策》) and performed dynamic adjustment based on internal and external changes. The policies covered various investment and financing businesses. The Company carried out portfolio management, proactively supported the real economy and controlled the proportion of financing in industries with high risks. The formulation of portfolio management benchmarks and the measurement and system of monitoring and dynamic adjustment have been further enhanced. Secondly, the Company strengthened the coordination between risk management and business and promoted the development of major businesses including strategic NSOEs, supply chain, small and medium-sized NSOEs, investment banking, transaction banking and small business. Thirdly, the Company enhanced the management of centralised credit extension to corporate customers and standardised the procedures of credit approval. The management standards of credit extension to corporate customers was unified and the credit management of the same customer within the Company was enhanced in a full-caliber manner. Through the standardisation of approval procedures and assessment criteria, the Company further strengthened forward-looking risk management of the inter-bank business and bills business. Fourthly, the Company optimised the post loan and investment management of credit risk business. Through streamlining procedures, optimising systems and establishing mechanisms, foresight and effectiveness of potential credit risk management of corporate customers were enhanced. The Company continued the monitoring and screening in major aspects including overcapacity, finance platforms, real estate, capital markets and bond investments. Fifthly, the Company improved the risk early-warning management mechanism. Under the leadership of the Head Office, the new top-down and data driven risk early-warning management model operated smoothly. The timeliness and effectiveness of risk early-warning management continued to improve. Sixthly, the Company further strengthened collection and disposal of NPLs. the Company innovated collection and disposal mechanisms, increased resources allocation, refined the collection and disposal plans of "one policy for one account", centralised collection and strengthened supervision. The Company also adopted comprehensive collection and disposal measures such as repayment collection, transfer, foreclosing, litigation and writing-off, to improve the efficiency of collection and disposal. Seventhly, the Company promoted the application and upgrading of risk management tools. The internal rating results of the Company were applied in areas including credit entry, risk authorisation, loan pricing, capital allocation and risk reporting. Capitalising on the implementation of new accounting standards of IFRS 9, the Company applied internal rating results in the provision for assets impairment.

(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 manages 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 continuously improves its market risk management system in the areas of limit 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 further enhanced the proactive management of market risks and pressed ahead with various management tasks progressively. Firstly, the Company continuously improved the quality of market risk monitoring statistics and supervision reports. The external supervision reports were integrated with internal capital assessment and capital constraints were tightened by distribution of quantified market risk capital to each business unit. Secondly, focusing on major aspects and products, the Company further optimised the system and mechanism of market risk management. After the reform of risk lines, the management mechanism and approval model of market risk products relating to structured deposits, structured wealth management and entrusted investment were streamlined to optimise the management process. Thirdly, risk management proactively supported the development of front office business to coordinate with the transformation of financial markets business. The Company tightened the risk limits for agency business and minor currencies exchange business in respect of financial markets agency business and the diversification of trading policies.

(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. The targets of the liquidity risk management of the Company are to strengthen the abilities to identify, measure, monitor, control and mitigate liquidity risk and to optimise business maturity structure and strengthen the management of current assets of high quality, so that liquidity risk tolerance could remain at a safe and stable level. The Company also raises core liquidity risk control indicators to ensure the sustainable development of each business to enhance the capital efficiency.

During the Reporting Period, the targets of the liquidity risk management of the Company were to carry out scientific, refined and highly efficient management of liquidity risk based on the development strategies of the Company and to pursue a high level of balance in terms of liquidity, safety and profitability. Firstly, the Company further optimised the management system of liquidity to enhance the protection of systems. Secondly, the Company adjusted its liquidity management policies dynamically

and strengthened forward-looking arrangements for market anticipation and funding positions. Thirdly, the Company arranged the structure and timing of asset and liability maturity to control liquidity risk exposure. Fourthly, the Company strengthened its management of high quality liquidity assets to ensure liquidity safety and fulfillment and steady improvement of liquidity indicators. Fifthly, the Company continuously strengthened the safeguard mechanism for core liquidity indicators and improved emergency management and stress test.

(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 major operational risk of the Company comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, paralysis of IT system and management of execution, transfer and processes.

During the Reporting Period, the Company continued to focus on key aspects of operational risk management, and improve its operational risk management capability. Firstly, the Company strengthened the application of the three major operational risk management tools, enhanced the establishment of identification and assessment system for operation risks in major business and management, performed daily monitoring of key risk indicators and refined the damaged data verification mechanism, which formed a normalised operational risk reporting process. Secondly, the Company optimised the mechanism of business continuity management by improving its top-level design, core areas and application promotion. The Company facilitated the analysis of business impact and risk evaluation, optimised its business continuity management system and contingency proposal mechanism and continued to carry out emergency drills. Thirdly, the Company enhanced its management of recovery and disposal plans and prepared updated recovery plans and disposal plans. Stress tests were conducted and supervision reports were prepared on a regular basis to further enhance crisis response capabilities. Fourthly, the Company optimised its outsourcing risk management by carrying out stringent entry approval review of outsourcing and service providers and carried out screening and inspection.

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. The Company managed and controlled country risk through a series of management tools, including evaluation and rating of country risk, setting country risk limit for the Company and compiling statistics, carrying out analysis and monitoring regarding country risk exposure.

During the Reporting Period, the Company further optimised its country risk management system by subdividing the procedures of country risk management. Firstly, the Company formulated and published the Rating and Limit of Country Risk of China Minsheng Bank for 2019 (《2019年中國民生銀行國別風險評級和限額》). Country risk ratings and annual risk limit management of major countries and regions were realised through qualitative and quantitative indicators. Secondly, the Company enhanced the management of country risk reserves and promoted the application of country risk reserves in management accounting. Thirdly, the Company supervised and prepared reports on country risk on a timely basis and monitored the limit control, distribution of country risk exposure and public sentiment in relation to major country risk. Fourthly, the Company improved the country risk management information system in relation to cross-border business approval and lending process. Fifthly, the Company conducted stress tests on country risk to evaluate risk exposure and to analyse losses incurred under changes of ratings of different countries.

(VI) Interest rate risk in banking book

Interest rate risk in banking book 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 book, primarily caused by the mismatch of the maturity profiles and benchmark rates between financial positions and instruments of the banking book 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. Firstly, the Company gradually optimised the management of interest rate risk in banking book in accordance with the interest rate risk supervision requirements of regulatory authorities, so as to improve the management of interest rate risk in banking book. Secondly, the Company regularly monitored the repricing of financial positions and instruments upon each maturity through the asset and liability management system. It also measured and analysed interest rate risks in banking book, through re-pricing gap analysis, duration analysis, scenario analysis and stress testing. Thirdly, the Company analysed the core factors that affect interest rate risk in banking book and conducted researches on patterns and characteristics of customer behaviour to carry out relevant management measures. Fourthly, the Company strengthened researches on interest rate trends, continued to monitor interest rate risk in banking book and improved the management and control of maturity mismatch and investment duration.

(VII) Reputation risk

Reputation risk management is the daily proactive management of reputation risk and proper handling of incidents of reputation risk through establishing and formulating reputation risk management mechanisms and rules to eliminate the adverse impacts by various methods, so as to minimise the losses and negative public perception. These are the overall objectives of reputation risk management. The Company has regarded reputation risk management as one of its major tasks for maintaining normal operation, promoting favourable public opinion and performing the responsibilities of a corporate citizen.

During the Reporting Period, the Company fully implemented the Guidelines for the Management of Reputation Risk of Commercial Banks (《商業銀行聲譽風險管理指引》) and the Administrative Measures on Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險管理辦法》). In respect of overall risk management, the Company refined its management mechanism, improved its disposal efficiency and enhanced its reputation 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 development, business innovation, real economy support, NSOE services, fintech and the fulfillment of social responsibility. Thirdly, the Company enhanced multilevel trainings on reputation risk management to consolidate the foundation of management.

(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, data governance and information safety, and continued to improve the information technology risk management and promote business development in accordance with the Guidelines on the Risk Management of Information Technology of Commercial Banks (《商業銀行信息科技風險管理指引》). Firstly, the Company implemented the strategy of fintech-based bank and formulated strategic development plan of fintech to strengthen the top-level design and identify the direction of development. In addition, the Company optimised the technology system and decision-making mechanism of projects, and managed the fintech business in a scientific and efficient way. Secondly, the Company improved its data governance, unified data rules and benchmarks, enriched scenarios of data application and enabled the application of data to facilitate its business development. The Company solidified the foundation of data platform to manage the life cycle of data. Thirdly, the Company improved the management of the production system maintenance service, established smart data centres, improved contingency plans and enhanced the operation steadiness and emergency response of its production systems. Fourthly, the Company continued to improve information safety management and defence system, and complied with the safety requirements to improve autonomous management. Fifthly, the Company strengthened its management of information technology risks by improving risk assessment and inspection mechanism, as well as risk monitoring in order to strengthen the capabilities of information technology risk management.

(IX) Internal control, compliance and anti-money laundering

In respect of internal control and compliance management, the Company achieved progress in compliance culture cultivation, system management, mechanism optimisation, compliance inspection and rectification, behaviour management of employees, appraisal and evaluation and system construction with an aim to solidify foundation, improve management, effectively prevent and control compliance risk, based on the general requirements of the reform and transformation. Firstly, the Company organised activities of compliance culture year with a theme of "Creating Value and Safeguarding Development with Compliance (合規創造價值合規助力發展)". Nine major types of activities were organised with all-round coverage and extensive influences. The awareness of compliance among employees was raised significantly. Secondly, the Company published the Principles of System Management of China Minsheng Bank (《中國民生銀行制度管理基本規定》) to manage the procedures of establishment, amendment and abolition of systems, which categorised the systems into four categories in contents and three levels in execution. Thirdly, the Company improved the internal control mechanism, and formulated and refined the conflict position management mechanism, compliance management of information system, compliance management of related party transactions, compliance inspection of "three upper levels and three lower levels", and internal control and compliance management and evaluation of subsidiaries. Fourthly, the Company established management system to regulate the conduct of its employees, formulated guidelines of internal control and compliance and conducted assessment on the conduct of its employees. Fifthly, the Company improved management system of related party transactions, and published the list of related parties of the year. The Company tightened daily management of related party transactions to solidify the compliance management foundation. Sixthly, in line with the regulatory inspections, the Company carried out specific governance inspections on consolidating the achievements of chaos control, inspections on major aspects, special inspections, unannounced inspections and off-site inspections to strengthen case prevention. The quality and effectiveness of inspection and control in compliance risk and case were improved significantly. Seventhly, the Company implemented the regulatory assessment results and opinion and proactively rectified the problems identified during internal and external inspections with emphasis on reiterate problems to facilitate problem rectification and improve management and regulatory assessment. Eighthly, the Company strictly implemented internal control compliance assessment and enhanced accountability to improve assessment system with higher stringency and punishment and strengthen the compliance restrictions. Ninthly, business units established their own independent compliance departments, set up specific positions and recruited professional talents. The Company implemented verification management of occupational qualification and achieved significant progress in internal compliance organisation and professional team building. Lastly, the Company strengthened its technological capabilities, mechanism management system and off-site compliance inspection system, and put the CONFIDENCE system in operation. The information management capability of internal control and compliance was improved.

Discussion and Analysis on Business Operation

In respect of anti-money laundering management, the Company aimed to comprehensively optimise money laundering risk management system and improve the effectiveness of anti-money laundering management. Based on the implementation of new regulatory policies, the Company optimised three major aspects of anti-money laundering, namely the system, management and operation, and their effectiveness were comprehensively enhanced. Firstly, the Company refined the anti-money laundering system which consisted of 27 policies applied to the whole Company based on the "Administrative Measures on Anti-Money Laundering and Terrorist Financing Risk of China Minsheng Bank (中國民生銀行洗錢和恐怖融資風險管理辦法)". The authoritativeness and effectiveness of such system were further improved. Secondly, the Company refined the duty performance mechanism in anti-money laundering of the Directors, Supervisors and Senior Management, clearly defined duties and approaches of the Board, the Board of Supervisors and Senior Management, raised the level of the anti-money laundering teams, and implemented the requirement of "anti-money laundering starts from the top". Thirdly, the Company put more resources in anti-money laundering by establishing the secondary department at the Head Office and anti-money laundering centres at the branches. Fourthly, the Company established mechanisms for stipulating anti-money laundering risk policies and risk evaluation, optimised risk evaluation indicators and carried out the first money laundering risk evaluation for the whole Bank. Fifthly, the Company further improved the inspection and evaluation mechanism for anti-money laundering, carried out on-site inspections to all branches, Head Office departments and subsidiaries, and increased assessment weight of anti-money laundering. Sixthly, the Company strengthened the management of customer identification system and carried out special governance activities on information of its existing customers to further solidify the foundation of anti-money laundering works. Seventhly, the Company established mechanisms of suspicious activity report, monthly briefing on quality and active monitoring and screening of risks, which further enhanced control and supervision of money laundering risk. Eighthly, the Company further upgraded the functions of anti-money laundering system and successfully integrated it with the second version of anti-money laundering monitoring system of the PBOC, which optmised the monitoring model and system function in monitoring suspicious transactions, and achieved automatic identification of customers from high risk countries. The AI-Based POC project of anti-money laundering was also launched. Lastly, the Company continued to carry out anti-money laundering promotion and trainings for all of its employees. Activities for the promotion month of anti-money laundering of "Fighting the money laundering to build harmonious Minsheng Bank (打擊洗錢犯罪構建和諧民生)" were organised to increase anti-money laundering awareness of all employees.

During the Reporting Period, no domestic and overseas institutions or employees of the Company were identified in participating or involving in money laundering and terrorist financing activities.

XI. Prospects and Measures

(I) Competition and development trend of the banking industry

2020 is the final year for China to complete the process of building a moderately well-off society in an all-round way and the final year of the 13th Five-Year Plan. Standing at the historical intersection of the "two centenary goals", the Chinese economy is facing a more complicated domestic and international environment. In respect of the international market, in 2020, the outbreak of COVID-19 epidemic spreads to the whole world, causing significant impacts on both supply and demand sides. Global financial markets started risk-aversion measures, and major economies adopted quantitative easing policies. The global economic growth will slow down before the epidemic is under control. Geopolitical risks will increase. In respect of the domestic market, the Chinese economy is still in a stage of changing its development model, optimising its economic structure and transforming its growth momentum. Various structural, institutional and cyclical issues will be intertwined. Together with the temporary impact of the epidemic on the domestic economic development in the beginning of the year, downward pressure on economy will continue throughout the year. However, the basic trend of steady long-term growth for China's economy remains unchanged at present and for a period to come. With the high concern, rapid deployment and responsive measures by the CPC Central Committee and the State Council, the situation of epidemic prevention and control continues to improve, and the production and living orders are recovering. The impact of the epidemic is expected to concentrate in the first quarter and will be limited in the longer period.

In order to maintain social stability and reasonable economic development, more counter-cyclical macro-economic adjustments are expected to be made, while macro-economic control is expected to be more forward-looking, well-targeted, effective and flexible. Fiscal policies are expected to be more proactive and effective to facilitate the epidemic prevention and control, as well as the social and economic development. More focus will be put on structural adjustment and tax and surcharges reduction results to fully perform the functions of fiscal fund in improving weak lines and protect the bottom line of people's livelihood. The sound monetary policy is expected to be more flexible with reasonably sufficient liquidity and targeted support to optimise credit structure and reduce financing costs, so as to provide precise financial services to the epidemic prevention and control, resumption of work and production and healthy development of the real economy. The financial policy and the monetary policy are expected to combine with the policies in relation to consumption, investment, employment, industry and regions, to guide the investments into areas that have multiplier effect, such as advanced manufacturing, construction of people's livelihood, and weak links, which will benefit both the supply side and the demand side, so as to boost the growth of economy and consumption. Furthermore, during the period of economic transformation, structural adjustment and consumption reform, the economic policies are expected to focus on promoting regulation through reform, eliminating system and mechanism obstacles that constrained economic development, so as to revitalise micro-economic entities. The central bank will continue to streamline the monetary policy transmission

mechanism, deepen the reform of interest rate liberalisation and improve the quotation and interest rate setting mechanism of the loan market. Monetary policies and multiple other policy instruments that are compatible of incentives and restrains will be introduced, along with differentiated regulatory arrangements, to create a favourable loan environment of "willing to lend, dare to lend and capable to lend (願貸、敢貸、能貸)", so as to relieve the pressure of constraints in liquidity, capital and interest rates faced by banks in their credit supply. The financial supply side structural reform will be further enhanced to optimise the financial institution system, guide large bank to keep the common touch of their services, encourage small and medium-sized banks to focus on their major business, while deepen reforms of rural cooperatives and accelerate the introduction of foreign investments. The long-acting mechanism for SME financing will be established and improved with expanded direct financing channels and IT support, in an aim to fundamentally mitigate the difficulties and high cost of small and micro enterprises and NSOEs in financing, and stimulate the economic vitality during the course of steady growth and quality development.

Against the backdrop of the complicated and changing domestic and international economic and financial situation, the ongoing financial supply side structural reform and the favourable incentives of regulatory policies, the overall operations of the banking industry will remain steady but might go a little down in 2020. Banks will pursue balance between serving the real economy and preventing financial risks. The new industrial development and market layout will bring, new requirements to the banking industry. Competition will be more intensified and the industry will become more stratificated. To strike a balance between monetary easing and risk control, the competition between banks will focus on core pricing capabilities and asset quality. Quality banks will maintain their dominance or become even stronger. In order to maintain steady and healthy operations, banks will accelerate the adjustment of their customer structures and optimise their asset allocation, continue to innovate and enrich their products and services, strengthen financial risk prevention and early-warning, continue to improve risk pricing capabilities and interest rate risk management capabilities, comprehensively strengthen fintech empowerment, further enhance their abilities to serve the real economy and their own competitive strengths, and focus on long-term sustainable growth.

(II) Development strategies of the Company

To cope with changes in external conditions and internal development demands, the Company formulated the Overall Implementation Scheme for Reform and Transformation and the Three-Year Development Plan of China Minsheng Bank (2018–2020) (《中國民生銀行改革轉型暨三年發展規劃整體實施方案 (2018–2020)》). The Company is committed to becoming a benchmark bank with distinctive features, increased value and continuous innovation. The Company strategically positions itself as a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services. 2020 is the critical and final year of reform and transformation as well as the three-year development plan.

A bank for the NSOEs. The Company will firmly adhere to its NSOEs strategies. With its focus on NSOEs and the people, the Company will focus on large- and medium-sized high-quality NSOEs, enterprises along the upstream and downstream of the supply chain of core enterprises and small and micro enterprises. Efforts will be made in six major areas, namely strengthening model transformation, enhancing service capabilities, consolidating teamwork, enhancing technology empowerment, upgrading marketing management and stabilising resources allocation. The Company will continue to innovate business models and mechanisms, enhance its integrated, customised and comprehensive financial services for the NSOE customers and their senior management, in an aim to become the host bank and preferred bank of the NSOE customers.

A fintech-based bank. In pursuit to become a "digital bank empowered by technology (科技引領數字民生)", the Company will empower its business with fintech to facilitate reform. With the support of dual driving forces of "technology+data", the Company aims to launch digital, online and smart business model. Extensive business innovations will be carried out by exploring and applying technologies such as AI, big data and 5G. The Company will establish agile synergy mechanism between technology and business, and set up innovative laboratory to promote product innovation and continuous upgrading. The Company will build up competitive financial and non-financial eco-systems and digital perception system to improve smart marketing, smart risk management and smart operation, and to create core competitiveness of smart decision-making. The Company will accelerate the transformation of its distributed, cloud-based and platform-based technology structure, to achieve channel synergies, scenario-based middle office and platform for products and technology, so as to take a leading position among the peers.

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 mechanisms under its "One Minsheng" strategy to enhance the coordination between risk management and business development and the differentiated synergy of asset allocation. Efforts will be made to promote synergy and interaction between business segments, operating units, domestic and overseas branches, and the parent company and subsidiaries. Through the integration of front, middle and back offices, the Company will provide its customers with integrated and comprehensive financial services, including "investment, lending and bonds", "commercial banking+investment banking+transaction banking" and "business financing+capital financing+intelligent financing".

Discussion and Analysis on Business Operation

In implementing the new three-year plan and the reform and transformation, the Company will stick to the overall operation strategy of "stable growth, higher efficiency, stronger innovation, optimised coordination and better risk control" based on the core principles of improving development quality and efficiency. The Company will strengthen asset business, expand liability business and optimise intermediary business, while consolidate its advantages in strategic businesses, including direct bank, small business finance, investment bank, credit card, supply chain finance and asset management, in an aim to transform itself from focusing on traditional businesses into a digital, light-capital and comprehensive benchmark bank of the industry. In addition, the Company will exert greater efforts on reform and innovation to make breakthroughs in mechanisms and systems of its major management aspects, including efficient organisation, talent management 2.0 (人才管理2.0), differentiated asset allocation and combined long-term and short-term evaluations and incentives, in an aim to stimulate organisational vitality, establish a customer-centric operation and management system, comprehensively improve its professional management and support the implementation of its business development strategies.

In 2020, in the face of various challenges, such as greater downward pressure of the macro-economy, complicated and ever-changing international situations and asset management transformation, the Company will continue to enhance its three major strategies and focus on serving the supply-side structural reform and customers, preventing from financial risks and ensuring compliance. The Company will provide greater financial support to the NSOEs, small and micro enterprises, advanced manufacturing enterprises and agriculture and green credit. Through multiple measures including deepening reforms, promoting development, restructuring business, controlling risks, boosting growth, ensuring compliance, consolidating brand and enhancing Party building, the Company aims to achieve organic development of high quality, efficiency and capabilities, and effectively improve its capability to serve the real economy.

(III) Potential risks

Firstly, during the Reporting Period, due to increasing uncertainties caused by the global trade frictions and geopolitical conflicts, along with the outbreak of the COVID-19 epidemic, slowing down of domestic economic growth, as well as the supply-side reform and the elimination of shadow banking, some enterprises were faced with greater operational pressure and tighter cash flow. Banks were faced with greater difficulties in asset quality management and control, especially in recovery and disposal of non-performing assets. Secondly, during the Reporting Period, the central government repeatedly emphasised to improve the quality and efficiency of financial industry in serving the real economy. Commercial banks had to make targeted loan extensions to mitigate difficulties and high cost of NSOEs and small and micro enterprises in financing, while had to avoid blind support and rushing loan extension to prevent from uncompliant fund flow. Thirdly, during the Reporting Period, the exposure of some peers to risks brought tighter regulatory supervision and higher requirements for risk management of banks. Fourthly, mitigating existing risks in areas such as capital market, government platform and real estate remained a long-term and protracted process that needs to be proceed in a prudent and orderly manner. Fifthly, under the stringent regulatory environment, the compliance risks cannot be neglected. Lastly, the interest spread between deposits and loans further narrowed down due to the accelerated implementation of QE and LPR. Under the pressures on operating efficiency and asset quality, banks had to reasonably balance the short-term and long-term revenues while ensuring investors' return, and to effectively control various risks of credit, market, operational, liquidity and information technology, while improving its capabilities for sustainable development and profitability.

Facing the new opportunities and challenges, the Company will prioritise risk prevention and control, persist in compliant operations, and continue to enhance overall risk management to promote healthy and orderly business development from the perspectives of philosophy, mechanism, culture, teams and technologies.

Changes in Share Capital and Information on Shareholders

I. Ordinary Shares

(I) Changes in ordinary shares

(Unit: Share)

	31 December 2018		Changes over the Reporting Period (+,-)	31 December 2019	
	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	43,782,418,502	100.00	–	43,782,418,502	100.00
1. Ordinary shares in RMB	35,462,123,213	81.00	–	35,462,123,213	81.00
2. Domestic listed foreign invested shares	–	–	–	–	–
3. Overseas listed foreign invested shares	8,320,295,289	19.00	–	8,320,295,289	19.00
4. Others	–	–	–	–	–
III. Total number of ordinary shares	43,782,418,502	100.00	–	43,782,418,502	100.00

(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 has 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

Please refer to "(I) Issuance and listing of preference shares" under "V. Information on Preference Shares in the Three Years Immediately Before the End of the Reporting Period" in this chapter.

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

During the Reporting Period, there were no changes in the total number and structure of the ordinary shares of the Company.

(III) Employee shares

During the Reporting Period, the Company had no employee shares.

IV. Issuance of Corporate Financial Bonds, Subordinated Bonds, Hybrid Capital Bonds and Tier-Two Capital Bonds

As at the end of the Reporting Period, the Company has issued, redeemed and settled the following outstanding bonds:

(I) Hybrid Capital Bonds of 2009

Pursuant to the approval by the former CBRC (Yin Jian Fu [2009] No. 16) (銀監覆[2009]16號) and 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), 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 banking regulatory authorities, 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 12 February 2019, the Company received the Opinion on the Early Redemption of Capital Bonds (Gu Fen Zhi Yin Hang Bu [2019] No. 15) (《關於提前贖回資本債券意見的函》(股份制銀行部[2019]15號)) issued by the CBIRC, pursuant to which the exercise of early redemption option of hybrid capital bonds with both fixed and floating interest rate by the Company was approved. In accordance with the requirement, the Company has published the Announcement regarding the Exercise of the Redemption Option of the Issuer in respect of the Hybrid Capital Bonds (Floating Interest Rate) of China Minsheng Bank of 2009 (《2009年中國民生銀行混合資本債券(浮動)發行人贖回選擇權行使公告》) and the Announcement regarding the Exercise of the Redemption Option of the Issuer of the Hybrid Capital Bonds (Fixed Interest Rate) of China Minsheng Bank of 2009 (《2009年中國民生銀行混合資本債券(固定)發行人贖回選擇權行使公告》) on www.chinabond.com.cn. The redemption of hybrid capital bonds of China Minsheng Bank of 2009 in the amount of RMB5,000 million was completed on 25 March 2019, and the prevailing interest of RMB264,900,000 was distributed to the bond investors.

(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 regulatory authorities of the banking industry, 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 2019, the prevailing interest of RMB228,000,000 was distributed to the bond investors by the Company.

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 29 July 2019 with the bond rating of AAA, which was the same as the report of 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 regulatory authorities of the banking industry, 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 regulatory authorities of the banking industry. 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 bonds were fully accounted as tier-two capital of the Company. The use of the proceeds was as stated in the prospectus.

On 12 February 2019, the Company received the Opinion on the Early Redemption of Capital Bonds (Gu Fen Zhi Yin Hang Bu [2019] No. 15) (《關於提前贖回資本債券意見的函》(股份制銀行部[2019]15號)) issued by the CBIRC, pursuant to which the exercise of early redemption of tier-two capital bonds by the Company was approved. In accordance with the requirement, the Company has published the Announcement Regarding the Exercise of the Redemption Option of the Issuer in respect of the Tier-Two Capital Bonds of China Minsheng Bank Corp., Ltd. of 2014 (《2014年中國民生銀行有限公司二級資本債券發行人贖回選擇權行使公告》) on www.chinabond.com.cn. The redemption of tier-two capital bonds of China Minsheng Bank of 2014 in the amount of RMB20,000 million was completed on 20 March 2019, and the prevailing interest of RMB1,320,000,000 was distributed to the bond investors.

(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 regulatory authorities of the banking industry, 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 banking regulatory authorities. 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 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 2019, the prevailing interest of RMB1,080,000,000 was distributed to the bond investors by the Company.

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 29 July 2019 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 regulatory authorities of the banking industry, 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 banking regulatory authorities. 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 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 2019, the prevailing interest of RMB700,000,000 was distributed to the bond investors by the Company.

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 29 July 2019 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 2019, the prevailing interest of RMB590,000,000 was distributed and the principal of RMB20,000 million was paid to the bond investors by the Company.

(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 2019, the prevailing interest of RMB1,200,000,000 was distributed to the bond investors by the Company.

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 29 July 2019 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) in an amount of RMB15,000 million 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) in an amount of RMB15,000 million 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 regulatory authorities of the banking industry, 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 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 2019, the prevailing interest of RMB705,000,000 was distributed to the investors of the first installment of bonds by the Company. On 29 November 2019, the prevailing interest of RMB705,000,000 was distributed to the investors of the second installment of bonds by the Company.

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 29 July 2019 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 19 November 2018 and 12 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 19 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 12 December 2018 for a term of three years with fixed coupon rate of 3.76%. The interest was payable on an annual basis.

On 22 November 2019, the prevailing interest of RMB1,532,000,000 was distributed to the investors of the first installment of bonds by the Company. On 14 December 2019, the prevailing interest of RMB752,000,000 was distributed to the investors of the second installment of bonds by the Company.

As at the end of the Reporting Period, the balance of the first installment and second installment of the financial bonds of China Minsheng Banking Corp., Ltd. of 2018 was RMB60,000 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 29 July 2019 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn)

(X) Tier-Two Capital Bonds of 2019

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2018] No. 469) (銀保監覆[2018]469號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2019] No.5) (銀市場許准予字[2019]第5號), the Company issued the first installment of tier-two capital bonds of China Minsheng Banking Corp., Ltd. of 2019 with a total amount of RMB40,000 million (bond name: 19 Minsheng Tier-Two 01; bond code: 1928002) through public offering in the national interbank bond market on 27 February 2019. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of this installment of tier-two capital bonds was AAA (please refer to www.chinabond.com.cn for details). This installment of tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 4.48%. The interest shall be paid on an annual basis. The issuer shall have a conditional redemption option at the end of the fifth year. As long as the capital level of the Company is in compliance with the regulatory capital requirements under the CBIRC upon the exercise of redemption option, the Company may, subject to the approval by the CBIRC, 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 at that time and approval of the CBIRC. The exercise of early redemption option by the Company is not subject to the consent of bond holders.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as tier-two capital of the Company. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the first installment of tier-two capital bonds of China Minsheng Banking Corp., Ltd. of 2019 was RMB40,000 million.

(XI) Undated Capital Bonds of 2019

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2019] No. 485) (銀保監覆[2019]485號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2019] No.75) (銀市場許准予字[2019]第75號), the Company issued the undated capital bonds of China Minsheng Banking Corp., Ltd. of 2019 in a total amount of RMB40,000 million (bond name: 19 Minsheng Perpetual Bond; bond code: 1928013) through public offering in the national interbank bond market on 31 May 2019. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of the undated capital bonds was AAA (please refer to www.chinabond.com.cn for details). The undated capital bonds were write-down capital bonds with issuing coupon rate of 4.85%, subject to adjustment at different intervals. The bonds will continue to be outstanding so long as the issuer's business continues to operate. The coupon rate shall be adjusted every five years from the payment due date. The interest shall be paid at the same agreed rate in each adjustment period of coupon rate. The interest shall be paid on an annual basis. The issuance of bonds provides conditional redemption by the issuer. After the expiry of five years from the date of issuance, the issuer shall have the right to redeem all or part of the bonds on the interest payment date of each year (inclusive of the interest payment date of the fifth year after the date of issuance). Upon the issuance of the bonds, in the event that the bonds are not classified as other tier-one capital bonds due to unpredictable changes in regulations, the issuer shall have the right to redeem the bonds fully instead of partly.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as other tier-one capital of the Company. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the undated capital bonds of China Minsheng Banking Corp., Ltd. of 2019 was RMB40,000 million.

V. Information on Preference Shares in the Three Years Immediately Before the End of the Reporting Period

(I) Issuance and listing of preference shares

For the purpose of improving capital structure of the Company, providing capital support to the implementation of all strategies, improving capital adequacy ratio and promoting continuous development, 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 [2019] No.1158) (證監許可[2019]1158號), the Company issued preference shares (preference shares name: Minsheng Preference 1; code: 360037) in the amount of 200 million shares to qualified investors on 15 October 2019 through a private offering in the domestic market. The nominal value of the preference shares was RMB100 per share and the preference shares were issued at par, which amounted at RMB20,000 million in total. The net proceeds raised from the domestic preference shares issuance were approximately RMB19,970 million, after deduction of issuance expenses, all of which will be used for replenishment of the other tier 1 capital of the Company. The use of proceeds was as stated in the prospectus.

For the issuance terms of the 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 preference shares and particulars of shareholding

As at the end of the Reporting Period, the number of holders of preference shares (or nominees) was 22. As at the end of the month prior to the disclosure date of this Annual Report (i.e. 28 February 2020), the number of holders of preference shares (or nominees) of the Company was 22.

Changes in Share Capital and Information on Shareholders

1. Offshore preference shares

Particulars of shareholding of the top 10 holder(s) of offshore preference shares (or nominees) of the Company are set out as follows (the following data was based on the registered holders of the offshore preference shares as at 31 December 2019):

(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 on sales 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 offshore preference shareholder was recorded in accordance with the register of holders of offshore preference shares of the Company;
2. As the preference shares were issued through private offering in offshore market, information of nominees of the allotted investors was recorded 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 offshore preference shares and the top 10 shareholders of ordinary shares.

2. Domestic preference shares

Particulars of shareholding of the top 10 holders of domestic preference shares of the Company are set out as follows (the following data was based on the registered holders of the domestic preference shares as at 31 December 2019):

(Unit: Share)

No.	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 on sales held	Number of shares pledged or locked-up
1	Bosera Fund – ABC – Agricultural Bank of China Limited	Others	Domestic preference shares	–	15.00	30,000,000	–	Nil
2	CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" Open-Ended Wealth Management Single Fund Trust	Others	Domestic preference shares	–	10.00	20,000,000	–	Nil
3	Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Assets Management Plan	Others	Domestic preference shares	–	10.00	20,000,000	–	Nil

Changes in Share Capital and Information on Shareholders

No.	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 on sales held	Number of shares pledged or locked-up
4	China Post & Capital Fund – Huaxia Bank – Huaxia Bank Co., Ltd.	Others	Domestic preference shares	–	9.00	18,000,000	–	Nil
5	Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product	Others	Domestic preference shares	–	7.00	14,000,000	–	Nil
6	China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH	Others	Domestic preference shares	–	5.00	10,000,000	–	Nil
7	Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds	Others	Domestic preference shares	–	5.00	10,000,000	–	Nil
8	Taiping Life Insurance Co., Ltd. – Traditional – General Insurance Product – 022L – CT001SH	Others	Domestic preference shares	–	5.00	10,000,000	–	Nil
9	China CITIC Bank Corporation Limited – Le Ying Series of CITIC Wealth Management Products	Others	Domestic preference shares	–	5.00	10,000,000	–	Nil
10	Taiping Assets Management – ICBC – Taiping Asset Win No.21 Asset Management Product	Others	Domestic preference shares	–	5.00	10,000,000	–	Nil

Notes:

1. The number of shares held by the domestic preference shareholders was recorded in accordance with the register of holders of domestic preference shares of the Company;

2. Based on publicly available information and after a preliminary assessment, the Company considered that there was related relationship between "Bosera Fund — ABC — Agricultural Bank of China Limited" and "Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No. 5 Specific Multi-Customer Assets Management Plan"; there was related relationship between "Ping An Property & Casualty Insurance Company of China, Ltd. — Traditional — General Insurance Product" and "Ping An Property & Casualty Insurance Company of China, Ltd. — Self-Owned Funds"; there was relationship between "Taiping Life Insurance Co., Ltd. — Traditional — General Insurance Product — 022L — CT001SH" and "Taiping Assets Management — ICBC — Taiping Asset Win No.21 Asset Management Product". Save as disclosed above, the Company does not know if there is any related relationship or concerted action among the above holders of domestic preference shares and the top 10 shareholders of ordinary shares;

3. "Shareholding percentage" refers to the percentage of the number of shares held by the holders of domestic preference shares to the total number of domestic preference shares of the Company.

(III) 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.

The dividend of the 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 shareholders. 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 19th meeting of the seventh session of the Board on 30 October 2019. 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 16 December 2019. The aforementioned dividends for the offshore preference shares amount to approximately RMB559 million (tax inclusive) according to the exchange rate on the date of declaration of such dividend distribution. 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 as part of the dividends for the offshore preference shares.

During the Reporting Period, the Company did not pay any dividend of domestic preference shares.

For details of the distribution of dividends for the 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.

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》), there was no need for the issued and existing domestic preference shares of the Company to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Company will have no obligation to deliver a variable quantity of its equity instruments as other equity instruments for accounting purpose.

VI. Shareholders

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

(Unit: Share)

Total number of ordinary shareholders at the end of the Reporting Period	373,372
Total number of ordinary shareholders at the end of the month immediately prior to the disclosure of the Annual Report	380,776

Particulars of shareholding of the top 10 ordinary shareholders						
Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period	Changes over the Reporting Period	Number of shares held subject to restriction	Number of shares pledged
HKSCC Nominees Limited	Others	18.90	8,275,741,114	-7,127,840	–	Unknown
Anbang Life Insurance Co., Ltd. – Conservative Investment Portfolio	Domestic legal person	10.30	4,508,984,567	–	–	Nil
Anbang Life Insurance Co., Ltd. – Steady Investment Portfolio	Domestic legal person	6.49	2,843,300,122	–	–	Nil
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.61	2,019,182,618	–	–	2,015,582,617
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	Domestic non-state-owned legal person	4.26	1,865,558,336	1,127,639,880	–	1,863,333,321
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,828,327,362	–	–	Nil
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,379,679,587	–	–	1,379,678,400
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	Domestic non-state-owned legal person	3.14	1,375,763,341	–	–	Nil
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	3.02	1,324,284,453	9,999,977	–	Nil
Orient Group Incorporation	Domestic non-state-owned legal person	2.92	1,280,117,123	–	–	1,278,009,488

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 on sales	Class of shares
HKSCC Nominees Limited	8,275,741,114	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
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	1,865,558,336	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	1,324,284,453	A shares
Orient Group Incorporation	1,280,117,123	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 agreement on concerted actions. 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 2019;
3. Anbang Life Insurance Co., Ltd. has been renamed as Dajia Life Insurance Co., Ltd., and its shareholding account is still subject to completion of the change of name procedure at China Securities Depository and Clearing Corporation Limited (Shanghai Branch).

(II) Interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations

As at 31 December 2019, the following persons (other than the Directors, Supervisors and chief executive 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 (%)
Dajia Life Insurance Co., Ltd.	A	Long	Beneficial owner	7,352,284,689	1	20.73	16.79
	H	Long	Beneficial owner	457,930,200	1	5.50	1.05
Dajia 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	1	5.50	1.05
Orient Group Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959	2	8.60	6.96
Orient Group Incorporation	A	Long	Party to the acting in concert agreement	3,048,721,959*	2	8.60	6.96
Huaxia Life Insurance Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959*	2	8.60	6.96
China Oceanwide Holdings Group Co., Ltd.	A	Long	Beneficial owner	2,019,182,618	3 and 4	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	3 and 4	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 (%)
Tohigh Holdings Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,019,182,618	3 and 4	5.69	4.61
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	5 and 8	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*	5	5.16	4.18
New Hope Liuhe Investment Co., Ltd.	A	Long	Beneficial owner	1,828,327,362*	5	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*	6 and 8	5.44	4.41
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	7 and 8	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	9	12.17	2.31
		Short	Beneficial owner	422,554,615	9	5.08	0.97

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 (%)
Shi Jing	H	Long	Person who set up a discretionary trust	798,024,133	10 and 11	9.59	1.82
Abhaya Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	798,024,133	10 and 11	9.59	1.82
Wickhams Cay Trust Company Limited	H	Long	Trustee	798,024,133	10 and 11	9.59	1.82
Divine Celestial Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	10	8.58	1.63
JH International Investment Limited	H	Long	Beneficial owner	713,501,653	10	8.58	1.63
Guotai Junan International Holdings Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	751,524,200	12 and 13	9.03	1.72
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	703,204,200	12 and 13	8.45	1.61
Guotai Junan Securities Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	751,524,200	12 and 13	9.03	1.72
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	703,204,200	12 and 13	8.45	1.61
BlackRock, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	421,194,210	14	5.06	0.96
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	1,083,600	14	0.01	0.002

Changes in Share Capital and Information on Shareholders

* 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 2019. 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. Dajia Insurance Group Co., Ltd. was deemed to have interests in the 7,352,284,689 A shares and 457,930,200 H shares of the Company by virtue of its control over 99.98% of the issued share capital of Dajia Life Insurance Co., Ltd.

   The interests that Dajia Insurance Group Co., Ltd. and Dajia Life Insurance Co., Ltd. held in the 7,352,284,689 A shares and 457,930,200 H shares, as set out in the above table, were from the same block of shares.

2. 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.

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 (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").

4. 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.

5. 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.

6. 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").

7. Ms. Liu Chang held 37.66% of the issued share capital of New Hope Group Co., Ltd. (see note (5) 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).

8. 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.

9. 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, while the 422,554,615 H shares (Short position) (all of which were held through other unlisted derivatives) are directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 92.3% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd. 68.49% 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.

Changes in Share Capital and Information on Shareholders

10. 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 Limited. JH International Investment 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 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 Limited.

11. 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.

12. The 751,524,200 H shares (Long position) comprised 703,204,200 H shares directly held by Guotai Junan Financial Products Limited and 48,000,000 H shares directly held by Guotai Junan Securities (Hong Kong) Limited, while the 703,204,200 H shares (Short position) were directly held by Guotai Junan Financial Products Limited. Guotai Junan Financial Products Limited and Guotai Junan Securities (Hong Kong) Limited were indirectly wholly-owned subsidiaries of Guotai Junan International Holdings Limited, of which 68.10% of interests were indirectly held by Guotai Junan Securities Co., Ltd.

    According to the SFO, Guotai Junan International Holdings Limited and Guotai Junan Securities Co., Ltd. were deemed to have interests in the 703,204,200 H shares (Long position) and the 703,204,200 H shares (Short position) held by Guotai Junan Financial Products Limited and the 48,000,000 H shares (Long position) held by Guotai Junan Securities (Hong Kong) Limited.

    Besides, 703,204,200 H shares (Long position) and 703,204,200 H shares (Short position) were held through cash settled unlisted derivatives.

13. The interests that Guotai Junan International Holdings Limited and Guotai Junan Securities Co., Ltd. held in the 751,524,200 H shares (Long position) and 703,204,200 H shares (Short position), as set out in the above table, were from the same block of shares.

14. BlackRock, Inc. had a long position in 421,194,210 H shares and a short position in 1,083,600 H shares (in which 450,000 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:

    14.1 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:

        14.1.1 BlackRock Institutional Trust Company, National Association held 91,403,903 H shares (Long position) and 1,083,600 H shares (Short position) in the Company.

        14.1.2 BlackRock Fund Advisors held 170,778,128 H shares (Long position) in the Company.

    14.2 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:

        14.2.1 BlackRock Japan Co., Ltd. held 23,527,650 H shares (Long position) in the Company.

        14.2.2 BlackRock Asset Management Canada Limited held 3,147,699 H shares (Long position) in the Company.

        14.2.3 BlackRock Investment Management (Australia) Limited held 2,274,020 H shares (Long position) in the Company.

        14.2.4 BlackRock Asset Management North Asia Limited held 4,475,012 H shares (Long position) in the Company.

        14.2.5 BlackRock (Singapore) Limited held 13,000 H shares (Long position) in the Company.

    14.3 BlackRock Group Limited was indirectly owned as to 90% by BR Jersey International Holdings L.P. (see note 14.2 above). BlackRock Group Limited had interests and short positions in the Company through the following direct or indirect wholly-owned corporations:

        14.3.1 BlackRock (Netherlands) B.V. held 654,900 H shares (Long position) in the Company.

        14.3.2 BlackRock Advisors (UK) Limited held 400,800 H shares (Long position) in the Company.

        14.3.3 BlackRock International Limited held 854,500 H shares (Long position) in the Company.

        14.3.4 BlackRock Asset Management Ireland Limited held 48,875,126 H shares (Long position) in the Company.

        14.3.5 BLACKROCK (Luxembourg) S.A. held 563,400 H shares (Long position) in the Company.

        14.3.6 BlackRock Investment Management (UK) Limited held 38,433,129 H shares (Long position) in the Company.

        14.3.7 BlackRock Fund Managers Limited held 11,992,671 H shares (Long position) in the Company.

        14.3.8 BlackRock Life Limited held 11,999,306 H shares (Long position) in the Company.

        14.3.9 BlackRock Asset Management (Schweiz) AG held 58,200 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 2019 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 44.95% of the Company's shares. Dajia Life Insurance Co., Ltd. (former 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 the shareholding, the Articles of Association or any agreements.

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

As at the end of the Reporting Period, Dajia Life Insurance Co., Ltd. (former Anbang Life Insurance Co., Ltd.) held 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
Dajia Life Insurance Co., Ltd. (former 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 CBIRC.

Note: Anbang Life Insurance Co., Ltd. has been renamed as Dajia Life Insurance Co., Ltd. and its shareholding account is still subject to completion of the change of name procedure at China Securities Depository and Clearing Corporation Limited (Shanghai Branch).

(V) Substantial shareholders

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

(1) Dajia Life Insurance Co., Ltd. (former 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 Dajia Insurance Group Co., Ltd.; its ultimate controller is Dajia Insurance Group Co., Ltd.; its ultimate beneficiary is Dajia 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 CBIRC.

On 25 June 2019, as approved by the CBIRC, China Insurance Security Fund Co., Ltd., China Petrochemical Corporation and SAIC Motor Corporation Limited jointly established Dajia Insurance Group Co., Ltd. with a registered share capital of RMB20.36 billion. Its business includes: investment in and holding of shares of insurance institutions and other financial institutions, supervision and management of various domestic and international businesses of holding and investment enterprises, investment business and insurance fund application business permitted under the PRC laws and regulations, insurance businesses approved by the CBIRC, and other businesses approved by the CBIRC and relevant national authorities. Its legal representative is He Xiaofeng. The equity interests in Anbang Life Insurance Co., Ltd., Anbang Annuity Insurance Co., Ltd. and Anbang Asset Management Co., Ltd. were legally transferred to Dajia Insurance Group Co., Ltd.

On 22 August 2019, the Company received the Approval on Qualification of Relevant Shareholder of Minsheng Bank (Yin Bao Jian Fu [2019] No.793) (《關於民生銀行有關股東資格的批覆》(銀保監覆[2019]793號)) from the CBIRC. The CBIRC approved the holding of 7,810,214,889 shares, or 17.84%, by Anbang Life Insurance Co., Ltd. in the share capital of the Company.

On 28 August 2019, the Company was informed by Dajia Life Insurance Co., Ltd. that, pursuant to the approval by the CBIRC, Anbang Life Insurance Co., Ltd. has been renamed as Dajia Life Insurance Co., Ltd. and its holding company has been changed from Anbang Insurance Group Co., Ltd. to Dajia Insurance Group Co., Ltd. The controlling shareholder of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd.

Changes in Share Capital and Information on Shareholders

On 22 February 2020, the CBIRC issued an announcement that pursuant to article 147 of the Insurance Law, Dajia Insurance Group Co., Ltd., as a new company divided from Anbang Insurance Group Co., Ltd., basically has normal operation ability. The CBIRC ceased to takeover Anbang Insurance Group Co., Ltd. according to laws.

As at the end of 2019, the shares of the Company held by Dajia Life Insurance Co., Ltd. had not been pledged.

(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 and development, financial industry, ports and transportation industry. As at the end of the Reporting Period, Orient Group Incorporation had pledged 1,278,009,488 ordinary shares of the Company, representing 2.92% of the total share capital of the Company.

Orient Group Co., Ltd (former 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. As at the end of the Reporting Period, Orient Group Co., Ltd. had pledged 35,000,000 ordinary shares of the Company, representing 0.08% of the total share capital of the Company.

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 Incorporation and Orient Group Co., Ltd.; 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 Interim Measures for Equity Management 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 RMB951,438,725; 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, 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). 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 913101041346255243; 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; pre-packaged 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 sale of high-tech products; industrial investment; investments in the education, agriculture, secondary industry, 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. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged 477,670,000 ordinary shares of the Company, representing 1.09% of the total share capital of the Company.

(5) Tsinghua 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 Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its parties acting in concert is Chongqing International Trust Company Limited; 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 related 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, Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. had pledged 1,863,333,321 ordinary shares of the Company, representing 4.26% of the total share capital of the Company.

Changes in Share Capital and Information on Shareholders

Chongqing International Trust Company Limited: It was incorporated on 22 October 1984; its registered capital was RMB15,000,000,000; its uniform social credit code is 91500000202805720T; its legal representative is Weng Zhenjie; its controlling shareholders is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd; it has no ultimate controller; its ultimate beneficiary is Chongqing International Trust Company Limited; its parties acting in concert is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its principal business includes: funds trust, chattel trust, real estate trust, negotiable securities trust, other properties or property rights trusts; investment fund business as a promoter of investment fund or fund management companies; providing asset reorganisation, mergers and acquisitions and project financing of enterprises, corporate wealth management, financial advisory and other services; securities underwriting business approved by the relevant authorities of the State Council; intermediary business, consultancy, credit investigation; safe custody and safe deposits business; use of inherent properties as balance with banks and other financial institutions, placements with banks and other financial institutions, loans, leasing and investment; providing collateral for others with inherent properties; interbank lending, and other business permitted under the laws and regulations and approved by the CBIRC. The above businesses include businesses denominated in RMB and foreign currencies. As at the end of the Reporting Period, the shares of the Company held by Chongqing International Trust Company Limited had not been pledged.

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	28 August 2014–present	0	0	457.93	No
ZHANG Hongwei	M	1954	Vice Chairman & Non-Executive Director	30 April 2000–present	0	0	90.50	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-Executive Director	16 July 2006–present	0	0	91.00	Yes
LIU Yonghao	M	1951	Vice Chairman & Non-Executive Director	23 March 2009–present	0	0	90.50	Yes
ZHENG Wanchun	M	1964	Executive Director President	1 February 2016–present 19 November 2015–present	0	0	428.63	No
SHI Yuzhu	M	1962	Non-Executive Director	20 February 2017–present	0	0	78.00	No
WU Di	M	1965	Non-Executive Director	15 June 2012–present	0	0	83.25	Yes
SONG Chunfeng	M	1969	Non-Executive Director	20 February 2017–present	0	0	84.25	No
WENG Zhenjie	M	1962	Non-Executive Director	20 February 2017–present	0	0	81.00	Yes
LIU Jipeng	M	1956	Independent Non-Executive Director	28 October 2016–present	0	0	88.50	No
LI Hancheng	M	1963	Independent Non-Executive Director	28 October 2016–present	0	0	117.75	No
XIE Zhichun	M	1958	Independent Non-Executive Director	28 October 2016–present	0	0	86.50	No
PENG Xuefeng	M	1962	Independent Non-Executive Director	20 February 2017–present	0	0	86.50	No
LIU Ningyu	M	1969	Independent Non-Executive Director	20 February 2017–present	0	0	105.50	No
TIAN Suning	M	1963	Independent Non-Executive Director	21 June 2018–present	0	0	88.00	No
ZHANG Juntong	M	1974	Chairman of the Board of Supervisors & Employee Supervisor	20 February 2017–present	0	0	412.87	No
GUO Dong	M	1961	Vice Chairman of the Board of Supervisors & Employee Supervisor	30 March 2016–present	0	0	370.74	No
WANG Hang	M	1971	Shareholder Supervisor	20 February 2017–present	0	0	73.00	No
ZHANG Bo	M	1973	Shareholder Supervisor	20 February 2017–present	0	0	69.00	Yes
LU Zhongnan	M	1955	Shareholder Supervisor	16 January 2007–present	0	0	72.50	No
WANG Yugui	M	1951	External Supervisor	20 February 2017–present	0	0	72.50	No
BAO Jiming	M	1952	External Supervisor	20 February 2017–present	0	0	66.50	No

Directors, Supervisors, Senior Management and Employees

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
ZHAO Fugao	M	1955	External Supervisor	21 June 2019–present	0	0	34.50	No
Li Jian	M	1966	Employee Supervisor	13 March 2020–present	0	0	0	No
CHEN Qiong	F	1963	Executive Vice President	8 June 2018–present	0	0	343.01	No
SHI Jie	M	1965	Executive Vice President	5 September 2016–present	0	0	343.01	No
LI Bin	F	1967	Executive Vice President	5 September 2016–present	0	0	343.01	No
LIN Yunshan	M	1970	Executive Vice President	5 September 2016–present	0	0	343.01	No
HU Qinghua	M	1963	Executive Vice President Chief Risk Officer	8 June 2018–present 20 February 2017–present	0	0	342.35	No
BAI Dan	F	1963	Chief Financial Officer Board Secretary	10 April 2012–present 4 April 2018–present	0	10,000	350.74	No
ZHANG Yuebo	M	1962	Chief Audit Officer	20 February 2017–present	0	0	294.14	No
OUYANG Yong	M	1963	Assistant President	4 April 2018–present	0	0	290.98	No
WANG Jiazhi	M	1959	Vice Chairman of the Board of Supervisors & Employee Supervisor	10 April 2012–13 March 2020	911,664	911,664	408.80	No

Notes:

1. During the Reporting Period, the total pre-tax emoluments of current and resigned Directors, Supervisors and Senior Management were RMB62.8847 million. 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;
2. During the Reporting Period, Mr. Weng Zhenjie was paid RMB815,000 and RMB660,000 for director fee of 2018 and 2017, respectively;
3. 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 past three years;
4. At the 14th meeting of the seventh session of the Board of Supervisors of the Company on 18 April 2019, the Resolution on the Nomination of Mr. Zhao Fugao as Candidate for the External Supervisor was considered and passed. On 21 June 2019, Mr. Zhao Fugao was elected as an External Supervisor at the 2018 annual general meeting of the Company;
5. According to the regulations of the CSRC, the commencement date of term of office of re-elected Directors and Supervisors in the above table shall be the date of their first appointment as Directors and Supervisors;
6. On 28 February 2020, in order to implement corresponding measures in response to the outbreak of epidemic, the Board of the Company resolved that the change of session of the Board has to be postponed. All members of the seventh session of the Board of the Company sincerely undertake to perform their duties as Directors in accordance with the requirements of laws, administrative regulations and the Articles of Association of the Company to ensure normal operation of the Company before the election of the eighth session of the Board at the shareholders' general meeting of the Company. Upon the end of the epidemic, the Company will proactively proceed with the change of session of the Board in accordance with the laws and regulations. The abovementioned proposal will be submitted to the shareholders' general meeting of the Company for consideration;

7. On 28 February 2020, in order to implement corresponding measures in response to the outbreak of epidemic, the Board of Supervisors resolved that the change of session of the Board of Supervisors has to be postponed. All members of the seventh session of the Board of Supervisors of the Company sincerely undertake to perform their duties as Supervisors in accordance with the requirements of laws, administrative regulations and the Articles of Association of the Company to ensure normal operation of the Board of Supervisors before the election of new members of the Board of Supervisors at the shareholders' general meeting and the meeting of the employee representatives of the Company. Upon the end of the epidemic, the Company will proactively proceed with the change of session of the Board of Supervisors in accordance with the laws and regulations. The abovementioned proposal will be submitted to the shareholders' general meeting of the Company for consideration;

8. On 13 March 2020, Mr. Li Jian was elected as Employee Supervisor at the employee representative meeting of the Company. Mr. Wang Jiazhi ceased to act as the Vice Chairman of the Board of Supervisors and member of the related special committees under the Board of Supervisors due to retirement.

(II) Positions held by current Directors and Supervisors in shareholders' companies

Name	Name of the Company's shareholder's 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
Weng Zhenjie	Chongqing International Trust Company Limited	Chairman of the board of directors	November 2014–Present
Wang Hang	New Hope Liuhe Co., Ltd.	Non-executive director	November 2011–Present

(III) Major working experience of current 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 Consumer Rights Protection 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 deputy 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 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 principal staff member 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 the President of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee, Compensation and Remuneration Committee and Risk Management Committee under the Board. Mr. Zheng served as a vice president of Industrial and Commercial Bank of China Limited from September 2013 to October 2015. Prior to that, he was the deputy director and director of the Public Facilities Financing Department of Industrial and Commercial Bank of China Limited, president of Hainan Yangpu Branch of Industrial and Commercial Bank of China Limited, assistant president and general manager of the Business Department of Hainan Branch of Industrial and Commercial Bank of China Limited, the deputy general manager of the Industry and Commerce Credit and Loan Department of Industrial and Commercial Bank of China Limited, the general manager of Creditor Rights Management Department, the general manager of Operation Management Department and the assistant president of China Huarong Asset Management Co., Ltd. He was appointed as the vice president of China Huarong Asset Management Co., Ltd. and chairman of Huarong Securities and the chairman of Huarong Rongde Asset Management Co., Ltd., a joint venture

of China and Germany, in December 2004 and was appointed as vice president of China Huarong Asset Management Co., Ltd. and chairman of Huarong Securities and Huarong Futures in January 2009; He was appointed as the president of China Great Wall Asset Management Corporation in February 2011. Mr. Zheng obtained his Doctor's Degree in Economics from Renmin University of China.

Non-Executive Directors

Mr. Zhang Hongwei, born in 1954, has been a Vice Chairman of the Company since 30 April 2000. Mr. Zhang is a Non-Executive Director and also a member of the Strategic Development and Consumer Rights Protection 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 Company since 16 July 2006. Mr. Lu is a Non-Executive Director and also a member of the Strategic Development and Consumer Rights Protection 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)). 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 Consumer Rights Protection 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 Consumer Rights Protection Committee and Nomination Committee under the Board since 20 February 2017. Mr. Shi is the chairman of Giant Investment Co., Ltd, Giant Interactive Group Inc (formerly known as Shanghai ZhengTu Interactive Group Inc) 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, the chairman of Shanghai ZhengTu Interactive Group Inc from 2006 to 2018. 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, the Risk Management Committee and the Related Party Transactions Supervision 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 Asian Boxing Council (ASBC), the standing chairman of China International Chamber of Commerce for the Private Sector, representative of the Fujian Provincial People's Congress, the vice chairman of Fujian Province Association of Industry and Commerce, a standing committee member of the CPPCC Xiamen, the vice chairman of Xiamen Municipal Committee of China National Democratic Construction Association, the honorary vice chairman of Fujian Province Guangcai Promotion Society, the honorary chairman of the Non-Stated-Owned Enterprise Chamber of Commerce in Fujian, the honorary chairman of the 1st session of Xiamen Chamber of Commerce in Shanghai, the chairman of the Liaoning Chamber of Commerce in Fujian, a vice chairman of Xiamen Economics Society, the chief supervisor of Xiamen Silk Road National Strategy Research Centre, the vice chairman of Xiamen Association of Cross-Strait Exchanges and a council member of Jimei University. Mr. Wu was the assistant director of Dalian Ocean Fishery Group and a deputy 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 Risk Management Committee, the Audit Committee and the Related Party Transactions Supervision Committee under the Board since 20 February 2017. Mr. Song is the general manager of China Shipowners Mutual Assurance Association, vice president of China Shipowners' Association, vice chairman of Quanzhou Jinjiang COSCO Development Limited, executive director of China P&I Management Co., Ltd., director of China P & I Services (Hong Kong) Limited, executive director of Shanghai Haixing Asset Management Limited, director of CPI Services (UK) Limited. Mr. Song was a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)), 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 Consumer Rights Protection 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, 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 deputy 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, an independent non-executive director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd. (listed on the SSE (stock code: 601512)) since June 2017, 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) 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, the Compensation and Remuneration Committee and the Risk Management Committee under the Board. Mr. Li is a senior partner, director, and chairman of the Business Management and Risk Control Committee under the Board of Beijing S&P Law Firm and the director of the Management Committee and a lawyer of Beijing S&P Haikou 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 Centre 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 and an independent non-executive director of China Taiping Insurance Holdings Company Limited (listed on the SEHK (stock code: 00966)) since June 2015. He acted as an independent non-executive director of SuperRobotics Limited (listed on the SEHK (stock code: 08176)) from 20 August 2018 to 8 May 2019, a non-executive director of China Smartpay Group Holdings Limited (listed on the SEHK (stock code: 08325)) from 27 April 2017 to 22 October 2018, a non-executive director of Elife Holdings Limited (listed on the SEHK (stock code: 00223)) (formerly known as Sino Resources Group Limited) from 18 November 2016 to 10 July 2017, a deputy 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 deputy 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 since 20 February 2017. He is the chairman of the Nomination Committee, a member of the Compensation and Remuneration Committee and the Audit Committee under the Board. 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 since 20 February 2017. He is the chairman of the Audit Committee and a member of the Nomination Committee and the Related Party Transactions Supervision Committee under the Board. Mr. Liu serves as the managing partner of Zhongshenzhonghuan 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 Ruihua Certified Public Accountants (special general partnership) (瑞華會計師事務所(特殊普通合夥)), 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, 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 Consumer Rights Protection 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. Mr. Tian Suning was an independent non-executive director of Lenovo Group Limited (listed on the SEHK, stock code: 00992) from August 2007 to July 2019 and 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 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 Eco-System from Liaoning University in 1985, Master's Degree in Eco-System 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 Individual Award for Students Returned from Overseas Study 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. 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 director of Beijing Municipal Economic and Technological Cooperative Office, a staff member, a deputy principal 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 Centre (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., the chairman of the board of directors and president of Sichuan South Hope Industrial Co., Ltd. and the general manager of Beijing Shouwang Asset Management Co., Ltd. Mr. Wang obtained his Master's Degree in Economics from Peking University.

Mr. Zhang Bo, 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)), the chairman 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 Houmashi Sub-Branch of Bank of China Limited. He served as a deputy 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 director of Qilu Bank Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 832666)). He was a director of Heilongjiang Branch, a vice president of Harbin Branch, a vice president and an executive vice president of Heilongjiang Branch, a vice president of 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 Company 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 and an arbitrator of the Maritime Arbitration Commission of China Council for the Promotion of International Trade. Mr. Wang was 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. He was also a non-executive director and supervisor of China Everbright Bank, a non-executive director of the first to sixth sessions of the Board of the Company 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 director of Misho Eco-System & Landscape Co., Ltd. (listed on the SZSE (stock code: 300495)). He served as 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.

Mr. Zhao Fugao, born in 1955, has been appointed as an External Supervisor of the Company and a member of the Supervisory Committee and the Nomination and Examination Committee under the Board of Supervisors since 21 June 2019. Mr. Zhao successively served as staff member, deputy principal staff member, deputy division director, division director, vice president and president of Sichuan Branch of China Construction Bank Corporation (listed on the SEHK, stock code: 00939; listed on the SSE, stock code: 601939), the president of Chengdu Branch of China Construction Bank Corporation, the general manager of the Personal Deposit and Investment Department in the head office of China Construction Bank Corporation, and the person in charge of the preparatory group for insurance business of China Construction Bank Corporation, the president and vice chairman of CCB Life Insurance Company Limited, and the head of preparatory team of CCB Property & Casualty Insurance Co., Ltd. and CCB Life Asset Management Company Limited. Mr. Zhao obtained a Bachelor's Degree in Economics from Hubei University of Finance and Economics (currently known as Zhongnan University of Economics and Law) in January 1982. He is a senior economist.

Mr. Li Jian, born in 1966, has been appointed as an Employee Supervisor of the Bank since 13 March 2020, and is a member of the Supervisory Committee of the Board of Supervisors. He currently serves as the general manager of the Executive Office of the Head Office. Mr. Li joined the Company in August 1996 and successively served as a staff of the Planning and Finance Department, a director of the Property Management Division of the Planning and Finance Department, an assistant general manager of the Planning and Finance Department, the deputy director of the Executive Office and the director of the Property Management Division of the Head Office, the general manager of the Institution Management Department of the Head Office, the general manager of the Property and Infrastructure Management Office of the Head Office and the chairman of the Board of Supervisors of Minsheng Financial Leasing Co., Ltd., during which he concurrently served as the head of the Working Team of the Office Building Renovation and Construction Division of the Head Office and the head of the Preparation Team of Nanchang Branch, respectively. Prior to joining the Company, Mr. Li worked as a lecturer at the Management Cadre College of the Head Office of the PBOC (中國人民銀行總行幹部管理學院) and a principal staff member at the Infrastructure and Finance Division of the Personnel Education Department of the Head Office of the PBOC (中國人民銀行總行人事教育司基建財務處). Mr. Li obtained a Bachelor's Degree in Finance from Southwestern University of Finance and Economics in July 1987 and a Master's Degree in Management Science and Engineering from Hunan University in July 2003. He is an accountant.

Senior Management

Mr. Zheng Wanchun is the President of the Bank. Please refer to "Directors — Executive Directors".

Ms. Chen Qiong, born in 1963, has been an Executive Vice President of the Bank since June 2018. Ms. Chen joined the Company in April 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 served as a director, researcher, deputy director and principal staff member of the Banking Management Department, Tianjin Branch, the Banking Supervision Department I, the Audit Supervision Bureau and the Education Department of the PBOC. Ms. Chen is a deputy to the twelfth session of the National People's Congress. Ms. Chen Qiong 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. He served as the general manager of the Business Department of Shijiazhuang Branch of the Company in March 2001, the deputy director (person in charge) of the Risk Management Department of the Head Office of the Company in July 2001, an assistant general manager and a deputy general manager of the Credit Assessment Department of the Head Office of the Company in February 2004. He served as the head of the Preparatory Team and the president of Changchun Branch of the Company in June 2008, the general manager of the Credit Assessment Department of the Company in August 2009 and an Assistant President of the Company in 2012. 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 and an executive member of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995. 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 1995 and served as the director (person in charge) of the Fund Division of the International Business Department of the Company. She served as a deputy general manager of the Interbank Business Department of the Company in October 2000, the general manager of the Derivative Products Department of the Company in May 2007, the president of the Financial Markets SBU of the Company in May 2009 and an Assistant President of the Company in 2012. Prior to joining the Company, Ms. Li worked in the International Department of Beijing Branch of Agricultural Bank of China from August 1990 to July 1995. Ms. Li obtained her Doctor's 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 2001, and served as the director of the Bills Business Division of the Corporate Business Department of the Company from 2002 to 2003, an assistant general manager of the Corporate Business Department of the Company from 2003 to 2005, a vice president of Shenzhen Branch of the Company from 2005 to 2007, the executive director of the Office of the Corporate Banking Management Commission of the Company and then the general manager of the Corporate Banking Department of the Company from 2007 to 2012, and an Assistant President of the Company in 2012. 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 principal staff member of the Payment System Division of the Payment Technology Department of the PBOC from 1998 to 1999, and a deputy principal staff member and the principal staff member 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 Chief Risk Officer of the Company since February 2017 and has concurrently been the Executive Vice President of the Company since June 2018. Mr. Hu joined the Company in November 1999, and served as a vice president of Nanjing Branch of the Company, a vice deputy head of the Preparatory Team of Fuzhou Branch of the Company and a vice president of Fuzhou Branch of the Company since November 1999 to March 2002, the president of Chengdu Branch of the Company since March 2002 to January 2007, the president of Nanjing Branch of the Company since January 2007 to March 2015, the president of Shanghai Branch of the Company since March 2015 to February 2017 and concurrently the president of Shanghai Pilot Free Trade Zone Branch of the Company. Prior to joining the Company, Mr. Hu served as a staff member of Jiangsu Branch of the PBOC, a deputy principal staff member of the gold and silver management division, the manager and the assistant general manager of the Financial Centre of Jiangsu Branch of the PBOC. He served as a deputy head (person in charge) of the Chengnan office under Nanjing Branch of Huaxia Bank from 1995 to 1997 and the president of Chengnan Sub-Branch of Nanjing Branch of Huaxia Bank from 1997 to 1999. Mr. Hu 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 deputy general manager of the Planning and Finance Department of the Company. She also served as a deputy 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 deputy 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 Head Office of the Company from January 1996 to October 1996, a deputy general manager of the Beijing Administrative Department and the president of Zhongguancun Sub-Branch of the Company from October 1996 to May 1999, a deputy 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 Head Office 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 Yuebo 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 Yuebo 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 Shanghai Pilot Free Trade Zone Branch of the Company and concurrently the general manager of Shanghai Branch of the Financial Markets Department of the Company. Mr. Ouyang joined the Company in August 2001, and served as an assistant president of Qingshan Sub-Branch of Wuhan Branch of the Company, the assistant director and the deputy director (person-in-charge) of the General Office of Wuhan Branch of the Company and the president of Qingshan Sub-Branch of Wuhan Branch of the Company since August 2001, the director of the Retail Banking Department and the secretary of Discipline Inspection Committee of Fuzhou Branch of the Company from January 2006 to October 2007. Mr. Ouyang also served as the vice president (person-in-charge) of Taiyuan Branch of the Company, the president of Taiyuan Branch of the Company, the president of Shenzhen Branch of the Company from October 2007 to November 2014. Mr. Ouyang served as the general manager of the Human Resources Department of the Company from November 2014 to July 2017. Mr. Ouyang served as the president of Shanghai Branch and Shanghai Pilot Free Trade Zone Branch of the Company since August 2017, and concurrently the general manager of Shanghai Branch of the Financial Markets Department of the Company since September 2017. Before joining the Company, Mr. Ouyang served as an officer and the vice secretary (main) of the Youth League of Jiangxi Dexing Copper Mine Concentrator, the deputy director of Shihua Office of ICBC in Jiujiang, Jiangxi Province and the vice president and the director of Business Department of Jiujiang Branch of Agricultural Development Bank of China in Jiangxi Province. Mr. Ouyang obtained his MBA Degree from Wuhan University.

Company Secretary

Ms. Wong Wai Yee, Ella, aged 44, is a director of Corporate Services of Tricor Services Limited (hereinafter referred to as "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, a Chartered Governance Professional and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators). 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. Mr. Lu Zhiqiang, a Non-Executive Director of the Company, ceased to serve as the chairman of China Minsheng Trust Co., Ltd.;
2. Mr. Shi Yuzhu, a Non-Executive Director of the Company, was appointed as the chairman of Giant Interactive Group Inc (formerly Shanghai Zhengtu Network Technology Co., Ltd);
3. Mr. Wu Di, a Non-Executive Director of the Company, was appointed as a standing committee member of Chinese Boxing Federation;
4. Mr. Song Chunfeng, a Non-Executive Director of the Company, was appointed as the vice president of China Shipowners' Association, vice chairman of Quanzhou Jinjiang COSCO Development Limited, executive director of China P&I Management Co., Ltd., director of China P & I Services (Hong Kong) Limited, executive director of Shanghai Haixing Asset Management Limited, director of CPI Services (UK) Ltd.;
5. Mr. Weng Zhenjie, a Non-Executive Director of the Company, ceased to serve as a director of ABC Life Insurance Co., Ltd.;
6. Mr. Liu Jipeng, an Independent Non-Executive Director of the Company, was appointed as an independent non-executive director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd. (listed on the SSE (stock code: 601512));
7. Mr. Li Hancheng, an Independent Non-Executive Director of the Company, was appointed as a lawyer of Beijing S&P Law Firm (Haikou Office);
8. Mr. Liu Ningyu, an Independent Non-Executive Director of the Company, was appointed as the managing partner of Zhongshenzhonghuan Certified Public Accountants (special general partnership). Mr. Liu ceased to serve as the managing partner of Ruihua Certified Public Accountants (special general partnership)(瑞華會計師事務所(特殊普通合夥));
9. Mr. Zhang Bo, a Supervisor of the Company, was appointed as the chairman of China Minsheng Trust Co., Ltd.;
10. Mr. Bao Jiming, a Supervisor of the Company, ceased to serve as an independent non-executive director of Antong Holdings Co., Ltd. (listed on the SSE (stock code: 600179)).

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

During the Reporting Period, none of the Directors, Supervisors and Senior Management of the Company resigned.

(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 2019, total assets, net assets, net assets per share, deposits and loans of Sichuan Xinwang Bank were RMB44,153 million, RMB4,305 million, RMB1.43, RMB26,724 million and RMB33,444 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 SMEs. 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 2019, total assets, net assets, net assets per share, deposits and loans of Hangzhou United Bank were RMB208,812 million, RMB19,098 million, RMB9.43, RMB159,171 million and RMB122,186 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. Based on the unaudited financial information as at 31 December 2019, the total assets, net assets, net assets per share, deposits and loans of Chongqing Three Gorges Bank were RMB208,399 million, approximately RMB15,451 million, RMB2.77, RMB133,809 million and RMB85,333 million, respectively. Hefei Science & Technology Rural Commercial Bank was established on 14 February 2007 and is a regional rural commercial bank providing services for SMEs, agriculture-related enterprises, rural enterprises, technological enterprises and local enterprises. Based on the unaudited financial information as at 31 December 2019, the total assets, net assets, net assets per share, deposits and loans of Hefei Science & Technology Rural Commercial Bank were RMB102,231 million, approximately RMB7,188 million, RMB3.99, RMB63,500 million and RMB43,871 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 either 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 executive in the securities of the Company or its associated corporations under Hong Kong laws and regulations

(I) As at 31 December 2019, 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
		H	Long position	Interest held by his controlled corporation(s)	97,388,000	2	1.17	0.22
Zhang Hongwei	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,315,117,123	3	3.71	3.00
Lu Zhiqiang	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	2,019,182,618	4	5.69	4.61
		H	Long position	Interest held by his controlled corporation(s)	1,020,538,470	5	12.27	2.33
		H	Short position	Interest held by his controlled corporation(s)	422,554,615	5	5.08	0.97
Shi Yuzhu	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,379,679,587	6	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 97,388,000 H shares (Long position) were directly held by South Hope Industrial Co., Ltd. (see note 1 above).

3. 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. (名泽東方投資有限公司), 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.

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 held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

5. 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, while the 422,554,615 H shares (Short position) are directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 92.3% 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 68.49% of the issued share capital of Oceanwide Holdings Co., Ltd. were held by China Oceanwide Holdings Group Co., Ltd. (see note 4 above).

6. 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.

(II) As at 31 December 2019, 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:

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.

(III) As at 31 December 2019, 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:

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.

(IV) As at 31 December 2019, 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:

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 2019, none of the Directors, Supervisors or chief executive held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

(IX) Contractual rights and service contracts of Directors and Supervisors

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, subsisted during the Reporting Period. None of the Directors and Supervisors of the Company has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (excluding statutory compensation).

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

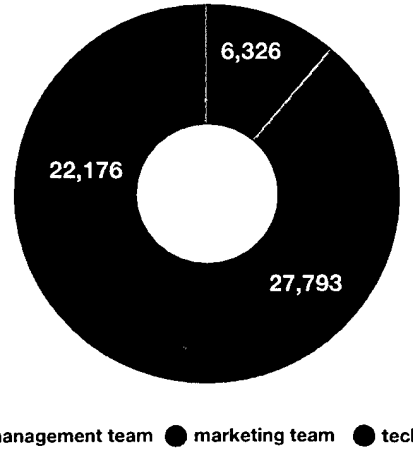
The Company has made enquiries to confirm that, among the members of the Board and the Board of Supervisors of the Company, Mr. Lu Zhiqiang, a Vice Chairman, is currently the chairman of the board of directors, president and ultimate controller of China Oceanwide Holdings Group Co., Ltd., while Mr. Zhang Bo, a Supervisor, is the chairman of the board of directors 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

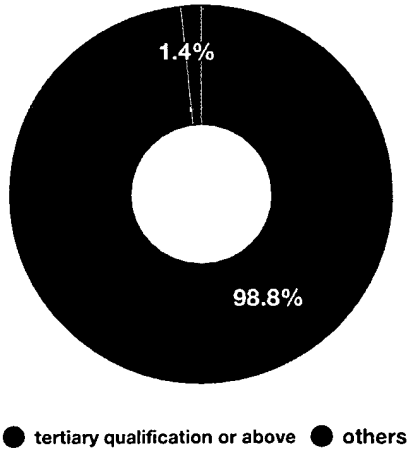
As at the end of the Reporting Period, the Group had 58,933 employees, of which 56,295 were employees of the Company and 2,638 were employees of the subsidiaries of the Company. Divided by work nature, 6,326 employees were categorised as the management, 27,793 employees as the marketing team, and 22,176 employees as the technical team. The Company had 55,609 employees with tertiary qualification or above, accounting for 98.8% of the total number of employees. During the Reporting Period, 455 employees of the Company have retired.

Note: The technical team represents other personnel except the management and the marketing team, including personnel engaging in product research and development, risk management, information technology and operation support, etc.

Employee Structure — By work nature (Unit: person)



Employee Structure — By qualification



The guiding principles of the Company's remuneration policy are 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 2019, in accordance with the requirements of full implementation of strategic transformation and human resources development planning, the Company focused on planning and designing systematic training programmes. The Company also strengthened the establishment of platforms for better technological support. Education level was improved to provide higher quality services for all kinds of training. During the Reporting Period, the Company organised 3,426 training programmes for 240,000 participants and 1,361 online learning courses for 1,650,000 participants, with a total of 3.42 million learning hours and a total of 4.93 million credits. The Company also organised six qualification examinations with 110,000 participants. 60,000 certificates were issued to participants and the percentage of employees of different positions holding multiple certificates amounted to 91%, which further improved the comprehensive business capability of employees.

III. Business Network

As at the end of the Reporting Period, the Company had set up 42 branches in 41 cities across China, with 2,610 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	13,882	3,986,737	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	169	3,721	836,256	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	89	2,557	428,001	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	89	2,285	242,792	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	78	2,059	230,780	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Wuhan Branch	108	1,498	98,969	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	114	1,382	99,783	3-5/F, 9-21/F, Block 3,Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan
Shijiazhuang Branch	156	2,109	92,374	Minsheng Bank Tower,No. 197 Yu Hua Dong Road,Chang'an District, Shijiazhuang
Dalian Branch	54	865	77,534	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian
Nanjing Branch	200	3,140	351,007	No. 20 Hongwu Bei Road, Nanjing
Hangzhou Branch	94	1,727	172,908	Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	111	1,015	91,355	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	86	1,175	76,208	China Minsheng Bank Tower, No. 78 Erhuan Nan Road Xiduan, Xi'an
Fuzhou Branch	52	950	49,959	No. 282 Hudong Road, Fuzhou
Jinan Branch	145	1,921	117,858	No. 229 Luoyuan Street, Jinan
Ningbo Branch	43	748	48,445	No. 815 Ju Xian Road, Gaoxin District, Ningbo
Chengdu Branch	123	1,420	113,377	Block 6, No. 966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu
Tianjin Branch	55	915	78,339	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	100	839	57,416	No. 11800 Caiyun Bei Road, Kunming
Quanzhou Branch	47	559	25,473	No. 689 Citong Road, Fengze District,Quanzhou
Suzhou Branch	38	1,123	85,106	Minsheng Finance Tower, Block 23,Times Square, Suzhou Industrial Park,Suzhou
Qingdao Branch	63	946	91,171	No. 190, Hai'er Road, Laoshan District, Qingdao
Wenzhou Branch	20	554	50,472	Minsheng Bank, Financial Building, No. 1 Huaijiang Road, Lucheng District, Wenzhou
Xiamen Branch	26	532	35,342	Xiamen Minsheng Banking Mansion, No. 50 Hubin Nan Road, Xiamen
Zhengzhou Branch	124	1,620	92,888	Minsheng Bank Tower,No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	50	909	62,518	Minsheng Tower,No. 189 Binjiang Road,Yuelu District, Changsha
Changchun Branch	28	562	23,631	Minsheng Tower,No. 500 Changchun Avenue, Nanguan District, Changchun
Hefei Branch	62	766	60,900	Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District,Hefei
Nanchang Branch	45	596	54,872	No. 545, Huizhan Road, Honggutan New District, Nanchang
Shantou Branch	29	439	26,699	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	35	562	64,562	1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning
Hohhot Branch	24	383	27,359	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia
Shenyang Branch	50	484	22,634	No. 65 Nanjing Bei Street, Heping District, Shenyang
Hong Kong Branch	1	222	179,376	40/F and 4106-08, 41/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

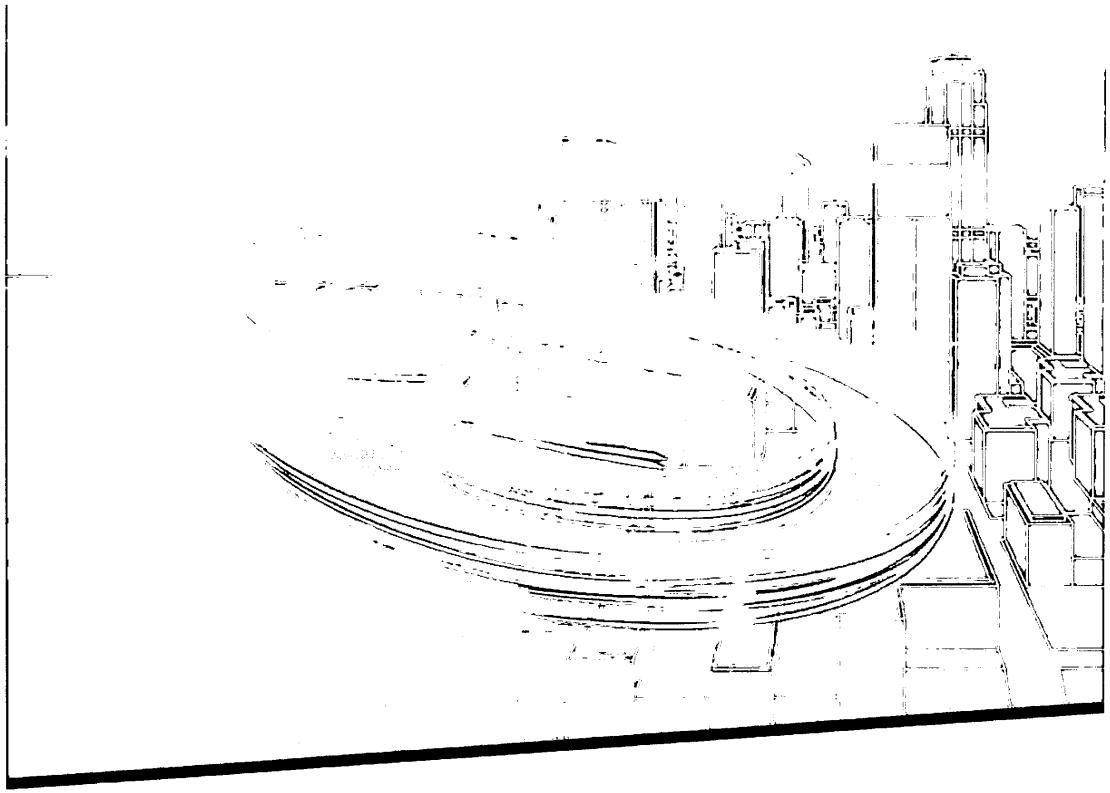
Directors, Supervisors, Senior Management and Employees

Name of entity	Number of outlets	Headcount	Total assets (RMB in millions) (excluding deferred income tax assets)	Address
Guiyang Branch	41	491	53,642	No. 33 Changling Nan Road, Gaoxin District, Guiyang
Haikou Branch	21	185	9,891	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou
Lhasa Branch	5	172	11,416	Global Plaza, No. 8 Beijing Xi Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	2	102	64,959	40/F, No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Harbin Branch	10	221	11,385	1-6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	11	256	15,096	1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Urumqi Branch	4	176	12,838	No. 314, Yangzijiang Road, Saybagh District, Urumqi
Xining Branch	3	123	8,871	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining
Yinchuan Branch	4	104	4,454	1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan
Inter-Region adjustment	–	–	(1,903,026)	
Total	2,610	56,295	6,442,627	

Notes:

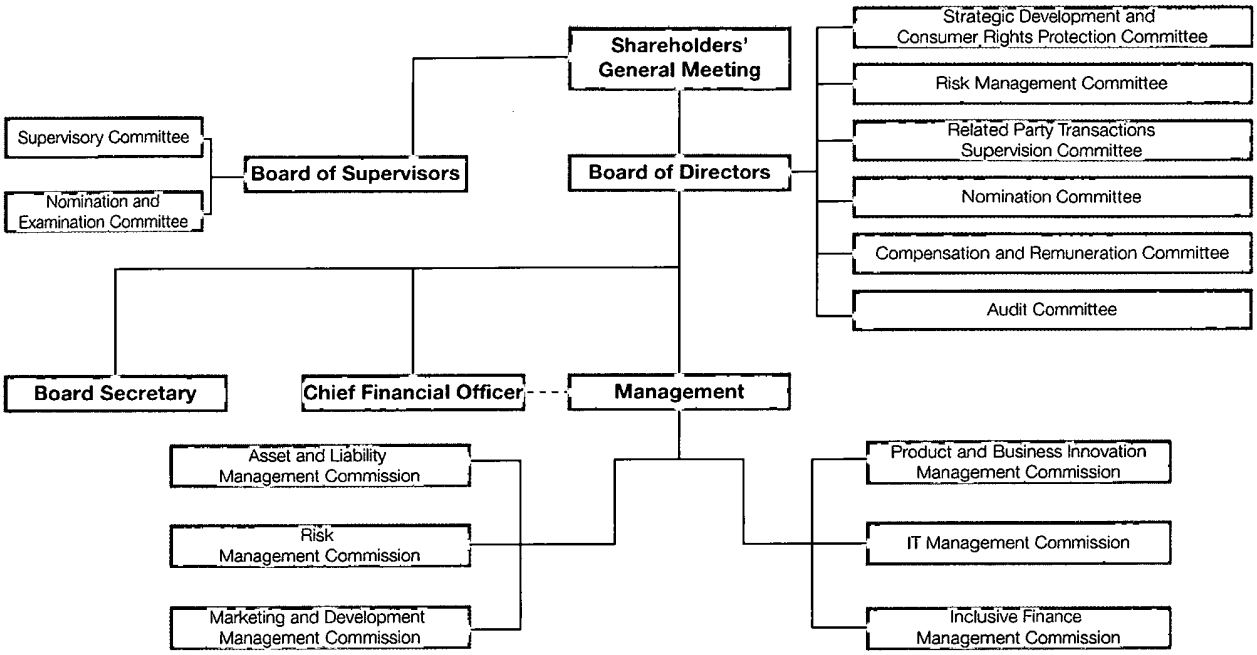
1. The number of institutions takes into account all types of banking outlets, including the Head Office, 42 tier-one branches and 41 business departments of branches (excluding the Hong Kong Branch), tier-two branches, remote sub-branches, county-level sub-branches, intra-city sub-branches, community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

Corporate Governance



Corporate Governance

I. Corporate Governance Structure



II. Corporate Governance Overview

During the Reporting Period, the Company further optimised its mechanisms and rule systems of corporate governance, enhanced strategic evaluation, refined internal control and enhanced compliance management of related party transactions. Performances of the Directors and the Senior Management were evaluated regularly, the supervisory functions were fully conducted, and the Company's overall corporate governance was improved. Details are as follows:

1. During the Reporting Period, the Company had convened a total of 79 meetings, including two general meetings, 12 Board meetings, 39 meetings of the special committees of the Board, eight meetings of the Board of Supervisors and 18 meetings of the special committees of the Board of Supervisors. 316 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.

2. In accordance with the regulatory requirements and actual operation needs, the Company had introduced the Guiding Opinion on Risk Management by the Board for 2019 (《董事會2019年風險管理指導意見》), Statement on Risk Appetite of China Minsheng Bank (First Edition) (《中國民生銀行風險偏好陳述書(第一版)》), Administrative Measures on Overall Risk Management of China Minsheng Bank (《中國民生銀行全面風險管理辦法》), Administrative Rules on Operational Risk of China Minsheng Bank (《中國民生銀行操作風險管理制度》), Basic Administrative Measures on Money Laundering and Terrorist Financing Risks of China Minsheng Bank (《中國民生銀行洗錢與恐怖融資風險管理基本辦法》), Administrative Measures on Risk Limits of China Minsheng Bank (《中國民生銀行風險限額管理辦法》), Administrative Measures on Case Prevention of China Minsheng Bank (《中國民生銀行案防工作管理辦法》), Administrative Measures on Recovery and Disposal Plans of China Minsheng Bank (《中國民生銀行恢復與處置計劃管理辦法》) and Basic Rules for Risk Measurement Model Verification and Management of China Minsheng Bank (《中國民生銀行風險計量模型驗證管理基本制度》). The Company has also made nearly 18 amendments, including the Terms of Reference of the Risk Management Committee under the Board of China Minsheng Bank (《中國民生銀行股份有限公司董事會風險管理委員會工作細則》), 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 Stress Test of China Minsheng Bank (2018 Revision) (《中國民生銀行壓力測試管理辦法(2018年修訂)》), Administrative Measures on Assessment of Corporate Customers of China Minsheng Bank (《民生銀行公司法人客戶評級管理辦法》), Administrative Measures on Impairment of Financial Assets of China Minsheng Bank (《中國民生銀行金融資產減值管理辦法》), Administrative Measures on Business Sustainability of China Minsheng Bank (《中國民生銀行業務連續性管理辦法》), Administrative Measures on Outsourcing Risk of China Minsheng Bank (《中國民生銀行外包風險管理辦法》), Administrative Measures on Information Technology Risk of China Minsheng Bank (《中國民生銀行信息科技風險管理辦法》) and the Terms of Reference of the Strategic Development and Consumer Rights Protection Committee under the Board of China Minsheng Bank (《中國民生銀行股份有限公司董事會戰略發展與消費者權益保護委員會工作細則》). The corporate governance system of the Company has been further improved by the formulation and amendment of the above rules and regulations. The Board and the 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.

Corporate Governance

4. During the Reporting Period, interim investigation and evaluation on reform and transformation were carried out jointly by the Board and the Board of Supervisors in order to assess the implementation of three major strategies, operation management, risk management and internal control and compliance of the Head Office and branches of the Company. Special focus was placed on the implementation features and effectiveness of the Company's strategies of NSOEs and supply chain finance projects. These efforts allowed the Company to understand and evaluate the effectiveness of its reform and transformation, the implementation of strategies and existing problems. Special investigation reports were also prepared to provide objective and comprehensive support for decision-making of improvements and adjustments of its strategies in the future.

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

6. During the Reporting Period, the Board conducted special studies on some branches and subsidiaries and prepared special 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 of internal control to six branches, including the Taizhou Branch, the Guangzhou Branch and the Jiaxing Branch and the Shanghai Branch, to have in-depth understanding of their internal control management and provide management advices. The Audit Committee of the Board of the Company also supervised and evaluated the internal auditing of the Company, which had a significant impact on facilitating the healthy and sustainable development of businesses of the business units. The Risk Management Committee of the Board of the Company had analysed the risk-adjusted return and submitted a report thereon to the Board of Directors as a base for strategic decisions on risks.

7. 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 consolidate the foundation for compliance management of related party transactions. Efforts were made to further regulate management process of related party transactions and improve the management systems of affiliated institutions in order to facilitate the overall management of related party transactions within the Group. It also established the management platform of related party transactions to enhance management abilities and ensure the compliant, orderly and efficient management of related party transactions.

8. 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 by the capital market of the Company. Please refer to "Information Disclosure and Investor Relations" in this chapter for details.

9. 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 the Company. Since then, the Company has stringently followed the relevant provisions to conduct registration of the insiders possessing insider knowledge for record.

10. 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 was published to the public.

11. The Company followed the regulatory requirements regarding corporate governance of listed companies issued by the CSRC. The Company conducted a prudent internal inspection and was not aware of any non-compliance of the Company's corporate governance with the regulations regarding corporate governance of listed companies promulgated by the CSRC. There were no irregularities of corporate governance and no information was provided to substantial shareholders or actual controllers before such information was 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 10% or more 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 and preside over such 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 and the Board of Supervisors 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 passed 27 resolutions. Details are as follows:

On 26 February 2019, the first extraordinary general meeting for 2019, the first A share class meeting for 2019, the first H share class meeting for 2019 and the first preference share class meeting for 2019 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 2019 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 2019.

On 21 June 2019, the 2018 annual general meeting, the second A share class meeting for 2019 and the second H share class meeting for 2019 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 2019 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 2019.

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.

(I) Composition of the Board

As at the end of the Reporting Period, the Board of the Company comprises 15 members, of which seven are Non-Executive Directors, two are Executive Directors and six are Independent Non-Executive Directors. All Non-Executive Directors hold key positions in renowned enterprises and were experienced in management, finance and accounting, while the two Executive Directors have been engaged in banking operation and management for a long time with extensive professional experiences. The six Independent Non-Executive Directors are experts in economics, finance, accounting, law and information technology. One of the Independent Non-Executive Directors is from Hong Kong and is familiar with the IFRS 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 enhance the operating quality of the Company. Therefore, the Company formulated the Policy of Board Diversity in August 2013, specifying that the Company should take various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, into consideration in determining the members of the Board for more diversified board composition. The final candidates shall be elected based on his/her value and contributions to the Board. The Nomination Committee shall supervise the implementation of the Policy of Board Diversity, and shall analyse and assess the structure, composition and diversity of members of the Board (including but not limited to the gender, age, cultural and educational background, professional experience, skills, knowledge and term of office) and make suggestions to the Board for implementation of the strategies of the Bank annually.

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 has 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;

Corporate Governance

3. to decide on the operational plans and investment plans of the Company;

4. to formulate the proposed annual budget and annual final accounts of the Company;

5. to formulate the profit distribution plans and plans for recovery of losses of the Company;

6. to formulate proposals for increases or reductions of the registered share capital, issuance of bonds or other securities and listing plans of the Company;

7. to formulate proposals for material acquisitions, the purchase of the shares, merger, separation, dissolution and change of form of the Company;

8. to decide on external investments, purchases and sales of assets, pledges of assets, material guarantees, and related party transaction matters within the scope 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 disclosure of information of the Company;

15. to propose at the general meetings for the appointment or replacement of the accounting firms of the Company for auditing purpose;

16. to review working reports of the President of the Company and to examine the President's performance;

17. the Board shall establish a supervisory system to ensure that the management body will formulate 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.

Corporate Governance

(III) Board meetings and resolutions

During the Reporting Period, 12 Board meetings were held by the Board to deliberate on and approve major resolutions in relation to strategies, finance and operation of the Company.

Meeting	Date	Publication	Date of disclosure
9th extraordinary meeting of the seventh session of the Board	17 January 2019	Shanghai Securities News, China Securities Journal and Securities Times	18 January 2019
14th meeting of the seventh session of the Board	29 March 2019	Shanghai Securities News, China Securities Journal and Securities Times	30 March 2019
15th meeting of the seventh session of the Board	29 April 2019	Shanghai Securities News, China Securities Journal and Securities Times	30 April 2019
16th meeting of the seventh session of the Board	17 May 2019	Shanghai Securities News, China Securities Journal and Securities Times	18 May 2019
17th meeting of the seventh session of the Board	27 June 2019	Shanghai Securities News, China Securities Journal and Securities Times	28 June 2019
18th meeting of the seventh session of the Board	30 August 2019	Shanghai Securities News, China Securities Journal and Securities Times	31 August 2019
10th extraordinary meeting of the seventh session of the Board	9 September 2019	Shanghai Securities News, China Securities Journal and Securities Times	10 September 2019
11th extraordinary meeting of the seventh session of the Board	25 September 2019	Shanghai Securities News, China Securities Journal and Securities Times	26 September 2019
19th meeting of the seventh session of the Board	30 October 2019	Shanghai Securities News, China Securities Journal and Securities Times	31 October 2019
12th extraordinary meeting of the seventh session of the Board	27 November 2019	Shanghai Securities News, China Securities Journal and Securities Times	28 November 2019
13th extraordinary meeting of the seventh session of the Board	11 December 2019	Shanghai Securities News, China Securities Journal and Securities Times	12 December 2019
14th extraordinary meeting of the seventh session of the Board	31 December 2019	Shanghai Securities News, China Securities Journal and Securities Times	2 January 2020

At the above 12 meetings, 107 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 2019:

Directors	Attendance in Person/ Number of Meetings
Hong Qi	12/12
Zhang Hongwei	12/12
Lu Zhiqiang	11/12
Liu Yonghao	12/12
Zheng Wanchun	12/12
Shi Yuzhu	12/12
Wu Di	12/12
Gong Chunfong	11/12
Weng Zhenjie	12/12
Liu Jipeng	12/12
Li Hancheng	12/12
Xie Zhiohun	12/12
Peng Xuefeng	11/12
Liu Ningyu	12/12
Tian Suning	12/12

Note: Attendance in person does not include attendance by proxy. During the Reporting Period, certain Directors who were not able to attend the meetings of the Board physically had entrusted other Directors of the same class to attend and vote at the meetings on their behalves.

(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 2018 approved at the 14th meeting of the seventh session of the Board and the annual general meeting for 2018. Cash dividend of 2018 of RMB3.45 (before tax) for every 10 shares was distributed to all shareholders whose names appeared on the share register. The total amount of cash dividend was RMB15,105 million, based on 43,782 million issued shares of the Company as at 31 December 2018. 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 2019 in accordance with the regulations, and this distribution plan was completed.

No interim profit was distributed and no capital reserve was used for capitalisation for the interim period of 2019.

Corporate Governance

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 2019:

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	2/2

(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 attending office in the Bank, conducting on-site visits, holding special investigation 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 Senior Management or various departments of the Head Office; to visit the branches of the Company for special investigation and conferences; and to supervise the establishment or amendment of any relevant corporate governance policy. The on-duty policy of Independent Non-Executive Directors 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 has supported and ensured the rationality and independence of the decision-making of the Board.

2. Rules governing Independent Non-Executive Directors' work on Annual Reports

In order to further improve the corporate governance of the Company with an aim to fully perform the duties of Independent Non-Executive Directors in governing information disclosure so as to ensure the truthfulness, accuracy, completeness and timeliness of the information disclosed in the annual 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 investigation 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 2019 Annual Report of the Company. The Independent Non-Executive Directors have received the reports from the management of the Company on the operation and development of material issues of 2019, 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 of 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 have also played important roles in various special committees of the Board. They have 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 are 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 2019

Directors	Number of meetings	Attendance in person	Attendance by proxy
Liu Jipeng	12	12	0
Li Hancheng	12	12	0
Xie Zhichun	12	12	0
Peng Xuefeng	12	11	1
Liu Ningyu	12	12	0
Tian Suning	12	12	0

(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, Mr. Hong Qi, the Chairman of the Board, 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 2019. 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 acknowledged their responsibilities for the preparation of the financial statements of the Company for the year ended 31 December 2019.

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 in compliance with legal and regulatory requirements of the Company; (4) to formulate, review and monitor the code of conduct for employees and Directors; and (5) to review the compliance of the Company with the provisions of the Corporate Governance Code and disclosure in the Corporate Governance in the Annual Report.

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The major works of corporate governance performed by the Board of the Company in 2019 were as follows: the Board conducted self-assessment of corporate governance and strengthened the working performance systems of the special committees of the Board. The Board had also 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 so as to optimise its corporate governance system. 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 2019 based on its review.

Composition, functions and powers of the six special committees of the Board and their work performed in 2019 are as follows:

(I) Strategic Development and Consumer Rights Protection Committee under the Board of Directors

1. Composition of the Strategic Development and Consumer Rights Protection Committee under the Board of Directors and meetings in 2019

As at the end of the Reporting Period, the Strategic Development and Consumer Rights Protection Committee of the seventh session of the Board had 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. On 30 August 2019, the Resolutions regarding the Change of Name of the Strategic Development and Investment Management Committee under the Board of Directors (《關於董事會戰略發展與投資管理委員會更名的決議》) was considered and approved at the 18th meeting of the seventh session of the Board of Directors, pursuant to which the "Strategic Development and Investment Management Committee" was renamed as the "Strategic Development and Consumer Rights Protection Committee".

The Strategic Development and Consumer Rights Protection Committee of the seventh session of the Board consisted of one Independent Non-Executive Director and five Non-Executive Directors. The Independent Non-Executive Director was an expert in finance, information technology and management. Five Non-Executive Directors were the key persons in charge of renowned companies in China and had extensive experience in management and sufficient knowledge in finance and accounting. The Strategic Development and Consumer Rights Protection Committee is well-structured, with sufficient specialty and independence, which ensures the committee to perform its strategic guidance and supervisory duty effectively.

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The main functions and duties of Strategic Development and Consumer Rights Protection Committee under the Board of Directors shall be as follows:

Studying and formulating long-term development strategies and medium- to long-term development outlines of the Group and the Bank, supervising and evaluating the implementation of the strategies and providing strategic adjustment proposals; studying and formulating the development and strategic planning and basic management system of the inclusive finance business of the Bank, reviewing the annual business plan, assessment and evaluation methods of inclusive finance and supervising the implementation; studying and formulating consumer rights protection strategies, policies and goals of the Bank, regularly reviewing the consumer rights protection work report and related proposals of the Bank and monitoring and evaluating the consumer rights protection work and related information disclosure of the Bank; reviewing the performance of social responsibilities in respect of the economy, environmental protection and public welfare; reviewing and evaluating the corporate governance structure of the Bank; studying and formulating data strategies and reviewing major events related to data governance; studying and formulating relevant systems for investments, proposing suggestions and plans for material investment decisions of the Bank, and supervising the implementation; 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; studying and planning the operation and development model of the Group.

The Strategic Development and Consumer Rights Protection Committee convened seven meetings, reviewed 27 proposals and received eight reports in 2019. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Zhang Hongwei	7/7
Lu Zhiqiang	7/7
Liu Yonghao	7/7
Shi Yuzhu	7/7
Weng Zhenjie	7/7
Executive Directors	
Hong Qi *(chairman of the committee)*	7/7
Zheng Wanchun	7/7
Independent Non-Executive Director	
Tian Suning	7/7

2. Major achievements of the Strategic Development and Consumer Rights Protection Committee under the Board of Directors in 2019

During the Reporting Period, under the overall strategic guidance of the Board, the Strategic Development and Consumer Rights Protection Committee under the Board of Directors actively carried out decision support, strategic management, capital management, investment management, management of subsidiaries and the consolidated financial statements of the Group, inclusive finance, protection of consumers' rights and interests, social responsibilities and data management and other tasks in order to thoroughly fulfill its duties.

(1) Execution of supports on decision-making

The Strategic Development and Consumer Rights Protection Committee further refined the process of operation and decision making of the committee to improve the overall support of decision making. It convened seven meetings, reviewed 27 proposals and received eight reports. It fully discharged its role in support of the major decisions of the Company.

(2) Active promotion of strategic management

The Strategic Development and Consumer Rights Protection Committee actively pushed forward reform and transformation and formulation of implementation scheme of the medium- to long-term development plan. It initiated the implementation of various major strategic decisions. With focus on medium- to long-term development strategy and value management, it conducted a series of forward-looking, strategic and practical researches.

(3) Continuous optimisation of capital management

The Strategic Development and Consumer Rights Protection Committee continued to optimise the capital management system, prepare the annual capital planning, implement capital replenishment and capital monitoring and prepare the profit distribution plan for the Company.

(4) Active promotion of investment management

The Strategic Development and Consumer Rights Protection Committee further strengthened the management of outward investments and actively pressed ahead the development strategies of the Group so as to facilitate the implementation of major investment decisions and develop integrated and Group-Oriented management. In addition, based on the relevant decisions of the Board, it fully performed its duties of major fixed assets investment management and further strengthened project implementation to ensure higher efficiency.

(5) Enhancement of the management of subsidiaries

The Strategic Development and Consumer Rights Protection Committee comprehensively strengthened the management of subsidiaries, continuously optimised the management model of the Group and enhanced the corporate governance of the subsidiaries. Greater efforts were made to refine the equity management of the subsidiaries, regulate investment of the 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 Consumer Rights Protection Committee refined the management mechanism of the consolidated financial statements of the Group and strengthened the regulatory system of the consolidated financial statements of the Group. It also launched the information management system of the consolidated financial statements of the Group and strengthened supervision, appraisal and assessment of the Board so as to improve the overall coordination of the Group.

(7) Improvement of inclusive finance, customer rights protection and social responsibilities

The Strategic Development and Consumer Rights Protection Committee further improved the performance mechanism of inclusive finance, consumer rights protection and social responsibilities. It also gave guidance to the management on further improvement of the management system of inclusive finance, consumer rights protection and social responsibilities. Related regulatory rectification plans were carried out in order to ensure the effectiveness of the improvement measures. It received special reports from the Senior Management on inclusive finance, consumer rights protection and social responsibilities.

(8) Optimisation of data management

The Strategic Development and Consumer Rights Protection Committee refined data management mechanism of the Company by further specifying data management structure and receiving annual report on data management.

(II) Nomination Committee

1. Composition of the Nomination Committee and meetings in 2019

As at the end of the Reporting Period, the Nomination Committee of the seventh session of the Board had nine members. 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 vacancies as appropriate; guiding and supervising the establishment of a comprehensive data pool for development and management 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 "Chapter 6 Corporate Governance — V. Board of Directors — (I) Composition of the Board" for details of the Policy of Board Diversity.

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The Nomination Committee convened five meetings and reviewed nine proposals in 2019. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Zhang Hongwei	5/5
Liu Yonghao	5/5
Shi Yuzhu	5/5
Executive Director	
Hong Qi	5/5
Independent Non-Executive Directors	
Peng Xuefeng *(chairman of the committee)*	5/5
Liu Jipeng	5/5
Li Hancheng	5/5
Xie Zhichun	5/5
Liu Ningyu	5/5

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 Company shall be as follows:

(1) Subject to the number of board members stipulated in the Articles of Association and according to the number of Directors to be elected, the Nomination Committee of 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.

(2) 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 for Directors to the shareholders' general meeting.

(3) 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.

(4) 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.

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

(6) In case of urgent need of filling vacant position 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 elected and replaced at the shareholders' general meeting.

(7) A shareholder and its associates may not propose nomination for candidates of directors and supervisors simultaneously; where the Director (Supervisor) candidate proposed by a shareholder and its associates has been elected as a director (supervisor), such shareholder may not propose other Supervisor (Director) 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 of the Company shall examine the qualification of relevant candidates and submit the proposal to the Board of Directors for whether the proposal should be further submitted at the general meeting.

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

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

(1) 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.

(2) Nominators of Independent Non-Executive Directors shall seek the consent of the nominees prior to the nomination; possess full understanding 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.

(3) 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 locations 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 for Directors of the Bank but not candidates for Independent Non-Executive Directors. The Board of Directors shall state 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;

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

6. has more than five years of legal, economic, commercial banking or other working experience 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 voting shares of the Bank or being 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 2019

During the Reporting Period, the Nomination Committee of the Board duly performed the following duties in respect of review of the independence and performance of the annual work of the Independent Non-Executive Directors, review of the qualifications of presidents of branches and Senior Management of subsidiaries, analysis and assessment of the structure, composition and diversity policy of members of the Board, in accordance with the Terms of Reference of the Nomination Committee under the Board (《董事會提名委員會工作細則》) and the Working Plan of the Nomination Committee under the Board (《董事會提名委員會工作計劃》) formulated at the beginning of the year:

(1) Review of the independence of the annual work of the Independent Non-Executive Directors

Pursuant to the requirements of Memorandum on Regular Report for Listed Companies (《上市公司定期報告工作備忘錄》), the Nomination Committee has reviewed the Annual Work Report of Independent Non-Executive Directors for 2019 (《獨立非執行董事2019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 Duty Report to the shareholders at the annual general meeting. The Nomination Committee is of the opinion that during the Reporting Period, the six Independent Non-Executive Directors of the Company have independently and objectively performed their duties, diligently supervised the compliance with respect to the development of the businesses and significant matters 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) Examination on the qualifications of the presidents of branches and Senior Management of subsidiaries

The Nomination Committee continued to perform its duties of making decisions on selection and appointment of the Senior Management and improve the nomination procedure in a normative, transparent and efficient manner. The Nomination Committee considered a total of nine candidates for presidents of branches and candidates for chairman of the board, chairman of the board of supervisors and general managers of subsidiaries during the year.

(3) Analysis and evaluation of the structure, composition and diversity policy of members of the Board and suggestion to the Board

Pursuant to the duties and responsivities of the committee authorised by the Articles of Association, the Nomination Committee studied and formulated selection procedures and standards of appointment of Directors and made suggestions to the Board of Directors proactively based on the analysis and evaluation of the structure, composition and diversity policy of members of the Board.

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(III) Compensation and Remuneration Committee

1. Composition of the Compensation and Remuneration Committee and meetings in 2019

As at the end of the Reporting Period, the Compensation and Remuneration Committee of the seventh session of the Board had 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, remuneration systems and proposals of the Directors and Senior Management of the Head Office for the establishment of formal and transparent procedures for making remuneration policies, making recommendations to the Board of Directors and supervising the implementation of remuneration policies, remuneration systems and proposals; studying and formulating performance appraisal standards and proposals of the Directors and Senior Management of the Head Office; studying and formulating due diligence appraisal system of the Directors and Senior Management of the Head Office, making recommendations to the Board of Directors and carrying out regular evaluations; considering and determining the classes of positions and remuneration of Senior Management of the 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 the Head Office; determining the remuneration and incentive and restraint proposals for Directors and Senior Management of the 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 three meetings, reviewed six proposals and received four special reports in 2019. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Lu Zhiqiang	3/3
Wu Di	3/3
Executive Director	
Zheng Wanchun	3/3
Independent Non-Executive Directors	
Tian Suning *(chairman of the committee)*	3/3
Liu Jipeng	3/3
Li Hancheng	3/3
Xie Zhichun	3/3
Peng Xuefeng	3/3

2. Major achievements of the Compensation and Remuneration Committee in 2019

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:

(1) Objective evaluation on performance of Directors for the year

In order to enhance the diligent performance of duties of Directors and further promote the efficiency of decision-making and operation of the Board, the Compensation and Remuneration Committee of the Board carried out an objective evaluation of the performance of all the Directors for 2018 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 2018 (《中國民生銀行董事會2018年度董事履職評價報告》).

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

The Compensation and Remuneration Committee of the Board studied and designed performance appraisal standards and plans of the Senior Management of the Head Office for 2018 according to the authorisation of the Board and related rules. To meet the requirements of the plans, the Compensation and Remuneration Committee of the Board organised and implemented the appraisal work of the due diligence of the Senior Management of for 2018 and issued the Consolidated Report on Due Diligence Appraisal of Senior Management of China Minsheng Bank for 2018 (《中國民生銀行高級管理人員2018年度盡職考評綜合報告》). It facilitated a thorough understanding of the Board and the Compensation and Remuneration Committee in respect of the performance of the Senior Management and effectively guided them to further improve their performance.

(3) Optimisation and refinement of the performance appraisal system of the Senior Management

The Compensation and Remuneration Committee guided and promoted the optimisation and refinement of the performance appraisal system of the Senior Management in 2019 in order to enhance the effectiveness of the appraisal system. Firstly, it attached great importance to risk management. By aligning business development with risk prevention and control, it continuously refined the performance appraisal indicators system taking both the efficiency and risk of the Company into consideration. Secondly, it pursued compliance and put an emphasis on the guiding effect of compliance operational indicators in the performance appraisal of the Senior Management. Thirdly, requirements of consumer rights protection and anti-money laundering were included in the appraisal in order to guide and strengthen the performance of the Senior Management in matters such as consumer rights protection and anti-money laundering. Fourthly, it focused on the coordination of performance indicators to better reflect the effectiveness of various transformation measures. Efforts were also made to enhance quality, promote transformation of growth model and improve quality and efficiency. Fifthly, it catered to the interests and demand of shareholders through emphasising market value management. Sixthly, all the members of the executive committees were included in the appraisal of the Board of Directors to further strengthen the appraisal and performance management of the Board of Directors.

(4) Review of annual remuneration plan of the Directors and the Senior Management for 2018

The Compensation and Remuneration Committee reviewed the 2018 remuneration report of Directors and reported to the Board of Directors and shareholders' general meeting based on the 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 of China Minsheng Bank (《中國民生銀行高級管理人員薪酬管理制度》) and the Administrative Measures of Venture Fund for Senior Management of China Minsheng Bank (《中國民生銀行高級管理人員風險基金管理辦法》), the Compensation and Remuneration Committee reviewed the 2018 remuneration report of the Senior Management.

(5) Receipt and determination of remuneration of the Company

The Compensation and Remuneration Committee of the Board continued to pay attention to the remuneration system and remuneration competitiveness of the Company. During the Reporting Period, the Compensation and Remuneration Committee received special reports on the remuneration of Minsheng Bank. Technical and structural measures were introduced to further optimise the compensation and remuneration system of Minsheng Bank. These measures will also revitalise the system and guide the further improvement of the remuneration system and long-term incentive mechanism in the future.

(IV) Risk Management Committee

1. Composition of the Risk Management Committee and meetings in 2019

On 1 January 2019, the Risk Management Committee of the seventh session of the Board had three members. The chairman was Xie Zhichun and the members were Wu Di and Song Chunfeng. On 17 May 2019, the Resolution regarding the Appointment of Members of Certain Special Committees of the Seventh Session of the Board of the Company (《關於增補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 16th meeting of the seventh session of the Board of the Company, pursuant to which Mr. Zheng Wanchun and Mr. Li Hancheng were appointed as the members of the Risk Management Committee of the seventh session of the Board. As at the end of the Reporting Period, the number of members of the Risk Management Committee under the Board of the Company was five, with Xie Zhichun as the chairman and Zheng Wanchun, Wu Di, Song Chunfeng and Li Hancheng as members.

The main functions and duties of Risk Management Committee shall be as follows: Conducting research on national macro-economic and financial policies and analysing the market changes; assisting the Board in establishing risk management culture and strategies, determining risk preferences and ensuring the establishment of risk limit control; examining regulations, policies and regulatory indicators issued by regulatory authorities, and assisting the Board in performing its risk management duties in respect of credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk of the banking books, reputation risk, strategic risk, information technology risk, compliance risk, anti-money laundering and anti-terrorism financing and case prevention according to various requirements issued and amended by the regulatory authorities; conducting researches on the development strategies and risk management system of the Bank to provide recommendations on the improvement of organisational structure, control procedures and risk solutions for risk management; assisting the Board in reviewing major risk management policies and procedures; conducting researches on the implementation procedures and its management methods of the strategic planning of the Bank, evaluating the effectiveness of the risk policies and providing dynamic risk control proposals; assisting the Board in supervising the overall risk management of the Senior Management; examining the operation and risk conditions of the Bank and identifying major risk problems needed to be focused on

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by risk management based on five-category classification and discounted cash flow analysis; assisting the Board in reviewing overall risk management report and other risk information reports; supervising and evaluating the implementation of the strategic planning and monitoring the continuous efforts of the business management in improving its risk control ability; examining the risk identification, management technology, risk control and compensation mechanism operated and managed by the Bank and reviewing the planning of risk management system; reviewing the warning, prevention and emergency response measures for material risks events in the operation and management of the Bank; organising risk assessment for material operation issues to formulate risk prevention measures; assisting the Board in reviewing information disclosure of overall risk and various material risks; reviewing the green credit targets and reports submitted by the Senior Management to supervise and evaluate the performance of green credit of the Bank; and other duties as set out by laws, administrative regulations, rules and requirements of stock regulatory authorities of the places where the shares of the Bank are listed and as delegated by the Board of Directors.

The Risk Management Committee convened seven meetings and reviewed 37 proposals and received four special reports in 2019. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Wu Di	7/7
Song Chunfeng	7/7
Li Hancheng	5/5
Executive Director	
Zheng Wanchun	5/5
Independent Non-Executive Director	
Xie Zhichun *(chairman of the committee)*	7/7

Note: On 17 May 2019, the Resolution regarding the Appointment of Members of Certain Special Committees of the Seventh Session of the Board of the Company (《關於增補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 16th meeting of the seventh session of the Board of the Company, pursuant to which Zheng Wanchun, a Director, and Li Hancheng, a Director, were appointed as the members of the Risk Management Committee of the seventh session of the Board. Therefore, the number of meetings attended by them was less than the number of meetings convened for the year.

2. Major achievements of the Risk Management Committee in 2019

In 2019, 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 the Statement on Risk Appetite of China Minsheng Bank (First Edition) (《中國民生銀行風險偏好陳述書（第一版）》)

The Risk Management Committee amended 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 actual needs of the Company to further strengthen the dominating and leading role of the risk appetite in the risk management of the Bank. Based on the above measures, the committee formulated the Statement on Risk Appetite of China Minsheng Bank (First Edition) (《中國民生銀行風險偏好陳述書(第一版)》). Having been considered and approved by the Risk Management Committee and the Board, the above statement was formally implemented and played an important role in ensuring strategic transformation, effective compliance with regulatory requirements and healthy business development.

(2) Continuous development of the risk management culture

At the beginning of 2019, the Risk Management Committee formulated and published the Core Values of Risk Management of China Minsheng Bank (《中國民生銀行風險經營核心理念》). It promoted the core values to serve as the important guiding principle for operational management and risk control of the Bank over the whole process of risk management for the Board, the management and business units at all levels. It further promoted the consistency of operation, capital, finance, assessment, risk management policy and core values. By top-down supervision on the promotion and implementation of the core values, it further aligned the core values with operation management, instilling the core values in the mindset and practice of all employees. As such, the risk management culture was provided to safeguard the process of strategic transformation and development.

(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 of the Company, the Risk Management Committee completed the Guiding Opinion on Risk Management by the Board for 2019 (2019年董事會風險管理指導意見), Report on Risk Assessment for 2018 (2018年度風險評估報告), Interim Report on Risk Assessment for 2019 (2019半年度風險評估報告), special risk investigation and review of various risk reports on the operation management. Coupled with stronger coordination of these initiatives, the Board has 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 (《中國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 further regulated the compliance and effectiveness of major risk management systems and strengthened the compliance with external regulations to facilitate internal operation based on the needs of establishment of fundamental systems. The Risk Management Committee reviewed and considered a total of 21 major risk management systems during this year, including 10 new proposals and 11 amendments.

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

The Risk Management Committee amended the Terms of Reference of the Risk Management Committee of the Board of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事會風險管理委員會工作細則》) based on the comprehensive review of various risk management guidelines of the CBIRC, as well as the changes in the internal and external environments and requirements such as the information disclosure of the listed companies. The Risk Management Committee held seven committee meetings, considered and approved 25 risk reports, including the Report on Overall Risk Management of China Minsheng Bank for 2018 (《2018年中國民生銀行全面風險管理報告》), Report on Compliance Risk Management of China Minsheng Bank for 2018 (《2018年中國民生銀行合規風險管理報告》), Report on Market Risk Management of China Minsheng Bank for 2018 (《2018年中國民生銀行市場風險管理報告》). It also received and carried out discussion about various special reports. It conducted researches and received reports on the risk management of the management and considered and approved the management's reports on risk management on a quarterly basis.

(V) Audit Committee

1. Composition of the Audit Committee and meetings in 2019

On 1 January 2019, the Audit Committee of the seventh session of the Board had four members. The chairman was Liu Ningyu and the members were Weng Zhenjie, Peng Xuefeng and Tian Suning. On 17 May 2019, the Resolution regarding the Appointment of Members of Certain Special Committees of the Seventh Session of the Board of the Company (《關於增補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 16th meeting of the seventh session of the Board of the Company, pursuant to which Song Chunfeng, a Director, was appointed as a member of the Audit Committee of the seventh session of the Board. As at the end of the Reporting Period, the number of members of the Audit Committee under the Board of the Company was five, with Liu Ningyu as the chairman and Song Chunfeng, Weng Zhenjie, Peng Xuefeng and Tian Suning as members.

The Audit Committee of the seventh session of the Board consisted of three Independent Non-Executive Directors and two Non-Executive Directors. The three Independent Non-Executive Directors are experts in finance and management. Two Non-Executive Directors are the key persons in charge of renowned companies in China and has extensive experiences in management and sufficient professional knowledge in finance and accounting. The Audit Committee of the Company is well-structured, with sufficient specialty and independence, which ensures the Audit Committee to perform its supervisory duty effectively.

The members of the Audit Committee of the Company 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 appointment 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 commencement of the auditing works; formulating and implementing policies regarding non-auditing services provided by external auditor; reviewing the financial and accounting policies and practices; examining annual financial budgets and annual accounting reports of the Company; reviewing 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; coordinating the internal and external auditing; reviewing reports on the write-off of bad debts during the year; reviewing auditing rules, medium- to long-term auditing plans and annual working plan for internal auditing; providing guidance for internal auditing; supervising the internal auditing department and supervising the implementation of the internal audit 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 key officers; supervising the management to rectify problems identified during the internal audit, reviewing 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 any 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 its duties to establish an effective internal

control system, including whether the adequacy of resources, qualification and experience of accounting and financial reporting personnel and training programmes 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 investigations 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 conferred by the Board of Directors or related to the duties of the committee.

The Audit Committee convened eight meetings, reviewed 38 proposals and received three reports in 2019. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Song Chunfeng	5/5
Weng Zhenjie	8/8
Independent Non-Executive Directors	
Liu Ningyu *(chairman of the committee)*	8/8
Peng Xuefeng	7/8
Tian Suning	7/8

Note: On 17 May 2019, the Resolution regarding the Appointment of Members of Certain Special Committees of the Seventh Session of the Board of the Company (《關於增補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 16th meeting of the seventh session of the Board of the Company, pursuant to which Mr. Song Chunfeng was appointed as a member of the Audit Committee of the seventh session of the Board. Therefore, the number of meetings he attended was less than the number of meetings convened for the year. Mr. Peng Xuefeng was absent from the sixth meeting of the seventh session of the Audit Committee of the Board for 2019. Mr. Tian Suning was absent from the eighth meeting of the seventh session of the Audit Committee of the Board for 2019.

2. Major achievements of the Audit Committee in 2019

During the Reporting Period, under the guidance of the Board, the Audit Committee performed its responsibilities and duties diligently by strengthening its supervision on financial report audit, optimising the internal control system and improving information quality of financial reports. Major works 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. Through approving internal control work plans, reviewing the internal audit reports of key businesses and receiving internal audit report on the whole business, the committee promoted the internal audit adhering to risk management and problem-solving principles to provide more diversified and sophisticated internal audit and extend the coverage of audit. In response to the problems identified in examinations, the committee required the Company to carry out continuous follow-up measures to track the existing problems and monitor the rectifications through improvement of internal control environment, enhancement of risk identification and evaluation, refinement of the internal control measures and launching of assessment and rectification initiatives. These efforts improved the effectiveness of internal control mechanism of the Company 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 six branches, including the Taizhou Branch, the Guangzhou Branch, the Jiaxing Branch and the Shanghai Branch and profoundly understood the basic situation of operation management, the construction of internal control systems as well as administrative measures on internal control of such branches. The Audit Committee put forward concrete requirements in respect of internal control management and risk management of the business units, provided guidance on their work plans and layout of major works and made management recommendations. The Audit Committee of the Board provided guidance and evaluation for the internal audit works of the Company and played an important role in supervising the healthy and steady development of the business units.

(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, during the Reporting Period, the Audit Committee organised the preparation and auditing of the 2018 Annual Report, and completed the review of the 2018 Report on Final Accounts, 2019 Financial Budget, 2019 Interim Financial Report, and the first and third quarterly reports of 2019 of the Company. It effectively ensured the truthfulness, accuracy and completeness of the financial reports 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 of the Board continuously monitored and guided the Company to comprehensively evaluate the design and operation of its internal control for 2018 under the principle of comprehensiveness, significance and objectiveness. The Audit Committee evaluated corporate governance, management control and information system control of the Head Office. As for business units, the committee carried out evaluation on the implementation of operation development strategies and internal control of operation management. It also urged the Company to take follow-up measures and rectification initiatives based on the evaluation results so as to comprehensively enhance the overall effectiveness of its internal control evaluation.

(5) Completion of public tender and appointment of external audit accounting firm

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 of 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. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were recommended to be appointed as the external auditors of the Company for 2019. The relevant proposal has been considered and approved by the Audit Committee of the Board, the Board of Directors and the shareholders' general meeting.

(VI) Related Party Transactions Supervision Committee

1. Composition of the Related Party Transactions Supervision Committee and meetings in 2019

On 1 January 2019, the Related Party Transactions Supervision Committee of the seventh session of the Board consisted of four members. The chairman of the committee was Li Hancheng, and the members were Song Chunfeng, Liu Jipeng and Liu Ningyu. On 17 May 2019, the Resolution regarding the Appointment of Members of Certain Special Committees of the Seventh Session of the Board of the Company (《關於增補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 16th meeting of the seventh session of the Board of the Company, pursuant to which Wu Di, a Director, was appointed as a member of the Related Party Transactions Supervision Committee of the seventh session of the Board. As at the end of the Reporting Period, the number of members of the Related Party Transactions Supervision Committee of the Board was five, with Li Hancheng as the chairman and Wu Di, 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. Two Non-Executive Directors are key persons in charge of renowned companies in China and has extensive experience in management and sufficient knowledge in finance and law. 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 nine meetings, reviewed 33 proposals and received three reports in 2019. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Wu Di	7/7
Song Chunfeng	9/9
Independent Non-Executive Directors	
Li Hancheng *(chairman of the committee)*	9/9
Liu Jipeng	9/9
Liu Ningyu	9/9

Note: On 17 May 2019, the Resolution regarding the Appointment of Members of Certain Special Committees of the Seventh Session of the Board of the Company (《關於增補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 16th meeting of the seventh session of the Board of the Company, pursuant to which Mr. Wu Di was appointed as a member of the Related Party Transaction Supervision Committee of the seventh session of the Board. Therefore, the number of meetings attended by him was less than the number of meetings convened for the year.

2. Major achievements of the Related Party Transactions Supervision Committee in 2019

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, examination, approval and control of related party transactions, information disclosure of related party transactions, system establishment and improvements on procedures of related party transactions. Major works accomplished during the year are as follows:

(1) Comprehensive re-organisation, confirmation and issuance of list of related parties

The database of related parties was continuously maintained. 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 committee regularly collected the updated data of related parties from substantial shareholders, Directors, Supervisors and Senior Management by mail, and managed the list of related parties dynamically with prompt update. An issuance mechanism of the list of related parties was also established for business units of each level. As such, a solid foundation was laid for the management of related party transactions.

(2) Recognition, approval and disclosure 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 general credit lines at group level. It examined the general credit lines for related party groups, including substantial shareholders, on a case-by-case basis, and submitted to the Board for approval on time, so as to enhance the efficiency of the management of related party transactions of the Company and to better control the risks.

(3) Improvement and enhancement of the management system and procedures of related party transactions

During the Reporting Period, the committee actively promoted the development and establishment of the related party transactions management system of the Company and completed Phase I initiatives, including the management of list of related parties, accounting of financial statements, filing and credit limit allocation of related party transactions and credit limit management of the Group. It further improved the management mechanism of related party transactions of the Group entered into by subsidiaries. Overall management of related party transactions was also conducted within the Group. Reporting of related party transactions and approval and filing procedures were further regulated to enhance the related party transactions management ability and to ensure compliance and efficient management of related party transactions.

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(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》). Based on the principles of compliance, risk isolation and ordinary business, the credit-granting internal transactions entered into with subsidiaries were managed in a manner consistent with that of the Group, and terms of credit granting and guarantees were no more favourable than those available to the independent third parties. For the non-credit-granting internal transactions between subsidiaries and the Company and between subsidiaries, the Company continued to adopt the management mechanism based on budget management and transaction total amount control. Compliance management of internal transactions was further stepped up while the budget reports of internal transactions of subsidiaries were considered and approved in a timely manner. The committee also tightened its management over the use of the approved credit limit of internal transaction budget of subsidiaries. By strengthening the filing management of internal transactions, the compliance and effective management of internal transactions were achieved.

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 operations 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.

(I) Composition of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors of the Company comprised nine members, including three Shareholder Supervisors, three External Supervisors and three Employee Supervisors. The three Shareholder Supervisors have extensive management experience and sufficient knowledge in finance and accounting; the three External Supervisors are all experts in finance and management; and the three Employee Supervisors have been engaged in policy analysis and banking operation and management for a long time, possessing extensive professional experiences.

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 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 Directors, President, Executive Vice Presidents, Chief Financial Officer and Board Secretary of the Company to rectify his/her conduct when such conduct is detrimental to the interests of the Company, and to report such conduct to general meetings or relevant national regulatory authorities if necessary; and to make proposals to remove any Director and/or member of Senior Management if he/she breaches any applicable laws, administrative regulations, the Articles of Association or resolutions of general meetings;

5. to conduct auditing over any 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 Director or members of Senior Management;

7. to issue opinions on the engagement of the accounting firm by the Company;

8. to propose to convene an extraordinary general meeting, 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 a general meeting;

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 operations of the Company and, if necessary, may engage accounting firms, law firms or other professional firms to assist its work and the 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.

(III) Board of Supervisors meetings and contents of resolutions

During the Reporting Period, eight meetings were held by the Board of Supervisors of the Company. The Board of Supervisors considered and approved 22 proposals, including the Annual Report, Working Report of the Board of Supervisors, Performance Appraisal Report, profit distribution plans, Internal Control Evaluation Report, regular reports for 2019 and Strategic Transformation Evaluation of the Company. The Board of Supervisors also reviewed 13 reports, including Annual Report of Risk Management, Working Report of Case Prevention, Report of Capital Management, Assessment Report on the Risk of Money Laundering and Terrorism Financing, and Working Report of Consumer Rights Protection, and received two special reports. During the Reporting Period, the Board of Supervisors had no objection towards the supervised matters.

Meeting	Date	Publication	Date of disclosure
12th meeting of the seventh session of the Board of Supervisors	4 March 2019	Shanghai Securities News, China Securities Journal and Securities Times	5 March 2019
13th meeting of the seventh session of the Board of Supervisors	29 March 2019	Shanghai Securities News, China Securities Journal and Securities Times	30 March 2019
14th meeting of the seventh session of the Board of Supervisors	18 April 2019	Shanghai Securities News, China Securities Journal and Securities Times	19 April 2019
15th meeting of the seventh session of the Board of Supervisors	29 April 2019	Shanghai Securities News, China Securities Journal and Securities Times	30 April 2019
16th meeting of the seventh session of the Board of Supervisors	1 July 2019	Shanghai Securities News, China Securities Journal and Securities Times	2 July 2019
17th meeting of the seventh session of the Board of Supervisors	29 July 2019	Shanghai Securities News, China Securities Journal and Securities Times	30 July 2019
18th meeting of the seventh session of the Board of Supervisors	30 August 2019	Shanghai Securities News, China Securities Journal and Securities Times	31 August 2019
19th meeting of the seventh session of the Board of Supervisors	30 October 2019	Resolution announcement regarding review of the third quarterly report for 2019 was not disclosed separately	

(IV) Attendance record of Supervisors of the Company at meetings of the Board of Supervisors in 2019

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
Zhao Fugao	4/4

Notes:

1. As Zhao Fugao, a Supervisor, took office on 21 June 2019, the number of meetings attended by him was less than the number of meetings convened for the year;
2. On 13 March 2020, Mr. Wang Jiazhi ceased to act as the Vice Chairman of the Board of Supervisors and member of the related special committees under the Board of Supervisors due to retirement.

(V) Attendance record of Supervisors of the Company at general meetings in 2019

The following table sets out the attendance of Supervisors of the Company at the general meetings in 2019:

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
Zhao Fugao	0/0

Notes:

1. As Zhao Fugao, a Supervisor, took office on 21 June 2019, the number of meeting he attended was less than the number of meetings convened for the year;
2. On 13 March 2020, Mr. Wang Jiazhi ceased to act as the Vice Chairman of the Board of Supervisors and member of the related special committees under the Board of Supervisors due to retirement.

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 2019 are as follows:

(I) Nomination and Examination Committee

1. Composition of the Nomination and Examination Committee and meetings in 2019

On 1 January 2019, 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. On 1 July 2019, the Resolution regarding the Appointment of Members of Special Committees of the Seventh Session of the Board of Supervisors (《關於增補第七屆監事會專門委員會成員的決議》) was considered and approved at the 16th meeting of the seventh session of the Board of Supervisors, pursuant to which Mr. Zhao Fugao was appointed as a member of the Nomination and Examination Committee of the seventh session of the Board of Supervisors. As at the end of the Reporting Period, the number of members of the Nomination and Examination Committee 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 Zhao Fugao 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 procedures 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 is 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.

Corporate Governance

In 2019, the Nomination and Examination Committee under the Board of Supervisors convened six meetings, reviewed eight proposals and received one special report. The attendance record of each member is as follows:

Supervisors	Attendance/ Number of meetings
The Nomination and Examination Committee under the seventh session of the Board of Supervisors	
Wang Yuqui *(chairman of the committee)*	6/6
Zhang Juntong	6/6
Wang Hang	6/6
Zhang Bo	6/6
Lu Zhongnan	6/6
Bao Jiming	6/6
Zhao Fugao	3/3

Note:

As Zhao Fugao, a Supervisor, took office on 21 June 2019, the number of meetings attended by him was less than the number of meetings convened for the year.

2. The major achievements of the Nomination and Examination Committee under the Board of Supervisors in 2019

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, conducted by-election of Supervisors, reviewed and approved the remuneration distribution plan for the Supervisors and organised and arranged training programmes for Supervisors. All tasks in 2019 were successfully completed and the functions of the committee were performed in a relatively effective way.

(1) Carrying out performance appraisal

During the Reporting Period, the Nomination and Examination Committee completed annual performance appraisal for 2018. 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. 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 2018 (《2018年度董事會及董事履職評價報告》), the Performance Appraisal Report on the Board of Supervisors and Its Members in 2018 (《2018年度監事會及其成員履職評價報告》) and the Performance Appraisal Report on the Senior Management and Its Members in 2018 (《2018年度高級管理層及其成員履職評價報告》).

(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 a review and examination of the remuneration distribution for Supervisors in 2018 based on researches and submitted the results to the Board of Supervisors for consideration, approval and disclosure along with the 2018 Annual Report.

(3) Conducting by-election of external Supervisors

In accordance with the regulatory requirements and relevant rules and requirements on qualifications of Supervisors, qualifications of the nominees of candidates for Supervisors and nomination procedures stipulated in the Articles of Associations, the Nomination and Examination Committee conducted the by-election of external supervisors in compliance with laws and regulations to ensure the structure of the Board of Supervisors complied with the regulatory requirements, which further enhanced the performance ability of the Board of Supervisors.

(4) Organising training programmes for Supervisors

During the Reporting Period, the Nomination and Examination Committee arranged Supervisors to participate in the annual training courses for directors and supervisors provided by the regulatory authorities. The Nomination and Examination Committee also organised special training courses relating to green financial issues in order to raise the professionalism of Supervisors' performance based on the changes of internal and external economic environments, the new regulations and requirements of the regulatory departments, and business operation and risk management and control of the Bank.

(II) Supervisory Committee

1. Composition of the Supervisory Committee and meetings in 2019

On 1 January 2019, the number of members of the Supervisory Committee of 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. On 1 July 2019, the Resolution regarding the Appointment of Members of Special Committees of the Seventh Session of the Board of Supervisors (《關於增補第七屆監事會專門委員會成員的決議》) was considered and approved at the 16th meeting of the seventh session of the Board of Supervisors of the Company, pursuant to which Mr. Zhao Fugao was appointed as a member of the Supervisory Committee of the seventh session of the Board of Supervisory. As at the end of the Reporting Period, the number of members of the Supervisory Committee 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 Zhao Fugao as members.

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.

During the Reporting Period, the Supervisory Committee under the seventh session of the Board of Supervisors convened 12 meetings, reviewed two proposals and received 33 special reports. The attendance record of each member is as follows:

Supervisors	Attendance/ Number of meetings
The Supervisory Committee under the seventh session of the Board of Supervisors	
Zhang Juntong *(chairman of the committee)*	12/12
Wang Jiazhi	10/12
Guo Dong	12/12
Wang Hang	12/12
Lu Zhongnan	12/12
Wang Yugui	12/12
Zhao Fugao	7/7

Notes:

1. As Zhao Fugao, a Supervisor, took office on 21 June 2019, the number of meetings attended by him was less than the number of meetings convened for the year;
2. On 13 March 2020, Mr. Wang Jiazhi ceased to act as the Vice Chairman of the Board of Supervisors and member of the related special committees under the Board of Supervisors due to retirement.

2. Major achievements of Supervisory Committee under the Board of Supervisors in 2019

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.

(1) Strategic supervision

The Supervisory Committee assisted the Board of Supervisors in carrying out an appraisal of the implementation of the reform and transformation of the Company in accordance with the regulatory requirements and the development of the Company. It also assisted in the implementation of specific supervision processes. Firstly, through frequently receiving special reports on the progress of reform and transformation as well as implementation report of major policies of NSOEs and small and micro enterprises, the committee obtained updates of reform and transformation, implementation plans and progress of major projects, summary of minutes of reform panel, special audit reports of pilot projects and other materials on a regular basis. These efforts allowed the committee to understand, verify and follow the progress of reform and implementation in a timely manner. Six issues of the Supervision Summary of the Board of Supervisors on the Reform and Transformation (《監事會改革轉型監督簡報》) and four supervisory notices on strategies were published. Secondly, it visited a number of branches to supervise the implementation of 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. Thirdly, through various methods such as interviews with departments of the Head Office, on-site visits to branches, receiving special reports of external consultation agencies, attending meetings of the Board and Senior Management as non-voting delegates, the committee deeply understood the progress of the implementation, effectiveness and existing problems of reform and transformation. As such, the committee was able to prepare an evaluation report of the Board of Supervisors on the progress of strategic transformation of the Bank.

Corporate Governance

(2) Financial monitoring

The Supervisory Committee continued to strengthen the supervision and inspection of key financial activities and key accounting and auditing issues of the Company as well as the truthfulness, accuracy 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 committee 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 of the Company. It prepared analysis and supervision reports of the operation and operation indicators of other banks and financial institutions on a regular basis, and issued one supervisory notice on financial status. Operational risk alerts were also provided to the Senior Management when necessary.

(3) 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 events with material risks. Firstly, it received work reports on overall risk, credit risk, market risk, liquidity risk, operational risk, reputation risk, interbank business risk, risk limit management and made various management recommendations. Secondly, it provided supervisory notice opinions on risks relating to credit, market, liquidity, related party transactions and major business. 31 supervisory notices on risk management were issued and follow-up measures and implementation were monitored to ensure effective prevention of risks. Thirdly, it conducted researches on business development and risk management of a number of branches and urged the front-line business units to strengthen risk prevention. Specific advices and suggestions in respect of problems identified through investigations were made to operation decision-makers.

(4) Supervision of internal control and compliance management

The Supervisory Committee put great efforts in supervision and inspection of the internal control and compliance management of the Company in accordance with financial policies and regulatory requirements of the government. Firstly, it received work reports on internal control and compliance, anti-money laundering, related party transactions, off-balance sheet businesses, case prevention, consumer rights protection, compliance of credit granting and other works and made various management recommendations. Secondly, it conducted supervision on business development and compliance management by visiting the branches and attended report meetings on comprehensive internal control and audit of certain branches. 15 Summaries of the Work of Board of Supervisors and five supervisory notices on internal control and compliance were issued, which effectively improved internal control management of the Company.

(5) Supervision over rectification

For the problems identified through regulatory inspections and internal and external audit, follow-up measures and implementation were monitored through receiving annual regulatory reports of CBIRC, other special reports on the progress of rectification work on inspection results, audit reports and major audit findings of the Bank, overall risk, consolidated statements of the Group, related party transactions and other special audit reports. In view of the problems raised in supervisory notices and working summaries, an archive was established to track implementation progress. A supervisory 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 capitalise on its supervisory function, the committee increased the use and application of supervision results so as to facilitate translation of supervisory results into 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 shareholder 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》) of the Company, the performance-based remuneration of the Senior Management is pegged to their KPIs and the results of their annual due diligence appraisals. The Board will determine the annual performance remuneration of Senior Management based on the results, such as profit and NPL ratio, and the results of their due diligence appraisal. In accordance with the regulatory requirements, the Company has set up venture funds for the Senior Management, which were accrued by a certain proportion from the Senior Management's performance remuneration on a yearly basis.

Corporate Governance

(I) Remuneration policy for the Senior Management of the Company

The remuneration policy for the Senior Management of the Company is implemented to facilitate the accomplishment of development strategies and business objectives, and to reflect 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 the Senior Management with reasonable structure and market competitiveness; set up incentive and restraint mechanism for the Senior Management with simple and clear classification of duties and performance management system; and determined remuneration of the Senior Management according to their duties, capabilities and contributions to operating results.

(II) Remuneration policy for the 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 the 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 extraordinary 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 extraordinary announcements on the SSE. The Company also published 143 information disclosure documents both in Chinese and English, including 83 overseas regulatory announcements on the SEHK. In compliance with the Hong Kong Listing Rules, the Company has issued the Environmental, Social and Governance Report.

(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 demonstrate 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 organised two performance conferences, an investment exchange meeting under the annual general meeting and the meet-up with the management of NSOEs and small and micro enterprises. The Company also organised investor briefing sessions on the roadshow platform of the SSE through internet interaction. With proactive efforts to establish communication with domestic and overseas major institutional investors, the Company took part in seven major institutional investment strategy seminars held by domestic and overseas investment banks or securities firms and received more than 40 research visits by investment institutions, meeting a total of 350 persons. Through these communication channels, the Company actively announced its operating results, development strategies and direction of reform and transformation and achieved great recognition from domestic and overseas institutions.

To safeguard the rights and interests of minority shareholders, the Company published six special issues of The Investors. The Company also received 129 calls from investors and responded to their concerns regarding the fluctuations of stock price, dividend distribution, asset quality and other hot issues. 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 "Best IR Team Award (最佳IR團隊獎)" in the Ninth Session of 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, "Best Hong Kong Stock Connect Companies (最佳港股通公司大獎)" in the Golden Hong Kong Stocks Awards for 2019 by zhitongcaijing.com as well as the Gold Winner (金獎), Top 80 Chinese Annual Reports (最佳80強中文年報) and Sci-Tech Innovation Award (科技創新獎) in the International ARC Awards (國際年報大賽) (ARC) in 2018.

XII. Amendments to Articles of Association in 2019

During the Reporting Period, the Company had not amended the Articles of Association. The annual general meeting 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). For details of the amendments, please refer to the circulars of the annual general meeting for 2017, the second A share class meeting for 2018 and the second H share class meeting for 2018 dated 21 June 2018 and 8 May 2018 posted on the website of the Company (www.cmbc.com.cn) and the website of HKEXnews (www.hkexnews.hk) of the SEHK. As at the date of this report, the amended Articles of Association is 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 programmes and the Directors have improved and enhanced their knowledge and expertise through the study of relevant publications. All Directors have participated in specific trainings and seminars organised by the 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. The Directors, Zhang Hongwei, Lu Zhiqiang, Zheng Wanchun, Shi Yuzhu, Weng Zhenjie, Liu Jipeng, Li Hancheng and Liu Ningyu, have participated in the directorship or corporate governance training programmes organised by regulatory institutions.

XIV. Training of Company Secretary

During the financial year ended 31 December 2019, Wong Wai Yee, Ella, the Company Secretary, has undertaken not less than 15 hours of relevant professional training programmes 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 has established, improved and effectively implemented comprehensive internal control policies and has evaluated their effectiveness.

The Board has entrusted the audit department of the Company to evaluate the effectiveness of internal control. The audit department conducts preliminary identification of internal control deficiencies in accordance with the deficiency identification standards, and gives rectification requirements to the evaluated departments and follows up rectifications. In respect of major deficiencies in internal control, the audit department communicates and confirms with the Senior Management of the Company, and suggests improvement measures. For major issues identified in the auditing and the decisions of the Senior Management on whether rectification measures should be taken, the audit department reports to the Audit Committee of the Company 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 at 31 December 2019, 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 2019 (《中國民生銀行2019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 2019, please visit the Company's website (www.cmbc.com.cn) and the website of the SSE (www.sse.com.cn).

PricewaterhouseCoopers Zhong Tian LLP engaged by the Company has conducted review and issued the Auditor's Report on Internal Control of China Minsheng Bank for 2019 (《中國民生銀行2019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 at 31 December 2019 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 2019, please visit the Company's website (www.cmbc.com.cn) and the website of the SSE (www.sse.com.cn).

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XVIII. Risk Management

Based on the regulatory requirements and due diligence of risk management requirements, and in line with the work plan for transformation and tackling of different tasks, the Board of the Company further consolidated the mechanism of risk management system, pressed ahead with the depth and the width of risk management, and promoted the transformation and improvement of risk management of the Bank. These initiatives further improved the effectiveness and standardisation of the overall risk management performance.

Firstly, the Board strengthened the guidance with respect to strategic risks. In response to major risk management issues of the Company during its strategic transformation and business development, the Board formulated and issued the Guiding Opinion on Risk Management of the Board of Directors of China Minsheng Bank for 2019 (《中國民生銀行董事會2019年風險管理指導意見》) at the beginning of 2019. The Board proposed ten major risk management tasks for 2019 in respect of four main areas: improving the performance mechanism of risk management of the Board, enhancing the overall performance of risk management of the Bank, determining other major objectives of risk management and focusing on the risk management issues arising from business development. In addition, the Board proposed the major risk management initiatives for the year regarding the establishment of overall risk management mechanism, main duties of various types of risk management, risk management of innovative business and risk management of subsidiaries, in order to further optimise and consolidate the mechanism of overall risk management of the Company.

Secondly, the Board established the basic working system of risk appetite management of the Bank. The Board amended 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》), which further specifies the duties and responsibilities of the Board and Senior Management in respect of risk appetite management, sets out the principals and review procedures of the risk appetite statement, and highlights the importance of risk appetite management on operation management and risk management. On this basis, the Board formulated and implemented the Statement on Risk Appetite of China Minsheng Bank (First Edition) (《中國民生銀行風險偏好陳述書(第一版)》). Subject to the regulatory requirements and the overall risk management requirements, the Board aligned the risk appetite of the Company with its strategic position according to its business culture, operating principles and risk concepts. Various risk appetite objectives, implementation procedures and rectification mechanism were also formulated. These measures played an important role in optimising the risk management of the Company, safeguarding its strategic transformation and promoting its business development.

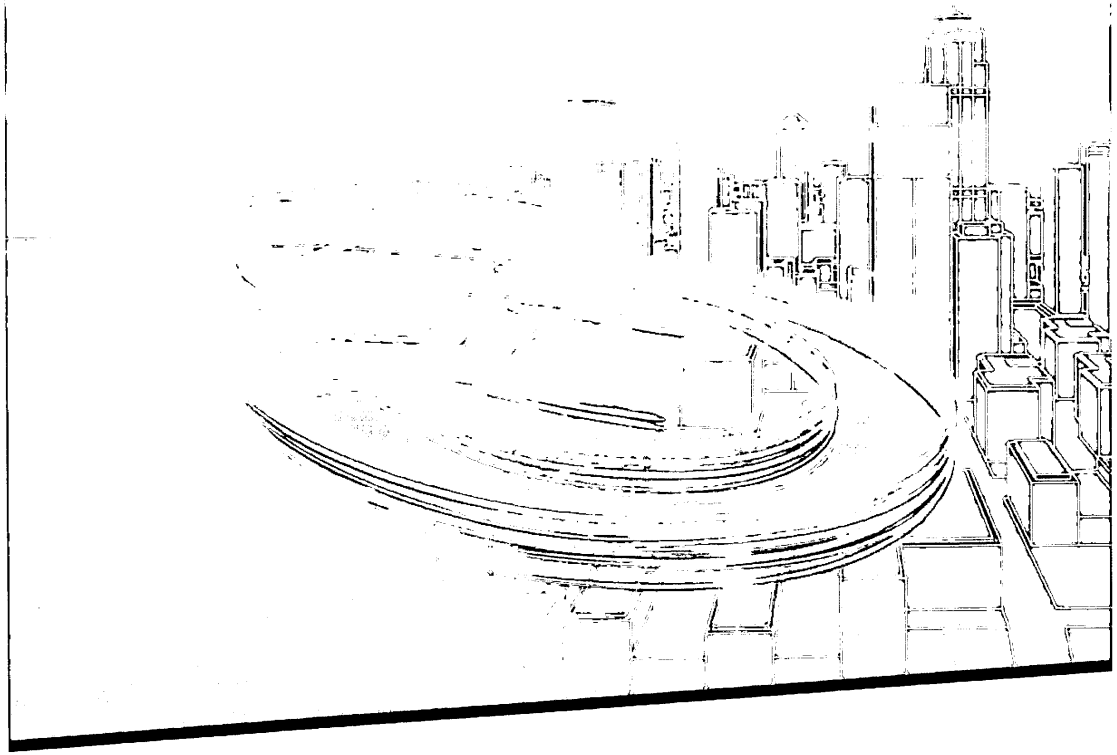
Thirdly, the Board strengthened the effectiveness of risk monitoring. The Board continued to pay close attention to the strategic transformation of NSOEs through risk assessment, and carried out major risk assessment tasks for the strategic deployment of three major innovative businesses, three principal businesses and five major business segments. Emphasis was also placed on the implementation and execution of regulatory requirements. Stronger efforts were made to focus on the key point, strengthen the main lines, highlight the relevance of the risk management duties of the Board in line with the strategic transformation and the implementation of the three-year plan of the Company.

The Risk Management Committee under the Board also formulated and published work plans for implementation of major risk inspections and notices submission to further improve the risk monitoring function of the Board. Meanwhile, it also conducted specific research on risks based on internal and external risk profiles, providing a significant basis for decision-making on risk management of the Board.

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 Administrative Measures on Insider Registration (《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 is 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 reported to regulatory authorities in a timely manner. 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.

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 "Chapter 2 Summary of Accounting Data and Financial Indicators" and "Chapter 3 Discussion and Analysis on Business Operation" in this report.

II. Environmental Policy and Performance of the Company

The Company has published the "2019 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 2019, net profit of the Company was RMB52,507 million. Dividend of preference shares of RMB558 million was paid. 10% of the net profit of the Company for 2019, being RMB5,251 million, was allocated to the statutory surplus reserve. The general provision for risks of RMB7,095 million was made on the rate of 1.5% of the balance of the risky assets as at the end of 2019. The profits distributable to ordinary shareholders as at the end of December 2019 was RMB212,393 million.

Report of the Board of Directors

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 business development of the Company, the Company proposed to distribute a cash dividend of RMB3.70 (tax inclusive) to holders of A shares and H shares whose names appear on the registers as at the record dates 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 2019, the total cash dividend would be approximately RMB16,199 million.

The cash dividends is expected to be paid to holders of H shares on 27 July 2020.

The actual amount of total cash dividend to be paid will be subject to the total number of shares recorded on the register 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 date of the general meeting.

The Independent Non-Executive Directors of the Company are of the view that the profit distribution proposal for 2019 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 business operation 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 Chinese mainland. 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.

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. Relevant taxation policies are:

- 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税收政策的通知(財税[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)

	2019	2018	2017
Cash dividends	16,199	15,105	7,662
Net profit attributable to equity shareholders of the Company	53,819	50,327	49,813
Cash dividend payout ratio (%)	30.10	30.01	15.38

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 "Chapter 4 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 2019, please refer to "Chapter 4 Changes in Share Capital and Information on Shareholders" in this report.

X. Auditing Opinions Issued by the Accounting Firm

The 2019 annual financial statements of the Company had been audited by PricewaterhouseCoopers 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 RMB178 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 "Chapter 5 Directors, Supervisors, Senior Management and Employees" in this report. As at the date of the publication of this annual report, the directorship qualification of Mr. Weng Zhenjie is subject to the approval of the regulatory authority of the banking industry in China. Mr. Weng Zhenjie attended all the meetings as non-voting delegate during the year.

Details of retirement benefits provided by the Company to its employees during the Reporting Period are set out in Note 5.7 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 2019, there were 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.

XVIII. Protection of Rights and Interests of Consumers

During the Reporting Period, the protection of rights and interest of consumers of the Company fully complied with regulatory requirements, which further improved the system and mechanism of protection of rights and interests of consumers, and strengthened the prevention and control of risks relating to financial consumers. Financial knowledge sharing was organised and employee trainings were enhanced. All regulatory requirements were implemented in order to enhance the quality and effectiveness of protection of rights and interests of consumers. Firstly, in respect of system development, special programmes, such as examination and evaluation, and internal appraisal in relation to protection of rights and interests of consumers, were organised during the year. Secondly, in respect of system and mechanism, the Company persisted on the working mechanism of consumer rights protection committee by convening meetings on a quarterly basis and convening larger meetings of the Consumer Rights Protection Committee at the Head Office, in order to comprehensively protect rights and interests of consumers. Supervision mechanism was strengthened by conducting special supervision on protection of rights and interests of consumers of business units. Reporting mechanism of information about protection of rights and interests of consumers of the Company was optimised. Thirdly, in respect of product and service management, the Company further strengthened risk prevention and control and key businesses in relation to consumers' rights and interests in order to improve customer service quality. Fourthly, 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)". In 2019, the Company was accredited as "Outstanding Organisation" in the "15 March" Education and Promotion Week of Protection of Rights and Interests of Consumers in the Banking and Insurance Industries, "Outstanding Organisation" in the Joint Financial Education and Promotion, and "Best Performance Unit" in the Promotion Activities of Financial Knowledge of Banking Industry. Fifthly, in respect of staff training, the Company organised a number of trainings concerning protection of rights and interests of consumers in order to enhance the employees' professional 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 26 meetings, including eight meetings of the Board of Supervisors, six meetings of the Nomination and Examination Committee and 12 meetings of the Supervisory Committee, were convened by the seventh session of the Board of Supervisors. A total of 32 resolutions were considered, 13 reports were reviewed and 36 special reports were received.

II. Performance of the Board of Supervisors

During the Reporting Period, in the face of increasingly complicated domestic and global economic and financial conditions, the Board of Supervisors performed its duties diligently with strong sense of responsibility towards the regulatory authorities, shareholders and employees. The Board of Supervisors has focused on the implementation of reform and transformation, further clarified its duties and position and refined the concepts of corporate governance. Pursuant to the national policies and regulatory requirements, and adhering to the strategies and value of the Company, the Board of Supervisors expanded and strengthened its supervision with various approaches to carry out comprehensive, multi-layered and dynamic supervision on major aspects including formulation and implementation of strategies, risk management, internal control and compliance, financial management, performance of the Board and Senior Management, as well as major control points, transformation focus and key business lines including liquidity risk, capital management, fintech, anti-money laundering, interbank business and wealth management business. The Board of Supervisors effectively performed its duties in corporate governance and promoted the stable and healthy development of the Bank in compliance with regulations.

Supervision of strategy. During the Reporting Period, the Company has reached halfway of its reform and transformation progress, and the implementation of the three major strategies has entered the critical period. The Board of Supervisors investigated, evaluated and supervised the implementation of the Reform and Transformation and Three-Year Development Plan through various methods, so as to keep abreast of the implementation results and the problem and difficulties encountered during the process of implementation. Based on the past experiences, the Board of Supervisors has conducted investigation to identify any inadequateness and determine the focus and direction of future strategies as references for reform and transformation in the latter stage. Firstly, the Board of Supervisors conducted comprehensive and systematic evaluation on the implementation of strategies. Through interviews with departments of the Head Office, on-site visit to branches, receiving specific reports from external consultation organisations and attending meetings of the Board and Senior Management and other methods, the Board of Supervisors understood the implementation progress, effectiveness and existing problems of the reform and transformation project, in particular the ten major tasks. The Board of Supervisors has prepared evaluation report on the implementation of strategic transformation of the Bank, in which it pointed out issues including the limited fintech strategies are ineffective to promote the innovation of business model and facilitate the business development, needs of improvement in risk business synergy system, needs of acceleration of retaining key personnel and establishing supporting

mechanism and inadequate compatibility in key personnel, and gave advices on aspects including transformation concepts, supervisory mechanisms and performance appraisal to facilitate the effective promotion and implementation of the three major strategic positioning, namely to become a bank for the NSOEs, a bank of comprehensive services and a fintech-based bank, in the Head Office and branches. Secondly, the Board of Supervisors has further refined the multi-dimensional and regular review and supervision mechanism for the implementation of strategies and enhanced information exchange and communication with the Board and Senior Management. The Board of Supervisors regularly obtained updates on reform and transformation including the implementation plan and progress of major projects and specific audit report on pilot projects, and received periodic reports on the progress of reform and transformation and specific audit report. It has prepared six issues of the Supervision Report on Reform and Transformation by the Board of Supervisors (《監事會改革轉型監督簡報》), and proposed enquiries and arranged meetings with relevant departments regarding key systematic and mechanical issues. The role of supervision was performed effectively. Thirdly, the Board of Supervisors focused on the implementation of strategies concerning the NSOEs, small and micro enterprises and inclusive finance and performed supervision through various ways including specific investigations, supervisory reminders, enquiries and meetings. To address the issues on financial services for NSOEs and loans extended to small and micro enterprisers, the Board of Supervisors issued supervisory letters to relevant departments to request strict compliance with national policies and supervisory requirements, continuously refine products and services and enhance financial services for the real economy. The Board of Supervisors also organised specific training on green finance and studied relevant supervisory policies, statistics, self-evaluation, asset identification of green credit business and evaluation of credit customers, so as to understand the current situation of green credit business of the Company and its existing issues in order to support the development of green finance of the Company in response to the economic transformation of China.

Supervision of risk. During the Reporting Period, amid complicated international and domestic circumstances as well as the ongoing trade war between China and the United States, defaults by enterprises occurred frequently, risk of interbank business increased, the financial market experienced more fluctuation and spread of risks intensified, which brought huge challenges to operation and development. Under such circumstances, the Board of Supervisors enhanced the supervision of major aspects including credit risk, non-performing assets, capital management, liquidity risk and interbank business risk to safeguard the healthy and stable development of the Company. Firstly, the Board of Supervisors enhanced the supervision on the management of credit risk, in particular the management of faulty and non-performing assets, comprehensively with various channels to facilitate the optimisation of credit management mechanism, rectification of defects and improvement in management. The Board of Supervisors received specific reports on non-performing assets and reviewed regular reports to deeply understand and keep track on asset classification, non-performing loans management, quality management and control of new loans and early-warning loans of the Company. The Board of Supervisors issued supervisory letters to the relevant departments of the Head Office to request rectification within a certain period based on the trend and existing issues of credit risk of the Bank. Secondly, the supervision of management system, strategy and approach of liquidity risk and economic

capital has been enhanced. The Board of Supervisors reviewed the annual market risk management report, management report of interest rate risk in banking book, capital management report, evaluation report of internal capital adequacy ratio and capital strategies and received specific presentations on liquidity risk, interest rate risk of banking account, stress tests, and allocation mechanism and plan of economic capital to understand the changes in each risk indicator and review the performance of the Board and Senior Management on capital management, advanced capital measurement approach and the evaluation procedure of internal capital adequacy ratio. The Board of Supervisors issued supervisory letters to address the existing management issues and request the Senior Management to further enhance forecast and analysis of liquidity risk, refine the early warning mechanism of liquidity risk, diversify means for capital replenishment and improve the efficiency of capital usage. Thirdly, the Board of Supervisors rationally arranged supervision tasks with emphasis on key areas of regulation and audit and reviewed risks on major businesses, including interbank business, off-balance sheet businesses and activities, personal banking, shadow banking and cross finance, and major projects such as transformation of customer base. The Board of Supervisors studied and understood relevant strategies, current development, risk management system, risk limit and authorisation and supervised the performance of the Board and Senior Management regarding operation plans, policy and procedures and management measures. Fourthly, the supervision on overall risk management has been enhanced. In addition to reviewing annual risk management report, the Board of Supervisors received specific reports on the audit of overall risk management, internal rating system, limit management, progress of overall risk system construction, list of risk preferences, technology risk, operational risk and reputation risk in order to know about the performance of the Board and Senior Management regarding risk control system, risk management strategies, risk preferences and transmission system, risk management policies and procedures, customer rating and credit limit management as well as risk identification, measurement, monitoring and control. Supervisory opinions and advices on risk level and tolerance of the Company were given. In addition, with a focus on the risks in relation to the transformation of NSOEs strategy and "3+3" featured business, the Board of Supervisors conducted interim risk evaluation for 2019 with the Board to thoroughly analyse the establishment of risk management policies for supporting the implementation of strategies of the Company at different perspectives. Fifthly, the Board of Supervisors received report on special audits regarding the management of consolidated financial statements and related party transactions of the Group to familiarise with the corporate governance and operation management of subsidiaries. It supervised the strategy, system and procedures, regular review and evaluation mechanism of the management of consolidated financial statements, and requested the Directors and Senior Management to further optimise administrative mechanism and procedures of related party transactions, so as to improve the management of relate party transactions.

Supervision of internal control and compliance. During the Reporting Period, the Board of Supervisors further enhanced the supervision and inspection of internal control and compliance based on regulatory requirements, in particular on major aspects including equity and corporate governance, implementation of macro policies, credit management, shadow banking and cross finance business risk. Capitalising on the "compliance culture year" of the Company, the Board of Supervisors focused on continuous supervision of problem rectification. In addition to the duly performance of its own duties,

Report of the Board of Supervisors

the Board of Supervisors has effectively 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 principles of legal enforcement and compliance management in all employees, all scopes and all process. Firstly, the Board of Supervisors followed up with issues raised by supervisory authorities during on-site inspection and inspected the progress and effect of rectification to urge for effective solutions. Secondly, the Board of Supervisors visited various business units to inspect their business development and compliance of operation and received presentations of branches regarding their comprehensive internal control and audit works. Based on the regional features, development characteristics and existing problems of branches, the Board of Supervisors proposed specific suggestions and requested branches to strengthen the concept of compliance in operation as a bottom line and to continuously improve the supporting systems, protective mechanisms and technologies. Risk management and core competitiveness have also been strengthened. Thirdly, the Board of Supervisors reviewed annual reports on compliance risk management and internal control evaluation and received reports and presentations on internal compliance management, compliance of credit investigation, annual audit work, major audit findings, annual plan for audit work and special reports on major audit project proposals, so as to keep abreast of the development relevant to internal control management, including the controlling environment, risk identification and measurement, internal control measures, information exchange and feedback, supervisory evaluation and rectification, and focused on the adjustment to organisational 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 for operating procedures and key risk process and internal control and compliance accountability. The Board of Supervisors promoted the enhancement of system and mechanism protection of the Company through defining the responsibilities of different positions, modifying supervision model and improving work efficiency. Fourthly, the Board of Supervisors received special reports on risk assessment for money laundering and terrorism financing and regularly monitored the implementation of money laundering risk management strategies, policies, and procedures across the whole Bank through conducting surveys and inspections. The Board of Supervisors grasped the information in relation to significant money laundering risks events and the handling progress and supervised the performance of the Board and the Senior Management in respect of money laundering risk management and monitored the rectification. Through reviewing annual case prevention work reports and consumer rights and interests protection work reports and plans and receiving special reports, the Board of Supervisors supervised the performance of the Board and the Senior Management and urged the whole Bank to further coordinate and draw up working plans and standardise management procedures. Fifthly, in accordance with regulatory requirements, the Board of Supervisors strengthened the supervision on the behaviour management of employees and reviewed the assessment report on the behaviour of employees with focus on the relevant performance of the Board and the Senior Management, including the governance structure, establishment of system and management mechanism regarding the behaviours of all employees of the Bank. The Bank urged to further optimise the monitoring, assessment and accountability system regarding the behaviours of employees.

Report of the Board of Supervisors

Supervision of finance. 2019 was a crucial year for the internal reform and transformation of the Company. Financial management is essential in guiding the implementation of strategies, promotion of business, allocation of resources and decision-making. Therefore, the Board of Supervisors put great focus on the financing activities and decision-making and implementation of major financial matters of the Company and established a more scientific and delicate financial management system through conducting research and inspection and receiving reports. Firstly, the Board of Supervisors received reports on the preparation of regular reports from external auditors with focus on key areas such as the extension of loans based on credit review and rating, wealth management business, agency business, and disposal of faulty and non-performing assets. Auditors were urged to improve their work quality and verify the truthfulness of financial information and give independent, objective and fair opinions. The Board of Supervisors also issued supervisory letters regarding relevant issues. For instance, the Board of Supervisors studied with focus on and systematically organised the accountability system of disposal of non-performing assets and made recommendation on major issues. The Board of Supervisors also suggested more organised and scientific procedures for the write-off of doubtful debts. Secondly, the Board of Supervisors reviewed annual final account report and financial budgets report and emphasised on the truthfulness and accuracy of financial reports and the insightfulness and reasonableness of financial budgets. The Board of Supervisors also gave opinions and suggestions regarding the allocation of resources. All departments of the Bank were required to enhance the delicacy level of financial management based on the strategic transformation.

Supervision of performance. During the Reporting Period, corporate governance has become essential component of supervision under the trend of strong and strict regulation. Corporate governance requires the Board of Supervisors to optimise its structure while supervising the performance of the Board and the Senior Management and performing its supervisory functions strictly. Following supervisory requirements, the Board of Supervisors expanded the coverage of performance appraisal, diversified its supervisory approaches and further strengthened the supervision on the duty performance of the Board and the Senior Management in respect of finance, risk control, internal control and implementation of strategies, in order to further optimise corporate governance mechanism and enhance corporate governance level. Firstly, the Board of Supervisors completed the by-election of External Supervisor in accordance with the regulations and requirements of supervisory authorities and the Articles of Association regarding the qualifications of Supervisors, qualifications of nominees for Supervisor candidates and nomination procedures, so as to ensure the composition of the Board of Supervisors fulfilled supervisory requirements and further strengthen its supervisory functions. Secondly, the Board of Supervisors improved its appraisal dimensions of the Board and Senior Management, and took supervisory requirements such as anti-money laundering into the performance appraisal. Based on such, by considering resolutions, listening to presentations, reviewing reports, participating in investigations and attending meetings, the Board of Supervisors conducted supervision on the Directors and the Senior Management in respect of decision-making related to operation, risk management, compliance and internal control, profit distribution, management of consolidated financial statements of the Group, management of related party transactions, case prevention management

Report of the Board of Supervisors

and incentive compensation. Furthermore, the Board of Supervisors made enquiries or conducted interviews concerning issues identified and followed up the implementation of feedback. In addition, the Board of Supervisors conducted annual performance appraisal and prepared relevant performance appraisal report, so as to give an overall and objective picture of performance of the Board and the Senior Management. Thirdly, the Board of Supervisors received special report on the remuneration management system and policies of the Bank and remuneration plan for the Senior Management for the year, in order to fully understand the operation of remuneration mechanism and appraisal system of the Bank and take measures to enhance working efficiency. The management were required to fully utilise the incentive and restraint functions of the remuneration mechanism.

During the Reporting Period, the Board of Supervisors further optimised the supervisory mechanism, measures and approaches based on the changes in internal and external situations and developed macroscopic concept and raised the service awareness. Through focusing on risk exposures, the effectiveness of supervision was improved. Firstly, cooperation between internal and external audit has been established. The Board of Supervisors coordinated duties of departments based on internal and external audit results and enhanced the cooperation to carry out supervisory functions. The Board of Supervisors fully allocated the resources in the Bank and cooperated with the internal audit department to carry out special supervision and inspection. Through participating in the internal audit special briefings held by various units, the Board of Supervisors was able to capitalise on high-quality audit results and fully grasp the information of operation and other issues of front-line business, so as to strengthen the supervision on the operation and management of front-line business. In addition, by fully utilising external audit resources, the Board of Supervisors received regular reports on operation, preparation of periodic reports, and audit and review results of financial reports, and discussed issues found in external audits thoroughly. For significant risk exposures, the Board of Supervisors directed enquiries to relevant departments in a timely manner and issued supervisory letters to the Board and Senior Management. The Board of Supervisors also supervised the investigation and mitigation of relevant risks with an aim to improve the efficiency of supervision effectively. Secondly, the mechanism on the issue of supervisory letter and report has been established. Focusing on the major issues of supervision and inspection and the key issues of the reform and transformation of the Company, in particular, emerging and tendentious issues, the Board of Supervisors effectively performed its supervisory duties by establishing a daily "reminder" mechanism which mainly involved the issue of supervisory letters. Through further refining the form and content of such supervisory letters, the Board of Supervisors extended its supervisory scope and allocated responsibility for rectification and was able to exercise timely, accurate and effective supervision. A total of 41 supervisory letters were issued in the year covering the implementation of decision and policies and supervisory requirements of the State Council of the PRC, implementation of strategies, overall risk management, credit risk management, capital management, liquidity risk management, management on risks relating to interest rate of bank account, credit concentration management, disposal of non-performing and faulty assets, group consolidated table, internal control and compliance, anti-money laundering, supply chain finance, wealth management business, information technology risks, connected transactions and other issues. The

Board and the Senior Management were urged to strictly implement the policies and comply with the supervisory requirements of the government, further improve operation management and adhere to the bottom line of risk and compliance. Thirdly, a regular inspection and supervision mechanism has been established. Through gathering and summarising issues discovered during the course of supervision, a clear, systematic and effective inspection and supervision structure, which involved research and analysis of issues, supervision on cases, issue of feedback report and follow-up and implementation of measures, was set up. With such structure, the Board of Supervisors clearly allocated supervisory duties and responsibilities, assigned specific working tasks, standardised work procedures and followed up with feedback in a timely manner. The Board of Supervisors aimed to resolve and respond to all cases under its supervision and investigation. A total of 61 cases were supervised in the year, which involved the implementation of policies and regulations of the government, risk management, internal control and compliance, financial management and business development. The Board of Supervisors was able to make decision on operational management based on its supervision results. Fourthly, a transmission and sharing mechanism of supervisory information has been established. Based on the OA system of the Company, a supervisory information platform has been built. All information could be evaluated, investigated and circulated on the platform. As such, the supervisory information cost was reduced while the level of standardisation of management was enhanced. The Board of Supervisors analysed various types of information, sorting out cases which should be proposed at meetings and arranged schedule and agenda of meetings. Important issues, such as major supervisory cases, major issues relating to transformation and challenges in operation, were investigated and discussed particularly. The supervisory coverage was expanded and the supervisory focuses were clearly defined. The supervisory duties of the Board of Supervisors were closely matched with the development of the Company, and the effectiveness of its supervision was further improved.

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 PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the CAS and the IFRSs, respectively. Standard and unqualified auditors' reports have been issued accordingly. 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 use of proceeds from fund-raising activities was consistent with the use of proceeds stated in the prospectus of the Company.

(IV) Acquisition and disposal of assets

During the Reporting Period, as far as the Board of Supervisors is aware, there was no acquisition and disposal of assets of the Company involving any insider transaction that would harm the interests of shareholders or result in any loss of assets of the Company.

(V) Related party transactions

During the Reporting Period, the management of related party transactions was in compliance with the relevant national laws, regulations and the Articles of Association. There was no act which would harm the interests of the Company and its shareholders.

(VI) Implementation of resolutions 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 2019 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 2019. During the Reporting Period, no material deficiencies were found in respect of the completeness, reasonableness 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 at the end of the Reporting Period, there were 4,843 pending litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB21,799.22 million and 219 pending litigations involving the Company as defendant for approximately RMB2,823.29 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 preliminary design of the project is in progress;

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, Xiamen Branch of the Company relocated to the new building and commenced operation. The initial settlement and auditing for the project has been completed;

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 construction of major structure was completed in June 2019. The construction of curtain walls and fitting out works are under progress;

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 construction plan is under development;

The Shunyi Headquarters in Beijing has been accepted for completion and 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 determination of land premium had been completed. The Phase II of Shunyi Headquarters in Beijing was granted a Project Filing Certificate of Non-Governmental Investment in Industrial and IT Fixed Assets (Shun Jing Xin Bei [2019] No. 0008) (《北京市非政府投資工業和信息化固定資產投資項目備案證明》(順經信備[2019]0008號)) on 14 May 2019 and a Letter of Preliminary Review Opinions on "Plan Integration" Synergetic Platform of Shunyi Phase II Cloud Computing Centre of Minsheng Bank (Jing Gui Zi (Shun) Chu Shen [2019] No. 0002) (《關於民生銀行順義二期雲計算數據中心項目「多規合一」協同平台初審意見的函》(京規自(順)初審[2019]0002號)) on 11 June 2019. The project is currently under the tendering process for design;

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 engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Company, being the auditing firms responsible for domestic and international auditing of the Company for 2019, respectively.

According to the terms of contracts, the total remuneration agreed between the Company and the above auditors in respect of their audit services for the year, including 2019 annual auditing, 2019 interim review, agreed procedures of 2019 quarterly financial statements and auditing of internal control for 2019, was RMB8.50 million, including a service fee of RMB1 million for the audit of the effectiveness of internal control.

As at the end of the Reporting Period, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have been providing audit services to the Company for the first year. Yan Lin and Zhang Honglei, the signing accountants, had provided services for the Company for the first year.

VII. Major Related Party Transactions

There are no controlling relationship between the related parties of the Company. During the reporting period, none of the related parties had major transactions of total transaction value of 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 the provision of loans to shareholders and related parties. All loans were provided in compliance with the relevant laws and regulations and according to the credit terms and approval procedures of the Company. The principal and interests of the loans had been paid on time. The loans did not have any adverse impacts on the operating results and financial position of the Company. Please refer to note 9 "Related Parties" 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:

Major Events

1. Continuing connected transactions between the Company and Anbang Insurance (Anbang Life Insurance Co., Ltd. has been renamed as Dajia Life Insurance Co., Ltd.) for agency sale services of financial products

(1) Business Cooperation Framework Agreement of Agency Sale Services of Financial Products with Anbang Insurance Group Co., Ltd. for 2019

1. Details of the transactions

On 27 December 2018, the 13th meeting of the seventh session of the Board of the Company 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 2019 to 31 December 2019. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal control system, 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 2019, the annual cap of the service fees was RMB3.0 billion, and the actual service fees for the connected transactions were RMB250 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 27 December 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 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 PricewaterhouseCoopers, the international auditor of the Company, to perform relevant procedures on the continuing connected transactions regarding the business cooperation with Anbang Insurance for agency sale services of financial products according to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected 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 continuing connected transactions have not been approved by the Board of the Company;

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 has 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 27 December 2018.

Major Events

(2) Cooperation Framework Agreement with Dajia Life Insurance Co., Ltd. for 2020

On 11 December 2019, the 13th meeting of the seventh session of the Board of the Company considered and approved the Resolution on the Provision of General Credit Lines at Group Level to Dajia Insurance Group Co., Ltd. for 2019 (《關於大家保險集團有限責任公司2019年度集團統一授信的議案》). Subject to the reserved quota of agency category under non-credit business of the general credit lines at group level considered and approved by the Board, the Company entered into the Business Cooperation Framework Agreement of Agency Sale Services of Financial Products with Dajia Life Insurance Co., Ltd., with a term from 1 January 2020 to 31 December 2020. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal control system, the Company will provide agency sales services of financial products to Dajia Life Insurance Co., Ltd., including but not limited to insurance products, and charge for sales service fees. For the year ending 31 December 2020, the annual cap of the service fees is RMB1.5 billion.

The cooperation between the Company and Dajia Life Insurance Co., Ltd. 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, Dajia Life Insurance Co., Ltd. held approximately 17.84% equity interests of the Company, and Dajia Life Insurance Co., Ltd. was therefore a substantial shareholder of the Company. Thus, Dajia Life Insurance Co., Ltd. constitutes a connected person of the Company and the transactions between the Group and Dajia Life Insurance Co., Ltd. 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 Dajia Life Insurance Co., Ltd. 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 11 December 2019 on the HKEXnews website of the SEHK and the website of the Company.

2. Continuing connected transactions between the Company and Huaxia Life Insurance Co., Ltd. for agency sale services of financial products

On 27 November 2019, the 12th meeting of the seventh session of the Board of the Company considered and approved the Proposal on Entering into Business Cooperation Framework Agreement for Agency Sale of Financial Products between the Company and Huaxia Life Insurance Co., Ltd. (《關於本公司與華夏人壽保險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 Huaxia Life Insurance Co., Ltd., a connected person, with a term from 1 January 2020 to 31 December 2020. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal control system, the Company shall provide agency sale services of financial products to Huaxia Life Insurance Co., Ltd., including but not limited to insurance products, for sales service fees. For the year ending 31 December 2020, the annual cap of the service fees is RMB0.5 billion.

The cooperation between the Company and Huaxia Life Insurance Co., Ltd. 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, Mr. Zhang Hongwei, the Vice Chairman of the Company, is the ultimate controller of Orient Group Co., Ltd. and Orient Group Incorporation. As a result, Orient Group Co., Ltd. and Orient Group Incorporation are associates of Mr. Zhang Hongwei. Orient Group Co., Ltd., Orient Group Incorporation and Huaxia Life Insurance Co., Ltd. are parties acting in concert. Huaxia Life Insurance Co., Ltd. constitutes a connected person of the Company, and the transactions between the Group and Huaxia Life Insurance Co., Ltd. constitute continuing connected transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the Service Fees payable to the Company by Huaxia Life Insurance Co., Ltd. under the Business Cooperation Framework Agreement for 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 the Hong Kong Listing Rules. For details, please refer to the connected transaction announcement of the Company published on 27 November 2019 on the HKEXnews website of the SEHK and the website of the Company.

Save as disclosed in this 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.

Major Events

VIII. Repurchase, Sale or Redemption of Securities

Save as disclosed in this Annual Report, during the 12 months ended 31 December 2019, the Group had 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), Song Chunfeng, Weng Zhenjie, Peng Xuefeng and Tian Suning. On 17 May 2019, the Resolution regarding the Appointment of Members of Special Committees of the Seventh Session of the Board (《關於增補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 16th meeting of the seventh session of the Board, pursuant to which, Mr. Song Chunfeng was appointed as an additional member of the Audit Committee of the seventh session of 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 has reviewed and confirmed the 2019 Annual Report and the 2019 Annual Results Announcement for the year ended 31 December 2019.

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.

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 keeps firmly in mind the responsibility and awareness of "Minsheng serves the social community, cares about people's livelihood and grows with the public". The Company takes reform and innovation as its main task, and contributes to the corporate development, social progress and improvement of people's livelihood by making various efforts, which include reforming systems and mechanisms, promoting inclusive finance in response to the national strategies, serving the NSOEs, conducting targeted poverty alleviation, helping to construct ecological civilisation and cultivating Minsheng Homeland culture. The Company's social responsibility work has achieved greater performance.

During the Reporting Period, the Company established the poverty alleviation system of "One Body and Two Wings (一體兩翼式)", which focused on the targeted poverty alleviation in Hua County and Fengqiu County in Henan Province, stressed on helping poverty-stricken areas in "three autonomous regions and three autonomous prefectures" (三區三州) and carrying out charity campaigns to encourage the society to participate in poverty alleviation. The Company celebrated the fifth anniversary 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 donated RMB14.33 million to initiate the fifth round of the scheme, in which, funding for poverty alleviation projects was increased to encouraged more participation of the public. The Company set up the third tranche of public welfare fund, which focused on four major areas, namely poverty alleviation, culture, branding and emergency rescue. The Company donated RMB10

million to initiate the second round of GC medical care programme for Tibetan children with congenital heart disease (第二屆光彩西藏先心病兒童救治項目), RMB5 million for purchase of ambulance in Linxia Prefecture, and RMB5.02 million for scholarship in Yongsheng County of Yunnan Province. The Company published its Social Responsibility Report of 2018 and organised exhibitions to introduce its targeted poverty alleviation achievements, which brought higher corporate image. The art institutions sponsored by the Company played an effective role in social public service through communication and cooperation with the governments and charity organisations. 18 exhibitions and 268 public education sessions were organised during the year with 1.3 million participants. These activities were widely appreciated by the society and greatly contributed to cultural exchange and public education.

The social responsibility practices of the Company in 2019 were highly recognised by various third parties such as government authorities, charity organisations and mainstream media, and was awarded important prizes including "Outstanding Poverty Alleviation Case (優秀扶貧案例)" by the Leading Group Office of Poverty Alleviation and Development of the State Council. The special report of Minsheng Bank Adopted Multiple Measures to Help Targeted Poverty Alleviation Counties (《民生銀行多措並舉助力定點扶貧縣脱貧攻堅》) was published in the 18th issue of the Poverty Alleviation Information. Other awards included the "Best Targeted Poverty Alleviation Contribution Award (最佳精準扶貧貢獻獎)" by China Banking Association, "Pioneer of Poverty Alleviation by Finance (金融扶貧先鋒機構獎)" by www.china.com.cn, "2019 Outstanding Enterprise of Poverty Alleviation Innovation (2019年扶貧創新傑出企業)" by qq.com, the "2019 Excellent Competitor of — Targeted Poverty Alleviation (2019年卓越競爭力精準扶貧助力機構)" by China Business Journal, and the "2019 Outstanding Case of Performance of Social Responsibilities by Chinese Financial Enterprise (2019年中國金融企業履行社會責任優秀案例)" by National Business Daily. The Company ranked first in the banking industry and second among NSOEs in the "2019 Social Responsibility Development Index of Top 300 Enterprises of Social Responsibility in China (2019年中國企業300強社會責任發展指數)" by the Chinese Academy of Social Sciences. The Social Responsibility Division of the Executive Office of the Head Office of the Company was nominated by the PBOC as one of the four candidates for the National Poverty Alleviation Award (全國脱貧攻堅獎候選組織), who were selected from 22 applicants. The 2018 Social Responsibility Report of the Company was awarded the "Five-Star Corporate Social Responsibility Report (五星級企業社會責任報告)".

For details of the 2019 Social Responsibility Report (《2019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 spirit in the important instruction of poverty alleviation 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 have 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 poverty-stricken people. As such, the Company has made remarkable contribution to the success of poverty alleviation. In 2019, the Company donated RMB67.69 million for poverty alleviation and set aside RMB3,229 million as targeted poverty alleviation loans, of which RMB1,486 million was for individuals and RMB1,743 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 (《定點扶貧計劃》) and Targeted Poverty Alleviation Guidelines (《定點扶貧工作指引》) based on the work plans for poverty elimination and the actual needs of these two counties and the business features of the Company after consulting with relevant departments, which emphasised on the effectiveness of poverty alleviation. The Company improved mechanism and enriched the models of poverty alleviation, allocated additional resources, made use of its expertise in the banking industry and integrated internal and external resources to practically perform duties designated by the central government to facilitate Hua County and Fengqiu County to consolidate the achievements of poverty alleviation.

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 the banking sector and its flexible operation and management system, the Company provided stronger help for free and financial support and integrated social resources to poverty alleviation. The Company continued to adopt the "Nine-In-One (九位一體)" poverty alleviation approach, which aimed to alleviate poverty through approaches in nine aspects, namely industry, party building, education, healthcare, finance, skills, consumption, E-Commerce and employment. The Company proactively pushed forward targeted poverty alleviation of Hua County and Fengqiu County, and help both counties to consolidate the achievements of poverty alleviation.

3. Achievement 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	1,310,606	329,715
	Of which:		
	Poverty alleviation loans to individuals	958,337	148,649
	Poverty alleviation loans to enterprises	345,500	174,297
	Donations for the year	6,769	6,769
2. Number of poverty-stricken people helped to be removed from administrative record for poverty registering (person)			11,754
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			31
1.3 Amount invested for industrial development projects			323,456
1.3.1 Amount of direct capital investment			510
1.3.2 Amount of loans extended			322,946
1.4 Number of poverty stricken people helped to be removed from administrative record for poverty registering (person)			—

Indicator	Amount and progress
2. Poverty alleviation through transfer employment	
Of which:	
2.1 Amount invested for vocational training	688
2.2 Number of people received vocational training (person/time)	2,844
2.3 Number of poverty-stricken people helped to gain jobs	3
3. Poverty alleviation through education	
Of which:	
3.1 Amount of subsidies to poor students	1,281.8
3.2 Number of poverty-stricken students subsidised (person)	2,415
3.3 Amount invested for the improvement in educational resources in poverty-stricken areas	1,281.8
4. Poverty alleviation through healthcare	
Of which:	
4.1 Amount invested for improvements in medical and healthcare resources in poverty-stricken areas	418
5. Poverty alleviation through public welfare	
Of which:	
5.1 Amount invested for poverty alleviation coordination between Eastern and Western China	618
5.2 Amount invested for targeted poverty alleviation	2,843
5.3 Public charity foundation for poverty alleviation	4,008
6. Poverty alleviation through other approaches	
Of which:	
6.1 The number of projects	5
6.2 Amount invested	2,438
6.3 Number of poverty-stricken people helped to be removed from administrative record for poverty registering (person)	—
6.4 Other	

Major Events

Indicator	Amount and progress
III. Awards (details and grades)	
The targeted poverty alleviation case of the Company was published in the 18th issue of the Poverty Alleviation Information (《扶貧信息》第18期) by the Leading Group Office of Poverty Alleviation and Development of the State Council. The targeted poverty alleviation case of the Company was published in the Victory 2020 — Notebook for Grassroots Cadres of Poverty Alleviation (《決勝2020 — 基層扶貧幹部學習筆記》) by the Leading Group Office of Poverty Alleviation and Development of the State Council. The essay on targeted poverty alleviation of the Company was selected as one of the six speech materials at the poverty alleviation seminar organised by the PBOC. The Social Responsibility Division of the Executive Office of the Head Office of the Company was nominated by the PBOC as one of the four candidates for the National Poverty Alleviation Award. The Company ranked first in the banking industry and second among NSOEs in the "2019 Social Responsibility Development Index of Top 300 Enterprises of Social Responsibility in China (2019年中國企業300強社會責任發展指數)" by the Chinese Academy of Social Sciences. "Best Targeted Poverty Alleviation Contribution Award of Banking Industry of 2018 (2018年銀行業最佳精準扶貧貢獻獎)" by China Banking Association "Pioneer of Poverty Alleviation by Finance for 2019 (2019年金融扶貧先鋒機構)" by www.china.com.cn "2019 Outstanding Enterprise of Poverty Alleviation Innovation (2019年扶貧創新傑出企業)" by qq.com "2019 Excellent Competitiveness — Targeted Poverty Alleviation Institution (2019年卓越競爭力精準扶貧助力機構)" by China Business Journal "2019 Outstanding Case of Social Responsibility Practices by Chinese Financial Enterprise (2019年中國金融企業履行社會責任優秀案例)" by National Business Daily	

4. Continuing targeted poverty alleviation plan

Targeted poverty alleviation conducted by institutions under the 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 2020, 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 eliminate poverty and prevent returning to poverty, making new and greater contribution to poverty elimination and rural revitalisation.

XVI. Other Major Events

Pursuant to approvals of the CBIRC and the PBOC, the Company successfully issued secondary capital bonds of RMB40 billion in the inter-bank market in China. Please refer to the announcement of the Company dated 1 March 2019 which is posted on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) for details.

Pursuant to approvals of the CBIRC and the PBOC, the Company issued undated capital bonds of RMB40 billion in the inter-bank market in China. Please refer to the announcement of the Company dated 4 June 2019 which is posted on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) for details.

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 2019

IV. Unaudited Supplementary Information of Financial Statements for the Year 2019

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of China Minsheng Banking Corp., Ltd

(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Minsheng Banking Corp., Ltd (the "Bank") and its subsidiaries (the "Group") set out on pages 275 to 465, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of equity movement for the year then ended
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report (Continued)

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key Audit Matters (Continued)

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments
- Consolidation of structured entities

The Key Audit Matter	How the matter was addressed in our audit
Measurement of expected credit losses for loans and advances to customers and financial investments	
Refer to Note 2.11, Note 3.1, Note 5.15 and Note 5.16 to the consolidated financial statements. As at 31 December 2019, the Group's gross loans and advances to customers amounted to RMB3,512.90 billion, which includes the Group's gross loans and advances to customers measured at amortised cost of RMB3,340.68 billion and allowance for impairment losses of RMB82.48 billion, and the Group's gross loans and advances to customers measured at fair value through other comprehensive income of RMB172.22 billion and allowance for impairment losses of RMB2.17 billion.	We understood, evaluated and tested the design and operational effectiveness of the internal controls relating to the measurement of ECL for loans and advances to customers, and financial investments, primarily including: (1) Internal controls over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models; (2) Internal controls relating to significant management judgments and assumptions, including the review and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults and credit-impaired loans, and financial investments, and forward-looking measurement;

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit

Measurement of expected credit losses for loans and advances to customers and financial investments (continued)

The Group's gross financial investments under expected credit losses amounted to RMB1,657.99 billion, which include the Group's financial investments measured at amortised cost of RMB1,147.19 billion and allowance for impairment losses of RMB4.11 billion; and financial investments measured at fair value through other comprehensive income of RMB510.80 billion and allowance for impairment losses of RMB1.06 billion in the Group's consolidated statement of financial position.

The balances of allowances for impairment losses for the loans and advances to customers and financial investments represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under International Financial Reporting Standard 9: Financial Instruments expected credit losses models.

The management assesses whether the credit risk of loans and advances to customers and financial investments under expected credit losses have increased significantly since their initial recognition, and applied a three-stage impairment model to calculate their ECL. For corporate loans and financial investments classified into stages 1 and 2, and all personal loans, the management assesses allowance for impairment losses using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and financial investments in stage 3, the management assesses allowance for impairment losses by estimating the cash flows from corporate loans and financial investments.

(3) Internal controls over the accuracy and completeness of key inputs used by the models;

(4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments in stage 3;

(5) Internal controls over the information systems for model-based measurement.

The substantive procedures we preformed primarily included:

(1) We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the significant judgements and assumptions involved, including portfolio segmentation, models selection, key parameters estimation and so on. We examined the model computation on a sample basis, to validate whether or not the measurement models reflect the management's modelling methodologies.

(2) We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired loans and financial investments.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit

Measurement of expected credit losses for loans and advances to customers and financial investments (continued)

The measurement models of ECL involves significant management judgments and assumptions, primarily including the following:

(1) Segmentation of portfolio based on credit risk characteristics, selection of appropriate models and determination of relevant key parameters;

(2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;

(3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;

(4) The estimated future cash flows for corporate loans and financial investments in stage 3.

The Group established governance processes and internal controls for the measurement of ECL.

For measuring ECL, the management adopted complex models, used numerous parameters and data inputs, and applied significant management judgments and assumptions. The amount of allowance for impairment losses was significant. In view of these reasons, we identified this as a key audit matter.

(3) For forward-looking measurement, we reviewed the management's model analysis of their selection of economic indicators, economic scenarios and weightings assigned, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic indicators, economic scenarios and weightings.

(4) We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness. We also tested the interfaces of the major data transfer between the ECL calculation engines and relevant information systems, to verify their accuracy and completeness.

(5) For corporate loans and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of allowance for impairment losses.

Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of ECL for loans and advances to customers, and financial investments, the models, key parameters, significant judgements and assumptions adopted by management and the measurement results were considered acceptable.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

The Key Audit Matter	How the matter was addressed in our audit

Consolidation of structured entities

Refer to Note 2.5 (1), Note 3.5 and Note 7 to the consolidated financial statements.

Structured entities primarily included Wealth Management Products ("WMPs"), Asset-backed securities, funds, trust plans and asset management plans invested, sponsored and/or managed by the Group.

As at 31 December 2019, the carrying amount of principal guaranteed WMPs and, asset management plans sponsored and managed by the Group included in the consolidated statement of financial position amounted to RMB2.00 billion.

As at 31 December 2019, the carrying amount of unconsolidated structured entities invested by the Group amounted to RMB833.58 billion.

As at 31 December 2019, the balances of non-principal guaranteed WMPs, funds and asset management plans and trust plans sponsored and/or managed by the Group which were not included in the consolidated statement of financial position were RMB894.10 billion and RMB291.53 billion, respectively.

Management had determined whether the Group had control of certain structured entities based on their assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities.

The significant judgement exercised by management in assessing whether the Group had control of structured entities and the amount of such structured entities resulted in consolidation of structured entities being identified as a key audit matter.

Our audit procedures to assess the consolidation of structured entities included the following:

(1) We understood, evaluated and tested the design and operating effectiveness of the Group's relevant controls over consolidation assessment of structured entities.

(2) We selected samples of structured entities and performed the following tests:

- assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group 's power over the structured entities.
- performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income, asset management fees earned and, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities.
- assessed whether the Group acted as a principal or an agent, through analysis and assessment of the scope of the Group's decision-making authority over the sampled structured entities, its remuneration to which the Group was entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

Based on the audit procedures performed, we found management's consolidation judgment of these structured entities acceptable.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank 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.

Those charged with governance are responsible 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. We report our opinion 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 judgment and maintain professional skepticism 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, 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 Leung Kwok Wai, Jimmy.

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 March 2020

Consolidated Income Statement

For the year ended 31 December 2019 (Expressed in millions of Renminbi, unless otherwise stated)

	Note 5	2019	2018
Interest income		250,724	235,347
Interest expense		(152,781)	(158,667)
Net interest income	1	97,943	76,680
Fee and commission income		57,024	52,684
Fee and commission expense		(4,729)	(4,553)
Net fee and commission income	2	52,295	48,131
Net trading gain	3	9,067	6,520
Net gain from investment securities	4	15,895	20,798
Including: disposals of financial assets measured at amortised cost		1,144	1,142
Other operating income		2,545	2,032
Operating expenses	5	(50,016)	(49,056)
Credit impairment losses	6	(62,807)	(46,274)
Other impairment losses		(184)	(46)
Profit before income tax		64,738	58,785
Income tax expense	8	(9,814)	(8,455)
Net profit		54,924	50,330
Net profit attributable to:			
Equity shareholders of the Bank		53,819	50,327
Non-controlling interests		1,105	3
Earnings per share (expressed in RMB Yuan)			
Basic and Diluted earnings per share	9	1.22	1.14

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019 (Expressed in millions of Renminbi, unless otherwise stated)

	2019	2018
Net profit	54,924	50,330
Other comprehensive income of the year, net of tax	668	4,727
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	52	–
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	50	5,112
Allowance for impairment losses	573	1,079
Transfer to profit or loss	20	(360)
Less: income tax relating to debt securities at fair value through other comprehensive income	(111)	(1,522)
Effective hedging portion of gains or losses arising from cash flow hedging instruments	(26)	26
Exchange difference on translating foreign operations	102	392
Total comprehensive income of the year	55,592	55,057
Total comprehensive income attributable to:		
Equity shareholders of the Bank	54,525	55,018
Non-controlling interests	1,067	39

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019 (Expressed in millions of Renminbi, unless otherwise stated)

	Note 5	31 December 2019	31 December 2018
ASSETS			
Cash and balances with central bank	10	**371,155**	**389,281**
Balances with banks and other financial institutions	11	**53,180**	**52,154**
Precious metals		**15,237**	**7,205**
Placements with banks and other financial institutions	12	**248,565**	**246,525**
Derivative financial assets	13	**31,100**	**33,112**
Financial assets held under resale agreements	14	**65,799**	**39,190**
Loans and advances to customers	15	**3,430,427**	**3,008,272**
Financial investments:	16		
— Financial assets at fair value through profit or loss		**528,338**	**381,093**
— Financial assets at fair value through other comprehensive income		**512,888**	**461,693**
— Financial assets measured at amortised cost		**1,143,079**	**1,127,231**
Long-term receivables	17	**116,593**	**110,824**
Property and equipment	18	**51,365**	**48,765**
Right-of-use assets	19	**14,545**	**N/A**
Deferred income tax assets	20	**36,050**	**30,691**
Investments in associates		**3**	**—**
Other assets	22	**63,517**	**58,786**
Total assets		**6,681,841**	**5,994,822**
LIABILITIES			
Borrowings from central bank		**198,843**	**304,323**
Deposits and placements from banks and other financial institutions	23	**1,163,054**	**1,091,860**
Financial liabilities at fair value through profit or loss		**5,184**	**987**
Borrowings from banks and other financial institutions	24	**132,295**	**125,043**
Derivative financial liabilities	13	**17,793**	**18,000**
Financial assets sold under repurchase agreements	25	**101,705**	**89,687**
Deposits from customers	26	**3,637,034**	**3,194,441**
Lease liabilities	27	**10,420**	**N/A**
Provisions	28	**1,603**	**1,371**
Debt securities issued	29	**817,225**	**674,523**
Current income tax liabilities		**17,764**	**8,728**
Deferred income tax liabilities	20	**125**	**123**
Other liabilities	30	**47,967**	**54,735**
Total liabilities		**6,151,012**	**5,563,821**

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019 (Expressed in millions of Renminbi, unless otherwise stated)

	Note 5	31 December 2019	31 December 2018
EQUITY			
Share capital	31	**43,782**	**43,782**
Other equity instrument		**69,860**	**9,892**
Including: Preference shares	32	**29,867**	**9,892**
Perpetual bonds	33	**39,993**	**—**
Reserves			
Capital reserve	31	**57,411**	**57,470**
Surplus reserve	34	**45,162**	**39,911**
General reserve	34	**81,657**	**74,370**
Other reserves		**2,227**	**1,518**
Retained earnings	34	**218,746**	**193,131**
Total equity attributable to equity shareholders of the Bank		**518,845**	**420,074**
Non-controlling interests	35	**11,984**	**10,927**
Total equity		**530,829**	**431,001**
Total liabilities and equity		**6,681,841**	**5,994,822**

The accompanying notes form an integral part of these financial statements.

Approved and authorised for issue by the Board of Directors on 30 March 2020.

Hong Qi
Chairman

Zheng Wanchun
Director and President

Liu Ningyu
Director

(Company Seal)

Consolidated Statement of Equity Movement

For the year ended 31 December 2019 (Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
			Reserves									
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
Note 5	31	32 & 33	31	34	34	37		37	34		35	
At 31 December 2018	43,782	9,892	57,470	39,911	74,370	1,133	362	23	193,131	420,074	10,927	431,001
(I) Net profit	–	–	–	–	–	–	–	–	53,819	53,819	1,105	54,924
(II) Other comprehensive income, net of tax	–	–	–	–	–	689	46	(26)	(3)	706	(38)	668
Total comprehensive income	–	–	–	–	–	689	46	(26)	53,816	54,525	1,067	55,592
(III) Capital injection by shareholders												
1. Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–
2. Change in shareholdings in subsidiaries	–	–	(59)	–	16	–	–	–	(16)	(59)	59	–
3. Capital injection by other equity instrument holder	–	59,968	–	–	–	–	–	–	–	59,968	–	59,968
(IV) Profit distribution												
1. Appropriation to surplus reserve	–	–	–	5,251	–	–	–	–	(5,251)	–	–	–
2. Appropriation to general reserve	–	–	–	–	7,271	–	–	–	(7,271)	–	–	–
3. Cash dividends	–	–	–	–	–	–	–	–	(15,663)	(15,663)	(69)	(15,732)
At 31 December 2019	**43,782**	**69,860**	**57,411**	**45,162**	**81,657**	**1,822**	**408**	**(3)**	**218,746**	**518,845**	**11,984**	**530,829**

Consolidated Statement of Equity Movement (Continued)

For the year ended 31 December 2018 (Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
			Reserves									
Note 5	Share capital 31	Other equity instrument 32 & 33	Capital reserve 31	Surplus reserve 34	General reserve 34	Investment revaluation reserve 37	Exchange reserve	Cash flow Hedging reserve 37	Retained earnings 34	Total	Non-controlling interests 35	Total equity
At 31 December 2017	36,485	9,892	64,753	34,914	74,168	(4,757)	98	(3)	163,420	378,970	10,842	389,812
Changes in accounting policies	–	–	–	–	–	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)	151,893	368,932	10,694	379,626
(I) Net profit	–	–	–	–	–	–	–	–	50,327	50,327	3	50,330
(II) Other comprehensive income, net of tax	–	–	–	–	–	4,401	264	26	–	4,691	36	4,727
Total comprehensive income	–	–	–	–	–	4,401	264	26	50,327	55,018	39	55,057
(III) Capital Injection by shareholders												
1. Ordinary shares converted from capital reserve	7,297	–	(7,297)	–	–	–	–	–	–	–	–	–
2. Capital injection by non-controlling shareholders	–	–	98	–	–	–	–	–	(1)	97	242	339
3. Change in shareholdings in subsidiaries	–	–	(84)	–	6	–	–	–	(61)	(139)	(13)	(152)
4. Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(6)	(6)
(IV) Profit distribution												
1. Appropriation to surplus reserve	–	–	–	4,997	–	–	–	–	(4,997)	–	–	–
2. Appropriation to general reserve	–	–	–	–	196	–	–	–	(196)	–	–	–
3. Cash dividends	–	–	–	–	–	–	–	–	(3,834)	(3,834)	(29)	(3,863)
At 31 December 2018	**43,782**	**9,892**	**57,470**	**39,911**	**74,370**	**1,133**	**362**	**23**	**193,131**	**420,074**	**10,927**	**431,001**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019 (Expressed in millions of Renminbi, unless otherwise stated)

	2019	2018
Cash flows from operating activities:		
Profit before income tax	**64,738**	**58,785**
Adjustments for:		
— Credit impairment losses	**62,807**	**46,274**
— Other impairment losses	**184**	**46**
— Depreciation and amortisation	**7,206**	**7,197**
— Gains on disposal of property and equipment and other long-term assets	**(283)**	**(17)**
— Gains from changes in fair value	**(1,437)**	**(8,357)**
— Net gains on disposal of investment securities	**(15,480)**	**(12,307)**
— Interest expense on debt securities issued and other financing activities	**25,584**	**23,632**
— Interest income from investment securities	**(64,259)**	**(60,987)**
Subtotal	**79,060**	**54,266**
Changes in operating assets:		
Net decrease in balances with central bank, banks and other financial institutions	**15,981**	**73,350**
Net decrease/(increase) in placements with banks and other financial institutions	**4,997**	**(70,073)**
Net (increase)/decrease in financial assets held under resale agreements	**(26,755)**	**13,784**
Net increase in loans and advances to customers	**(486,081)**	**(312,907)**
Net increase in other operating assets	**(90,232)**	**(22,832)**
Subtotal	**(582,090)**	**(318,678)**
Changes in operating liabilities:		
Net decrease in borrowings from central bank	**(103,051)**	**(30,850)**
Net increase in deposits from customers	**436,796**	**200,982**
Net increase/(decrease) in deposits and placements from banks and other financial institutions	**72,710**	**(231,026)**
Net increase/(decrease) in financial assets sold under repurchase agreements	**12,058**	**(18,117)**
Income tax paid	**(6,135)**	**(11,108)**
Net increase/(decrease) in other operating liabilities	**5,725**	**(40,967)**
Subtotal	**418,103**	**(131,086)**
Net cash used in operating activities	**(84,927)**	**(395,498)**

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019 (Expressed in millions of Renminbi, unless otherwise stated)

	Note 5	2019	2018
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		1,315,602	1,693,509
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		501	2,028
Cash payment for investments		(1,374,973)	(1,408,202)
Cash payment for subsidiaries and associates		(3)	—
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(8,218)	(5,803)
Net cash (used in)/generated from investing activities		(67,091)	281,532
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		59,968	—
Capital contribution from non-controlling interests to subsidiaries		—	181
Proceeds from issue of debt securities		935,433	1,167,503
Repayment of debt securities issued		(805,232)	(1,003,023)
Interest paid on debt securities issued		(12,770)	(19,305)
Dividends paid		(15,732)	(3,863)
Cash payment in other financing activities		(3,979)	—
Net cash generated from financing activities		157,688	141,493
Net increase in cash and cash equivalents		5,670	27,527
Cash and cash equivalents at 1 January		138,026	109,099
Effect of exchange rate changes on cash and cash equivalents		954	1,400
Cash and cash equivalents at 31 December	38	144,650	138,026

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(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 (the "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 (the former "China Banking Regulatory Commission" and "China Insurance Regulatory Commission", the "CBIRC"), and the business licence as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

The Bank's A Shares and H Shares are listed in the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, the stock codes are 600016 and 01988, respectively.

In this consolidated financial statements, Chinese mainland 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, financial leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 31 December 2019, the Bank had 42 tier-one branches and 32 subsidiaries.

2 Summary of key accounting policies

The accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.1 Basis of preparation (continued)

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Standards and amendments effective in 2019 relevant to and adopted by the Group

In current period, the Group has adopted the following IFRSs and amendments issued by the IASB, that are mandatorily effective for current year.

IFRS 16	Leases
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	IASB Annual Improvements to IFRSs 2015–2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement

The new accounting standard IFRS 16 Leases and its impacts are disclosed in Note 2.4 Key changes in accounting policies. The adoption of the other standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group

In current year, the Group has not adopted the following new or amended standards issued by the IASB and the IFRS Interpretations Committee ("IFRIC"), that have been issued but are not yet effective,

Standards/Amendments	Effective date
Amendments to IAS 1and IAS 8 *The Definition of Material*	1 January 2020
Amendments to IFRS 3 *The Definition of a Business*	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021 (likely to be extended to 1 January 2023)
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.

Amendments to IAS 1 and IAS 8: The Definition of Material

The IASB issued amendments to the definition of material in IAS 1 and IAS 8. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole.

The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group (continued)

Amendments to IFRS 3: The Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the covorage period.

The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

2 Summary of key accounting policies (continued)

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group (continued)

IFRS 17: Insurance Contracts (continued)

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The Group anticipates that the adoption of IFRS 17 will not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.4 Key changes in accounting policies

The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparative figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the balance sheet on 1 January 2019.

For operating lease contracts existed prior to the first adoption of IFRS 16 Leases, the Group determined different cohesion methods according to the remaining lease period:

— If the remaining lease period is longer than 12 months, for these operating leases before the first application date, the existing contract selection before the first execution date is not re-evaluated whether it is a lease or includes a lease in accordance with the relevant provisions of IFRS 16. The Group recognised the lease liabilities on the basis of the remaining lease payments and lessee's incremental borrowing rate as at 1 January 2019. Based on the amount determined by the lease liabilities, the Group made necessary adjustments according to the rental prepayment to determine the book value of the right-of-use assets. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.59%.

— If the remaining lease period is less than 12 months, the Group adopts practical expedients and does not recognise the right-of-use assets or lease liabilities, which have no significant impact on the financial statements.

— For operating lease contracts of low-value assets that existed before the first adoption of IFRS 16, the Group adopts practical expedients and does not recognise the right-of-use assets or lease liabilities, which have no significant impact on the financial statements.

2 Summary of key accounting policies (continued)

2.4 Key changes in accounting policies (continued)

The impact of the Group's adoption of IFRS 16 Leases is as follows:

	1 January 2019
Right-of-use assets	**14,903**
Lease liabilities	**10,609**

As at 1 January 2019, the Group adjusted the disclosed unpaid minimum operating lease payments to the lease liabilities recognised in accordance with IFRS 16 Leases as following:

Operating lease commitments disclosed as at 31 December 2018	**13,679**
Discounted payments using the lessee's incremental borrowing rate of at the date of initial application	**10,877**
Add: adjustments as a result of a different treatment of extension and termination options	**1**
Less: short-term leases recognised on a straight-line basis as expense	**(239)**
Less: low-value leases recognised on a straight-line basis as expense	**(30)**
Lease liabilities recognised as at 1 January 2019	**10,609**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.5 Consolidation

(1) Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, 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.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.5 Consolidation (continued)

(2) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 — Income Taxes and IAS 19 — Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.5 Consolidation (continued)

(3) Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

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

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(4) Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

2 Summary of key accounting policies (continued)

2.5 Consolidation (continued)

(4) Investment in associate (continued)

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 — Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.6 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortized cost, presented as "interest income" and "interest expenses" respectively. For specific accounting policies, please refer to the Note 2.11(4) subsequent measurement of financial instruments.

2.7 Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement and clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

2.8 Foreign currency translations

The functional currency of the Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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2 Summary of key accounting policies (continued)

2.8 Foreign currency translations (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

(1) Exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;

(2) Changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2010
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2 Summary of key accounting policies (continued)

2.9 Income tax

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

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

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

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

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

2 Summary of key accounting policies (continued)

2.10 Employee benefits

(1) 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.

(2) 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.

2.11 Financial instruments

(1) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

(a) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

- Amortized cost ("AC");
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

(a) Financial assets (continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic leading arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

(a) Financial assets (continued)

Debt instruments (continued)

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- AC: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVPL, are measured at amortized cost.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

(b) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expenses incurred on the financial liability.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(2) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

(3) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(4) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(a) Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets is included in "Interest income" and "interest expenses" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets (definition on Note 10.2(3)(c)), the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

- POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(4) Subsequent measurement of financial instruments (continued)

(a) Amortized cost (continued)

- financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized 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 gross carrying amount.

(b) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(4) Subsequent measurement of financial instruments (continued)

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on a financial assets that is measured at fair value should be recognised in profit or loss.

(d) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and

- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with (i) will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

(5) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(5) Impairment of financial instruments (continued)

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflects:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) The time value of money; and

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

- Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

- Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note 10.2(3)(b).

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(5) Impairment of financial instruments (continued)

- Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The definition of credit-impaired financial assets is disclosed in Note 10.2(3)(c).

Financial instruments in Stage I have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage II or Stage III have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note 10.2(3)(d) and 10.2(3)(e).

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(6) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(7) Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(7) Derecognition (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

(8) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(a) Their economic characteristics and risks are not closely related to those of the host contract;

(b) A separate instrument with the same terms would meet the definition of a derivative; and

(c) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(9) Hedge accounting

The Group use cash flow hedge accounting and fair value hedge accounting. The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

(a) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss.

2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(9) Hedge accounting (continued)

(b) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and quality as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(10) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Notes to the Consolidated Financial Statements (Continued)

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2 Summary of key accounting policies (continued)

2.11 Financial instruments (continued)

(11) Repurchase agreements and agreements to resell

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments or debt instruments as appropriate. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note 6.3 Contingent Liabilities and Commitments — Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related collateral accepted is not recognized in the consolidated financial statements (Note 6.3 Contingent Liabilities and Commitments — Collateral).

The difference between the purchase and sale price is recognized as interest expense or income in the consolidated income statement over the term of the agreements using the effective interest method.

2.12 Precious Metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

2.13 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Notes to the Consolidated Financial Statements (Continued)

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2 Summary of key accounting policies (continued)

2.13 Property and equipment (continued)

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Depreciation is recognized as a component of operating expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	**5–30 years**	**5%**	**3.17%–19.00%**
Office equipment and others	**5–20 years**	**5%**	**4.75%–19.00%**
Motor Vehicles	**5 years**	**5%**	**19.00%**
Operating lease fixed assets	**5–30 years**	**5–15%**	**2.83%–19.00%**

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements (Continued)

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2 Summary of key accounting policies (continued)

2.13 Property and equipment (continued)

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note 2.20 Impairment of Tangible and Intangible Assets other than Goodwill.

2.14 Land use rights

Land use rights are classified in Right-of-Use assets and amortized over a straight-line basis over their authorized useful lives.

2.15 Foreclosed assets

Foreclosed assets are initially recognized at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated income statement in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

2.16 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

2 Summary of key accounting policies (continued)

2.16 Investment property (continued)

Investment property is initially measured at its acquisition cost. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

The accounting policies of impairment of investment property are included in Note 2.20 Impairment of Tangible and Intangible Assets other than Goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated income statement.

2.17 Leases

(1) Identifying a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(2) Lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.17 Leases (continued)

(2) Lessee (continued)

The Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs incurred by the lessee;
- An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

2 Summary of key accounting policies (continued)

2.17 Leases (continued)

(3) Recognition exemptions

The Group elects not to apply the requirements above to:

— Short-term leases;

— Lease for which the underlying asset is of low value.

The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(4) Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

The Group recognises lease payments from operating leases as income on a straight-line basis, and recognises costs, including depreciation, incurred in earning the lease income as an expense. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income.

(b) Finance leases

At the commencement date, the Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

(5) For accounting policies applied before 1 January 2019 of lease activities, please refer to the accounting policies section of the Group's 2018 annual report.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.18 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.

2.19 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

2.20 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of key accounting policies (continued)

2.21 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the ordinary equity holders in the annual general meeting of the Bank.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares and perpetual bonds. Preference shares and perpetual bonds dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

2.22 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.23 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.23 Fiduciary activities (continued)

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

2.24 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer 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 guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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2 Summary of key accounting policies (continued)

2.25 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note 6 Contingent Liabilities and Commitments.

A provision is recognized when it meets the criteria as set forth in Note 5.28 Provisions.

2.26 Related parties

(1) 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.

(2) 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);

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of key accounting policies (continued)

2.26 Related parties (continued)

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

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

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

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

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

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

2.27 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 Significant accounting estimates and judgements

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgments and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

3.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 10.2 Credit risk.

3.2 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

3 Significant accounting estimates and judgements (continued)

3.2 Classification of financial assets (continued)

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

3.3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.4 Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

3 Significant accounting estimates and judgements (continued)

3.5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

3.6 Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

3 Significant accounting estimates and judgements (continued)

3.6 Derecognition of financial assets transferred (continued)

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties;

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgment is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group's assessment on the extent that risks and rewards are transferred.

- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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4 Segment information

The Group conducts business activities in key business lines and geographical regions. From 1 January 2019, aiming to facilitate business development and strengthen internal cooperation, the Group established a "client oriented" management and accounting system segmented by different client groups. The business segments are reorganised as corporate banking, retail banking and others to manage, report and evaluate the business based on the actual client groups of each branch. The geographical segments are reorganised into eight segments including Head Office, Yangtze River Delta, Pearl River Delta, Bohai Rim, North-eastern Region, Central Region, Western Region, and Overseas and Subsidiaries to manage, report and evaluate the business according to the economic zone of each institution.

Segment assets, liabilities, revenues and expenditures are measured following 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 a 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 concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

4.1 Business segments

(1) Corporate banking	Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business.
(2) Retail banking	Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.
(3) Others	Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment, and those costs cannot be separated into any sections, and businesses of subsidiaries.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (continued)

4.1 Business segments (continued)

Business segment as at 31 December 2019 and 2018 are shown in accordance with new segment system, comparative figures were also restated in accordance with new segment system

	Year ended 31 December 2019			
	Corporate banking	Retail banking	Others	Total
Operating income	102,097	67,261	8,387	177,745
Net interest income	67,129	26,958	3,856	97,943
Include: inter-segment net interest income/ (expense)	10,447	(17,825)	7,378	—
Net fee and commission income	11,930	39,905	460	52,295
Net other income	23,038	398	4,071	27,507
Operating expenses	(13,804)	(18,372)	(17,840)	(50,016)
Credit impairment losses	(37,873)	(24,186)	(748)	(62,807)
Other impairment losses	(121)	(2)	(61)	(184)
Profit before income tax	50,299	24,701	(10,262)	64,738
Depreciation and amortization	3,648	2,404	1,154	7,206
Capital expenditure	1,828	1,205	5,973	9,006

	As at 31 December 2019			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,378,885	1,396,224	870,682	6,645,791
Include: Investments in associates				3
Deferred income tax assets				36,050
Total assets				6,681,841
Segment liabilities	(4,617,269)	(829,064)	(704,554)	(6,150,887)
Deferred income tax liabilities				(125)
Total liabilities				(6,151,012)
Credit commitments	797,132	527,606	688	1,325,426

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (continued)

4.1 Business segments (continued)

	Year ended 31 December 2018			
	Corporate banking	Retail banking	Others	Total
Operating income	90,408	50,223	7,470	164,161
Net interest income	51,440	21,862	3,378	76,680
Include: inter-segment net interest income/ (expense)	18,479	(23,562)	5,083	–
Net fee and commission income	13,953	32,572	1,606	48,131
Net other income	25,075	1,789	2,486	29,350
Operating expenses	(12,511)	(18,820)	(17,725)	(49,056)
Credit impairment losses	(26,761)	(17,100)	(2,413)	(46,274)
Other impairment losses	–	–	(46)	(46)
Profit before income tax	51,196	20,303	(12,714)	58,785
Depreciation and amortization	2,770	2,365	2,062	7,197
Capital expenditure	1,528	1,305	4,824	7,657

	As at 31 December 2018			
	Corporate banking	Retail banking	Others	Total
Segment assets	3,845,068	1,241,264	877,799	5,964,131
Deferred income tax assets				30,691
Total assets				5,994,822
Segment liabilities	(4,108,637)	(649,427)	(805,634)	(5,563,698)
Deferred income tax liabilities				(123)
Total liabilities				(5,563,821)
Credit commitments	772,467	231,054	3,193	1,006,714

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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4 Segment information (continued)

4.2 Geographical segments

The Group mainly operates in Chinese mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also includes several subsidiaries in Chinese mainland and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
North-eastern Region	Including branches in Liaoning Province, Jinlin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shaanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (continued)

4.2 Geographical segments (continued)

Geographical segment as at 31 December 2019 and for the year ended 31 December 2019 are shown in accordance with new segment system, comparative figures were also restated in accordance with new segment system.

	Year ended 31 December 2019		As at 31 December 2019
	Operating income	Profit before income tax	Segment assets (i)
Head Office	70,007	25,931	3,270,046
Yangtze River Delta	25,521	14,008	1,149,633
Pearl River Delta	18,419	9,640	591,348
Bohai Rim	21,700	6,379	1,209,240
North-eastern Region	2,664	(1,306)	130,854
Central Region	15,150	1,307	450,942
Western Region	15,894	3,994	525,700
Overseas and subsidiaries	8,384	4,755	382,540
Inter-segment elimination	—	—	(1,064,523)
Total	177,745	64,738	6,645,791

	Year ended 31 December 2018		As at 31 December 2018
	Operating income	Profit before income tax	Segment assets (i)
Head Office	57,280	26,007	3,007,594
Yangtze River Delta	22,154	10,214	987,063
Pearl River Delta	15,021	7,942	531,736
Bohai Rim	20,101	1,479	1,002,122
North-eastern Region	2,812	(1,941)	118,329
Central Region	14,199	1,110	425,906
Western Region	14,961	6,623	445,105
Overseas and subsidiaries	6,733	2,351	352,485
Inter-segment elimination	—	—	(906,209)
Total	154,161	58,785	5,964,131

(i) Segment assets do not include deferred tax assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements

5.1 Net interest income

	2019	2018
Interest income arising from:		
Loans and advances to customers	162,054	147,387
Including: Corporate loans and advances	95,854	86,905
Personal loans and advances	60,417	55,945
Discounted bills	5,783	4,537
Financial investments	64,259	60,987
Including: Financial assets measured at amortised cost	45,547	46,700
Financial assets at fair value through other comprehensive income	18,712	14,287
Placements with banks and other financial institutions	10,711	10,051
Long-term receivables	6,411	6,733
Balances with central bank	5,195	5,768
Financial assets held under resale agreements	1,430	3,321
Balances with banks and other financial institutions	664	1,100
Subtotal	250,724	235,347
Interest expense arising from:		
Deposits from customers	(79,525)	(66,431)
Deposits and placements from banks and other financial institutions	(31,925)	(48,019)
Debt securities issued	(25,131)	(23,632)
Borrowings from central bank	(7,620)	(10,931)
Borrowings from banks and other financial institutions and others	(5,194)	(6,405)
Financial assets sold under repurchase agreements	(2,933)	(3,249)
Lease liabilities	(453)	N/A
Subtotal	(152,781)	(158,667)
Net interest income	97,943	76,680
Of which:		
Interest income from impaired financial assets	1,155	947

5 Notes to the consolidated financial statements (continued)

5.2 Net fee and commission income

	2019	2018
Fee and commission income		
Bank card services	35,036	28,946
Agency services	7,669	8,869
Trust and other fiduciary services	6,205	7,092
Settlement services	3,696	3,415
Credit commitments	2,474	2,653
Others	1,944	1,709
Subtotal	57,024	52,684
Fee and commission expense	(4,729)	(4,553)
Net fee and commission income	52,295	48,131

5.3 Net trading gain

	2019	2018
Gain on interest rate instruments	6,106	5,828
Gain on exchange rate instruments	2,651	6,300
Gain/(Loss) on precious metals and other products	310	(5,608)
Total	9,067	6,520

5.4 Net gain from investment securities

	2019	2018
Financial assets at fair value through profit or loss	13,062	19,361
Financial assets at fair value through other comprehensive income	1,686	280
Financial assets measured at amortised cost	1,144	1,142
Others	44	46
Total	15,895	20,798

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.5 Operating expenses

	2019	2018
Staff costs, including directors' emoluments		
— Salaries, bonuses, allowances and subsidies payables	25,288	23,469
— Post-employment benefits-defined contribution plans	2,463	2,413
Depreciation and amortisation	5,703	3,118
Lease and property management expenses	1,060	4,101
Tax and surcharges	1,772	1,919
Office expenses	1,622	1,444
Business expenses and others	12,108	12,592
Total	50,016	49,056

5.6 Credit impairment losses

	2019	2018
Loans and advances to customers	60,850	43,611
Financial assets measured at amortised cost	1,048	1,475
Long-term receivables	510	631
Credit loss of off-balance-sheet assets	59	(869)
Financial assets at fair value through other comprehensive income	(414)	747
Others	754	679
Total	62,807	46,274

5 Notes to the consolidated financial statements (continued)

5.7 Directors and Supervisors' emoluments

For the year ended 31 December 2019 (in thousands of RMB)

	2019			
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Hong Qi[1] [2]	4,472	107	–	4,579
Zhang Hongwei	905	–	–	905
Lu Zhiqiang	910	–	–	910
Liu Yonghao	905	–	–	905
Zheng Wanchun[1] [2]	4,179	107	–	4,286
Shi Yuzhu	780	–	–	780
Wu Di	833	–	–	833
Song Chunfeng	843	–	–	843
Weng Zhenjie	810	–	–	810
Liu Jipeng	885	–	–	885
Li Hancheng	1,178	–	–	1,178
Xie Zhichun	865	–	–	865
Peng Xuefeng	865	–	–	865
Liu Ningyu	1,055	–	–	1,055
Tian Suning	880	–	–	880
Zhang Juntong[1] [2]	4,022	107	–	4,129
Wang Jiazhi[1] [2]	3,981	107	–	4,088
Guo Dong[1] [2]	3,600	107	–	3,707
Wang Hang	730	–	–	730
Zhang Bo	690	–	–	690
Lu Zhongnan	725	–	–	725
Wang Yugui	725	–	–	725
Rao Jiming	665	–	–	665
Zhao Fugao	345	–	–	345

(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 5.

(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 2019 financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.7 Directors and Supervisors' emoluments (continued)

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	2,648	7,119
Zhang Hongwei	930	—	—	930
Lu Zhiqiang	915	—	—	915
Liu Yonghao	930	—	—	930
Zheng Wanchun[1] [2]	3,807	303	2,608	6,718
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	1,703	5,604
Wang Jiazhi[1] [2]	3,040	227	1,437	5,304
Guo Dong[1] [2]	2,852	193	1,246	4,291
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	1,626	4,584
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 9.

(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.

5 Notes to the consolidated financial statements (continued)

5.7 Directors and Supervisors' emoluments (continued)

For the year ended 31 December 2019, the five individuals with the highest emoluments are all 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.

5.8 Income tax expense

	2019	2018
Current tax for the year	15,310	8,157
Adjustment for prior years	136	(107)
Subtotal	15,446	8,050
Changes in deferred tax (Note 5.20)	(5,632)	405
Total	9,814	8,455

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

	Note	2019	2018
Profit before income tax		64,738	58,785
Income tax at the tax rate of 25%		16,185	14,696
Effect of non-taxable income	(i)	(6,811)	(6,747)
Effect of non-deductible expenses		287	466
Effect of adjustment for prior years		136	(107)
Others		17	147
Income tax expense		9,814	8,455

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.9 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 period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares and perpetual bonds in 2016 and 2019, respectively under the terms and conditions as detailed in Note 5.32 Preference Shares and Note 5.33 Perpetual Bonds are declared.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2019, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2019	2018
Net profit attributable to ordinary equity shareholders of the Bank	53,261	49,777
Weighted average number of ordinary shares in issue (in millions)	43,782	43,782
Basic/Diluted earnings per share (in RMB)	1.22	1.14

5 Notes to the consolidated financial statements (continued)

5.10 Cash and balances with central bank

	31 December 2019	31 December 2018
Cash	**5,762**	**6,984**
Balances with central bank		
Statutory deposit reserves	**321,808**	**334,453**
Surplus deposit reserves	**41,921**	**45,814**
Fiscal deposits and others	**1,519**	**1,877**
Subtotal	**365,248**	**382,144**
Interest accrued	**145**	**153**
Total	**371,155**	**389,281**

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

As at 31 December 2019 the statutory deposit reserve rate applicable to domestic branches of the Bank for RMB deposits is 9.5% (31 December 2018: 11.0%) and the reserve rate for foreign currency deposits is 5.0% (31 December 2018: 5.0%). 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.11 Balances with banks and other financial institutions

	31 December 2019	31 December 2018
Chinese mainland		
— Banks	29,657	25,564
— Other financial institutions	5,112	7,442
Subtotal	34,769	33,006
Overseas		
— Banks	18,088	18,516
— Other financial institutions	553	533
Subtotal	18,641	19,049
Interest accrued	116	203
Less: allowance for impairment losses	(346)	(104)
Total	53,180	52,154

For the year ended 31 December 2019 and 2018, the movements in carrying amount and the impairment loss allowances of balances with banks and other financial institutions between stages are insignificant.

5 Notes to the consolidated financial statements (continued)

5.12 Placements with banks and other financial institutions

	31 December 2019	31 December 2018
Chinese mainland		
— Banks	8,835	16,041
— Other financial institutions	198,540	188,590
Subtotal	207,375	204,631
Overseas		
— Banks	37,423	39,357
— Other financial institutions	3,799	2,105
Subtotal	41,222	41,462
Interest accrued	471	635
Less: allowance for impairment losses	(503)	(203)
Total	248,565	246,525

For the year ended 31 December 2019 and 2018, the movements in carrying amount and the impairment loss allowances of placements with banks and other financial institutions between stages are insignificant.

5.13 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 instruments 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.13 Derivatives (continued)

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

	31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
— Currency swaps	1,635,356	12,287	(12,504)
— Currency options	242,534	1,244	(769)
— Currency forwards	42,502	251	(248)
Subtotal		13,782	(13,521)
Interest rate derivatives			
— Interest rate swaps	1,807,599	794	(1,078)
Precious metal derivatives	134,309	16,471	(3,066)
Credit derivatives	2,170	6	(5)
Others	590	47	(123)
Total		31,100	(17,793)

	31 December 2018		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives			
— Currency swaps	1,406,375	15,092	(13,847)
— Currency options	166,808	1,171	(1,139)
— Currency forwards	66,739	343	(614)
Subtotal		16,606	(15,600)
Interest rate derivatives			
— Interest rate swaps	1,620,687	1,807	(461)
Precious metal derivatives	122,197	14,080	(1,934)
Commodity options	3,700	596	(3)
Extension options	5,000	—	—
Credit derivatives	137	3	—
Others	590	20	(2)
Total		33,112	(18,000)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.13 Derivatives (continued)

(2) Hedges

	Note	31 December 2019 Notional amount	Fair value Assets	Liabilities
Cash flow hedges				
— Currency swap contracts	(i)	1,430	—	(26)
Fair value hedges				
— Interest Rate swap	(ii)	8,094	—	(104)
Total			—	(130)

	Note	31 December 2018 Notional amount	Fair value Assets	Liabilities
Cash flow hedges				
— Currency swap contracts	(i)	6,478	60	(7)

(i) The Group uses foreign exchange swaps to hedge against exposures to cash flow variability primarily from foreign exchange risks of foreign bonds and foreign loans. For the year ended 31 December 2019 and for the year ended 31 December 2018, the fair value changes of cash flow hedging recognized in other comprehensive income accumulative profit or loss were not significant.

(ii) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the year ended 31 December 2019, there were no significant ineffectiveness to be recorded from the fair value hedges.

(3) Credit risk weighted amount

	31 December 2019	31 December 2018
Precious metal contracts	17,549	14,588
Exchange rate contracts	13,922	8,274
Interest rate contracts	1,774	1,633
Commodity option contracts	—	966
Other derivative contracts	55	76
Total	33,300	25,537

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.13 Derivatives (continued)

(3) Credit risk weighted amount (continued)

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.

5.14 Financial assets held under resale agreements

	Note	31 December 2019	31 December 2018
Bonds		**56,842**	**33,239**
Discounted bills		**6,307**	**2,110**
Others	(i)	**2,550**	**3,595**
Subtotal		**65,699**	**38,944**
Interest accrued		**109**	**251**
Less: allowance for impairment losses		**(9)**	**(5)**
Total		**65,799**	**39,190**

(i) Others are financial assets held under resale agreements of which the underlying assets were finance lease receivable.

For the year ended 31 December 2019 and 2018, the transfer of book value and the impairment loss allowances of financial assets held under resale agreements between stages are insignificant.

5 Notes to the consolidated financial statements (continued)

5.15 Loans and advances to customers

	Note	31 December 2019	31 December 2018
Measured at amortised cost:			
Corporate loans and advances			
— Corporate loans		1,902,459	1,727,890
Personal loans and advances			
Micro lending	(i)	455,358	415,564
— Residential mortgage		419,907	335,502
— Credit cards		445,881	393,249
— Others		91,778	86,230
Subtotal		1,412,924	1,230,545
Less: allowance for impairment losses		(82,475)	(71,216)
Subtotal		3,232,908	2,887,219
Measured at fair value through other comprehensive income:			
Corporate loans and advances			
Corporate loans		5,846	1,788
— Discounted bills		166,372	96,523
Subtotal		172,218	98,311
Interest accrued		25,301	22,742
Total		3,430,427	3,008,272

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.15 Loans and advances to customers (continued)

(1) Loans and advances to customers (excluded interest accrued) analysed by types of collateral

	31 December 2019		31 December 2018	
	Amount	(%)	Amount	(%)
Unsecured loans	793,364	22.75	725,263	23.72
Guaranteed loans	632,463	18.13	627,501	20.53
Loans secured by				
— tangible assets other than monetary assets	1,555,472	44.60	1,307,324	42.77
— monetary assets	506,302	14.52	396,658	12.98
Total	3,487,601	100.00	3,056,746	100.00

5 Notes to the consolidated financial statements (continued)

5.15 Loans and advances to customers (continued)

(2) Overdue loans (excluded interest accrued) analyzed by overdue period

	31 December 2019				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	10,755	10,419	1,400	1,124	23,698
Guaranteed loans	5,577	4,537	7,979	2,768	20,861
Loans secured by					
– Tangible assets other than monetary assets	4,049	5,646	6,685	2,783	19,163
– Monetary assets	2,262	3,234	581	748	6,825
Total	22,643	23,836	16,645	7,423	70,547
% of total loans and advances	0.65	0.68	0.48	0.21	2.02

	31 December 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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.15 Loans and advances to customers (continued)

(3) Changes in allowance for impairment losses

(a) Changes in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(18,914)	(21,229)	(31,073)	(71,216)
Transfer:				
to stage 1	(1,747)	1,342	405	—
to stage 2	1,119	(1,461)	342	—
to stage 3	351	3,312	(3,663)	—
Net charge	(6,329)	(3,662)	(49,679)	(59,670)
Write-offs	—	—	50,930	50,930
Recoveries of amounts previously written off	—	—	(3,618)	(3,618)
Others	(16)	(16)	1,131	1,099
Balance as at 31 December 2019	(25,536)	(21,714)	(35,225)	(82,475)

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(23,398)	(25,111)	(36,641)	(85,150)
Transfer:				
to stage 1	(3,313)	3,110	203	—
to stage 2	1,036	(1,381)	345	—
to stage 3	646	2,502	(3,148)	—
Net reversal/(charge)	6,115	(349)	(49,045)	(43,279)
Write-offs	—	—	58,421	58,421
Recoveries of amounts previously written off	—	—	(1,914)	(1,914)
Others	—	—	706	706
Balance as at 31 December 2018	(18,914)	(21,229)	(31,073)	(71,216)

5 Notes to the consolidated financial statements (continued)

5.15 Loans and advances to customers (continued)

(3) Changes in allowance for impairment losses (continued)

(b) Changes in allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income are as follows:

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(449)	—	(543)	(992)
Net charge	(540)	—	(640)	(1,180)
Balance as at 31 December 2019	(989)	—	(1,183)	(2,172)

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(295)	—	(365)	(660)
Net charge	(154)	—	(178)	(332)
Balance as at 31 December 2018	(449)	—	(543)	(992)

5.16 Financial investments

	Note	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss	(1)	528,338	381,093
Financial assets at fair value through other comprehensive income	(2)	512,888	461,693
Financial assets measured at amortised cost	(3)	1,143,079	1,127,231
Total		2,184,305	1,970,017

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.16 Financial investments (continued)

(1) Financial assets at fair value through profit or loss

		31 December 2019	31 December 2018
Held for trading purpose			
Debt securities			
Government		3,118	2,163
Policy banks		10,961	3,367
Banking and non-banking financial institutions		20,299	12,128
Corporates		80,939	73,536
Subtotal		115,317	91,194
Equity investments		7,681	5,422
Investment funds	(i)	91,872	44,092
Subtotal		214,870	140,708
Other financial assets at fair value through profit or loss			
Debt securities			
Corporates		470	277
Equity investments		13,590	7,914
Investment funds	(i)	33,926	12,767
Asset management plans	(ii)	84,001	160,391
Wealth management products	(iii)	178,201	58,871
Others		3,280	165
Subtotal		313,468	240,385
Total		528,338	381,093
Listed		127,465	89,415
— listed in Hong Kong		31,841	30,557
Unlisted		400,873	291,678
Total		528,338	381,093

5 Notes to the consolidated financial statements (continued)

5.16 Financial investments (continued)

(1) Financial assets at fair value through profit or loss (continued)

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

(i) As at 31 December 2019 and 2018, the funds include public bond funds and public currency funds.

(ii) As at 31 December 2019 and 2018, the underlying assets of asset management plans and trust beneficial rights managed by securities companies primarily include bill assets, interbank assets, credit assets and others (Note 10.2 (10)).

(iii) As at 31 December 2019 and 2018, the wealth management products primarily include principal-guaranteed wealth management products issued by other banks and non-principal-guaranteed wealth management products based on bonds or interbank borrowings.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.16 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income

	31 December 2019	31 December 2018
Debt securities		
Government	**120,161**	**91,878**
Policy banks	**76,294**	**40,156**
Banking and non-banking financial institutions	**160,622**	**199,038**
Corporates	**148,411**	**125,943**
Subtotal	**505,488**	**457,015**
Equity investments and others	**2,086**	**625**
Interest accrued	**5,314**	**4,053**
Total	**512,888**	**461,693**
Listed	**481,706**	**412,010**
— listed in Hong Kong	**51,726**	**46,756**
Unlisted	**25,868**	**45,630**
Interest accrued	**5,314**	**4,053**
Total	**512,888**	**461,693**

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the year ended 31 December 2019, dividend income of RMB76 million (RMB21 million for the year ended 31 December 2018) recognised for such equity investments was included in the profit or loss.

The impact of gain on disposal of other equity investments at fair value through other comprehensive income was not material for the year ended 31 December 2019 (Year ended 31 December 2018: Nil).

5 Notes to the consolidated financial statements (continued)

5.16 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income (continued)

Changes in allowance for impairment losses

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	**(1,310)**	**–**	**(197)**	**(1,507)**
Net charge	**283**	**–**	**131**	**414**
Others	**31**	**–**	**–**	**31**
Balance as at 31 December 2019	**(996)**	**–**	**(66)**	**(1,062)**

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	**(675)**	—	**(72)**	**(747)**
Net charge	**(622)**	—	**(125)**	**(747)**
Others	**(13)**	—	—	**(13)**
Balance as at 31 December 2018	**(1,310)**	—	**(197)**	**(1,507)**

As at 31 December 2019 and 2018, the financial assets at fair value through other comprehensive income included credit-impaired financial assets whose carrying amount was RMB68 million (31 December 2018: RMB225 million), with allowance for impairment losses of RMB66 million (31 December 2018: RMB197 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.16 Financial investments (continued)

(3) Financial assets measured at amortised cost

	Note	31 December 2019	31 December 2018
Debt securities			
Government		**713,332**	**727,868**
Policy banks		**10,502**	**14,729**
Banking and non-banking financial institutions		**104,491**	**97,837**
Corporates		**96,785**	**17,304**
Subtotal		**925,110**	**857,738**
Asset management plans and trust beneficial rights	(i)	**205,997**	**257,077**
Others		**3,323**	**1,367**
Interest accrued		**12,762**	**14,108**
Less: allowance for impairment losses		**(4,113)**	**(3,059)**
Total		**1,143,079**	**1,127,231**
Listed		**865,223**	**781,552**
— listed in Hong Kong		**883**	**7,659**
Unlisted		**269,207**	**334,630**
Interest accrued		**12,762**	**14,108**
Less: allowance for impairment losses		**(4,113)**	**(3,059)**
Total		**1,143,079**	**1,127,231**

(i) As at 31 December 2019, the underlying assets of asset management plans and trust beneficial rights managed by securities companies primarily include credit assets and interbank assets (Note 10.2 (10)).

5 Notes to the consolidated financial statements (continued)

5.16 Financial investments (continued)

(3) Financial assets measured at amortised cost (continued)

Changes in allowance for impairment losses

Group

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(1,352)	(204)	(1,503)	(3,059)
Transfer				
to stage 2	10	(10)		—
to stage 3	2	68	(70)	—
Net charge	(713)	(119)	(216)	(1,048)
Others	(1)	—	(5)	(6)
Balance as at 31 December 2019	(2,054)	(265)	(1,794)	(4,113)

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(1,837)	(50)	(466)	(2,353)
Transfer				
to stage 1	(30)	30	—	—
to stage 2	12	(12)	—	—
to stage 3	15	20	(35)	—
Net reversal/(charge)	477	(192)	(1,760)	(1,475)
Transfer out	16	—	770	786
Others	(5)	—	(12)	(17)
Balance as at 31 December 2018	(1,352)	(204)	(1,503)	(3,059)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.17 Long-term receivables

	31 December 2019	31 December 2018
Finance lease receivables	139,372	133,574
Less: unearned finance lease income	(18,836)	(19,105)
Present value of minimum finance lease receivables	120,536	114,469
Less: allowance for impairment losses	(3,943)	(3,645)
Total	116,593	110,824

(1) The present value of minimum finance lease receivables is analysed by the remaining terms as follows:

	Note	31 December 2019	31 December 2018
Less than 1 year		32,110	30,001
1 year to 2 years		27,034	31,270
2 years to 3 years		15,105	16,096
3 years to 5 years		10,642	12,871
More than 5 years		12,475	12,505
Indefinite	(i)	3,167	3,638
Total		120,536	114,469

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.17 Long-term receivables (continued)

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

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(913)	(2,184)	(548)	(3,645)
Transfer:				
to stage 2	5	(5)	—	—
to stage 3	—	516	(516)	—
Net charge	(143)	(66)	(301)	(510)
Write offs			125	125
Recoveries of amounts previously written off	—	—	(213)	(213)
Balance as at 31 December 2019	(1,051)	(1,739)	(1,153)	(3,943)

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(684)	(1,815)	(1,312)	(3,811)
Transfer:				
to stage 2	24	(24)	—	—
to stage 3	—	261	(261)	—
Net (charge)/reversal	(291)	(617)	277	(631)
Other movements	38	11	748	797
Balance as at 31 December 2018	(913)	(2,184)	(548)	(3,645)

5.18 Property and equipment

	31 December 2019	31 December 2018
Property and equipment	51,357	48,763
Disposal of property and equipment	8	2
Total	51,365	48,765

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.18 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress	Total
Original cost							
Balance as at 31 December 2018	18,060	4,677	8,891	506	31,354	3,846	67,334
Increase	728	377	487	24	4,283	471	6,370
CIP transfers	966	–	–	–	–	(966)	–
Decrease	(12)	(703)	(559)	(28)	(193)	(15)	(1,510)
Balance as at 31 December 2019	19,742	4,351	8,819	502	35,444	3,336	72,194
Accumulated depreciation							
Balance as at 31 December 2018	(3,769)	(2,924)	(6,773)	(405)	(4,494)	–	(18,365)
Increase	(600)	(654)	(797)	(35)	(1,436)	–	(3,522)
Decrease	4	692	527	26	37	–	1,286
Balance as at 31 December 2019	(4,365)	(2,886)	(7,043)	(414)	(5,893)	–	(20,601)
Impairment losses							
Balance as at 31 December 2018	–	–	–	–	(206)	–	(206)
Increase	–	–	–	–	(36)	–	(36)
Decrease	–	–	–	–	6	–	6
Balance as at 31 December 2019	–	–	–	–	(236)	–	(236)
Carrying amount							
Balance as at 31 December 2018	14,291	1,753	2,118	101	26,654	3,846	48,763
Balance as at 31 December 2019	15,377	1,465	1,776	88	29,315	3,336	51,357

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.18 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress	Total
Original cost							
Balance as 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 as at 31 December 2018	18,060	4,677	8,891	506	31,354	3,846	67,334
Accumulated depreciation							
Balance as 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 as at 31 December 2018	(3,769)	(2,924)	(6,773)	(405)	(4,494)	—	(18,365)
Impairment losses							
Balance as at 31 December 2017	—	—	—	—	(206)		(206)
Increase	—	—	—	—	(8)	—	(8)
Decrease	—	—	—	—	8	—	8
Balance as at 31 December 2018	—	—	—	—	(206)	—	(206)
Carrying amount							
Balance as at 31 December 2017	12,012	2,351	2,678	131	26,286	4,880	48,338
Balance as at 31 December 2018	14,291	1,753	2,118	101	26,654	3,846	48,763

As at 31 December 2019 and 31 December 2018, the Group did not have any property and equipment which were acquired by means of finance lease or temporarily idle or held for sale.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.18 Property and equipment (continued)

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

	31 December 2019	31 December 2018
Held in Chinese mainland		
on long-term lease (more than 50 years)	13	—
on medium-term lease (10–50 years)	16,012	14,177
on short-term lease (less than 10 years)	200	1,867
Total	16,225	16,044

As at 31 December 2019, there were still certain properties and buildings, with a carrying value of RMB848 million (31 December 2018: RMB1,315 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

5 Notes to the consolidated financial statements (continued)

5.19 Right-of-use assets

	Buildings	Motor vehicles	Land use right	Total
Original cost				
Balance as at 31 December 2018	—	—	4,484	4,484
Changes in accounting policies	10,986	353	—	11,339
Balance as at 1 January 2019	10,986	353	4,484	15,823
Increase	2,979	—	—	2,979
Decrease	(360)	—	—	(360)
Balance as at 31 December 2019	13,605	353	4,484	18,442
Accumulated depreciation/amortization				
Balance as at 31 December 2018	—	—	(920)	(920)
Changes in accounting policies	—	—	—	—
Balance as at 1 January 2019	—	—	(920)	(920)
Increase	(2,773)	(93)	(113)	(2,979)
Decrease	2	—	—	2
Balance as at 31 December 2019	(2,771)	(93)	(1,033)	(3,897)
Impairment losses				
Balance as at 31 December 2018	—	—	—	—
Changes in accounting policies	—	—	—	—
Balance as at 1 January 2019	—	—	—	—
Balance as at 31 December 2019	—	—	—	—
Carrying amount				
Balance as at 1 January 2019	10,986	353	3,564	14,903
Balance as at 31 December 2019	10,834	260	3,451	14,545

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.20 Deferred income tax assets and liabilities

(1) Deferred income tax items

	31 December 2019	31 December 2018
Deferred income tax assets	36,050	30,691
Deferred income tax liabilities	(125)	(123)
Total	35,925	30,568

5 Notes to the consolidated financial statements (continued)

5.20 Deferred income tax assets and liabilities (continued)

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

	31 December 2019		31 December 2018	
	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	38,462	153,848	31,079	124,316
Employee benefits payable	2,597	10,388	2,733	10,932
Fair value losses of derivatives	4,385	17,540	4,509	18,036
Financial assets at fair value through other comprehensive income	51	204	130	520
Financial assets at fair value through profit or loss	600	2,400	1,112	4,448
Others	254	1,016	308	1,232
Subtotal	46,349	185,396	39,871	159,484
Deferred income tax liabilities				
Fair value gains of derivatives	(7,775)	(31,100)	(8,256)	(33,024)
Financial assets at fair value through other comprehensive income	(814)	(3,256)	(609)	(2,436)
Financial assets at fair value through profit or loss	(1,553)	(6,212)	(315)	(1,260)
Others	(282)	(1,128)	(123)	(492)
Subtotal	(10,424)	(41,696)	(9,303)	(37,212)
Deferred income tax assets, net	35,925	143,700	30,568	122,272

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.20 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)

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
At 31 December 2018	**31,079**	**5,751**	**3,041**	**39,871**	**(9,303)**
Recognised in profit or loss	**7,383**	**(636)**	**(190)**	**6,557**	**(925)**
Recognised in other comprehensive income	**—**	**(79)**	**—**	**(79)**	**(196)**
At 31 December 2019	**38,462**	**5,036**	**2,851**	**46,349**	**(10,424)**
At 31 December 2017	**24,686**	**6,257**	**2,966**	**33,909**	**(4,812)**
Changes in accounting policies	**3,158**	**370**	**—**	**3,528**	**(126)**
At 1 January 2018	**27,844**	**6,627**	**2,966**	**37,437**	**(4,938)**
Recognised in profit or loss	**3,235**	**111**	**75**	**3,421**	**(3,826)**
Recognised in other comprehensive income	**—**	**(987)**	**—**	**(987)**	**(539)**
At 31 December 2018	**31,079**	**5,751**	**3,041**	**39,871**	**(9,303)**

5 Notes to the consolidated financial statements (continued)

5.21 Investment in subsidiaries and associates

(1) Directly held subsidiaries

	31 December 2019	31 December 2018
Minsheng Financial Leasing	2,600	2,600
CMBC International	2,494	2,494
Minsheng Royal Fund	190	190
Pengzhou Rural Bank	20	20
Cixi Rural Bank	107	35
Songjiang Rural Bank	70	70
Qijiang Rural Bank	30	30
Tongnan Rural Bank	25	25
Meihekou Rural Bank	169	26
Ziyang Rural Bank	172	172
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	74	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	6,634	6,396

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.21 Investment in subsidiaries and associates (continued)

(2) Basic information of directly held subsidiaries

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	Hong Kong 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	Zhejiang China	Commercial bank	RMB189 million	Limited company	64.68	64.68
Songjiang Rural Bank (i)	Shanghai China	Commercial bank	RMB150 million	Limited company	35.00	35.00
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	50.00	50.00
Meihekou Rural Bank	Jilin China	Commercial bank	RMB193 Million	Limited company	95.36	95.36
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	51.00	51.00
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Yidu Rural Bank	Hubei China	Commercial bank	RMB52.4 million	Limited company	51.00	51.00
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Limited company	51.00	51.00
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Limited company	51.00	51.00
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Limited company	51.00	51.00
Anxi Rural Bank	Fujian China	Commercial bank	RMB128 million	Limited company	57.99	57.99
Funing Rural Bank	Jiangsu China	Commercial bank	RMB85 million	Limited company	51.00	51.00
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	Limited company	51.00	51.00
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51.00	51.00
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51.00	51.00
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	Limited company	51.00	51.00
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Limited company	51.00	51.00
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Limited company	51.00	51.00
Linzhi Rural Bank	Tibet China	Commercial bank	RMB25 million	Limited company	51.00	51.00

(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) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the two parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

5 Notes to the consolidated financial statements (continued)

5.21 Investment in subsidiaries and associates (continued)

(3) Investment in associates

	31 December 2019	31 December 2018
Investment in associates	3	—

5.22 Other assets

	31 December 2019			31 December 2018		
	Gross balance	Allowance for impairment losses	Carrying amount	Gross balance	Allowance for impairment losses	Carrying amount
Prepayments for leased assets[1]	10,394	(57)	10,337	7,924	(97)	7,827
Repossessed assets[2]	9,978	(112)	9,866	10,631	(80)	10,551
Commission receivable	9,433	(11)	9,422	7,678	—	7,678
Items in the process of clearance and settlement	3,376	—	3,376	3,311	(9)	3,302
Investment properties	6,399	—	6,399	4,604	—	4,604
Interest receivable[3]	5,122	—	5,122	3,597	—	3,597
Land use right	N/A	N/A	N/A	3,564	—	3,564
Other receivables	2,346	(105)	2,241	2,845	(38)	2,807
Intangible assets[4]	1,256	—	1,256	1,192		1,192
Continuously involved assets	1,038	—	1,038	1,038	—	1,038
Prepayment	928	—	928	2,037	—	2,037
Goodwill[5]	206	—	206	201	—	201
Long-term deferred expenses	92	—	92	106	—	106
Others	9,828	(1,594)	8,234	11,570	(1,288)	10,282
Total	65,396	(1,879)	63,517	60,298	(1,512)	58,786

(1) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

Notes to the Consolidated Financial Statements (Continued)

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5 Notes to the consolidated financial statements (continued)

5.22 Other assets (continued)

(2) Repossessed assets

Repossessed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB1,505 million during the year ended 31 December 2019 (Year ended 31 December 2018: RMB1,377 million).

(3) Interest receivable

	31 December 2019	31 December 2018
Debt and other securities	**3,042**	**1,492**
Loans and advances to customers	**2,077**	**2,073**
Others	**3**	**32**
Total	**5,122**	**3,597**

(4) Intangible assets

	Year ended 31 December 2019	Year ended 31 December 2018
Cost		
Balance as at 1 January	**4,290**	**3,594**
Increase	**547**	**697**
Decrease	**—**	**(1)**
Balance as at 31 December	**4,837**	**4,290**
Accumulated amortization		
Balance as at 1 January	**(3,098)**	**(2,637)**
Increase	**(483)**	**(462)**
Decrease	**—**	**1**
Balance as at 31 December	**(3,581)**	**(3,098)**
Carrying amount		
Balance as at 1 January	**1,192**	**957**
Balance as at 31 December	**1,256**	**1,192**

5 Notes to the consolidated financial statements (continued)

5.22 Other assets (continued)

(5) Goodwill arising from CMBC Financial holdings

	31 December 2019	31 December 2018
At 1 January	**201**	**198**
Acquisition/(Disposal) of subsidiaries	**5**	**(6)**
Exchange difference	**—**	**9**
Gross amount	**206**	**201**
Impairment	**—**	**—**
Net amount	**206**	**201**

As at 31 December 2019 and 31 December 2018, the Group was not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

5.23 Deposits and placements from banks and other financial institutions

	31 December 2019	31 December 2018
Chinese mainland		
— Banks	**266,414**	**254,963**
— Other financial institutions	**785,393**	**726,295**
Overseas		
— Banks	**78,584**	**81,117**
— Other financial institutions	**27,557**	**22,863**
Subtotal	**1,157,948**	**1,085,238**
Interest accrued	**5,106**	**6,622**
Total	**1,163,054**	**1,091,860**

Notes to the Consolidated Financial Statements (Continued)

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5 Notes to the consolidated financial statements (continued)

5.24 Borrowings from banks and other financial institutions

	31 December 2019	31 December 2018
Credit borrowings	**108,572**	**102,955**
Secured borrowings		
— tangible assets other than monetary assets	**22,929**	**21,310**
Subtotal	**131,501**	**124,265**
Interest accrued	**794**	**778**
Total	**132,295**	**125,043**

As at 31 December 2019, the secured borrowings of RMB22,929 million (31 December 2018: RMB21,310 million) consisted of property and equipment of RMB14,040 million (31 December 2018: RMB15,261 million) and finance lease receivables of RMB14,059 million (31 December 2018: RMB14,182 million) and other assets of RMB4,073 million (31 December 2018: Nil) as collateral.

5.25 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2019	31 December 2018
Financial investments	**58,533**	**55,956**
Discounted bills	**42,905**	**33,408**
Including: bills rediscounted	**31,105**	**26,294**
Long-term receivables	**—**	**16**
Subtotal	**101,438**	**89,380**
Interest accrued	**267**	**307**
Total	**101,705**	**89,687**

5 Notes to the consolidated financial statements (continued)

5.26 Deposits from customers

	31 December 2019	31 December 2018
Demand deposits		
— Corporate deposits	**1,201,626**	**1,104,706**
— Personal deposits	**216,424**	**197,933**
Time deposits (including call and notice deposits)		
— Corporate deposits	**1,677,305**	**1,473,907**
— Personal deposits	**501,939**	**377,356**
Certificates of deposit	**4,446**	**10,444**
Outward remittance and remittance payables	**2,348**	**2,946**
Subtotal	**3,604,088**	**3,167,292**
Interest accrued	**32,946**	**27,149**
Total	**3,637,034**	**3,194,441**

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

	31 December 2019	31 December 2018
Pledged deposits for bank acceptances	**109,310**	**130,012**
Pledged deposits for letters of credit and guarantees	**21,243**	**55,284**
Other pledged deposits	**63,584**	**32,469**
Total	**194,137**	**217,765**

5.27 Lease liabilities

	31 December 2019
Lease liabilities	**10,420**

As at 31 December 2019, the Group did not include lease liabilities, but the items that will lead to future potential cash outflows include: the lease payments related to the lease contracts signed by the Group but not yet implemented were RMB80 million.

Notes to the Consolidated Financial Statements (Continued)

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5 Notes to the consolidated financial statements (continued)

5.28 Provisions

	31 December 2019	31 December 2018
Credit loss of off-balance-sheet assets	1,453	1,371
Litigation provision	150	—
Total	1,603	1,371

Movements of credit loss of off-balance-sheet assets are as follows:

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(1,335)	(33)	(3)	(1,371)
Transfer:				
to stage 1	(4)	4	—	—
to stage 2	4	(4)	—	—
to stage 3	3	1	(4)	—
Net (charge)/reversal	(52)	10	(17)	(59)
Other movements	(23)	—	—	(23)
Balance as at 31 December 2019	(1,407)	(22)	(24)	(1,453)

5 Notes to the consolidated financial statements (continued)

5.28 Provisions (continued)

As at 31 December 2018, movements of credit loss of off-balance-sheet assets are as follows:

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(1,791)	(442)	—	(2,233)
Transfer:				
to stage 1	(4)	4	—	—
to stage 2	3	(3)	—	—
to stage 3	1	1	(2)	—
Net reversal/(charge)	463	407	(1)	869
Other movements	(7)	—	—	(7)
Balance as at 31 December 2018	(1,335)	(33)	(3)	(1,371)

5.29 Debt securities issued

	Note	31 December 2019	31 December 2018
Certificates of interbank deposit		583,105	435,962
Financial bonds	(1)	94,983	114,951
Tier-two capital bonds	(2)	109,930	89,911
Medium-term notes	(3)	20,905	20,544
Subordinated bonds	(4)	3,996	3,995
Hybrid capital bonds	(5)	—	4,994
Subtotal		812,919	670,357
Interest accrued		4,306	4,166
Total		817,225	674,523

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.29 Debt securities issued (continued)

(1) Financial bonds

	Note	31 December 2019	31 December 2018
RMB40 billion — 3-year fixed rate financial bonds 2018	(i)	**39,994**	**39,990**
RMB30 billion — 3-year fixed rate financial bonds 2017	(ii)	**29,998**	**29,985**
RMB20 billion — 3-year fixed rate financial bonds 2018	(iii)	**19,997**	**19,995**
RMB4 billion — 3-year fixed rate financial bonds 2018	(iv)	**3,995**	**3,989**
RMB1 billion — 3-year fixed rate financial bonds 2017	(v)	**999**	**999**
RMB20 billion — 3-year fixed rate financial bonds 2016	(vi)	**—**	**19,993**
Total		**94,983**	**114,951**

(i). RMB40 billion worth of fixed-rate financial bonds were issued on 22 November 2018, with a term of three years, and a fixed coupon rate of 3.83% per annum.

(ii). RMB30 billion worth of fixed-rate financial bonds were issued on 7 March 2017, with a term of three years, and a fixed coupon rate of 4.00% per annum.

(iii). RMB20 billion worth of fixed-rate financial bonds were issued on 14 December 2018, with a term of three years, and a fixed coupon rate of 3.76% per annum.

(iv). RMB4 billion worth of fixed-rate financial bonds were issued on 22 May 2018, with a term of three years, and a fixed coupon rate of 4.90% per annum.

(v). RMB1 billion worth of fixed-rate financial bonds were issued on 8 August 2017, with a term of three years, and a fixed coupon rate of 4.50% per annum.

(vi). RMB20 billion worth of fixed-rate financial bonds were issued on 27 October 2016, with a term of three years, and a fixed coupon rate of 2.95% per annum.

5 Notes to the consolidated financial statements (continued)

5.29 Debt securities issued (continued)

(2) Tier-two capital bonds

	Note	31 December 2019	31 December 2018
RMB40 billion — 10-year fixed rate tier-two capital bonds 2019	(i)	**39,992**	—
RMB20 billion — 10-year fixed rate tier-two capital bonds 2015	(ii)	**19,986**	**19,983**
RMB20 billion 10 year fixed rate tier two capital bonds 2016	(iii)	**19,982**	**19,979**
RMB15 billion — 10-year fixed rate tier-two capital bonds 2017 1st tranche	(iv)	**14,985**	**14,983**
RMB15 billion — 10-year fixed rate tier-two capital bonds 2017 2nd tranche	(v)	**14,985**	**14,983**
RMB20 billion — 10-year fixed rate tier-two capital bonds 2014	(vi)	**—**	**19,983**
Total		**109,930**	**89,911**

(i) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued on 1 March 2019. 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 billion, a term of 10 years, and a fixed coupon rate of 5.40% per annum, were issued on 28 April 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 billion, a term of 10 years, and a fixed coupon rate of 3.60% per annum, were issued on 30 August 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 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued on 12 September 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 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued on 27 November 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.

(vi) Tier-two capital bonds with a nominal value of RMB20 billion, a term of 10 years, and a fixed coupon rate of 6.00% per annum, were issued on 18 March 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. The Bank has redeemed all the Tier-two capital bonds as at 20 March 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.29 Debt securities issued (continued)

(3) Medium-term notes

	Note	31 December 2019	31 December 2018
USD0.6 billion — 5-year medium-term notes 2018	(i)	**4,179**	**4,110**
USD0.5 billion — 3-year medium-term notes 2017	(ii)	**3,486**	**3,423**
USD0.45 billion — 3-year medium-term notes 2017	(iii)	**3,138**	**3,085**
USD0.45 billion — 3-year medium-term notes 2017	(iv)	**3,136**	**3,081**
USD0.4 billion — 3-year medium-term notes 2018	(v)	**2,786**	**2,737**
USD0.35 billion — 5-year medium-term notes 2017	(vi)	**2,439**	**2,398**
USD0.25 billion — 3-year medium-term notes 2017	(vii)	**1,741**	**1,710**
Total		**20,905**	**20,544**

(i) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued on 9 March 2018, with a term of 5 years. The coupon rate is 3.38%.

(ii) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued on 5 May 2017, with a term of 3 years. The coupon rate is 2.50%.

(iii) Medium-term notes with a nominal value of USD0.45 billion of medium-term notes were issued on 11 September 2017, with a term of 0 years. The coupon rate is 2.44%.

(iv) Medium-term notes with a nominal value of USD0.45 billion of medium-term notes were issued on 15 November 2017, with a term of 3 years. The coupon rate is 2.34%.

(v) Medium-term notes with a nominal value of USD0.4 billion of medium-term notes were issued on 9 March 2018, with a term of 3 years. The coupon rate is 3.50%.

(vi) Medium-term notes with a nominal value of USD0.35 billion of medium-term notes were issued on 11 September 2017, with a term of 5 years. The coupon rate is 2.54%.

(vii) Medium-term notes with a nominal value of USD0.25 billion of medium-term notes were issued on 15 November 2017, with a term of 3 years. The coupon rate is 2.88%.

5 Notes to the consolidated financial statements (continued)

5.29 Debt securities issued (continued)

(4) Subordinated bonds

	Note	31 December 2019	31 December 2018
RMB4 billion — 15-year subordinated fixed rate bonds 2011	(i)	**3,996**	**3,995**

(i) Subordinated bonds with a nominal value of RMB4 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, were issued on 18 March 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.

(5) Hybrid capital bonds

	Note	31 December 2019	31 December 2018
15-year hybrid capital fixed rate bonds 2009	(i)	**—**	**3,321**
15-year hybrid capital floating rate bonds 2009	(ii)	**—**	**1,673**
Total		**—**	**4,994**

(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 on 25 March 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. The Bank has redeemed all the Hybrid capital bonds on 25 March 2019.

(ii) Hybrid capital bonds with a nominal value of RMB1.675 billion, a term of 15 years and of floating-rate, were issued on 25 March 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 Bank has redeemed all the Hybrid capital bonds on 25 March 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.30 Other liabilities

	Note	31 December 2019	31 December 2018
Receipt in advance		**10,728**	**10,479**
Items in the process of clearance and settlement		**10,403**	**11,498**
Employee benefits payable	(1)	**10,663**	**11,130**
Other tax payable	(2)	**4,598**	**4,390**
Intermediate collection and payment		**2,869**	**3,897**
Continuously involved liabilities		**1,038**	**1,038**
Deferred fee and commission income		**875**	**387**
Payable for long-term assets		**733**	**750**
Accrued expenses		**585**	**702**
Guarantee deposits for finance lease		**326**	**327**
Others		**5,149**	**10,137**
Total		**47,967**	**54,735**

(1) Employee benefits payable

	01 January 2019	Increase	Decrease	31 December 2019
Short-term employee benefits				
— Salaries, bonuses and allowances	**10,731**	**20,020**	**(20,597)**	**10,154**
— Staff welfare fees	**–**	**2,169**	**(2,169)**	**–**
— Social insurance[a] and supplementary insurance	**86**	**1,282**	**(1,242)**	**126**
— Housing fund	**145**	**1,190**	**(1,175)**	**160**
— Labour union fee, staff and workers' education fee	**21**	**627**	**(620)**	**28**
Subtotal	**10,983**	**25,288**	**(25,803)**	**10,468**
Post-employment benefits-defined contribution plans				
— Basic pension insurance plans	**99**	**1,433**	**(1,414)**	**118**
— Unemployment insurance	**19**	**53**	**(52)**	**20**
— Annuity scheme	**29**	**977**	**(949)**	**57**
Subtotal	**147**	**2,463**	**(2,415)**	**195**
Total	**11,130**	**27,751**	**(28,218)**	**10,663**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.30 Other liabilities (continued)

(1) Employee benefits payable (continued)

	01 January 2018	Increase	Decrease	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[i] 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

(i) Social insurance includes medical insurance, maternity insurance and employment injury insurance.

(2) Other tax payable

	31 December 2019	31 December 2018
Value added tax	3,255	3,029
Others	1,343	1,361
Total	4,598	4,390

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.31 Share capital and capital reserve

	31 December 2019	31 December 2018
Ordinary shares listed in Chinese mainland (A shares)	35,462	35,462
Ordinary shares listed in Hong Kong (H shares)	8,320	8,320
Total shares	43,782	43,782

The Group's capital reserve of RMB57,411 million as at 31 December 2019 (31 December 2018: RMB57,470 million), mainly represents capital premium.

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

5.32 Preference shares

(1) Outstanding preference shares at 31 December 2019

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount million shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Overseas Preference Shares	14/12/2016	Equity	4.95%	USD20/Share	72	1,439	9,933	None	Mandatory	No
Total							9,933			
Less: Issue fees							(41)			
Book value							9,892			
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB100/Share	200	20,000	20,000	None	Mandatory	No
Total							20,000			
Less: Issue fees							(25)			
Book value							19,975			
Total							29,867			

5 Notes to the consolidated financial statements (continued)

5.32 Preference shares (continued)

(2) Overseas Preference Shares Main Clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

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

(c) Dividend stopper

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

(d) Order of distribution and liquidation method

This 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, holders of Perpetual Bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

5 Notes to the consolidated financial statements (continued)

5.32 Preference shares (continued)

(2) Overseas Preference Shares Main Clauses (continued)

(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.

(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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.32 Preference shares (continued)

(2) Overseas Preference Shares Main Clauses (continued)

(g) Dividend setting mechanism

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

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

(3) Domestic Preference Shares Main Clauses

(a) Dividend

The non-public offering of domestic preferred shares (the "Domestic Preference Shares") adopts the dividend rate that can be adjusted in stages, with 5 years as a dividend rate adjustment period, and within a dividend rate adjustment period, dividends are paid at the same dividend rate as agreed. The dividend rate for the first dividend rate adjustment period will be determined by enquiry. The dividend rate of the Domestic Preferred Shares issued this time shall not be higher than the annual weighted average return on net assets of the Group in the last two fiscal years. The nominal dividend rate includes two parts: the benchmark interest rate and the fixed premium. The fixed premium is the dividend rate determined at the time of issuance minus the benchmark interest rate at the time of issuance. Dividends are paid annually.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.32 Preference shares (continued)

(3) Domestic Preference Shares 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 and investors shall be informed in time.

(c) Dividend stopper

The Group will not pay dividends to the common shareholders unless the Group resolves to pay a full dividend on the current preferred shares.

(d) Order of distribution and liquidation method

The Domestic Preferred Shareholders have priority over the ordinary shareholders in the distribution of the group's remaining property, but the order of repayment is ranked after the depositors, general creditors and subordinated debts (including but not limited to subordinated debts, mixed capital bonds and secondary capital instruments).

(e) Mandatory conversion trigger events

If the core tier one capital adequacy ratio of the Group falls to 5.125% (or below), the Domestic Preferred Shares issued this time will be converted into A-share common shares in full or in part, so as to restore the core tier one capital adequacy ratio to more than 5.125%. In the case of partial conversion, all the Domestic Preferred Shares issued this time shall be converted to shares on the same conditions in proportion.

When the earlier of the following two situations occurs, the Domestic Preferred Shares issued this time will be converted into A-share common shares in full: 1) CBIRC determines that the group will not survive without the conversion; 2) the relevant departments determine that the Group will not survive without the public sector's capital injection or the support of the same effect.

5 Notes to the consolidated financial statements (continued)

5.32 Preference shares (continued)

(3) Domestic Preference Shares Main Clauses (continued)

(f) Redemption

With the prior approval of CBIRC, the Group may exercise the right of redemption under the following circumstances: (1) use the same or higher quality capital instruments to replace the redeemed Domestic Preferred Shares, and the Group's income ability is sustainable; (2) or the capital level after the exercise of the right of redemption is still significantly higher than the regulatory capital requirements specified by the banking regulatory authority under the State Council. The redemption price is the sum of the nominal amount and the dividend that has been resolved to be paid but has not been paid in the current period.

The Group has the right to redeem all or part of the Domestic Preferred Shares issued this time from the later 5 years of the Issuance Date (i.e. 15 October 2019) to the date of full conversion or full redemption.

(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 Domestic Preferred Shares holders are prioritised on dividend distribution over common shareholders.

The dividend of the Domestic Preferred Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preferred stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preferred stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.33 Perpetual Bonds

(1) Outstanding Perpetual Bonds at 31 December 2019

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount million shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Perpetual Bonds	30/05/2019	Equity	4.85%	100RMB/Share	400	40,000	40,000	None	No	No
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			

(2) Main Clauses

(a) Principal Amount

RMB40 billion.

(b) Maturity Date

The Notes will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Notes will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralised allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

5 Notes to the consolidated financial statements (continued)

5.33 Perpetual Bonds (continued)

(2) Main Clauses (continued)

(d) Conditional Redemption Rights of the Issuer

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Notes.

(e) Subordination

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Issuer that rank pari passu with the Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Noteholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Notes, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Notes do not have any step-up mechanism or any other incentive to redeem.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.33 Perpetual Bonds (continued)

(2) Main Clauses (continued)

(g) Put Option

Put Option is not applicable.

5.34 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under the 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.

The Bank appropriated RMB5,251 million statutory surplus reserve for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB4,997 million).

(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 appropriated RMB7,095 million of profits to the general reserve for the year ended 31 December 2019 (31 December 2018 did not appropriate).

5 Notes to the consolidated financial statements (continued)

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

(3) Retained earnings

As at 31 December 2019, the retained earnings included the statutory surplus reserve of RMB680 million contributed by the subsidiaries and attributable to the Bank (31 December 2018: RMB561 million).

5.35 Non-controlling interests

As at 31 December 2019, the non-controlling interests in the subsidiaries are RMB11,984 million (31 December 2018: RMB10,927 million).

5.36 Dividends

(1) Dividends for Ordinary Shares

The Board of Directors proposed the profit distribution plan for 2019 in the Meeting held on 30 March 2020. The cash dividends declared is RMB3.70 (before tax) for every 10 shares, amounting to a total dividend of RMB16,199 million, it is still subject to shareholders' approval.

The shareholders approved the cash dividend distribution plan for 2018 at the Annual General Meeting on 21 June 2019. The cash dividend declared was RMB3.45 (before tax) for every 10 shares. A total dividend of RMB15,105 million was based on total number of shares of 43,782 million as at 31 December 2018.

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 number of shares 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.36 Dividends (continued)

(1) Dividends for Ordinary Shares (continued)

The shareholders 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.

(2) 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 2019, dividend to be distributed amounts to RMB558 million (including tax), calculated at the initial annual pay-out 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 16 December 2019.

5.37 Investment revaluation reserve and cash flow hedging reserve

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 2019	**1,133**	**23**	**1,156**
Net changes in amount for the period	**686**	**(26)**	**660**
Retained earnings convert from investment revaluation reserve	**3**	**—**	**3**
As at 31 December 2019	**1,822**	**(3)**	**1,819**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.37 Investment revaluation reserve and cash flow hedging reserve (continued)

	Investment revaluation reserve	Cash flow hedging reserve	Total
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)
Net changes in amount for the period	4,401	26	4,427
As at 31 December 2018	1,133	23	1,156

5.38 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:

	31 December 2019	31 December 2018
Cash (Note 5.10)	5,762	6,984
Surplus deposit reserve with central bank (Note 5.10)	41,921	45,014
Original maturity within 3 months:		
— Balances with banks and other financial institutions	44,764	40,527
— Placements with banks and other financial institutions	52,203	44,701
Total	144,650	138,026

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.38 Notes to the consolidated cash flow statement (continued)

(2) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Equity		
Note 5	Debt securities issued 29	Interest payable on debt securities issued 29	Retained profits 34.3	Non-controlling interests 35	Total
Balance as at 1 January 2019	670,357	4,166	193,131	10,927	878,581
Cash flows from financing activities					
Proceeds from issue of debt securities	935,433	–	–	–	935,433
Interests paid on debt securities issued	–	(12,770)	–	–	(12,770)
Repayments of debt securities issued	(805,232)	–	–	–	(805,232)
Dividends paid	–	–	(15,174)	–	(15,174)
Net cash flows from financing activities	130,201	(12,770)	(15,174)	–	102,257
Total of other liability changes	12,361	12,910	–	–	25,271
Total of other equity changes	–	–	40,789	1,057	41,846
Balance as at 31 December 2019	812,919	4,306	218,746	11,984	1,047,955

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

5.38 Notes to the consolidated cash flow statement (continued)

(2) Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Liabilities		Equity		
	Debt securities issued	Interest payable on debt securities issued	Retained profits	Non-controlling interests	Total
Note 5	29	29	34.3	35	
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 of other liability changes	3,950	16,602	–	–	20,602
Total of other equity changes	–	–	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)

For the year ended 31 December 2019
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5 Notes to the consolidated financial statements (continued)

5.39 Transferred financial assets

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

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

During the period ended 31 December 2019, securitisation transactions of RMB19,980 million were transferred by the Group (During the period ended 31 December 2018: RMB32,449 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing loans

During the period ended 31 December 2019, the Group transferred non-performing loans through disposal to third parties, with gross loan balance of RMB21,257 million (During the period ended 31 December 2018: RMB35,319 million). The Group carried out an assessment and concluded that these transferred assets qualified for full de-recognition.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2019, the carrying amount of debt securities lent to counterparties was RMB3,425 million (31 December 2018: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

6 Contingent liabilities and commitments

6.1 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.

	31 December 2019	31 December 2018
Bank acceptances	542,571	518,408
Guarantees	160,266	136,864
Letters of credit	136,052	113,207
Unused credit card commitments	440,038	231,054
Finance lease commitments	689	3,193
Irrevocable loan commitments		
— original maturity date within 1 year	9,139	726
— original maturity date over 1 year (inclusive)	36,771	3,262
Total	1,325,426	1,006,714

The movements of credit loss of off-balance-sheet assets are set out in Note 5.28.

	31 December 2019	31 December 2018
Credit risk weighted amounts of credit commitments	359,161	432,578

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

6 Contingent liabilities and commitments (continued)

6.2 Capital commitments

	31 December 2019	31 December 2018
Contracted but not paid for	**1,020**	**18,400**

6.3 Collateral

(1) Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral under borrowings from banks and other financial institutions and repurchase agreements as follows:

	31 December 2019	31 December 2018
Financial investments	**58,533**	**55,195**
Loans		
— discounted bills	**42,905**	**33,399**
Finance lease receivables	**15,326**	**15,782**
Property and equipment	**15,172**	**15,272**
Balances with banks and other financial institutions	**306**	**414**
Others	**1,209**	**1,844**
Total	**133,451**	**121,906**

(2) Collateral accepted

The Group received debt securities and bills as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. The Group did not hold any collateral that can be resold or re-pledged as at 31 December 2019 and as at 31 December 2018.

6 Contingent liabilities and commitments (continued)

6.4 Underwriting of securities

	31 December 2019	31 December 2018
Medium and short-term finance bills	**260,315**	**205,209**

6.5 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 2019 was RMB2,239 million (31 December 2018: RMB2,779 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2019. With consideration of the professional advice, the Group's management accrued provisions for these litigation matters.

7 Interests in structured entities

7.1 Consolidated structured entities

Consolidated structured entities are mainly principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in financial assets at fair value through profit and loss and deposits from customers, respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

7 Interests in structured entities (continued)

7.2 Unconsolidated structured entities

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

Structured entities sponsored by third party institutions include asset-backed securities, wealth management products, asset management plans, trust beneficiary plans, funds and others and the Group does not consolidate these structured entities. The Group has no obligation or intention to provide financial support to these structured entities, and records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	31 December 2019			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	**2,083**	**115,332**	**121,054**	**238,469**
Wealth management products	**178,201**	**—**	**—**	**178,201**
Asset management plans	**84,001**	**61,073**	**—**	**145,074**
Trust beneficiary plans	**—**	**142,756**	**—**	**142,756**
Funds	**125,798**	**—**	**—**	**125,798**
Others	**3,280**	**—**	**—**	**3,280**
Total	**393,363**	**319,161**	**121,054**	**833,578**

7 Interests in structured entities (continued)

7.2 Unconsolidated structured entities (continued)

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

	31 December 2018			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset management plans	160,391	145,771	–	306,162
Asset-backed securities	4,864	6,695	130,165	141,724
Trust beneficiary plans	–	111,223	–	111,223
Wealth management products	58,871	–	–	58,871
Funds	56,859	–	–	56,859
Others	165	–	–	165
Total	281,150	263,689	130,165	675,004

The maximum exposures to loss in the above asset-backed securities, wealth management products, asset management plans, trust beneficiary plans, funds and others 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.

(2) Structured entities sponsored and/or managed by the Group which the Group does not consolidate but holds an interest

Unconsolidated structured entities primarily include non-principal-guaranteed wealth management products, funds, asset management plans and trust beneficiary plans sponsored and/or managed by the Group. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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7 Interests in structured entities (continued)

7.2 Unconsolidated structured entities (continued)

(2) Structured entities sponsored and/or managed by the Group which the Group does not consolidate but holds an interest (continued)

As at 31 December 2019, the balance of products held by the unconsolidated non-principal-guaranteed wealth management products, funds, asset management plans and trust beneficiary plans, which are sponsored and/or managed by the Group, are RMB894,098 million (31 December 2018: RMB850,704 million) and RMB291,533 million (31 December 2018: RMB446,314 million), respectively.

For the year ended 31 December 2019, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB5,159 million (For the year ended 31 December 2018: RMB9,258 million). As at 31 December 2019 and 31 December 2018, the carrying amounts of management fee receivables being recognised are not material in the statement of financial positions.

8 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 balance of investment fund under custodian by the Group was RMB625,566 million as at 31 December 2019 (31 December 2018: RMB527,521 million). The balance of corporate annuity funds under custodian by the Group was RMB587,766 million as at 31 December 2019 (31 December 2018: RMB243,990 million). And the Group's balances of entrusted loans were RMB224,853 million as at 31 December 2019 (31 December 2018: RMB281,073 million).

Notes to the Consolidated Financial Statements (Continued)

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9 Related parties

9.1 Related parties

(1) 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)

For the year ended 31 December 2019
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9 Related parties (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders

Company name	Registered location	31 December 2019 No. of Shares of the Bank held by the Company (per share)	31 December 2019 Proportion of the Bank held by the Company (%)	31 December 2018 No. of Shares of the Bank held by the Company (per share)	31 December 2018 Proportion of the Bank held by the Company (%)	Business (a)	Legal form	Legal representative
Dajia Life Insurance Inc. (i)	Beijing	7,810,214,889	17.84	7,352,284,689	16.79	Insurance business	Joint stock limited company	He Xiaofeng
Huaxia Life Insurance Co., Ltd.	Tianjin	1,375,763,341	3.14	2,148,793,436	4.91	Insurance business	Joint stock limited company	Li Fei
Oriental Group Co., Ltd.	Heilongjiang	1,280,117,123	2.92	1,280,117,123	2.92	Wholesaling	Joint stock limited company	Sun Mingtao
Orient Group Incorporation	Beijing	35,000,000	0.08	35,000,000	0.08	Commercial service	Limited company	Zhang Hongwei
China Oceanwide Holdings Group Co., Ltd.	Beijing	2,019,182,618	4.61	2,019,182,618	4.61	Commercial service	Joint stock limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	604,300,950	1.38	604,300,950	1.38	Investment holding	Limited company	(Note ii)
China Oceanwide International Investment Company Limited	Hong Kong	8,237,520	0.02	8,236,920	0.02	Investment holding	Limited company	(Note ii)
Long Prosper Capital Company Limited	British Virgin Islands	408,000,000	0.93	408,000,000	0.93	Investment holding	Limited company	(Note ii)
New Hope Liuhe Investment Co., Ltd.	Lhasa	1,828,327,362	4.18	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Lhasa	102,387,827	0.23	102,387,827	0.23	Retailing	Limited company	Li Jianxiong
Shanghai Giant Lifetech Co., Ltd.	Shanghai	1,379,679,587	3.15	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
China Shipowners Mutual Assurance Association	Shanghai	1,324,284,453	3.02	1,314,284,476	3.00	Insurance business	National Social groups	Song Chunfeng
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	Chongqing	1,066,550,036	4.06	707,010,456	1.60	Capital market service	Limited company	Liu Qingin
Chongqing International Trust Company Limited	Chongqing	139,863,786	0.32	135,910,661	0.31	Trust business	Joint stock limited company	Weng Zhenjie
Good First Group Co., Ltd.	Shanghai	544,300,026	1.24	594,300,026	1.36	Research and experimental development	Limited company	Wu Di
Chongqing Guotou Equity Investment Management Co., Ltd.	Chongqing	–	–	462,141,259	1.06	Commercial service	Limited company	Yu Xiaohua
Anbang Property & Casualty Insurance Co., Ltd.	Shenzhen	–	–	457,930,200	1.05	Insurance business	Joint stock limited company	He Xiaofeng

(i) At 28 Aug 2019, Anbang Life Insurance Inc. renamed to Dajia Life Insurance Inc. after CBIRC's approval, its controlling shareholder changes from Anbang Insurance Inc. to Dajia Insurance Inc.

9 Related parties (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(a) Particulars of principal operations

Dajia 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.

Oriental Group Co., Ltd.: Project investment, investment management, real estate development, import and export agency, import and export of goods, economic and trade consultation.

China Oceanwide Holdings Group Co., Ltd.: Finance, real property and investment management.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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9 Related parties (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(a) Particulars of principal operations (continued)

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 government), 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 pre-packaged 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.

Tsinghua 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).

9 Related parties (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(a) Particulars of principal operations (continued)

Chongqing International Trust Co. Ltd.: Fund trust, movable property trust, real estate trust, securities trust, other property or property rights trust; engaging in investment fund business as the sponsor of an investment fund or fund management company; operating enterprise assets restructuring, purchase and merger, project financing, corporate finance, financial advisory business; entrusting to conduct securities underwriting business approved by relevant departments under the state council; handling brokerage, consulting, credit investigation and other business; acting custody and safe deposit box business; using of inherent property by means of depositing, dismantling, lending, leasing and investment; providing security for others with inherent property; engaging in inter-bank lending; other businesses stipulated by laws and regulations or approved by the China banking and insurance regulatory commission (the above business scope includes local and foreign currency businesses).

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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9 Related parties (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are registered overseas, all the above companies are ultimately controlled by Lu Zhiqiang.

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	31 December 2019	31 December 2018
Dajia Life Insurance Inc.	RMB30,790 million	RMB30,790 million
Huaxia Life Insurance Co., Ltd.	RMB15,300 million	RMB15,300 million
Orient Group Incorporation	RMB3,715 million	RMB3,715 million
Oriental Group Co., Ltd.	RMB1,000 million	RMB1,000 million
China Oceanwide Holdings Group Co., Ltd.	RMB20,000 million	RMB20,000 million
Oceanwide International Equity	USD0.05 million	USD0.05 million
China Oceanwide International	HKD1,548 million	HKD1,548 million
Long Prosper Capital Company Limited	USD0.05 million	USD0.05 million
New Hope Liuhe Investment Co., Ltd.	RMB577 million	RMB577 million
South Hope Industrial Co., Ltd.	RMB1,034 million	RMB884 million
Shanghai Giant Lifetech Co., Ltd.	RMB245 million	RMB245 million
China Shipowners Mutual Assurance Association	RMB0.10 million	RMB0.10 million
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	RMB2,574 million	RMB2,574 million
Chongqing International Trust Co. Ltd.	RMB15,000 million	RMB15,000 million
Good First Group Co., Ltd.	RMB133 million	RMB133 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 5.21.

Notes to the Consolidated Financial Statements (Continued)

9 Related parties (continued)

9.2 Related party transactions

(1) 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.

(2) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	31 December 2019	31 December 2018
Anbang Property & Casualty Insurance Co., Ltd.	Pledged	18,000	–
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged & Guaranteed	7,516	7,536
Chongqing Cibi Business Information Consulting Co. Ltd. (i)	Pledged & Guaranteed	6,619	N/A
China Oceanwide Holdings Group	Pledged	4,275	–
Oceanwide Holding Co., Ltd.	Guaranteed	4,100	2,325
	Pledged	2,400	–
Wuhan Centre Building Development Investment Co., Ltd.	Collateralised	3,974	3,984
United Energy Group (Hong Kong) Limited.	Pledged & Guaranteed	3,838	–
Beijing Oceanwide Dongfeng Real Estate Co., Ltd.	Collateralised	3,675	4,310
Beijing Changrong Bank Investment Management Co., Ltd. (i)(ii)	Pledged	3,000	N/A
Orient Group Incorporation	Collateralised	2,585	2,604
Chengdu Hengjilong Real Estate Co., Ltd	Collateralised	1,550	1,503
Oriental Group Co., Ltd.	Pledged	798	300
	Guaranteed	500	–
Xiamen Rongyin Co., Ltd.	Pledged	786	488
	Collateralised	91	220
China Tonghai International Financial Limited	Guaranteed	717	877
Chongqing Yujinyue Real Estate Development Co., Ltd	Collateralised	700	–
SHR FSST, LLC	Collateralised	698	688
Tianjin Haihui Real Estate Development Co., Ltd.	Collateralised	680	60
Xiamen Jingding Sports Culture Development Co., Ltd.	Collateralised	560	621
Zhangzhou Tangcheng Real Estate Co., Ltd	Collateralised	436	–
Alxa Fengwei Photoelectric Co., Ltd.	Pledged	333	371
	Guaranteed	96	148
Giant Network Group Co. Ltd.	Guaranteed	387	–
Changhai Jianjiu Biotechnology Co., Ltd.	Guaranteed	350	351
Xiamen Dazu Real Estate Development Co., Ltd.	Collateralised	350	401
Sichuan Guida Industrial Co., Ltd.	Collateralised	280	451

Notes to the Consolidated Financial Statements (Continued)

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9 Related parties (continued)

9.2 Related party transactions (continued)

(2) Loans to related parties (continued)

	Types of collateral	31 December 2019	31 December 2018
Sichuan Hope Education Industry Group Co. Ltd.	Pledged	250	–
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	150	150
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	150	150
Grassroots Joint Venture Capital (Beijing) Co. Ltd. (i)	Pledged & Guaranteed	150	N/A
Xiamen University Electronic Information Technology Co. Ltd.	Pledged	130	–
Chengdu New Hope Real Estate Co., Ltd.	Collateralised	110	188
Shanghai Songjiang Water Company	Guaranteed	104	92
Inner Mongolia Qinghua Group New Energy Photovoltaic Co., Ltd.	Guaranteed	70	110
	Pledged	59	60
Oriental Group Cereals, Oils and Foodstuffs Co. Ltd.	Pledged	50	–
Chongqing Yufu Highway Co., Ltd.	Pledged	13	20
RPFCBIDCO PTY LIMITED	Pledged	–	484
Guangxi Tanggui Investment Co., Ltd.	Collateralised	–	189
Xiamen Hongfu Trading Co., Ltd.	Guaranteed	–	265
Xinjiang Oriental Hope Nonferrous Metals Co., Ltd.	Pledged	–	100
HopeSenlan Science & Technology Co., Ltd.	Guaranteed	–	30
Sichuan Hope Shenlan Energy and Chemical Co., Ltd.	Guaranteed	–	30
Good First Group Co., Ltd.	Pledged	–	123
Legend Holdings Ltd. (iii)	Guaranteed	N/A	1,202
Yuanyang Langji Real Estate Co., Ltd. (iii)	Collateralised	N/A	432
Gemdale (group) Co. Ltd. (iii)	Guaranteed	N/A	200
Sino-Ocean Real Estate (Hong Kong) Holding Limited. (iii)	Credit	N/A	191
Hebei Sulong Photovoltaic Power Generation Co., Ltd. (iii)	Collateralised	N/A	104
Individuals (ii)	Collateralised	543	14
	Guaranteed	24	3
Total		71,097	31,375
Ratio to similar transactions (%)		2.00	1.04

(i) As at 31 December 2018, these entities were not related parties of the Group.

(ii) In accordance with regulatory policies or under regulatory requirements, the Group incorporates Beijing Changrong Heyin Investment Management Co., Ltd., Senior Management of branches, people who have the power to decide or participate in the bank's credit and asset transfer and their relatives as the Group's related party since 2019.

(iii) As at 31 December 2019, these entities were no longer related parties of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (continued)

9.2 Related party transactions (continued)

(2) Loans to related parties (continued)

Amount of transactions:

	2019	2018
Interest income from loans	2,081	557
Ratio to similar transactions (%)	1.28	0.24

As at 31 December 2019, none of the above loans is found to be Lifetime ECL credit-impaired (31 December 2018: Nil).

(3) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	31 December 2019		31 December 2018	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Placements with banks and other financial institutions	350	0.14	5,037	2.04
Financial assets measured at amortised cost	2,883	0.25	4,136	0.37
Financial assets at fair value through other comprehensive income	1,725	0.34	1,810	0.39
Long-term receivables	244	0.21	244	0.22
Balances with banks and other financial institutions	–	–	401	0.77
Financial assets at fair value through the profit or loss	–	–	78	0.02
Financial assets held under resale agreements	–	–	35	0.09
Deposits and placements from banks and other financial institutions	11,996	1.17	3,397	0.01
Deposits from customers	88,922	2.44	10,516	0.12

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (continued)

9.2 Related party transactions (continued)

(3) Other transactions with related parties (continued)

Amount of transactions for the reporting period:

	2019		2018	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	228	0.09	393	0.17
Interest expense	1,700	0.68	255	0.16
Fee and commission income (i)	283	0.50	88	0.17
Operating expenses	299	0.60	489	1.00

(i) Mainly from sales agency insurance product activities between the Group with Dajia Insurance Inc. and its subsidiaries and with Huaxia Life Insurance Co., Ltd., respectively.

Balance outstanding of off-balance-sheet assets as at the end of the reporting period:

	31 December 2019		31 December 2018	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	2,733	0.49	2,948	0.65
Guarantees	2,313	1.45	3,468	3.03
Letters of credit	365	0.27	633	0.56
Unused credit card commitments	13	0.01	12	0.01

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (continued)

9.2 Related party transactions (continued)

(3) Other transactions with related parties (continued)

Loans collateralised by related parties at the end of the reporting period:

	31 December 2019	31 December 2018
Loans collateralised by related parties	**53,430**	**24,469**
Ratio to similar transactions (%)	**1.56**	**0.81**

None of the above related party transactions has a material impact on the Group's profit or loss for the year ended 31 December 2019 and for the year ended 31 December 2018.

(4) 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 year ended 31 December 2019 and for the year ended 31 December 2018.

(5) 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 RMB55.32 million as at 31 December 2019 (31 December 2018: RMB5 million), which have been included in the above loans granted to related parties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (continued)

9.2 Related party transactions (continued)

(5) Transactions with key management personnel (continued)

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB108 million for the year ended 31 December 2019 (2018: RMB135 million, the related salaries and benefits were restated in accordance with the Supplementary Announcement Regarding the Senior Management's Emoluments 2018 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 RMB46 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2018: RMB54 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 totalled to RMB10 million in 2019.

The total pre-tax compensation in 2019 for the executive director, chairman of the board of supervisors, vice chairman of the board of supervisors and Senior Management of the Bank performing their duties at full salary is subject to the approval of the compensation and appraisal committee of the board of directors. After approval, the Bank will disclose separately. Unpaid remuneration is not expected to have a material impact on the Group's and the Bank's financial statements for 2019.

9 Related parties (continued)

9.2 Related party transactions (continued)

(6) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	31 December 2019	31 December 2018
Placements with banks and other financial institutions	23,188	17,730
Loans and advances to customers	1,789	3,019
Other assets	1,500	2,199
Deposits and placements from banks and other financial institutions	7,940	6,689
Deposits from customers	258	1,422
Other liabilities	1,526	1,967

Amount of transactions for the reporting period:

	2019	2018
Interest income	855	876
Interest expense	873	216
Fee and commission income	100	128
Operating expenses	186	348

For the year ended 31 December 2019, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 31 December 2019, the balance of the above transactions was RMB713 million (31 December 2018: RMB747 million).

The balance and amount with the subsidiaries and inter-subsidiaries have been offset in the statement of financial position, income statement and off-balance-sheet items.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management

10.1 Financial risk management overview

In accordance with the Comprehensive Risk Management Framework of COSO and with the Comprehensive Risk Management Guidelines of CBIRC, risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

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"), CMBC International Holding Ltd. ("CMBC International") and 29 Rural banks. These subsidiaries are responsible for financial risk management in their respective businesses as separate entities. The financial risk arising from commercial banking was the most significant risk for the Group's operations. The Group formulated the "Administrative Measures of Subsidiaries of China Minsheng Banking Corporation Limited on Comprehensive Risk Management" to further enhance the risk management of these subsidiaries.

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 quota management, to improve risk quantification tools and information systems, to establish control mechanisms and to improve risk management covering the entire process. Meanwhile, to re-examine and optimise the preference transmission mechanism, risk policy, portfolio management, systems and tools based on execution to ensure preferences and policies have been implemented to 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 up the Bank's overall risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing its effectiveness. In accordance with the risk management strategy, the Bank's Senior Management formulates and promotes the corresponding risk management policies.

The Development and Planning Department under the Bank's Senior Management is responsible for the routine management of subsidiaries, to establish and optimise the risk management framework at Group level gradually.

10 Financial risk management (continued)

10.2 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 credit risk. 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 Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, faulty asset professional management and collecting and other major methods for credit risk management.

(1) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (continued)

10.2 Credit risk (continued)

(1) Credit risk measurement (continued)

(a) Loans and credit commitments (continued)

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

Pass:	The borrower can fulfil 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.
Sub-standard:	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 cannot 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.

(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.

10 Financial risk management (continued)

10.2 Credit risk (continued)

(2) 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 monitor actual risk exposures on a daily basis 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (continued)

10.2 Credit risk (continued)

(2) 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.

10 Financial risk management (continued)

10.2 Credit risk (continued)

(2) 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)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (continued)

10.2 Credit risk (continued)

(3) Expected Credit Loss ("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 amortised cost or at fair value through other comprehensive income, as well as its loan commitments and financial guarantee contracts.

(a) 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.

10 Financial risk management (continued)

10.2 Credit risk (continued)

(3) Expected Credit Loss ("ECL") measurement (continued)

(b) 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.

(c) 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;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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10 Financial risk management (continued)

10.2 Credit risk (continued)

(3) Expected Credit Loss ("ECL") measurement (continued)

(c) Definition of credit-impaired financial asset (continued)

— The debtor will probably enter bankruptcy or another 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.

(d) 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;

10 Financial risk management (continued)

10.2 Credit risk (continued)

(3) Expected Credit Loss ("ECL") measurement (continued)

(d) Parameters for ECL measurement (continued)

— LGD is expressed as a percentage loss per unit of EAD. LGD varies by types 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.

(e) 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. In 2019, the positive, neutral and negative scenarios are of comparable weighting.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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10 Financial risk management (continued)

10.2 Credit risk (continued)

(4) Maximum credit risk exposure

The following table presents the Group'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.

	31 December 2019	31 December 2018
Balances with central bank	**365,393**	**382,297**
Balances with banks and other financial institutions	**53,180**	**52,154**
Derivative financial assets	**31,100**	**33,112**
Placements with banks and other financial institutions	**248,565**	**246,525**
Financial assets held under resale agreements	**65,799**	**39,190**
Loans and advances to customers	**3,430,427**	**3,008,272**
Financial investments		
— Financial assets at fair value through profit or loss	**381,269**	**310,733**
— Financial assets at fair value through other comprehensive income	**510,802**	**461,068**
— Financial assets measured at amortised cost	**1,143,079**	**1,127,231**
Long-term receivables	**116,593**	**110,824**
Other financial assets	**45,698**	**38,568**
Total	**6,391,905**	**5,809,974**
Off-balance sheet credit commitments	**1,325,426**	**1,006,714**
Maximum credit risk exposure	**7,717,331**	**6,816,688**

10 Financial risk management (continued)

10.2 Credit risk (continued)

(5) Analysis on the credit quality of financial instruments

As at 31 December 2019, the credit risk stages of financial instruments at fair value through other comprehensive income, and financial instruments at amortised cost are as followed:

	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	371,155	–	–	371,155	–	–	–	–
Balances with banks and other financial institutions	52,804	–	722	53,526	(118)	–	(228)	(346)
Placements with banks and other financial institutions	247,868	1,200	–	249,068	(178)	(325)	–	(503)
Financial assets held under resale agreements	65,808	–	–	65,808	(9)	–	–	(9)
Loans and advances to customers								
– Corporate loans and advances	1,953,671	112,539	30,545	2,096,755	(17,134)	(16,632)	(17,065)	(50,831)
Personal loans and advances	1,371,830	18,078	26,230	1,416,147	(9,301)	(6,082)	(10,343)	(33,816)
Financial investments	1,642,548	4,399	11,047	1,657,994	(3,050)	(265)	(1,860)	(5,175)
Long-term receivables	111,696	6,521	2,019	120,536	(1,051)	(1,739)	(1,151)	(3,941)
Credit commitments	1,322,714	1,355	1,357	1,325,426	(1,407)	(22)	(24)	(1,453)

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10 Financial risk management (continued)

10.2 Credit risk (continued)

(5) Analysis on the credit quality of financial instruments (continued)

As at 31 December 2018, the credit risk stages of financial instruments at fair value through other comprehensive income, and financial instruments at amortised cost are as followed:

	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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	1,710,264	107,458	28,270	1,845,992	(11,593)	(16,311)	(11,477)	(39,381)
– Personal loans and advances	1,189,668	16,644	27,184	1,233,496	(7,770)	(4,918)	(20,139)	(32,827)
Financial investments	1,581,937	2,141	7,280	1,591,358	(2,662)	(204)	(1,700)	(4,566)
Long-term receivables	103,457	9,959	1,053	114,469	(913)	(2,184)	(548)	(3,645)
Credit commitments	1,005,533	1,082	99	1,006,714	(1,335)	(33)	(3)	(1,371)

10 Financial risk management (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers

Loans and advances to customers (excluded interest accrued) are as following:

	31 December 2019	31 December 2018
Stage 1		
Unsecured loans	760,159	698,924
Guaranteed loans	552,161	552,999
Loans secured by		
Tangible assets other than monetary assets	1,504,295	1,254,974
Monetary assets	483,594	370,293
Subtotal	3,300,209	2,877,190
Stage 2		
Unsecured loans	18,843	15,043
Guaranteed loans	59,096	50,019
Loans secured by		
Tangible assets other than monetary assets	34,575	36,423
Monetary assets	18,103	22,617
Subtotal	130,617	124,102
Stage 3		
Unsecured loans	14,362	11,296
Guaranteed loans	21,206	24,483
Loans secured by		
Tangible assets other than monetary assets	16,602	15,927
Monetary assets	4,605	3,748
Subtotal	56,775	55,454
Total	3,487,601	3,056,746
Credit-impaired loans secured by collateral	13,262	9,416

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10 Financial risk management (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

Loans and advances to customers (excluded interest accrued) analysed by industries are as following:

	31 December 2019		31 December 2018	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Real estate	476,199	13.66	387,942	12.69
Leasing and commercial services	442,883	12.70	344,669	11.28
Manufacturing	284,055	8.14	305,767	10.00
Wholesale and retail	177,685	5.09	185,485	6.07
Financial services	138,039	3.96	85,139	2.79
Water, environment and public utilities management	122,282	3.51	101,924	3.33
Mining	110,152	3.16	117,374	3.84
Construction	106,783	3.06	94,069	3.08
Transportation, storage and postal service	77,031	2.21	69,469	2.27
Production and supply of electric power, heat, gas and water	55,151	1.58	48,948	1.60
Accommodation and catering	11,858	0.34	10,079	0.33
Agriculture, forestry, animal husbandry and fishery	10,225	0.29	13,916	0.46
Public administration, social security and social organisations	8,376	0.24	7,379	0.24
Others	53,958	1.55	54,041	1.76
Subtotal	2,074,677	59.49	1,826,201	59.74
Personal loans and advances	1,412,924	40.51	1,230,545	40.26
Total	3,487,601	100.00	3,056,746	100.00

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10 Financial risk management (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

Loans and advances to customers (excluded interest accrued) by geographical area are as following:

	31 December 2019		31 December 2018	
	Amount	(%)	Amount	(%)
Head Office	474,612	13.61	415,340	13.60
Yangtze River Delta	841,123	24.12	720,860	23.58
Pearl River Delta	465,618	13.35	429,622	14.05
Bohai Rim	564,343	16.18	496,998	16.26
North-eastern Region	89,488	2.57	84,037	2.75
Central Region	451,441	12.94	399,716	13.08
Western Region	519,713	14.90	442,186	14.47
Overseas and subsidiaries	81,363	2.33	67,978	2.22
Total	3,487,601	100.00	3,056,746	100.00

(7) Loans and advances restructured

Restructuring is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, restructured 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 restructures a non-performing loan only if the borrower has good prospects. In addition, prior to approving the restructuring of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Restructured loans amounted to RMB16,860 million as at 31 December 2019 (31 December 2018: RMB18,978 million).

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

	31 December 2019	31 December 2018
Loans and advances to customers	2,176	1,827
% of total loans and advances	0.06	0.06

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For the year ended 31 December 2019
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10 Financial risk management (continued)

10.2 Credit risk (continued)

(8) 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.

	31 December 2019	31 December 2018
Impaired loans and advances	722	97
Less: allowance for impairment losses	(228)	(97)
Subtotal	494	–
Neither past due nor credit-impaired:		
Grade A to AAA	295,879	256,762
Grade B to BBB	66,074	60,928
Unrated	5,031	19,305
Total	366,984	336,995
Interest accrued	696	1,089
Less: allowance for impairment losses	(630)	(215)
Subtotal	367,050	337,869
Total	367,544	337,869

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.

10 Financial risk management (continued)

10.2 Credit risk (continued)

(9) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	31 December 2019					
	Unrated	AAA	AA	A	Lower than A	Total
With credit impaired						
– Banking and non-banking financial institutions	10,673	–	–	–	–	10,673
– Corporates	374	–	–	–	–	374
Subtotal	11,047	–	–	–	–	11,047
Less: the credit losses of financial assets measured at amortised cost						(1,794)
Subtotal						9,253
Not impaired						
– Government	543,968	292,643	–	–	–	836,611
– Policy banks	96,474	575	–	709	–	97,758
– Banking and non-banking financial institutions	545,432	121,266	13,535	46,601	17,063	743,897
– Corporates	96,391	169,692	31,611	7,259	26,921	331,874
Subtotal	1,282,265	584,176	45,146	54,569	43,984	2,010,140
Interest accrued						18,076
Less: the expected credit losses of financial assets measured at amortised cost						(2,319)
Subtotal						2,025,897
Total						2,035,150

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (continued)

10.2 Credit risk (continued)

(9) Distribution of debt instruments analysed by issuers and rating (continued)

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	31 December 2018					
	Unrated	AAA	AA	A	Lower than A	Total
With credit impaired						
– Banking and non-banking financial institutions	6,958	–	–	–	–	6,958
– Corporates	234	–	–	–	88	322
Subtotal	7,192	–	–	–	88	7,280
Less: the credit losses of financial assets measured at amortised cost						(1,503)
Subtotal						5,777
Not impaired						
– Government	529,511	240,919	137	51,341	–	821,908
– Policy banks	40,090	9,590	150	7,115	1,308	58,253
– Banking and non-banking financial institutions	583,041	154,335	6,194	21,392	14,782	779,744
– Corporates	78,560	96,323	9,797	5,765	26,300	216,745
Subtotal	1,231,202	501,167	16,278	85,613	42,390	1,876,650
Interest accrued						10,161
Less: the expected credit losses of financial assets measured at amortised cost						(1,556)
Subtotal						1,893,255
Total						1,899,032

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (continued)

10.2 Credit risk (continued)

(10) Investments classified as asset management plans and trust beneficial rights analysed by type of underlying assets

	31 December 2019	31 December 2018
Asset management plans and trust beneficial rights		
Credit assets	207,864	211,020
Rediscounted bills	71,843	148,172
Interbank assets	—	51,410
Others	8,123	6,783
Total	287,830	417,385

The Group includes asset management plans and trust beneficial rights into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral and pledge.

10.3 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (continued)

10.3 Market risk (continued)

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.

(1) Market risk measurement techniques

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

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

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, and value at risk (VaR).

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.

10 Financial risk management (continued)

10.3 Market risk (continued)

(1) Market risk measurement techniques (continued)

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) 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 manages 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 manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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10 Financial risk management (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

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

	31 December 2019				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	330,456	40,261	229	209	371,155
Balances with banks and other financial institutions	31,357	18,794	1,014	2,015	53,180
Placements with banks and other financial institutions	199,318	35,123	8,242	5,882	248,565
Financial assets held under resale agreements	65,799	–	–	–	65,799
Loans and advances to customers	3,256,901	117,744	37,048	18,734	3,430,427
Financial investments	2,036,310	127,705	6,789	13,501	2,184,305
Long-term receivables	87,328	29,265	–	–	116,593
Other assets	155,513	38,992	2,092	15,220	211,817
Total assets	6,162,982	407,884	55,414	55,561	6,681,841
Liabilities:					
Borrowings from central bank	198,843	–	–	–	198,843
Deposits and placements from banks and other financial institutions	1,035,669	96,254	17,152	13,979	1,163,054
Borrowings from banks and other financial institutions	73,513	56,340	2,442	–	132,295
Financial assets sold under repurchase agreements	88,259	11,112	–	2,334	101,705
Deposits from customers	3,456,331	156,249	14,077	10,377	3,637,034
Debt securities issued	795,962	21,263	–	–	817,225
Lease liabilities	10,068	237	114	1	10,420
Other liabilities	83,588	5,702	898	248	90,436
Total liabilities	5,742,233	347,157	34,683	26,939	6,151,012
Net position	420,749	60,727	20,731	28,622	530,829
Foreign currency derivatives	(93)	1,160	(39)	–	1,028
Off-balance sheet credit commitments	1,287,353	30,512	1,794	5,767	1,325,426

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For the year ended 31 December 2019
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10 Financial risk management (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

	31 December 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 and placements from banks and other financial institutions	965,652	105,781	7,031	13,396	1,091,860
Borrowings from banks and other financial institutions	73,960	47,795	3,288	–	125,043
Financial assets sold under repurchase agreements	81,067	8,065	–	555	89,687
Deposits from customers	2,993,570	174,166	14,996	11,709	3,194,441
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

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10 Financial risk management (continued)

10.3 Market risk (continued)

(2) 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 2019, 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 RMB826 million (31 December 2018: increase by RMB138 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 RMB826 million (31 December 2018: decrease by RMB138 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains 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;

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10 Financial risk management (continued)

10.3 Market risk (continued)

(2) 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.

(3) 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)

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10 Financial risk management (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

The following tables present the Group'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).

	31 December 2019					
	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	365,248	–	–	–	5,907	371,155
Balances with banks and other financial institutions	48,864	4,200	–	–	116	53,180
Placements with banks and other financial institutions	87,593	149,111	11,390	–	471	248,565
Financial assets held under resale agreements	62,204	3,486	–	–	109	65,799
Loans and advances to customers	2,326,182	583,392	383,625	112,174	25,054	3,430,427
Financial investment	435,701	426,265	1,039,163	241,350	41,826	2,184,305
Long-term receivables	116,593	–	–	–	–	116,593
Other assets	–	–	–	–	211,817	211,817
Total assets	3,442,385	1,166,454	1,434,178	353,524	285,300	6,681,841
Liabilities:						
Borrowings from central bank	125	196,810	–	–	1,908	198,843
Deposits and placements from banks and other financial institutions	872,433	283,515	2,000	–	5,106	1,163,054
Borrowings from banks and other financial institutions	39,429	58,817	20,991	12,264	794	132,295
Financial assets sold under repurchase agreements	77,651	23,727	60	–	267	101,705
Deposits from customers	2,560,332	605,982	437,724	50	32,946	3,637,034
Debt securities issued	306,176	319,427	73,390	113,926	4,306	817,225
Lease liabilities	687	1,990	6,236	1,507	–	10,420
Other liabilities	729	–	–	3,213	86,494	90,436
Total liabilities	3,857,562	1,490,268	540,401	130,960	131,821	6,151,012
Interest rate repricing gap	(415,177)	(323,814)	893,777	222,564	153,479	530,829

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
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10 Financial risk management (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

	31 December 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	302,297	–	–	–	6,904	309,201
Balances with banks and other financial institutions	44,938	6,673	643	–	–	52,154
Placements with banks and other financial institutions	65,670	156,307	24,540	–	–	246,525
Financial assets held under resale agreements	37,862	1,328	–	–	–	39,190
Loans and advances to customers	2,371,409	346,628	228,890	61,345	–	3,008,272
Financial investment	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 and placements from banks and other financial institutions	831,636	256,795	3,429	–	–	1,091,860
Borrowings from banks and other financial institutions	60,011	52,602	17,757	10,293	–	125,043
Financial assets sold under repurchase agreements	86,388	1,522	1,777	–	–	89,687
Deposits from customers	2,374,619	645,563	174,094	165	–	3,194,441
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
Interest rate repricing gap	(243,354)	(418,746)	814,991	170,606	107,504	431,001

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10 Financial risk management (continued)

10.3 Market risk (continued)

(3) 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 net interest income and shareholders' equity for the following year is as follows:

	31 December 2019 (Loss)/gain	31 December 2018 (Loss)/gain
Up 100 bps parallel shift in yield curves	**(3,635)**	**(2,775)**
Down 100 bps parallel shift in yield curves	**3,635**	**2,775**

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.

10 Financial risk management (continued)

10.4 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 9.5% of the total RMB denominated deposits and 5.0% 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.

Notes to the Consolidated Financial Statements (Continued)

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10 Financial risk management (continued)

10.4 Liquidity risk (continued)

(1) 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 and 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)

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(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis

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

	31 December 2019							
	Indefinite	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	323,472	47,683	–	–	–	–	–	371,155
Balances with banks and other financial institutions	–	44,479	2,394	2,085	4,242	–	–	53,180
Placements with banks and other financial institutions	262	–	52,252	35,405	149,257	11,389	–	248,565
Financial assets held under resale agreements	–	–	58,193	4,065	3,541	–	–	65,799
Loans and advances to customers	25,729	8,184	376,938	203,774	1,014,375	1,016,649	784,778	3,430,427
Financial investments	157,336	1,232	66,430	204,161	443,136	1,067,491	244,519	2,184,305
Long-term receivables	1,952	1,518	4,582	7,930	37,110	51,158	12,343	116,593
Other assets	116,488	22,052	16,566	12,990	28,658	13,724	1,339	211,817
Total assets	625,239	125,148	577,355	470,390	1,680,319	2,160,411	1,042,979	6,681,841
Liabilities:								
Borrowings from central bank	–	–	21	109	198,713	–	–	198,843
Deposits and placements from banks and other financial institutions	–	257,835	237,363	381,444	284,236	2,176	–	1,163,054
Borrowings from banks and other financial institutions	–	–	13,809	25,905	59,274	21,020	12,287	132,295
Financial assets sold under repurchase agreements	–	–	38,205	39,679	23,761	60	–	101,705
Deposits from customers	–	1,412,935	809,633	339,780	615,567	459,069	50	3,637,034
Debt securities issued	–	–	46,930	261,079	321,921	73,332	113,963	817,225
Lease liabilities	–	–	309	378	1,990	6,236	1,507	10,420
Other liabilities	2,145	33,145	17,517	10,882	22,571	2,085	2,091	90,436
Total liabilities	2,145	1,703,915	1,163,787	1,059,256	1,528,033	563,978	129,898	6,151,012
Net position	623,094	(1,578,767)	(586,432)	(588,866)	152,286	1,596,433	913,081	530,829
Notional amount of derivatives	–	–	471,559	602,402	2,094,200	691,455	5,444	3,865,060

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10 Financial risk management (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis (continued)

	31 December 2018							
	Indefinite	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	35,418	7,464	524,849	216,902	904,474	794,671	524,494	3,008,272
Financial investments	71,890	761	83,987	113,208	564,827	909,018	226,326	1,970,017
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 and placements from banks and other financial institutions	–	176,492	292,203	362,941	256,795	3,429	–	1,091,860
Borrowings from banks and other financial institutions	–	–	17,289	21,022	52,682	17,757	16,293	125,043
Financial assets sold under repurchase agreements	–	–	78,834	7,554	1,522	1,777	–	89,687
Deposits from customers	–	1,326,493	665,344	382,782	645,563	174,094	165	3,194,441
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

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For the year ended 31 December 2019
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10 Financial risk management (continued)

10.4 Liquidity risk (continued)

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

The following tables analyse the Group'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.

	31 December 2019					
	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	47,962	–	–	–	328,555	376,517
Balances with banks and other financial institutions	46,890	2,072	4,261	–	–	53,223
Placements with banks and other financial institutions	52,255	37,122	152,228	11,653	262	253,520
Financial assets held under resale agreements	58,218	4,084	3,728	–	–	66,030
Loans and advances to customers	390,855	214,028	1,051,049	1,140,453	1,240,174	4,036,559
Financial investments	76,808	207,935	478,595	1,164,444	406,502	2,334,284
Long-term receivables	6,633	8,614	41,028	61,327	21,770	139,372
Other financial assets	23,568	2,803	6,183	2,961	25,423	60,938
Total financial assets (expected maturity date)	703,189	476,658	1,737,072	2,380,838	2,022,686	7,320,443
Financial liabilities:						
Borrowings from central bank	21	111	203,316	–	–	203,448
Deposits and placements from banks and other financial institutions	496,522	383,424	288,516	2,360	–	1,170,822
Borrowings from banks and other financial institutions	13,066	26,454	60,000	24,019	10,442	133,981
Financial assets sold under repurchase agreements	90,200	39,040	24,000	84	–	152,148
Deposits from customers	2,222,577	339,867	615,779	480,690	3,869	3,662,782
Debt securities issued	47,172	266,818	334,482	97,303	130,043	875,818
Lease liabilities	346	423	2,225	6,970	1,685	11,649
Other financial liabilities	14,726	7,384	10,747	1,361	2,212	36,430
Total financial liabilities (contractual maturity date)	2,833,563	1,064,320	1,540,048	612,787	151,251	6,201,055

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10 Financial risk management (continued)

10.4 Liquidity risk (continued)

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

	31 December 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 and placements from banks and other financial institutions	466,060	365,093	260,498	3,736	—	1,095,387
Borrowings from banks and other financial institutions	17,341	21,209	54,085	19,478	21,601	133,714
Financial assets sold under repurchase agreements	78,879	7,588	1,540	1,777	—	89,784
Deposits from customers	1,991,206	384,774	657,669	189,469	169	3,223,287
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

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10 Financial risk management (continued)

10.4 Liquidity risk (continued)

(4) 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 contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

	31 December 2019					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(64)	(129)	(69)	(332)	18	(576)
Credit derivatives	(1)	(1)	–	(1)	–	(3)
Total	(65)	(130)	(69)	(333)	18	(579)

	31 December 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)

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10 Financial risk management (continued)

10.4 Liquidity risk (continued)

(4) 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	Foreign exchange forwards, currency swaps and currency options
Precious metal derivatives	Precious metal forwards, swaps and options
Other derivatives	Futures and equity derivatives

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

	31 December 2019				
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Foreign exchange derivatives					
– Cash outflow	(307,018)	(331,733)	(1,251,470)	(43,409)	(1,933,630)
– Cash inflow	306,978	331,675	1,251,525	44,480	1,934,658
Precious metal derivatives					
– Cash outflow	(24,989)	(24,501)	(89,797)	(4,266)	(143,553)
– Cash inflow	24,948	24,137	88,114	4,266	141,465
Total cash outflow	(332,007)	(356,234)	(1,341,267)	(47,675)	(2,077,183)
Total cash inflow	331,926	355,812	1,339,639	48,746	2,076,123

10 Financial risk management (continued)

10.4 Liquidity risk (continued)

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

(b) Derivatives settled on a gross basis (continued)

	31 Decombor 2018				
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 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

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10 Financial risk management (continued)

10.4 Liquidity risk (continued)

(5) 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.

	31 December 2019			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	542,571	—	—	542,571
Letters of credit	132,847	4,125	—	136,972
Guarantees	72,634	71,583	15,029	159,246
Unused credit card commitments	440,038	—	—	440,038
Capital commitments	674	346	—	1,020
Irrevocable loan commitments	9,307	36,603	—	45,910
Finance lease commitments	689	—	—	689
Total	1,198,760	112,657	15,029	1,326,446

	31 December 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	6,548	11,852	—	18,400
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	950,890	82,774	5,599	1,039,263

10 Financial risk management (continued)

10.5 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, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

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

10.6 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 formulation of polices to accrue country risk reserve.

10.7 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 premium and shareholder return; promote the Group's risk management; ensure an orderly expansion of asset bases; and enhance business structures and models.

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10 Financial risk management (continued)

10.7 Capital management (continued)

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with 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 Chinese mainland are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined 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 computes 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 computed in accordance with the statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises ("ASBE"). During the period, the Group has complied in full with all its externally imposed capital requirements.

10 Financial risk management (continued)

10.7 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:

	31 December 2019	31 December 2018
Core tier-one capital adequacy ratio	**8.89%**	**8.93%**
Tier-one capital adequacy ratio	**10.28%**	**9.16%**
Capital adequacy ratio	**13.17%**	**11.75%**
Components of capital base		
Core tier-one capital:		
Share capital	**43,782**	**43,782**
Valid portion of capital reserve	**57,411**	**57,470**
Surplus reserve	**45,162**	**39,911**
General reserve	**81,657**	**74,370**
Retained earnings	**218,746**	**193,131**
Valid portion of non-controlling interests	**7,580**	**6,997**
Others	**2,227**	**1,518**
Total core tier-one capital	**456,565**	**417,179**
Core tier-one capital deductions	**(1,477)**	**(1,453)**
Net core tier-one capital	**455,088**	**415,726**
Other tier-one capital	**70,871**	**10,824**
Net tier-one capital	**525,959**	**426,550**
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	**113,926**	**90,900**
Surplus provision for loan impairment	**31,837**	**19,966**
Valid portion of non-controlling interests	**2,019**	**1,865**
Net tier-two capital	**147,782**	**120,731**
Net capital base	**673,741**	**547,281**
Credit risk-weighted assets	**4,733,503**	**4,281,596**
Market risk-weighted assets	**88,596**	**95,209**
Operational risk-weighted assets	**294,927**	**279,481**
Total risk weighted assets	**5,117,026**	**4,056,286**

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11 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 measurement 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 exchange-traded derivatives like futures (e.g. NASDAQ, S&P 500).

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 includes a majority of OTC derivative contracts, traded loans and issued structured debts. 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: Unobservable inputs for assets or liabilities. This level includes equity investments and debt instruments with one or more than one significant unobservable component. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2019, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative 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.

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11 Fair value of financial instruments (continued)

11.1 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:

	31 December 2019			
	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	32,240	82,797	750	115,787
— Equity investments	16,141	—	5,130	21,271
— Investment funds	125,798	—	—	125,798
— Specialised asset management plans	—	71,843	12,158	84,001
— Wealth management products	—	—	178,201	178,201
— Others	—	—	3,280	3,280
Financial assets at fair value through other comprehensive income				
— Debt securities	83,640	425,334	1,828	510,802
— Equity investments	—	961	1,125	2,086
Loans and advances to customers designated at fair value through other comprehensive income	—	172,218	—	172,218
Derivative financial assets				
— Precious metal derivatives	—	16,471	—	16,471
— Foreign exchange derivatives	—	13,782	—	13,782
— Others	—	847	—	847
Total	257,819	784,253	202,472	1,244,544
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives		(13,521)		(13,521)
— Precious metal derivatives	—	(3,066)	—	(3,066)
— Others	—	(1,206)	—	(1,206)
Financial liabilities at fair value through profit or loss	—	(1,996)	(3,188)	(5,184)
Total	—	(19,789)	(3,188)	(22,977)

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11 Fair value of financial instruments (continued)

11.1 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)

	31 December 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	4,591	13,336
— Investment funds	56,859	—	—	56,859
— Specialised asset management plans	—	148,172	12,219	160,391
— Wealth management products	—	—	58,871	58,871
— Others	—	—	165	165
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				
— Foreign exchange derivatives	—	16,606	—	16,606
— Precious metal derivatives	—	14,080	—	14,080
— Others	—	2,426	—	2,426
Total	156,633	734,938	82,638	974,209
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
— Foreign exchange derivatives	—	(15,600)	—	(15,600)
— Precious metal derivatives	—	(1,934)	—	(1,934)
— Others	—	(466)	—	(466)
Financial liabilities at fair value through profit or loss	(121)	(866)	—	(987)
Total	(121)	(18,866)	—	(18,987)

11 Fair value of financial instruments (continued)

11.2 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 period:

	2019				
	Derivative financial assets	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income		
			Debt securities	Equity securities	Total
As at 1 January	–	78,332	3,681	625	82,638
in loss		1,642		–	1,642
– in other comprehensive income	–	–	(651)	–	(651)
Purchase	–	215,832	–	500	216,332
Settlement	–	(96,287)	(1,202)	–	(97,489)
At 31 December	–	199,519	1,828	1,125	202,472
Change in unrealised gain for the year included in profit or loss for assets/liabilities held at the end of the year	–	1,973	38	–	2,011

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11 Fair value of financial instruments (continued)

11.2 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 period: (continued)

	2018				
	Derivative financial assets	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income		
			Debt securities	Equity securities	Total
At 1 January	27	341,784	178	155	342,144
— in loss	—	1,558	—	—	1,558
— in other comprehensive income	—	—	266	—	266
Purchase	—	88,917	3,237	500	92,654
Settlement	(27)	(353,927)	—	(30)	(353,984)
At 31 December	—	78,332	3,681	625	82,638
Change in unrealised gain for the year included in profit or loss for assets/liabilities held at the end of the year	—	3,009	—	—	3,009

11.3 Transfers among levels

For the year ended 31 December 2019, the were no transfers among Level 1, Level 2 and Level 3 of the fair value hierarchy for financial assets and liabilities of the Group.

11 Fair value of financial instruments (continued)

11.4 Fair value of financial assets and liabilities not carried at fair value

(1) Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers 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.

(2) Financial assets measured at amortised cost other than bonds and investment securities

The estimated fair value of debt instrument investments measured at amortised cost other than bonds represents the amount of estimated future cash flows expected to be received, discounted at current market rates.

(3) Financial assets measured at amortised cost-bonds

The fair value for financial assets measured at amortised cost-bonds 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.

(4) 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)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments (continued)

11.4 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, debt securities issued:

	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	**1,143,079**	**1,148,271**	**2,112**	**913,349**	**232,810**
Financial liabilities					
Debt securities issued	**817,225**	**819,872**	—	**819,872**	—

	31 December 2018				
	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**	**849,966**	**255,859**
Financial liabilities					
Debt securities issued	**674,523**	**663,187**	—	**663,187**	—

12 Subsequent events

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

13 Comparative figures

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

14 Statement of financial position and Statement of Equity Movement of the Bank

	31 December 2019	31 December 2018
ASSETS		
Cash and balances with central bank	**367,624**	**385,239**
Balances with banks and other financial institutions	**40,593**	**38,688**
Precious metals	**15,237**	**7,205**
Placements with banks and other financial institutions	**271,553**	**264,255**
Positive fair value of derivatives	**31,100**	**33,007**
Financial assets held under resale agreements	**61,354**	**35,284**
Loans and advances to customers	**3,412,819**	**2,993,146**
Financial investments:	**2,160,548**	**1,954,382**
— Financial assets at fair value through profit or loss	**521,145**	**378,301**
— Financial assets at fair value through other comprehensive income	**501,382**	**456,904**
— Financial assets measured at amortised cost	**1,138,021**	**1,119,177**
Property and equipment	**22,252**	**22,366**
Right-of-use assets	**13,520**	**N/A**
Deferred income tax assets	**34,569**	**29,500**
Investment in subsidiaries	**6,634**	**6,396**
Other assets	**39,383**	**38,741**
Total assets	**6,477,196**	**5,806,212**
LIABILITIES		
Borrowings from central bank	**198,408**	**303,837**
Deposits and placements from banks and other financial institutions	**1,168,056**	**1,098,044**
Financial liabilities at fair value through profit or loss	**1,971**	**873**
Derivative financial liabilities	**17,665**	**17,995**
Financial assets sold under repurchase agreements	**96,477**	**88,628**
Deposits from customers	**3,607,543**	**3,167,112**
Lease liabilities	**10,227**	**N/A**
Provisions	**1,602**	**1,370**
Debt securities issued	**812,089**	**669,396**
Current income tax liabilities	**17,368**	**8,578**
Other liabilities	**35,142**	**37,278**
Total liabilities	**5,966,548**	**5,393,111**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

14 Statement of financial position and Statement of Equity Movement of the Bank (continued)

	2019	2018
EQUITY		
Share capital	**43,782**	**43,782**
Other equity instrument	**69,860**	**9,892**
Including: Preference shares	**29,867**	**9,892**
Perpetual bonds	**39,993**	—
Reserves		
Capital reserve	**57,150**	**57,150**
Surplus reserve	**45,162**	**39,911**
General reserve	**80,224**	**73,129**
Other reserves	**2,077**	**1,342**
Retained earnings	**212,393**	**187,895**
Total equity	**510,648**	**413,101**
Total liabilities and equity	**6,477,196**	**5,806,212**

14 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF EQUITY MOVEMENT OF THE BANK (continued)

	Share capital	Other equity instrument	Reserves: Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow Hedging reserve	Retained earnings	Total
At 31 December 2018	43,782	9,892	57,150	39,911	73,129	1,285	34	23	187,895	413,101
(I) Net profit	–	–	–	–	–	–	–	–	52,507	52,507
(II) Other comprehensive income, net of tax	–	–	–	–	–	788	(27)	(26)	–	735
Total comprehensive income	–	–	–	–	–	788	(27)	(26)	52,507	53,242
(III) Capital Injection by shareholders										
Capital injection by other equity instrument holder	–	59,968	–	–	–	–	–	–	–	59,968
(IV) Profit distribution										
1. Appropriation to surplus reserve	–	–	–	5,251	–	–	–	–	(5,251)	–
2. Appropriation to general reserve	–	–	–	–	7,095	–	–	–	(7,095)	–
3. Cash dividends	–	–	–	–	–	–	–	–	(15,663)	(15,663)
At 31 December 2019	43,782	69,860	57,150	45,162	80,224	2,073	7	(3)	212,393	510,648

	Share capital	Other equity instrument	Reserves: Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow Hedging reserve	Retained earnings	Total
At 31 December 2017	36,485	9,892	64,447	34,914	73,129	(4,831)	(32)	(3)	158,189	372,190
Changes in accounting policies						1,552		–	(11,436)	(9,884)
At 1 January 2018	36,485	9,892	64,447	34,914	73,129	(3,279)	(32)	(3)	146,753	362,306
(I) Net profit	–	–	–	–	–	–	–	–	49,973	49,973
(II) Other comprehensive income, net of tax	–	–	–	–	–	4,564	66	26	–	4,656
Total comprehensive income	–	–	–	–	–	4,564	66	26	49,973	54,629
(III) Profit distribution										
1. Appropriation to surplus reserve	–	–	–	4,997	–	–	–	–	(4,997)	–
2. Cash dividends	–	–	–	–	–	–	–	–	(3,834)	(3,834)
(IV) Ordinary shares converted from capital reserve	7,297	–	(7,297)	–	–	–	–	–	–	–
At 31 December 2018	43,782	9,892	57,150	39,911	73,129	1,285	34	23	187,895	413,101

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio

	As at 31 December 2019	Average for the year of 2019	As at 31 December 2018	Average for the year of 2018
Liquidity coverage ratio (%) (RMB and foreign currency)	**133.66%**	**123.34%**	**121.13%**	**100.91%**

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

2 Currency concentrations

	Note	31 December 2019 USD	HKD	Others	Total
Spot assets		**409,199**	**58,588**	**55,791**	**523,578**
Spot liabilities		**(346,058)**	**(34,271)**	**(26,939)**	**(407,268)**
Forward purchases		**949,694**	**21,771**	**99,252**	**1,070,717**
Forward sales		**(975,995)**	**(41,816)**	**(133,053)**	**(1,150,864)**
Net long/(short) position	(i)	**36,840**	**4,272**	**(4,949)**	**36,163**

	Note	31 December 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	(i)	**65,707**	**3,105**	**(40,431)**	**28,381**

(i) 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 Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers

3.1 Lifetime ECL credit-impaired loans by geographical area

	31 December 2019		31 December 2018	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	15,630	10,268	10,786	7,276
Yangtze River Delta	5,321	3,230	5,579	3,239
Pearl River Delta	4,328	2,694	5,352	3,027
Bohai Rim	5,753	3,916	10,307	5,860
North-eastern Region	4,371	3,202	5,016	2,248
Central Region	13,800	7,849	12,197	5,859
Western Region	6,413	3,494	5,696	3,214
Overseas and subsidiaries	1,159	555	521	350
Total	56,775	35,217	55,454	31,073

3.2 Loans overdue for more than 3 months by geographical area

	31 December 2019		31 December 2018	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	14,513	9,877	10,786	7,276
Yangtze River Delta	4,698	2,969	5,345	3,134
Pearl River Delta	3,402	2,324	4,625	2,785
Bohai Rim	5,243	3,653	9,452	5,454
North-eastern Region	2,503	1,568	4,124	1,967
Central Region	13,035	7,402	11,444	5,450
Western Region	3,707	2,374	5,498	3,141
Overseas and subsidiaries	803	399	786	369
Total	47,904	30,646	52,060	29,582

Unaudited Supplementary Financial Information (Continued)

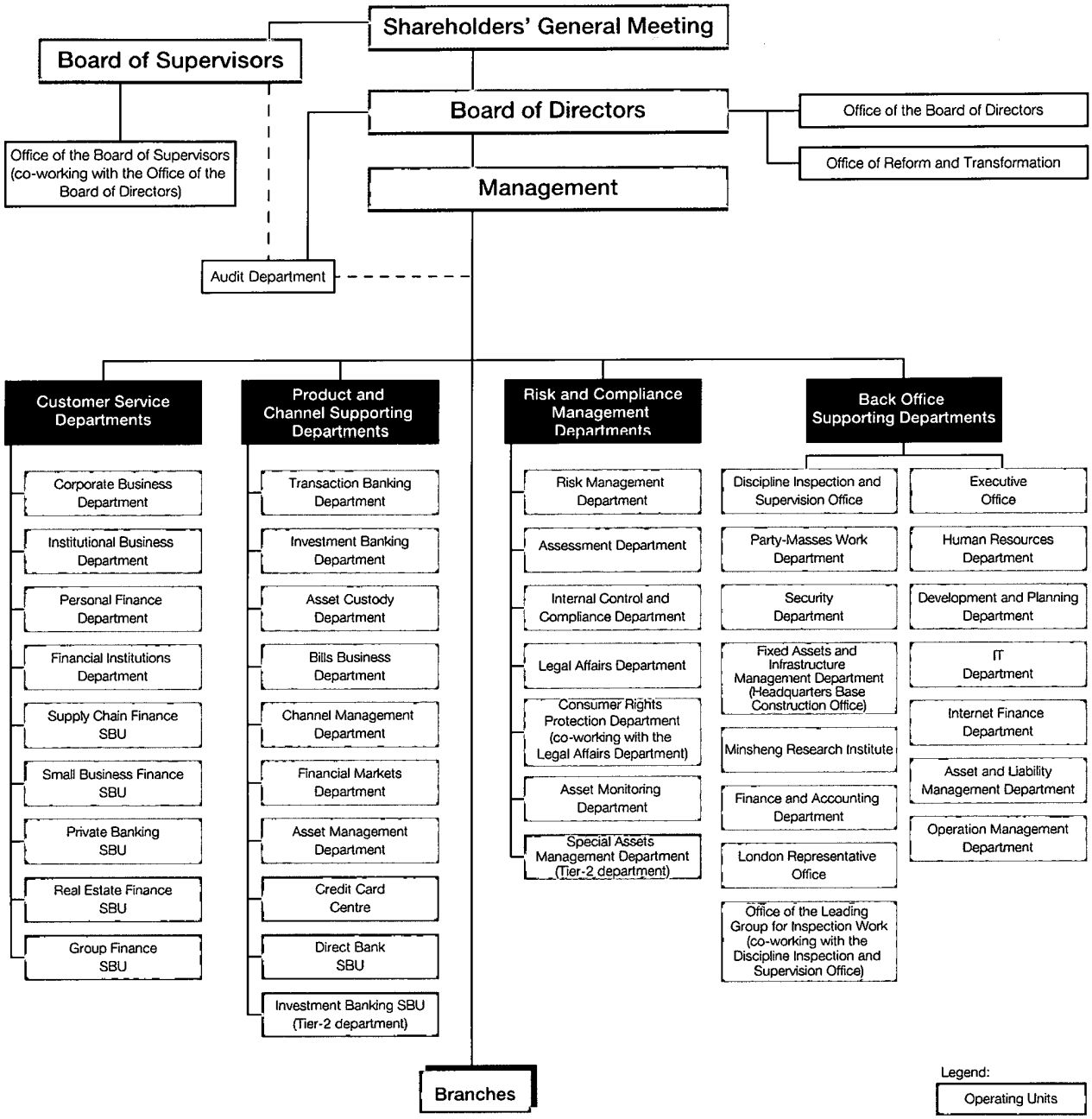
(Expressed in millions of Renminbi, unless otherwise stated)

4 International claims

	31 December 2019				
	Asia pacific excluding Chinese mainland	North America	Europe	Other Locations	Total
Banks and other financial institutions	52,797	16,599	16,166	5,185	90,747
Public sector entities	892	78	—	—	970
Others	130,622	76,676	13,360	65,292	285,950
Total	184,311	93,353	29,526	70,477	377,667

	31 December 2018				
	Asia pacific excluding Chinese mainland	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

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:	020-38380052
Fax:	020-37877777

■Shenzhen

Entity:	**Shenzhen Branch**
Address:	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Postal code:	518038
Tel:	0755-82806005
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:	027-85735665

■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:	0311-86678522
Fax:	0311-86678522

■Dalian

Entity:	**Dalian Branch**
Address:	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian
Postal code:	116001
Tel:	0411-62676990
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

■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

■Chongqing

Entity:	**Chongqing Branch**
Address:	Tongjuyuanjing Building, No.9 Jianxin Bei Road, Jiangbei District, Chongqing
Postal code:	400020
Tel:	023-67695160
Fax:	023-67695107

■Xi'an

Entity:	**Xi'an Branch**
Address:	China Minsheng Bank Tower, No.78 Erhuan Nan Road Xiduan, Xi'an
Postal code:	710065
Tel:	029-61812920
Fax:	029-88266090

■Fuzhou

Entity:	**Fuzhou Branch**
Address:	No. 282 Hudong Road, Gulou District, Fuzhou
Postal code:	350003
Tel:	0591-87617053
Fax:	0591-87617310

■Jinan

Entity:	**Jinan Branch**
Address:	No. 229 Luoyuan Street, Jinan
Postal code:	250002
Tel:	0531-86121690
Fax:	0531-86121690

■Ningbo

Entity:	**Ningbo Branch**
Address:	No.815 Juxian Road, Gaoxin District, Ningbo
Postal code:	315048
Tel:	0574-87260600
Fax:	0574-83865645

■Chengdu

Entity:	**Chengdu Branch**
Address:	Block 6, No.966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu
Postal code:	610042
Tel:	028-85102115
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:	022-58925839
Fax:	022-58925000

■Kunming

Entity:	**Kunming Branch**
Address:	No. 11800 Caiyun Bei Road, Kunming
Postal code:	650011
Tel:	0871-68124010
Fax:	0871-68124777

■Quanzhou

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

■Suzhou

Entity:	**Suzhou Branch**
Address:	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Postal code:	215028
Tel:	0512-67909326
Fax:	0512-62569005

■Qingdao

Entity:	**Qingdao Branch**
Address:	No.190 Hai'er Road, Laoshan District, Qingdao
Postal code:	266100
Tel:	0532-58610122
Fax:	0532-85978667

■Wenzhou

Entity:	**Wenzhou Branch**
Address:	Minsheng Bank Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou
Postal code:	325000
Tel:	0577-88903715
Fax:	0577-88903777

■Xiamen

Entity:	**Xiamen Branch**
Address:	Xiamen Minsheng Bank Tower, No. 50 Hubin Nan Road, Siming District, Xiamen
Postal code:	361000
Tel:	0592-2383023
Fax:	0592-2682826

■Zhengzhou

Entity:	**Zhengzhou Branch**
Address:	Minsheng Bank Tower, No.1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Postal code:	450046
Tel:	0371-69166932
Fax:	0371-69166916

List of Entities

■Changsha

Entity:	**Changsha Branch**
Address:	Minsheng Tower, No.189 Binjiang Road, Yuelu District, Changsha
Postal code:	410013
Tel:	0731-84907020
Fax:	0731-84907010

■Changchun

Entity:	**Changchun Branch**
Address:	Minsheng Tower, No.500 Changchun Street, Nanguan District, Changchun
Postal code:	130041
Tel:	0431-81212253
Fax:	0431-88553099

■Hefei

Entity:	**Hefei Branch**
Address:	Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Heifei
Postal code:	230041
Tel:	0551-65682953
Fax:	0551-65682901

■Nanchang

Entity:	**Nanchang Branch**
Address:	No.545 Huizhan Road, Honggutan New District, Nanchang
Postal code:	330035
Tel:	0791-86751214
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:	0771-3919304
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:	0471-2849090
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:	No. 33 Changling 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:	0898-36798888

■Lhasa

Entity:	**Lhasa Branch**
Address:	Global Plaza, No.8 Beijing Xi Road, Lhasa
Postal code:	850000
Tel:	0891-6362490
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:	021-61877018
Fax:	021-61875307

■Harbin

Entity:	**Harbin Branch**
Address:	1–6/F, Zone One, Olympic Centre, No.11 Aijian Road, Daoli District, Harbin
Postal code:	150000
Tel:	0451-58569004
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:	0931-6116100

■Urumqi

Entity:	**Urumqi Branch**
Address:	No.314 Yangzijiang Road, Saybagh District, Urumqi
Postal code:	830000
Tel:	0991-5515135
Fax:	0991-5515044

List of Entities

■**Xining**

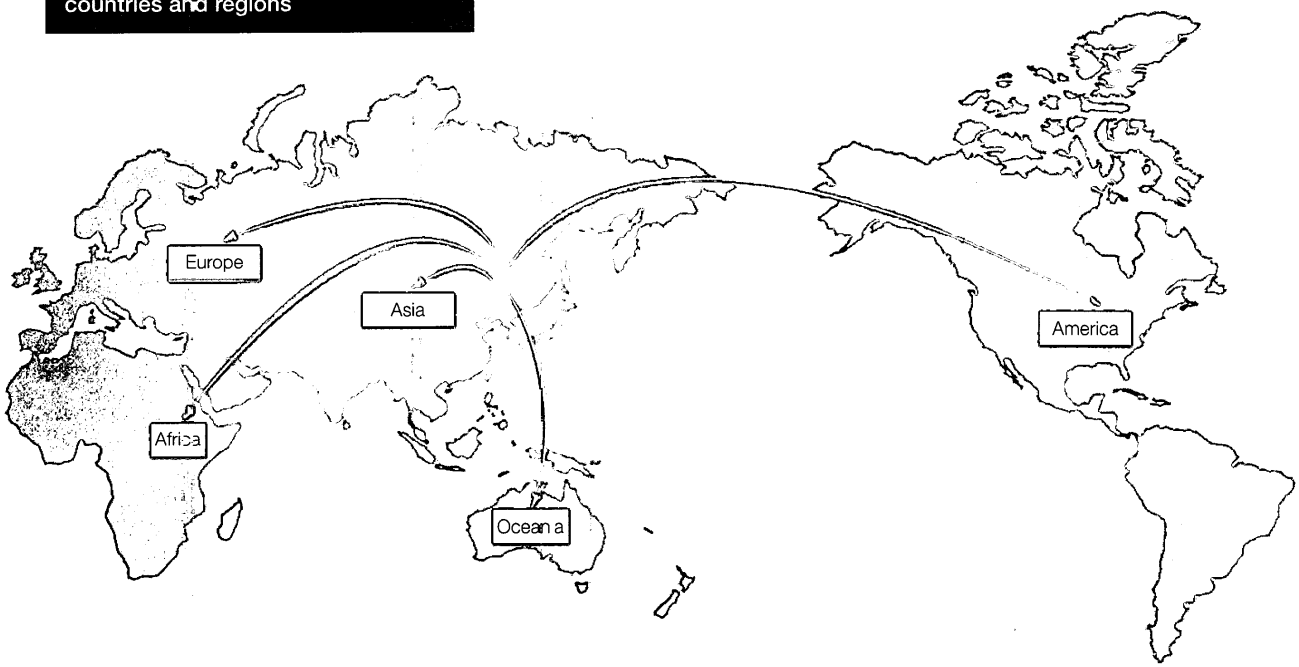
Entity:	**Xining Branch**
Address:	1–4/F, Annex Building of Telecom Industrial Tower, No.102 Kunlun Zhong Road, Chengzhong District, Xining
Postal code:	810000
Tel:	0971-8257573
Fax:	0971-8257573

■**Yinchuan**

Entity:	**Yinchuan Branch**
Address:	1–5/F, Block 19, Jinhaimingyue, No.106 Shanghai Xi Road, Jinfeng District, Yinchuan
Postal code:	750004
Tel:	0951-8688713
Fax:	0951-8688726

Statistics of Correspondent Banks of China Minsheng Banking Corp., Ltd.

As at the end of 2019, the Bank had 1,451 correspondent banks in 108 countries and regions



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