中国民生银行
CHINA MINSHENG BANK

中 國 民 生 銀 行 股 份 有 限 公 司
CHINA MINSHENG BANKING CORP., LTD.

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

(Stock Code: 01988)
(USD Preference Share Stock Code: 04609)

Results Announcement For the Year Ended 31 December 2017

The Board of Directors (the "**Board**") of China Minsheng Banking Corp., Ltd. (the "**Company**") hereby announces the audited results of the Company and its subsidiaries for the year ended 31 December 2017. This announcement, containing the full text of the 2017 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange in relation to information to accompany preliminary announcements of annual results.

Publication of Annual Results and Annual Report

This results announcement will be published on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cmbc.com.cn).

The 2017 Annual Report of the Company will be dispatched to holders of H shares and published on the websites of the Company and Hong Kong Stock Exchange in due course.

Profit Distribution

On 29 March 2018, the seventh meeting of the seventh session of the Board of the Company approved the profit distribution plan to declare to the A share and H share holders as registered on the register of members on the record date(s) as indicated in the Notice of 2017 Annual General Meeting to be published by the Company in due course, a cash dividend of RMB0.30 (before tax) for every 10 shares and 2 bonus shares for every 10 shares. The above profit distribution plan is subject to the approval of the 2017 Annual General Meeting. The cash dividend and the bonus shares are expected to be distributed to holders of H shares on Friday, 27 July 2018. Notice of 2017 Annual General Meeting will announce the date of the 2017 Annual General Meeting of the Company and details of its book closure, as well as the arrangement of book closure for profit distribution.

By Order of the Board
CHINA MINSHENG BANKING CORP., LTD.
Hong Qi
Chairman

Beijing, PRC
29 March 2018

As at the date of this announcement, the Executive Directors of the Company are Mr. Hong Qi, Mr. Liang Yutang and Mr. Zheng Wanchun; the Non-executive Directors are Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Shi Yuzhu, Mr. Wu Di, Mr. Yao Dafeng, Mr. Song Chunfeng, Mr. Tian Zhiping and Mr. Weng Zhenjie; and the Independent Non-executive Directors are Mr. Liu Jipeng, Mr. Li Hancheng, Mr. Xie Zhichun, Mr. Cheng Hoi-chuen, Mr. Peng Xuefeng and Mr. Liu Ningyu.

Important Notice

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

This Annual Report was considered and approved on 29 March 2018 at the seventh meeting of the seventh session of the Board of the Company. Of the 18 Directors who were entitled to attend the meeting, 15 Directors attended the meeting in person, and three Directors, being the Vice Chairmen Zhang Hongwei and Liu Yonghao as well as the Director Cheng Hoi-chuen, attended 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.

According to the profit distribution plan for the second half of 2017 passed by the Board, on the basis of the total share capital of the Company as at the record dates for the purpose of profit distribution, a cash dividend of RMB0.30 (before tax) for every 10 shares and 2 bonus shares for every 10 shares will be distributed to shareholders of the Company. Such profit distribution plan shall be subject to the approval of the general meeting of the Company.

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

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

KPMG Huazhen LLP and KPMG Certified Public Accountants, auditors of the Company, have audited the financial reports of 2017 prepared in accordance with the Chinese Accounting Standards ("CAS") and the IFRSs respectively, and issued standard and unqualified auditors' reports.

Board of Directors
China Minsheng Banking Corp., Ltd.

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

Contents

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.

Definitions

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

"ACFIC"	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
"Bank" or "Company" or "China Minsheng Bank" or "Minsheng Bank"	China Minsheng Banking Corp., Ltd.
"Board"	board of directors of the Company
"CBRC"	China Banking Regulatory Commission
"CIRC"	China Insurance Regulatory Commission
"CMBC International"	CMBC International Holdings Limited
"Convertible Bond(s)" or "Minsheng Convertible Bond(s)" or "A Share Convertible Bond(s)"	A Share convertible bonds
"CPPCC"	The National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會)
"CSRC"	China Securities Regulatory Commission
"Director"	director of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Listing Rules"	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.
"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 customer-oriented comprehensive transformation and reform in the growth pattern and governance model of the Company in response to external environment changes including the liberalisation of interest rate
"Reporting Period"	the period from 1 January 2017 to 31 December 2017
"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"	supervisor of the Company
"Supervisory Board"	supervisory board of the Company
"SZSE"	Shenzhen Stock Exchange

Message from the Chairman

In face of the complicated domestic and global macro-economic environment, the Company strictly complied with the economic and financial strategies of the CPC Central Committee and the State Council. The Company has clearly defined its development strategies to improve financial services for the real economy, and maintained stable and healthy development with strengthened risk management, advanced reform and transformation as well as deepened business innovation. As at the end of 2017, the total assets of the Group amounted to RMB5,902,086 million, net profit attributable to equity shareholders of the Company amounted to RMB49,813 million, and return on average assets was 0.86%. The results were satisfactory. In 2017, Minsheng Bank ranked 251st in the "Fortune Global 500" by Fortune and ranked 29th in both the "Top 1000 World Banks" and the "Top 500 Banking Brands" by The Banker, and ranked 55th in the "Top 500 Enterprises in China (中國企業500強)".

Further improved efficiency and quality of services for the real economy in line with the national economic strategies. To support major national strategic projects, including the "Belt and Road Initiative", coordinated development of the Beijing-Tianjin-Hebei region, development of Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area and construction of Xiong'an New Area, the Company continued to innovate business models and accelerated service tempo. In response to the tasks of cutting overcapacity, reducing excess inventory, deleveraging, lowering costs and strengthening areas of weakness, the Company adopted differentiated credit policies to proactively support emerging industries relating to energy saving and environmental protection, new energy, new material and new information technology. The Company provided targeted and customized comprehensive financial services to small and micro enterprises in order to solve their difficulties in financing and high cost of financing. The Company also vigorously developed green finance to support the development of green economy, and had entered into cooperation agreements with quality customers which had outstanding performance in eco-environmental protection sector to promote the establishment of ecological civilization.

Strengthened strategic planning and specified development objectives. Based on extensive study and in-depth judgment on the internal and external changes and the future development trend of the financial industry and its own development needs, the Company formulated a Three-Year Development Plan (《三年發展規劃》) with distinctive features, rational objectives and a complete set of measures. According to the Three-Year Development Plan, the Company will stick to the customer-centered principle and objectives to improve the development quality and efficiency. It has specified the three major strategic positionings of becoming "a bank for the Non-state-owned Enterprises (NSOEs), a fintech-based bank and a bank of comprehensive services", as well as the implementation paths to achieve such goal. The Company also strove to build itself into a digitalised, light-weighted and integrated benchmark bank, which shaped the direction of future reform and development.

Defended risk bottom line and strengthened overall risk management. The Company improved the overall risk management system and optimized organisational structure and control procedures of risk management to defend the bottom line for avoidance of systematic financial risk, with an aim to transform to proactive risk management. The Company paid attention to the risks in new and major areas and continued to implement more specific risk prevention measures. The Company also effectively managed and disposed non-performing assets by various means. As at the end of

2017, the non-performing loan ("NPL") ratio, capital adequacy ratio and allowance to NPLs were 1.71%, 11.85% and 155.61%, respectively, reflecting a controllable overall risk level. The internal control system and compliance management were further enhanced to focus on the promotion of compliance and risk culture across the Bank and to establish risk management values and standards compatible to the business development of the Company.

Advanced Phoenix Project with preliminary results. The Phoenix Project is a project for comprehensive restructuring and transformation of the Company in response to external changes. In 2017, the design works for all programs under the Phoenix Project have been completed, and the programs were successively launched for pilot operation and implementation. The programs in relation to management reforms had achieved satisfactory results. With the establishment of delicacy management system and business management system and the introduction of scientific management models, the delicacy management capabilities of the middle and back offices were further enhanced. The projects in relation to business transformation also saw preliminary results, which effectively pressed ahead the transformation of the business models of different segments. Certain major pilot operations had brought significant growth in comparable income growth in some regions. In general, the Phoenix Project has achieved the expected results with significant progress in cost reduction, operation efficiency enhancement, income generation, and improvement in the management capability of the middle and back offices.

Promoted targeted poverty alleviation and charity to fulfill social responsibilities with sincerity. In 2017, the Company actively organised targeted poverty alleviation through education, medical care, industrial development and infrastructure construction in rural areas and other poverty alleviation projects. The Company donated RMB40.42 million for poverty alleviation and set aside RMB4,142 million as targeted poverty alleviation loans. As a result, Hua County in Henan Province, a poverty alleviation target, has been lifted out of poverty. The Company continued to organise featured charity activities including the "Power of Minsheng's Love — ME Charity Innovation Funding Scheme (我決定民生愛的力量 — ME公益創新資助計劃)", Masters of the Century (百年巨匠) and Beautiful Villages (美麗鄉村), which built up positive social image of the Company. In 2017, the Company was honored with the award of "Outstanding Case of Poverty Alleviation (優秀扶貧案例獎)" and the "Award for Innovation in Financial Poverty Alleviation in the Banking Industry (銀行業金融扶貧創新獎) ", and ranked first in the "Social Responsibility Development Index of China's Banking Industry (中國銀行業社會責任發展指數)" and third in the "Social Responsibility Development Index of Top 100 NSOEs (民營企業100強社會責任發展指數)" hosted by the State Council Leading Group Office of Poverty Alleviation and Development and other institutions. The Company has gained high recognition and appraisal from broad society.

The achievements above were made with the diligence and endeavour of the employees of the Company as well as the care and support from the regulatory departments, all shareholders, investors and customers. On behalf of the Board of China Minsheng Bank, I would like to express our heartfelt gratitude to all members of society for their care and support for the development of the Company! In 2018, the Company will cope with the actual situation and challenges by focusing on the reform and transformation to maximize its market value.

Firstly, the Company will continue to support NSOEs. It is a mission of the Company to serve the NSOEs, to act as a steward of the NSOEs and private entrepreneurs, and to further strengthen the brand of its NSOE services. The Company will effectively serve the real economy by allocating resources to major strategic targets. To satisfy different needs of strategic and niche NSOEs, customers with growth potential, and general small and medium-sized customers, the Company will consolidate product portfolio, optimize service mode and strengthen coordination across the Bank to improve customer experience. The Company targets to establish long-term and solid relationship with enterprises and facilitate the integration of industry and finance to achieve "win-win cooperation and mutual growth (合作共贏、共同成長)", helping the NSOE customers to further improve the competitive edges in their supply chains and market position.

Secondly, the Company will establish its distinctive business features. The Company will conduct in-depth study of market trend and leverage on its advantages to establish the three features of direct banking, small business finance and investment banking. The Company will consolidate its leading position of direct banking brand and continue to increase the proportion of online business. The Company will further improve customer experience and strengthen cooperation with enterprises of third party platforms to develop new growth driver. The Company will fully implement the new model of Small Business 3.0 and provide integrated services for business owners and their families. By enhancing risk control and customer service capabilities through application of new technologies, the Company aims to achieve quality development in small business finance. Delicacy management will be adopted for debt issuance and asset securitization businesses to push forward optimization of capital market business. Focusing on strategic customers, the Company will dig out more values of business-related industries, so as to facilitate the transformation of corporate banking to investment banking.

Thirdly, the Company will promote sci-tech driven business development. The Company will optimize its scientific and technological governance to improve the capabilities of development and assure the smooth completion of major reform and transformation projects. Based on the results of data collection, the Company will further promote the improvement in precisely targeted marketing activities, personalized services and all-round risk control capability. The Company will expedite the application of new technologies and increase investments in new technologies including big data, cloud computing, Internet of Things, block chain and artificial intelligence for application in different business segments. The Company will persist in promoting business development by increasing investment in technology, with an aim to transform Minsheng Bank into a digitalised and smart bank in a decade.

Fourthly, the Company will continue to reform its management. The Company will continue to carry out the overall implementation of all designed programs under the Phoenix Project to apply new concepts, tools and methods to all management processes of the Bank so as to further improve its delicacy management capabilities through transformation of management model. The Company will also explore new organisation structure to enhance strength of the headquarters. Furthermore, the Company will optimize human resources management mechanism by focusing on the enhancement of recruitment, development and retention of core talents. The Company will differentiate the allocation of resources such as capital, risk and finance according to the strategic focuses, while improve the relevant customer-oriented assessment system. The Company will also further advance the establishment of overall risk management system, with an aim to improve the capabilities of proactive disposal of non-performing assets.

We have designed the clearly defined targets of transformation, action plans, key measures and supervisory mechanism for the reforms. We not only care about the achievement of the goals, but also attach high emphasis on the process. With new thinking and new approaches, we will firmly promote the transformation of business and management. We have the confidence and the competence to achieve sustainable and healthy development. 2018 marks the 40th anniversary of the reform and opening-up of China as well as the 22nd anniversary of Minsheng Bank. At this new juncture, the Company will duly comply with the spirit of the 19th CPC National Congress and the major guidelines of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. The Company will hold on to the new development principles, stay faithful to the original aspiration and keep moving forward bravely. Adhering to the core mission of "From the People, For the People (為民而生, 與民共生)", the Company will push forward the implementation of the Phoenix Project and promote the reforms and transformation comprehensively in pursuit of sustainable enhancement of corporate value. I believe that Minsheng Bank will reborn in the coming year and present a new image and new growth dynamics at the new starting point, and will write a brand new chapter for its development.

Message from the President

In 2017, Minsheng Bank studied and promoted Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as well as the spirit of the 19th CPC National Congress, the Central Economic Work Conference and the National Financial Work Conference. In strict compliance with the decisions and planning of the CPC Central Committee and the State Council as well as the regulatory requirements, the Company reformed its operation and management by adapting to the economic and social development with the three missions of serving the real economy, preventing and controlling financial risks, and deepening financial reform. The Company also implemented the supply-side structural reform and various major national strategies. Under the leadership of the Board, all employees of the Company dedicated themselves to overcoming difficulties and improving weak areas, and implemented the operating strategies of "increasing income, reducing cost, controlling NPLs, replenishing capital, adjusting structure and expanding customer base". With these efforts, operation and management maintained steady enhancement, all key indicators met the regulatory standards and breakthroughs were achieved in reform and innovation, and Party building was further strengthened.

1. Steadily improving operating results. During the past year, under the complicated and ever-changing external and domestic environments, Minsheng Bank strictly complied with regulatory requirements to accelerate deleveraging while improving the services for the real economy. Asset size of the Company was duly adjusted with stable operating efficiency. In 2017, net profit of the Group attributable to equity shareholders of the Company amounted to RMB49,813 million, representing an increase of 4.12% as compared with the previous year. Basic earnings per share amounted to RMB1.35, representing an increase of RMB0.04 as compared with the previous year. Net assets per share attributable to ordinary shareholders of the Company amounted to RMB10.12, representing an increase of RMB1.00. By further reducing costs and increasing efficiency, operating expenses for the year of the Group amounted to RMB47,245 million, representing a decrease of RMB5,179 million as compared with the previous year. The cost-to-income ratio was controlled within the annual budget. The structures of business and income were further optimized with increasing percentage of income from retail banking, financial markets business and Internet finance business. The service capacity and efficiency were enhanced in response to the upgrade in consumption. The percentage of net non-interest income of the Group in operating income increased from 38.54% to 39.03%. With remarkable synergy between the Company and its subsidiaries, the service ability covering the whole value chain was further enhanced, which strengthened the business synergy system of "One Minsheng (一個民生)".

2. Maintaining steady and healthy asset quality. During the past year, the Company put efforts in strengthening its overall risk prevention and internal control management, and maintained stable asset quality. Facing the challenges from various risks and issues in the banking industry, Minsheng Bank properly performed its responsibilities of risk management by transforming to active risk management. The three lines of defence and risk accountability mechanism with clear division of responsibilities were implemented for internal control and issue prevention. The Company established a law-abiding and compliance culture to "respect, learn, abide and practice" the relevant rules and regulations and maintained lawful operation and management. The law-abiding and strict bank governance were reinforced at all levels. As at the end of 2017, the NPL ratio of the Group was 1.71%, which was 0.03 percentage points lower than the average of the industry. The difference between NPLs and overdue loans of the Company continued to narrow, representing a decrease of RMB3,491 million as compared with the previous year. The allowance to NPLs was 155.61%, representing an increase of 0.20 percentage points as compared with the end of the previous year. The capital adequacy ratio was 11.85%, representing an increase of 0.12 percentage points as compared with the end of the previous year. The abilities of risk prevention and control was improved steadily.

3. Developing business with focus. During the past year, focusing on the supply-side structural reform and adhering to the "customer-oriented" approach, Minsheng Bank continued to strengthen corporate finance, expand retail finance, optimize financial markets business, highlight Internet finance, consolidate risk management and improve comprehensive operation, further enhancing the services to cater for the needs of the real economy and national strategies. On one hand, the Company made efforts to cut overcapacity, reduce excess inventory, deleverage, lower costs and strengthen areas of weakness, which effectively prevented capital outflow from the real economy to the virtual economy, and ensured adequate capital allocation for the fundamental and weak areas of the real economy. At the same time, the Company expanded its business network in countries and regions participating in the "Belt and Road Initiative" and provided quality financial services to balance the economic development of different regions in China. In 2017, the Company got additional general loans of RMB425.6 billion, which hit an all-time high. Interbank assets in virtual economy were cut down, which made positive contribution to the real economy. On the other hand, the Company firmly endeavoured to serve the NSOEs and small and medium enterprises. New supply-chain financial services and the Minsheng project for small and medium enterprises were launched, offering customized and integrated financial services for NSOEs at different stages and with different needs, and facilitating the growth of small and medium NSOEs by utilising the integrated service platform of Minsheng Bank. As at the end of 2017, loans of RMB23.5 billion had been granted to 4,884 small and medium enterprises over five months since the launch of the Minsheng project for small and medium enterprises.

4. Promoting inclusive finance. During the past year, in accordance with the national plans and requirements for inclusive finance, Minsheng Bank established the Inclusive Finance SBU (普惠金融事業部) and developed an online "credit factory (信貸工廠)" based on the features of small business finance to relieve the difficulties in financing of small and micro enterprises. Innovative products such as the rollover loan service were promoted to reduce the high financing cost of small and micro enterprises, operational procedures were optimized to speed up the financing process of small and micro enterprises, which effectively promoted the dynamic finance flow to small and micro businesses. As at the end of 2017, the balance of loans to 603.4 thousand small and micro enterprises amounted to RMB359,147 million and various financial services were provided for 5,924.2 thousand small and micro enterprises. Furthermore, more resources were allocated to central, western and remote areas of China to expand outlet network into the grassroots community, which improved the coverage and availability of financial services. The Company strengthened the development of the online service system for direct banking and other business lines, which offered "deposits, loans, remittance, investment, payment and repayment" functions in an integrated system. As at the end of 2017, the number of direct banking customers and financial assets amounted to 10,914.5 thousand and RMB104,746 million, respectively. The customer activity and transaction volume ranked top in the industry. The entry threshold of financial services and the cost of transaction operation were significantly lowered.

5. Driving reform and innovation. Minsheng Bank made smooth progress in reforms under the Phoenix Project since it was launched. As at the end of 2017, all the 30 projects under the Phoenix Project were successively launched for operation upon the completion of design process, and achieved remarkable results in defining strategic focus, optimizing governance model, innovating business model, enhancing management capability and other aspects. The transformation of business models for investment banking, transaction banking, services for small and medium enterprises, small business finance, private banking, data-based marketing, financial markets and Internet finance saw effective achievements. The Company built up a refined management system embeded with scientific management model for risks, finance and accounting, assets and liabilities and operation, a more open and flexible technology system with extensive functions and a human resource management system for core talents. The scientific level of management of the Company was improved rapidly. As the benefits from the reforms continued to emerge, Minsheng Bank entered a new stage of high quality development with more consolidated brand image and market position.

6. Continuously strengthening Party building. During the past year, the CPC Party Committee of Minsheng Bank thoroughly studied and implemented the spirit of the 19th CPC National Congress, and strictly followed the requirements of the CPC Party Committees at higher levels. The Company strengthened Party building in respect of politics, ideology, organisation, team development, working style and clean administration. In order to maintain strict governance of the Party and the Bank, the Company upheld the "four awarenesses (四個意識)" and implemented the policy of "one position with two responsibilities (一崗雙責)" with clear accountability system. The Company improved its corporate governance under the centralized leadership of the Party, and fully enhanced the roles of the CPC Party Committee as key political leader, the primary Party organisations as the standing bases and the Party members and cadres as pioneers and models. In addition, the Company emphasized and strengthened the overall Party building work to further improve the quality. Party leadership in the work of mass organisations including labour union, youth league and women's federation was also consolidated. With the efforts and knowledge of all parties, the Company fully leveraged the political advantages of Party building to improve its results of operation and management.

The above achievements were attributable to the efforts of our employees, and the trust and support of the regulatory authorities, our customers and society. On behalf of the CPC Party Committee and management of Minsheng Bank, I hereby express our sincere gratitute to the regulatory authorities for their guidance, to all cadres and employees of the Bank for their hard work, and to our customers and friends from all circles for their support.

In 2018, Minsheng Bank will continue to follow the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as well as the spirit of the 19th CPC National Congress, the Central Economic Work Conference and the National Financial Work Conference. The Company will focus on the three major financial missions in compliance with the regulatory requirements. The Company will devote itself to the development of principal businesses and enhancement of specialized services with lawful operation and sound development. The Company will contribute to the virtuous cycles between finance and the real economy and within the financial system. The Company will stick to the strategic positioning of becoming a fintech-based bank, a bank for the NSOEs and a bank of comprehensive services. With two aims of enhancing both quality and profit, the Company will strive to develop its three featured businesses including direct banking, small business finance and investment banking, and further solidify the "four pillars" including corporate banking, retail banking, financial markets business and integrated operation. The Company will make efforts to improve the five major aspects, namely the implementation of reforms, customer base, service efficiency, risk management and internal control, and delicacy management by strengthening the organisation, system, mechanism, talent development, law-abiding operation and fundamental management. Being realistic and pragmatic, Minsheng Bank will progressively develop into a benchmark bank with distinctive features, value growth and continuous innovation, rewarding the shareholders, employees and society for their trust and support with better operating results.

Strategic Positioning and Targets of the Company

I. Mission

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

II. Strategic Positioning and Targets

(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 targets

As a customer-oriented bank, the Company targets to improve its quality and profit and transform itself into a digitalised, light-weighted and integrated benchmark bank, so as to further raise its corporate value.

Annual Awards

The Company won the Award of Outstanding Board of Directors (優秀董事會獎) in the 13th "Golden Round Table (金圓桌)" of the Board of Directors of Listed Companies;

The Company was named the "Bank for Small Business Finance Service of 2017 (2017年度小微金融服務銀行)" in the 11th Golden Cicadas Award hosted by China Times;

The Company won the award of the "Best Regional Private Bank for Wealth Management in China for 2016 (2016中國地區最佳財富管理私人銀行)" by Asiamoney;

The Company was awarded as the "Best Electronic Bank of the Year (年度最佳電子銀行)" and "Top 10 Direct Bank of the Year (年度直銷銀行十強)" by Sina Finance;

The Company was granted the "Most Innovative Product Design Award (最佳產品設計創新獎)" by VISA;

The Company won the "Most Outstanding Assets Management Bank of the Year (年度卓越資產管理銀行)" in the Financial Excellence Award held by the Economic Observer;

The Company won the awards of "Outstanding Dealer of Interbank Domestic Currency Market for 2016 (2016年度銀行間本幣市場優秀交易商)", the "Outstanding Derivative Dealer of Interbank Domestic Currency Market for 2016 (2016年度銀行間本幣市場優秀衍生品交易商)" and the "Outstanding Bond Dealer of Interbank Domestic Currency Market for 2016 (2016年度銀行間本幣市場優秀債券交易商)" by the National Interbank Funding Centre;

The Company was named as the "Outstanding Integrated Market Maker for 2016 (2016年度優秀綜合做市機構)" and "Outstanding Market Maker of Credit Notes for 2016 (2016年度優秀信用債做市商)" by the National Association of Financial Market Institutional Investors;

The "Apex Asset Management (非凡資產管理)" brand of the Company won the award of the "Best Banking Wealth Management Brand of China (中國最佳銀行理財品牌獎)", and the wealth management product under the enhanced return series (增利系列) of "Apex Asset Management" was honored with the award of the "Wealth Management Product with the Most Stable Yield in China (中國最佳穩健收益型理財品牌獎)" by the Securities Times in Best Wealth Management Institution in China Awards of 2016 (2016中國優秀財富管理機構);

The innovative financial products of the "Express (通)" series of the Company won the "Top 10 Innovative Financial Products of Corporate Banking in China Financial Innovative Award of 2017 (2017中國金融創新獎•對公業務十佳金融產品創新獎)" held by The Banker;

The Real Estate Finance SBU of the Company won the "Real Estate Golden Brick Award of China — Outstanding Financial Contribution to Real Estate Industry of China for 2017 (中國地產金磚獎 — 2017年度中國房地產金融傑出貢獻獎)" at the 17th Annual Conference of BOAO 21st Century Real Estate Forum;

The Company was shortlisted as the "Top 100 Most Valuable Brands in China for 2017 (2017年度最具價值中國品牌100強)" by WPP in Britain, one of the largest media group in the world;

The Company won the "Special Contribution Award for 2016 (2016年度特殊貢獻獎)", the "Pioneer Enterprise of the Year (企業類年度新銳獎)" for the Scheme of Huifu Huatai Asset Management — China Recycling Resources Backed by Assets of the Right to Income from Disposal of Obsolete Electrical Appliances and Electronic Products (滙富華泰資管 — 中再資源廢棄電器電子產品處理基金收益權資產支持專項計劃), the "Enterprise of the Year for Excellent OTC Product (企業類年度場外優秀產品獎)" for the "Scheme of Huifu Fuhua Backed by the Assets of Jinbao Buidling (滙富富華金寶大廈資產支持專項計劃)" and the "Top 10 Trades of the Year (年度十佳交易獎)" for the "Scheme of GF Asset Management — Minsheng Bank Backed by Huifu Assets under Anchi Series (廣發資管 — 民生銀行安馳系列滙富資產支持專項計劃)" at the Annual Conference of China Securitization Forum.

Chapter 1 Bank Profile

1.	Registered Chinese Name of the Company:	中國民生銀行股份有限公司 (Abbreviation: "中國民生銀行")
	Registered English Name of the Company:	CHINA MINSHENG BANKING CORP., LTD. (Abbreviation: "CMBC")
2.	Legal Representative of the Company:	Hong Qi
3.	Authorized Representatives of the Company:	Xie Zhichun Wong Wai Yee, Ella
4.	Board Secretary:	Fang Zhou
	Joint Company Secretaries:	Fang Zhou Wong Wai Yee, Ella
	Representatives 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

9.	Legal Adviser as to PRC Law:	Grandall Law Firm, Beijing Office
	Legal Adviser as to Hong Kong Law:	Clifford Chance
10.	Domestic Accounting Firm:	KPMG Huazhen LLP
	Office Address:	8th Floor, KPMG Tower Oriental Plaza, No. 1 East Chang An Avenue, Beijing, China
	International Accounting Firm:	KPMG Certified Public Accountants
	Office Address:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Signing Accountants:	Dou Youming, Jin Naiwen
11.	A Share Registrar:	China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
	Office Address:	36/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, China
	H Share Registrar:	Computershare Hong Kong Investor Services Limited
	Office Address:	Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
12.	Places of Listing, Stock Names and Stock Codes:	
	A Share:	SSE; Stock Name: MINSHENG BANK; Stock Code: 600016
	H Share:	SEHK; Stock Name: MINSHENG BANK; Stock Code: 01988
	Offshore Preference Share:	SEHK; Stock Name: CMBC 16USDPREF; Stock Code: 04609
13.	Initial Date of Registration:	7 February 1996
	Initial Place of Registration:	No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14.	Date of Registration for Subsequent Change:	20 November 2007
	Subsequent Change: Place of Registration:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15.	Unified Social Credit Code:	91110000100018988F

Chapter 2 Summary of Accounting Data and Financial Indicators

I. Major Accounting Data and Financial Indicators

	2017	2016	Changes of the Reporting Period over the corresponding period of the previous year	2015	2014	2013
Operating results (RMB million)			Increase/ decrease (%)			
Net interest income	**86,552**	94,684	-8.59	94,268	92,136	83,033
Net non-interest income	**55,395**	59,367	-6.69	59,483	42,871	33,069
Operating income	**141,947**	154,051	-7.86	153,751	135,007	116,102
Operating expenses	**47,245**	52,424	-9.88	58,176	54,082	45,962
Impairment losses on loans and advances	**32,180**	41,214	-21.92	33,029	19,928	12,947
Profit before income tax	**60,562**	60,249	0.52	60,774	59,793	57,151
Net profit attributable to equity shareholders of the Company	**49,813**	47,843	4.12	46,111	44,546	42,278
Net cash flow from operating activities	**-257,059**	1,028,855	Negative for this period	225,121	229,163	-35,238
Data per share (RMB)						
Basic earnings per share	**1.35**	1.31	3.05	1.30	1.31	1.24
Diluted earnings per share	**1.35**	1.31	3.05	1.27	1.24	1.19
Net cash flow per share from operating activities	**-7.05**	28.20	Negative for this period	6.17	6.71	-1.04
Profitability indicators (%)			Changes in percentage point			
Return on average assets	**0.86**	0.94	-0.08	1.10	1.26	1.34
Return on weighted average equity	**14.03**	15.13	-1.10	16.98	20.41	23.23
Cost-to-income ratio	**32.24**	31.21	1.03	31.35	33.39	32.69
Net fee and commission income to operating income ratio	**33.63**	33.92	-0.29	33.30	28.32	25.80
Net interest spread	**1.35**	1.74	-0.39	2.10	2.41	2.30
Net interest margin	**1.50**	1.86	-0.36	2.26	2.59	2.49

	31 December 2017	31 December 2016	Changes from the end of the previous year to the end of the Reporting Period	31 December 2015	31 December 2014	31 December 2013
Scale indicators (RMB million)			Increase/ decrease (%)			
Total assets	**5,902,086**	5,895,877	0.11	4,520,688	4,015,136	3,226,210
Total loans and advances to customers	**2,804,307**	2,461,586	13.92	2,048,048	1,812,666	1,574,263
Total liabilities	**5,512,274**	5,543,850	-0.57	4,210,905	3,767,380	3,021,923
Deposits from customers	**2,966,311**	3,082,242	-3.76	2,732,262	2,433,810	2,146,689
Share capital	**36,485**	36,485	—	36,485	34,153	28,366
Total equity attributable to equity shareholders of the Company	**378,970**	342,590	10.62	301,218	240,142	197,712
Total equity attributable to ordinary shareholders of the Company	**369,078**	332,698	10.93	301,218	240,142	197,712
Net assets per share attributable to ordinary shareholders of the Company (RMB)	**10.12**	9.12	10.96	8.26	7.03	5.81
Assets quality indicators (%)			Changes in percentage point			
NPL ratio	**1.71**	1.68	0.03	1.60	1.17	0.85
Allowance to NPLs	**155.61**	155.41	0.20	153.63	182.20	259.74
Allowance to total Loans	**2.66**	2.62	0.04	2.46	2.12	2.21
Capital adequacy ratio indicators (%)			Changes in percentage point			
Core tier-one capital adequacy ratio	**8.63**	8.95	-0.32	9.17	8.58	8.72
Tier-one capital adequacy ratio	**8.88**	9.22	-0.34	9.19	8.59	8.72
Capital adequacy ratio	**11.85**	11.73	0.12	11.49	10.69	10.69
Total equity to total assets ratio	**6.60**	5.97	0.63	6.85	6.17	6.33

Notes:
1. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.
2. Return on weighted average equity: calculated according to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號 — 淨資產收益率和每股收益的計算及披露》(2010年修訂)) promulgated by the CSRC, etc.
3. Cost-to-income ratio = (operating and other operating expenses – tax and surcharges)/ operating income.
4. Net interest spread = return on average balance of interest-earning assets – cost ratio of average balance of interest-bearing liabilities.
5. Net interest margin = net interest income/average balance of interest-earning assets.
6. NPL ratio = total of NPLs/total loans and advances to customers.
7. Allowance to NPLs = allowance for impairment losses on loans/total NPLs.
8. Allowance to total Loans = allowance for impairment losses on loans/total balance of loans and advances to customers.

II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicators		Benchmark	**31 December 2017**	31 December 2016	31 December 2015
Liquidity ratio	Consolidated in RMB	≥25	**39.80**	39.64	44.72

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

Chapter 3 Discussion and Analysis on Business Operation

I. Review of Economic and Financial Conditions and Government Policies

In 2017, the global economy picked up its recovery momentum steadily. The economy continued to grow with moderate inflation. Nine years after the financial crisis in 2008, the global economy has generally freed itself from the impacts and started to get closer or even outstrip its potential growth rate. Despite the general upward growth track of the developed economies and the accelerated recovery of the emerging economies in general, certain economies remained under the pressure of economic adjustment and transformation as major economies further normalized their monetary policies. The divergence in the progress of economic recovery and the monetary policies of major economies had multiple impacts on the economic and financial environments of China through change in external demand, capital flow, fluctuation in exchange rates and price transmission.

In 2017, the economy of China continued its steady growth with further optimized structure and enhanced quality and efficiency. Consumption remained a strong stimulant to its economic growth. The PBOC further improved its two major austerity initiatives, namely the monetary policy and the prudent macroeconomic policy. While maintaining the stability and neutrality of the monetary policy, the PBOC strengthened its precautionary and small-scale adjustment initiatives. The operating rate was also raised in a timely manner. These initiatives created a favorable monetary and financial environment for stabilizing economic growth, restructuring economy, promoting reforms, improving people's livelihood, deleveraging, suppressing bubbles and preventing risks. Various regulatory policies were further tightened to guide the banks back to proper practice in order to focus on their principal business, compliance operation and prudent development. As announced in the Fifth National Conference on Financial Work (第五次全國金融工作會議), three major missions are to serve the real economy, prevent financial risks and deepen financial reform. The subsequent Central Economic Work Conference proposed the formation of three virtuous development cycles comprising finance and real economy, finance and real estate and inside financial system, and stipulated new requirements on financial works. Due to the increasingly stringent regulation and control, the overall market interest rate increased with more significant fluctuations. The development of banking industry also faced various challenges, such as weak growth in deposit, increasing difficulties in growing stable liabilities with low cost, more complicated liquidity management and intensifying pressure on capital replenishment. It became critical for the banking industry to carry out structural reform and enhance the corporate governance so as to improve its overall adaptability and services to the real economy.

To proactively cope with the changes in business environment, effectively support the development of real economy and prevent various types of financial risks, the Company has adopted the following measures and achieved good results:

1. The Company highly valued strategic guidelines and duly carried out strategic transformation. The Development Plan of China Minsheng Bank for 2018–2020 (《中國民生銀行發展規劃（2018–2020）》) was launched. With the key link of the Phoenix Project, fruitful results were also achieved under the promotions of various reforms. The Company has also seen preliminary results in the change of growth pattern, the improvement of operational efficiency and the reinforcement of the fundamental capabilities.

2. The Company continued to improve the supporting measures for the reform. Substantial progress was achieved in the major reforms in the Investment Banking Department, Internet Finance Department and Group Finance SBU. Reforms were also conducted in the asset and liability management model of interbank business. Performance incentive mechanism was improved to boost productivity and foster new business growth points.

3. The Company further optimized its customer base and income structure. The Company continued to optimize its customer structure based on the orientation of "serving the NSOEs as the core". The Company promoted the organic growth of "light-capital" business, increased the income of intermediary business and strengthened the interbank platform. The Company focused on the development of business for major sectors, major geographic areas and major customers. Significant results were achieved from the structural adjustments to the customer base, business and income.

4. The ability of fundamental management was enhanced. According to the strategic targets of the Bank, three plans regarding talent training, talent pooling, and talent incentives were implemented, and a performance- and responsibility-oriented appraisal system was set up. Audit management was strengthened, focusing on asset quality, systematic risk and compliance risk management. Financial and accounting systems were further standardized, and the transparency of cost was enhanced to effectively prevent and control financial taxation risks. The constructions of technology team and information system were strengthened to facilitate the development of a digitalised bank. Operation management of banking outlets was further enhanced to improve customer services and experience.

5. The comprehensive risk management was enhanced. Management and control of credit risk was strengthened and liquidity risk management was improved. Cross-sector financial business, wealth management and agency businesses, and sales behaviours were further regulated. Management of interbank business and entrusted lending business was strengthened. The risk management and control of Internet finance and information technology were enhanced to better prevent risks of external shocks. The Company strictly complied with the latest requirements of the CBRC and conducted a comprehensive investigation on the "three types of violations", "three types of arbitrages", "four types of improper behaviours" and "market disorders in the banking industry". The risk control and compliance management were effectively strengthened.

6. The ability of research and development was upgraded. A research system of the Bank was constructed to study the overall progress, strategic direction and sustainability of the reform and development of the Bank. Service capacity of the intelligent financing business of the Bank was significantly increased in order to improve its service quality.

II. Overview of Operations

During the Reporting Period, the Group took proactive measures in coping with the adjustments and changes in the domestic and overseas operating environment and regulatory policies. Adhering to its customer-oriented principle, the Group continued its efforts in strengthening corporate banking, expanding retail banking, optimizing financial markets business and promoting integrated operation. With the overall completion of the design of the Phoenix Project, its trial implementation proved successful. The Group further deepened its operational system reform and optimized business structure. Through strengthening its risk management capability, the Group maintained stable asset quality and achieved steady growth of its operating performance.

(I) Continued growth in profits and stable return for shareholders

During the Reporting Period, the Group recorded net profit attributable to equity shareholders of the Company of RMB49,813 million, representing an increase of RMB1,970 million, or 4.12%, as compared with the corresponding period of the previous year. Return on weighted average equity and return on average assets were 14.03% and 0.86%, respectively, representing decreases of 1.10 percentage points and 0.08 percentage points as compared with the corresponding period of the previous year, respectively. Basic earnings per share was RMB1.35, increased by RMB0.04 as compared with the corresponding period of the previous year. Net assets per share attributable to ordinary shareholders of the Company was RMB10.12, increased by RMB1.00 as compared with the end of the previous year.

Income structure of the Group was further optimized. During the Reporting Period, the operating income amounted to RMB141,947 million. Among which, net non-interest income amounted to RMB55,395 million, accounting for 39.03% of the total operating income, representing an increase of 0.49 percentage points as compared with the corresponding period of the previous year.

Cost reduction and operation efficiency enhancement of the Group were under solid progress. During the Reporting Period, the cost-to-income ratio recorded at 32.24%. Operating expenses were RMB47,245 million, representing a decrease of 9.88% as compared with the corresponding period of the previous year.

(II) Proactive adjustment in operation strategies and continuous optimization of business structure

During the Reporting Period, the Group further accelerated the coordinated development of the asset and liability business. As at the end of the Reporting Period, the total assets amounted to RMB5,902,086 million, representing an increase of RMB6,209 million, or 0.11%, as compared with the end of the previous year. Among which, total loans and advances to customers amounted to RMB2,804,307 million. Total liabilities amounted to RMB5,512,274 million, representing a decrease of RMB31,576 million, or 0.57%, as compared with the end of the previous year. Among which, deposits from customers amounted to RMB2,966,311 million.

During the Reporting Period, the Group made significant progress in its continuous optimization of business structure and acceleration of strategic transformation in accordance with the principles of the Central Economic Work Conference and the 19th CPC National Congress.

Firstly, the proportion of high yield assets increased. As at the end of the Reporting Period, total loans and advances to customers of the Group accounted for 47.51% of total assets, representing an increase of 5.75 percentage points as compared with the end of the previous year. Secondly, loans' structure continued to optimize. As at the end of the Reporting Period, personal loans of the Group amounted to RMB1,105,827 million, representing 39.43% of the total loans and an increase of 2.83 percentage points as compared with the end of the previous year. Among which, loans to small and micro enterprises steadily rebounded to a total balance of RMB373,262 million, representing an increase of RMB38,188 million as compared with the end of the previous year. Thirdly, the structure of deposits from customers further improved. As at the end of the Reporting Period, the balance of demand deposits of the Group accounted for 46.19% of total deposits, representing an increase of 3.73 percentage points as compared with the end of the previous year.

(III) Successful business transformation through continuous system reform

During the Reporting Period, the Group further stepped up its effort for the implementation of the Phoenix Project. It continued to optimize the reform for its operation system and the innovation of its business model so as to boost its operation strengths and development. In pursuit of innovation and efficiency, the Group has been committed to reform and transformation and its effort have proved successful.

1. Strengthening corporate banking business. By consolidating its corporate customer base, the Company adjusted its corporate credit business layout in line with the economic restructuring and major strategic business sectors of China. System and procedure innovations for its investment banking business were adopted in a bid to enhance the competitiveness of the business. Supply chain finance business model was further enhanced in an effort to transform and upgrade the integrated development model of its corporate banking. As at the end of the Reporting Period, total corporate deposits of the Company amounted to RMB2,434,747 million. The number of domestic corporate customers that have deposits with the Company was 1,012.8 thousand, representing an increase of 173.6 thousand, or 20.69%, as compared with the end of the previous year. Total corporate loans was RMB1,699,696 million, representing an increase of RMB143,311 million, or 9.21%, as compared with the end of the previous year.

2. Expanding retail banking business. Focusing on improvement of profit, the Company fully strengthened its retail banking through the expansion and integrated development of its customer base. Great efforts were exerted to promote small business finance, the strategic transformation of private banking and the innovation of credit card products. With stronger cooperation between corporate and retail banking for cross selling, the Company continued to build the brand of retail banking business. With all these efforts, the retail banking business sustained rapid and healthy development. During the

Reporting Period, operating income from the retail banking of the Company amounted to RMB48,162 million, representing 35.30% of the operating income and an increase of 2.24 percentage points as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the number of retail customers with deposits was 35,561.4 thousand, representing an increase of 5,223.8 thousand as compared with the end of the previous year. Financial assets of individual customers under management amounted to RMB1,436,360 million, representing an increase of RMB174,347 million as compared with the end of the previous year.

3. Optimizing financial markets business. The Company established strategic customer platform with other banks and financial institutions and further stabilized and optimized the interbank liability structure. As at the end of the Reporting Period, the deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB1,432,022 million, representing a decrease of 6.21% as compared with the end of the previous year. Balance of interbank negotiable certificates of deposit (IBNCD) issued amounted to RMB335,131 million, representing an increase of 31.25% as compared with the end of the previous year. The Company facilitated the stable development of custody business by promoting comprehensive financial custody services. As at the end of the Reporting Period, assets under custody (including the proceeds of funds supervision) amounted to RMB7,739,652 million. The Company strengthened its asset portfolio management and increased asset management business revenue to promote the brand of "Apex Asset Management (非凡資產管理)". As at the end of the Reporting Period, the existing scale of wealth management products amounted to RMB1,153,489 million. The trading volume of precious metals and foreign exchange also continued to increase.

4. Promoting Internet finance business. The Company continued to enhance its online financial services and strengthened cooperation with platform enterprises through electronic accounts. The Company emphasized on the development of mobile finance and enhanced innovation of general payment products, so as to expand the spectrum and coverage of financial services and improve brand influence. As at the end of the Reporting Period, the number of direct banking customers of the Company reached 10,914.5 thousand with financial assets of RMB104,746 million under the Company's management. The total subscription volume of Ru Yi Bao (如意寶) amounted to RMB2.05 trillion. The Company's brand of direct banking remained its leading position in the industry. The number of mobile banking customers increased by 6,040.3 thousand to 30,791.7 thousand as compared with the end of the previous year. The number of individual online banking customers was 18,128.8 thousand, representing an increase of 1,883.6 thousand as compared with the end of the previous year. The number of corporate online banking customers was 1,042.7 thousand, representing an increase of 167.7 thousand as compared with the end of the previous year. The number of subscribers to the WeChat official account of the Company kept increasing and the number of users of the WeChat service account matrix reached 26,818.9 thousand.

5. Continuing to deepen global development strategy. The Company steadily expanded its overseas business network. The Hong Kong Branch and CMBC International successfully constructed overseas platforms, which effectively brought the advantage of business synergies in full play to build up the brand of cross-border financial

service of Minsheng and provide unified and one-stop integrated financial services to customers. As at the end of the Reporting Period, the Hong Kong Branch had total assets of HKD189,793 million, representing an increase of 19.25% as compared with the end of the previous year. During the Reporting Period, the net income of the Hong Kong Branch amounted to HKD2,260 million. As at the end of the Reporting Period, CMBC International had total assets of HKD15,406 million, representing an increase of 302.14% as compared with the end of the previous year. During the Reporting Period, the net profit of CMBC International amounted to HKD225 million.

(IV) Enhanced overall risk management and stable asset quality

During the Reporting Period, the Group continued to enhance risk management awareness and refine risk management mechanism. Risk management standards were strengthened. Collection and disposal of non-performing assets were also enhanced and the results were significant. Asset quality remained stable.

As at the end of the Reporting Period, the balance of NPLs of the Group amounted to RMB47,889 million, increased by RMB6,454 million, or 15.58%, as compared with the end of the previous year. The NPL ratio was 1.71%, representing an increase of 0.03 percentage points as compared with the end of the previous year. The allowance to NPLs was 155.61%, representing an increase of 0.20 percentage points as compared with the end of the previous year. The allowance to total loans was 2.66%, representing an increase of 0.04 percentage points as compared with the end of the previous year.

(V) Expansion of capital replenishment channels to diversify financing resources

During the Reporting Period, the Group captured the favorable market opportunities to speed up external financing, and issued tier-two capital bonds of RMB30 billion. As at the end of the Reporting Period, the capital adequacy ratio of the Group was 11.85%, representing an increase of 0.12 percentage points as compared with the end of the previous year, providing strong support to business development.

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

During the Reporting Period, the Group realized a net profit attributable to equity shareholders of the Company of RMB49,813 million, maintaining a steady growth with an increase of RMB1,970 million, or 4.12%, 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	**2017**	2016	Change (%)
Operating income	**141,947**	154,051	-7.86
Of which: Net interest income	**86,552**	94,684	-8.59
Net non-interest income	**55,395**	59,367	-6.69
Operating expenses	**47,245**	52,424	-9.88
Impairment losses on assets	**34,140**	41,378	-17.49
Profit before income tax	**60,562**	60,249	0.52
Less: Income tax expense	**9,640**	11,471	-15.96
Net profit	**50,922**	48,778	4.40
Of which: Net profit attributable to equity shareholders of the Company	**49,813**	47,843	4.12
Profit or loss attributable to non-controlling interests	**1,109**	935	18.61

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

(Unit: RMB million)

Item	**2017 Amount**	**2017 % of total**	2016 Amount	2016 % of total	Change (%)
Net interest income	**86,552**	**60.97**	94,684	61.46	-8.59
Interest income	**230,910**	**162.67**	203,918	132.37	13.24
Of which: Interest income from loans and advances to customers	**126,452**	**89.07**	115,294	74.83	9.68
Interest income from investment balances of trading and banking books	**78,995**	**55.65**	56,669	36.79	39.40
Interest income from balances with central bank	**6,870**	**4.84**	6,961	4.52	-1.31
Interest income from placements with banks and other financial institutions	**6,708**	**4.73**	6,587	4.28	1.84
Interest income from long-term receivables	**6,431**	**4.53**	5,543	3.60	16.02
Interest income from balances with banks and other financial institutions	**2,792**	**1.97**	4,088	2.65	-31.70
Interest income from financial assets held under resale agreements	**2,662**	**1.88**	8,776	5.70	-69.67
Interest expenses	**-144,358**	**-101.70**	-109,234	-70.91	32.15
Net non-interest income	**55,395**	**39.03**	59,367	38.54	-6.69
Net fee and commission income	**47,742**	**33.63**	52,261	33.92	-8.65
Other net non-interest income	**7,653**	**5.40**	7,106	4.62	7.70
Total	**141,947**	**100.00**	154,051	100.00	-7.86

(I) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group was RMB86,552 million, representing a decrease of RMB8,132 million, or 8.59%, as compared with the corresponding period of the previous year. Among which, the growth of business scale contributed to an increase of RMB13,948 million in net interest income, and the changes in interest rate led to a decrease of RMB22,080 million in the net interest income.

During the Reporting Period, net interest margin of the Group was 1.50%, representing a decrease of 0.36 percentage points as compared with the corresponding period of the previous year, which was due to the increase of financing cost in the market.

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

(Unit: RMB million)

Item	**2017** Average balance	**2017** Interest income	**2017** Average return (%)	2016 Average balance	2016 Interest income	2016 Average return (%)
Interest-earning assets						
Total loans and advances to customers	**2,690,724**	**126,452**	**4.70**	2,314,492	115,294	4.98
Of which: Corporate loans and advances	**1,675,513**	**75,876**	**4.53**	1,513,262	70,694	4.67
Personal loans and advances	**1,015,211**	**50,576**	**4.98**	801,230	44,600	5.57
Investment balance of trading and banking books	**2,129,284**	**78,995**	**3.71**	1,537,399	56,669	3.69
Balances with central bank	**439,054**	**6,870**	**1.56**	455,476	6,961	1.53
Placements with banks and other financial institutions	**174,556**	**6,708**	**3.84**	208,997	6,587	3.15
Balances with banks and other financial institutions	**144,389**	**2,792**	**1.93**	194,050	4,088	2.11
Long-term receivables	**108,016**	**6,431**	**5.95**	101,072	5,543	5.48
Financial assets held under resale agreements	**68,431**	**2,662**	**3.89**	270,529	8,776	3.24
Total	**5,754,454**	**230,910**	**4.01**	5,082,015	203,918	4.01

Item	2017 Average balance	2017 Interest expenses	2017 Average cost (%)	2016 Average balance	2016 Interest expenses	2016 Average cost (%)
Interest-bearing liabilities						
Deposits from customers	**2,970,088**	**52,244**	**1.76**	2,878,977	51,305	1.78
Of which: Corporate deposits	**2,446,634**	**43,531**	**1.78**	2,336,638	42,200	1.81
Demand	**1,109,744**	**9,999**	**0.90**	893,866	6,348	0.71
Time	**1,336,890**	**33,532**	**2.51**	1,442,772	35,852	2.48
Personal deposits	**523,454**	**8,713**	**1.66**	542,339	9,105	1.68
Demand	**173,884**	**816**	**0.47**	153,888	560	0.36
Time	**349,570**	**7,897**	**2.26**	388,451	8,545	2.20
Balances from banks and other financial institutions	**1,189,278**	**47,496**	**3.99**	1,155,791	33,026	2.86
Debt securities issued	**465,285**	**18,947**	**4.07**	275,715	10,547	3.83
Borrowings from central bank and other financial institutions and others	**453,317**	**15,882**	**3.50**	306,633	9,666	3.15
Placements from banks and other financial institutions	**194,973**	**4,337**	**2.22**	109,230	2,298	2.10
Financial assets sold under repurchase agreements	**152,284**	**5,452**	**3.58**	87,030	2,392	2.75
Total	**5,425,225**	**144,358**	**2.66**	4,813,376	109,234	2.27
Net interest income		**86,552**			94,684	
Net interest spread			**1.35**			1.74
Net interest margin			**1.50**			1.86

Note: In this table, outward remittance and remittance payables are included in corporate demand deposits; issuance of certificates of deposit is included in corporate time deposits.

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

(Unit: RMB million)

Item	Changes in scale from 2016 to 2017	Changes in interest rate from 2016 to 2017	Net increase/ decrease
Changes in interest income:			
Total loans and advances to customers	18,742	-7,584	11,158
Investment balance of trading and banking books	21,817	509	22,326
Balances with central bank	-251	160	-91
Placements with banks and other financial institutions	-1,085	1,206	121
Balances with banks and other financial institutions	-1,046	-250	-1,296
Long-term receivables	381	507	888
Financial assets held under resale agreements	-6,556	442	-6,114
Subtotal	32,002	-5,010	26,992
Changes in interest expenses:			
Deposits from customers	1,624	-685	939
Deposits from banks and other financial institutions	957	13,513	14,470
Debt securities issued	7,252	1,148	8,400
Borrowings from central bank and other financial institutions and others	4,624	1,592	6,216
Placements from banks and other financial institutions	1,804	235	2,039
Financial assets sold under repurchase agreements	1,793	1,267	3,060
Subtotal	18,054	17,070	35,124
Changes in net interest income	13,948	-22,080	-8,132

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 RMB230,910 million, representing an increase of RMB26,992 million, or 13.24%, as compared with the corresponding period of the previous year, which was mainly due to the increases of interest income from loans and advances to customers and interest income from investment balance of trading and banking books 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 RMB126,452 million, representing an increase of RMB11,158 million, or 9.68%, as compared with the corresponding period of the previous year. In particular, interest income from corporate loans and advances amounted to RMB75,876 million, representing an increase of RMB5,182 million, or 7.33%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances amounted to RMB50,576 million, representing an increase of RMB5,976 million, or 13.40%, as compared with the corresponding period of the previous year.

(2) Interest income from investment balance of trading and banking books

During the Reporting Period, interest income from investment balance of trading and banking books of the Group was RMB78,995 million, representing an increase of RMB22,326 million, or 39.40%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of daily average investment scale of the Group.

(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 RMB12,162 million, representing a decrease of RMB7,289 million, or 37.47%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in the business scale of financial assets held under resale agreements.

(4) Interest income from balances with central bank

During the Reporting Period, interest income from balances with central bank of the Group was RMB6,870 million, representing a decrease of RMB91 million, or 1.31%, as compared with the corresponding period of the previous year.

(5) Interest income from long-term receivables

During the Reporting Period, interest income from long-term receivables of the Group amounted to RMB6,431 million, representing an increase of RMB888 million, or 16.02%, as compared with the corresponding period of the previous year.

2. *Interest expenses*

During the Reporting Period, interest expenses of the Group was RMB144,358 million, representing an increase of RMB35,124 million, or 32.15%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in the scale of interest-bearing liabilities and higher cost ratio.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB52,244 million, representing an increase of RMB939 million, or 1.83%, as compared with the corresponding period of the previous year.

(2) Interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

During the Reporting Period, interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB57,285 million, representing an increase of RMB19,569 million, or 51.89%, as compared with the corresponding period of the previous year. The increase was mainly due to the increased daily average interbank liabilities and higher cost ratio.

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses on debt securities issued of the Group amounted to RMB18,947 million, representing an increase of RMB8,400 million, or 79.64%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the issuance scale of IBNCD.

(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 RMB15,882 million, representing an increase of RMB6,216 million, or 64.31%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the borrowings from central bank and other financial institutions.

(II) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB55,395 million, representing a decrease of RMB3,972 million, or 6.69%, as compared with the corresponding period of the previous year, which was mainly due to the decrease in net fee and commission income.

(Unit: RMB million)

Item	2017	2016	Change (%)
Net fee and commission income	**47,742**	52,261	-8.65
Other net non-interest income	**7,653**	7,106	7.70
Total	**55,395**	59,367	-6.69

1. Net fee and commission income

During the Reporting Period, net fee and commission income of the Group amounted to RMB47,742 million, representing a decrease of RMB4,519 million, or 8.65%, as compared with the corresponding period of the previous year, which was mainly due to the decrease in fee and commission income of agency services, credit commitments, trust and other fiduciary services as well as the increase in fee and commission expenses.

(Unit: RMB million)

Item	2017	2016	Change (%)
Bank card services	**22,009**	16,807	30.95
Trust and other fiduciary services	**13,085**	15,072	-13.18
Agency services	**11,648**	15,651	-25.58
Settlement services	**3,028**	2,403	26.01
Credit commitments	**2,493**	4,501	-44.61
Finance lease services	**1,070**	1,056	1.33
Financial advisory services	**412**	617	-33.23
Others	**323**	159	103.14
Fee and commission income	**54,068**	56,266	-3.91
Less: Fee and commission expenses	**6,326**	4,005	57.95
Net fee and commission income	**47,742**	52,261	-8.65

2. *Other net non-interest income*

During the Reporting Period, other net non-interest income of the Group was RMB7,653 million, representing an increase of RMB547 million, or 7.70%, as compared with the corresponding period of the previous year, which was mainly due to the change in fair value of precious metal and derivatives caused by the fluctuation of exchange rate in the market, as well as higher investment gains.

(Unit: RMB million)

Item	**2017**	2016	Change (%)
Net gain arising from disposals of securities and discounted bills	**3,874**	2,471	56.78
Net trading gain	**1,366**	1,633	-16.35
Other operating income	**2,413**	3,002	-19.62
Total	**7,653**	7,106	7.70

(III) *Operating expenses*

During the Reporting Period, the Group continued to refine financial management and implement cost reduction and efficiency enhancement measures to improve its cost structure. Operating expenses amounted to RMB47,245 million, representing a decrease of RMB5,179 million, or 9.88%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	**2017**	2016	Change (%)
Staff cost (including Directors' emoluments)	**25,119**	25,082	0.15
Rental and property management expenses	**4,337**	4,466	-2.89
Depreciation and amortisation	**3,350**	3,535	-5.23
Office expenses	**1,610**	2,214	-27.28
Tax and surcharges	**1,484**	4,338	-65.79
Business expenses and others	**11,345**	12,789	-11.29
Total	**47,245**	52,424	-9.88

(IV) Impairment losses on assets

During the Reporting Period, the Group recorded impairment losses on assets of RMB34,140 million, representing a decrease of RMB7,238 million, or 17.49%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	**2017**	2016	Change (%)
Loans and advances to customers	**32,180**	41,214	-21.92
Loans and receivables	**634**	-34	Negative for the corresponding period of the previous year
Long-term receivables	**449**	711	-36.85
Others	**877**	-513	Negative for the corresponding period of the previous year
Total	**34,140**	41,378	-17.49

(V) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB9,640 million, representing a decrease of RMB1,831 million as compared with the corresponding period of the previous year, and accounted for 15.92% of the total profit before income tax.

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

During the Reporting Period, the Group actively adjusted and optimized its assets business structure. As at the end of the Reporting Period, total assets of the Group amounted to RMB5,902,086 million, representing an increase of RMB6,209 million, or 0.11%, as compared with the end of the previous year.

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

(Unit: RMB million)

Item	**31 December 2017** Amount	**31 December 2017** % of total	31 December 2016 Amount	31 December 2016 % of total	31 December 2015 Amount	31 December 2015 % of total
Gross balance of loans and advances to customers	**2,804,307**	**47.51**	2,461,586	41.76	2,048,048	45.30
Less: Allowance for impairment losses on loans	**74,519**	**1.26**	64,394	1.09	50,423	1.11
Net balance of loans and advances to customers	**2,729,788**	**46.25**	2,397,192	40.67	1,997,625	44.19
Net investment balance of trading and banking books	**2,135,897**	**36.19**	2,206,909	37.43	913,562	20.21
Cash and balances with central bank	**442,938**	**7.50**	524,239	8.89	432,831	9.57
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	**271,274**	**4.60**	461,837	7.83	901,302	19.94
Long-term receivables	**101,304**	**1.72**	94,791	1.61	92,579	2.05
Property and equipment	**48,338**	**0.82**	46,190	0.78	41,151	0.91
Others	**172,547**	**2.92**	164,719	2.79	141,638	3.13
Total	**5,902,086**	**100.00**	5,895,877	100.00	4,520,688	100.00

Note: Net investment balance of trading and banking books includes financial assets at fair value through profit or loss, available-for-sale securities, held-to-maturity securities as well as loans and receivables.

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 RMB2,804,307 million, representing an increase of RMB342,721 million, or 13.92%, as compared with the end of the previous year. Total loans and advances to customers accounted for 47.51% of total assets, representing an increase of 5.75 percentage points as compared with the end of the previous year.

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

(Unit: RMB million)

	31 December 2017		31 December 2016		31 December 2015	
Item	**Amount**	**% of total**	Amount	% of total	Amount	% of total
Corporate loans and advances	**1,698,480**	**60.57**	1,560,664	63.40	1,320,020	64.45
Of which: Discounted bills	**82,650**	**2.95**	165,800	6.74	79,084	3.86
Personal loans and advances	**1,105,827**	**39.43**	900,922	36.60	728,028	35.55
Total	**2,804,307**	**100.00**	2,461,586	100.00	2,048,048	100.00

The breakdown of personal loans and advances is as follows:

(Unit: RMB million)

	31 December 2017		31 December 2016		31 December 2015	
Item	**Amount**	**% of total**	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	**373,262**	**33.75**	335,074	37.19	378,177	51.95
Residential mortgage	**350,986**	**31.74**	295,875	32.84	114,328	15.70
Credit card overdrafts	**294,019**	**26.59**	207,372	23.02	170,910	23.48
Others	**87,560**	**7.92**	62,601	6.95	64,613	8.87
Total	**1,105,827**	**100.00**	900,922	100.00	728,028	100.00

2. *Investment on trading and banking books*

As at the end of the Reporting Period, net investment balance of trading and banking books of the Group amounted to RMB2,135,897 million, representing a decrease of RMB71,012 million, or 3.22%, as compared with the end of the previous year, and accounted for 36.19% of the total assets, representing a decrease of 1.24 percentage points as compared with the end of the previous year.

(1) Structure of investment on trading and banking books

The structure of investment on trading and banking books of the Group classified by holding purpose is as follows:

(Unit: RMB million)

	31 December 2017		31 December 2016	
Item	**Amount**	**% of total**	Amount	% of total
Loans and receivables	**974,163**	**45.61**	1,148,729	52.05
Held-to-maturity securities	**708,244**	**33.16**	661,362	29.97
Available-for-sale securities	**378,889**	**17.74**	307,078	13.91
Financial assets at fair value through profit or loss	**74,601**	**3.49**	89,740	4.07
Total	**2,135,897**	**100.00**	2,206,909	100.00

(2) Holdings of financial bonds

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

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Impairment allowances
2016 financial bonds	3,820	3.18	2026-4-5	—
2016 financial bonds	3,267	2.32	2019-9-29	—
2013 financial bonds	3,000	4.37	2018-7-29	—
2017 financial bonds	3,000	4.20	2020-4-17	—
2016 financial bonds	2,760	3.20	2019-7-18	—
2017 financial bonds	2,500	4.30	2020-9-5	—
2013 financial bonds	2,480	4.55	2020-4-8	—
2017 financial bonds	2,000	4.20	2020-5-24	—
2016 financial bonds	1,960	2.42	2019-9-26	—
2010 financial bonds	1,920	2.09	2020-2-25	—
Total	26,707			

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 RMB271,274 million, representing a decrease of RMB190,563 million, or 41.26%, as compared with the end of the previous year, and accounted for 4.60% of the total assets, representing a decrease of 3.23 percentage points as compared with the end of the previous year.

4. Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	31 December 2017 Fair value Assets	Liabilities
Currency swaps	1,129,297	10,304	14,952
Interest rate swaps	596,828	1,050	315
Precious metal derivatives	93,805	5,540	868
Currency options	72,787	375	307
Currency forwards	51,421	619	1,062
Commodity options	17,199	789	554
Extension options	5,000	—	—
Credit derivatives	131	4	—
Others	304	53	18
Total		18,734	18,076

(II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB5,512,274 million, representing a decrease of RMB31,576 million, or 0.57%, 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 2017 Amount**	**% of total**	31 December 2016 Amount	% of total	31 December 2015 Amount	% of total
Deposits from customers	**2,966,311**	**53.81**	3,082,242	55.60	2,732,262	64.89
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	**1,423,515**	**25.82**	1,521,274	27.44	1,039,904	24.70
Debt securities issued	**501,927**	**9.11**	398,376	7.19	181,233	4.30
Borrowings from central bank and other financial institutions	**482,172**	**8.75**	437,912	7.90	171,015	4.06
Others	**138,349**	**2.51**	104,046	1.87	86,491	2.05
Total	**5,512,274**	**100.00**	5,543,850	100.00	4,210,905	100.00

1. *Deposits from customers*

As at the end of the Reporting Period, deposits from customers of the Group amounted to RMB2,966,311 million, representing a decrease of RMB115,931 million, or 3.76%, as compared with the end of the previous year, and accounted for 53.81% of the total liabilities. In respect of customer structure, the proportions of corporate deposits, personal deposits and other deposits in total deposits were 82.77%, 16.59% and 0.64%, respectively. In respect of maturity structure, the proportions of demand deposits, time deposits and other deposits in total deposits were 46.19%, 53.17% and 0.64%, respectively.

(Unit: RMB million)

	31 December 2017		31 December 2016		31 December 2015	
Item	**Amount**	**% of total**	Amount	% of total	Amount	% of total
Corporate deposits	**2,455,247**	**82.77**	2,522,232	81.83	2,148,159	78.62
Demand	**1,187,367**	**40.03**	1,141,097	37.02	803,352	29.40
Time	**1,267,880**	**42.74**	1,381,135	44.81	1,344,807	49.22
Personal deposits	**492,008**	**16.59**	540,548	17.54	572,053	20.94
Demand	**182,652**	**6.16**	167,686	5.44	159,682	5.84
Time	**309,356**	**10.43**	372,862	12.10	412,371	15.10
Certificates of deposit	**12,069**	**0.41**	12,792	0.42	6,185	0.23
Outward remittance and remittance payables	**6,987**	**0.23**	6,670	0.21	5,865	0.21
Total	**2,966,311**	**100.00**	3,082,242	100.00	2,732,262	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 RMB1,423,515 million, representing a decrease of RMB97,759 million, or 6.43%, as compared with the end of the previous year. The decrease was mainly due to the decrease in deposits from banks and other financial institutions.

3. *Debt securities issued*

As at the end of the Reporting Period, total debt securities issued by the Group amounted to RMB501,927 million, representing an increase of RMB103,551 million, or 25.99%, as compared with the end of the previous year. The increase was mainly due to the increase in the issuance scale of IBNCD.

(III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB389,812 million, representing an increase of RMB37,785 million, or 10.73%, as compared with the end of the previous year. Among which, total equity attributable to equity shareholders of the Company amounted to RMB378,970 million, representing an increase of RMB36,380 million, or 10.62%, as compared with the end of previous year. The increase in the shareholders' equity was mainly due to the increase of net profit of the Group.

(Unit: RMB million)

Item	**31 December 2017**	31 December 2016	Change (%)
Share capital	**36,485**	36,485	—
Other equity instruments	**9,892**	9,892	—
Of which: Preference shares	**9,892**	9,892	—
Reserves	**169,173**	165,583	2.17
Of which: Capital reserve	**64,753**	64,744	0.01
Surplus reserve	**34,914**	30,052	16.18
General reserve	**74,168**	72,929	1.70
Other reserves	**-4,662**	-2,142	Negative for two periods
Retained earnings	**163,420**	130,630	25.10
Total equity attributable to equity shareholders of the Company	**378,970**	342,590	10.62
Non-controlling interests	**10,842**	9,437	14.89
Total	**389,812**	352,027	10.73

(IV) Off-balance sheet items

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

(Unit: RMB million)

Item	31 December 2017	31 December 2016	Change (%)
Bank acceptances	**461,630**	612,583	-24.64
Guarantees	**141,929**	196,566	-27.80
Letters of credit	**107,523**	110,330	-2.54
Unused credit card commitments	**100,714**	63,335	59.02
Capital commitments	**19,116**	13,791	38.61
Operating lease commitments	**14,003**	16,571	-15.50
Finance lease commitments	**3,160**	6,821	-53.67
Irrevocable loan commitments	**4,286**	8,635	-50.36

(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 2017, 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 13.14%. Among nine national joint-stock commercial banks in China, the market share of total loans of the Company amounted to 13.48%. (Note: Nine national joint-stock commercial banks in China refer to China Merchants Bank, CITIC Bank, Industrial Bank, China Everbright Bank, Shanghai Pudong Development Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank and the Company. All data above are based on the statistics of domestic institutions of the Company. According to the Notice on Adjusting the Statistical Standards of Loans and Deposits for Financial Institutions (Yin Fa [2015] No. 14) (《中國人民銀行關於調整金融機構存貸款統計口徑的通知》(銀發[2015]14號)) released by the PBOC, with effect from 2015, the deposit-taking financial institutions shall include deposits and placements with non-deposit-taking financial institutions in "Total Deposits" and "Total Loans", respectively, for statistical purpose.)

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	31 December 2017 Amount	31 December 2017 % of total	31 December 2016 Amount	31 December 2016 % of total
Corporate loans and advances				
Manufacturing	**335,206**	**11.95**	321,246	13.05
Leasing and commercial services	**275,289**	**9.82**	199,841	8.12
Real estate	**256,127**	**9.13**	226,944	9.22
Wholesale and retail	**221,770**	**7.91**	221,161	8.98
Mining	**125,949**	**4.49**	128,243	5.21
Financial services	**103,672**	**3.70**	110,836	4.50
Water, environment and public utilities management	**89,079**	**3.18**	61,187	2.49
Transportation, storage and postal service	**81,176**	**2.89**	79,753	3.24
Construction	**75,924**	**2.71**	66,678	2.71
Production and supply of electric power, heat, gas and water	**52,021**	**1.86**	46,569	1.89
Agriculture, forestry, animal husbandry and fishery	**10,788**	**0.38**	15,905	0.65
Public administration, social security and social organisations	**10,284**	**0.37**	24,886	1.01
Accommodation and catering	**7,494**	**0.27**	8,277	0.34
Others	**53,701**	**1.91**	49,138	1.99
Subtotal	**1,698,480**	**60.57**	1,560,664	63.40
Personal loans and advances	**1,105,827**	**39.43**	900,922	36.60
Total	**2,804,307**	**100.00**	2,461,586	100.00

(II) *Geographical distribution of loans*

(Unit: RMB million)

Item	31 December 2017 Amount	% of total	31 December 2016 Amount	% of total
Northern China	**923,083**	**32.92**	765,655	31.10
Eastern China	**810,954**	**28.92**	738,275	29.99
Southern China	**392,912**	**14.01**	326,378	13.26
Other regions	**677,358**	**24.15**	631,278	25.65
Total	**2,804,307**	**100.00**	2,461,586	100.00

Note: Northern China includes Minsheng Financial Leasing, Ningjin Rural Bank, the Head Office and the branches in Beijing, Taiyuan, Shijiazhuang and Tianjin; Eastern China includes Cixi Rural Bank, Songjiang Rural Bank, Jiading Rural Bank, Penglai Rural Bank, Funing Rural Bank, Taicang Rural Bank, Ningguo Rural Bank, Guichi Rural Bank, Tiantai Rural Bank, Tianchang Rural Bank and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei, Nanchang and Shanghai Free Trade Zone; Southern China includes Minsheng Royal Fund, Anxi Rural Bank, Zhangpu Rural Bank, Xiang'an Rural Bank and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen, Nanning and Haikou; Other regions include CMBC International, Pengzhou Rural Bank, Qijiang Rural Bank, Tongnan Rural Bank, Meihekou Rural Bank, Ziyang Rural Bank, Jiangxia Rural Bank, Changyuan Rural Bank, Yidu Rural Bank, Zhongxiang Rural Bank, Puer Rural Bank, Jinghong Rural Bank, Zhidan Rural Bank, Yuyang Rural Bank, Tengchong Rural Bank, Linzhi Rural Bank and the branches in Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang, Hong Kong, Guiyang, Lhasa, Harbin, Lanzhou, Urumqi, Xining and Yinchuan.

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

(Unit: RMB million)

Item	31 December 2017 Amount	% of total	31 December 2016 Amount	% of total
Unsecured loans	**678,023**	**24.18**	493,658	20.05
Guaranteed loans	**632,828**	**22.57**	632,487	25.69
Loans secured by				
— Tangible assets other than monetary assets	**1,134,722**	**40.46**	972,097	39.50
— Monetary assets	**358,734**	**12.79**	363,344	14.76
Total	**2,804,307**	**100.00**	2,461,586	100.00

(IV) *Top ten loan customers*

As at the end of the Reporting Period, the aggregate amount of outstanding loans to the Group's top ten loan customers sorted by the loan balance were RMB61,930 million, accounting for 2.21% of total loans and advances to customers. The top ten loan customers were as follows:

(Unit: RMB million)

Top ten loan customers	**Balance**	**% of gross loans**
A	13,825	0.49
B	6,822	0.24
C	6,394	0.23
D	6,189	0.22
E	6,186	0.22
F	4,733	0.17
G	4,655	0.17
H	4,499	0.16
I	4,400	0.16
J	4,227	0.15

As at the end of the Reporting Period, the percentage 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 2017**	31 December 2016	31 December 2015
Percentage of loans to the single largest loan customer	**≤10**	**2.69**	1.64	1.75
Percentage of loans to the top ten loan customers	**≤50**	**12.04**	12.21	13.11

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 1.71%, representing an increase of 0.03 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	**31 December 2017** Amount	**31 December 2017** % of total	31 December 2016 Amount	31 December 2016 % of total	Change (%)
Performing loans	**2,756,418**	**98.29**	2,420,151	98.32	13.89
Of which: Pass	**2,642,469**	**94.23**	2,327,870	94.57	13.51
Special-mention	**113,949**	**4.06**	92,281	3.75	23.48
NPLs	**47,889**	**1.71**	41,435	1.68	15.58
Of which: Substandard	**17,048**	**0.61**	13,593	0.55	25.42
Doubtful	**21,198**	**0.76**	19,200	0.78	10.41
Loss	**9,643**	**0.34**	8,642	0.35	11.58
Total	**2,804,307**	**100.00**	2,461,586	100.00	13.92

(VI) Migration ratio of loans

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

(Unit: %)

Item	**31 December 2017**	31 December 2016	31 December 2015
Pass	**3.62**	5.23	4.59
Special-mention	**16.95**	22.48	27.19
Substandard	**46.54**	60.97	23.69
Doubtful	**18.90**	38.81	52.01

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, the balance of restructured loans of the Group was RMB14,837 million, representing an increase of RMB6,376 million as compared with the end of the previous year. The percentage of restructured loans to total loans and advances to customers was 0.53%, representing an increase of 0.19 percentage points as compared with the end of the previous year. The balance of overdue loans was RMB89,117 million, representing an increase of RMB2,963 million as compared with the end of the previous year. The percentage of overdue loans to total loans and advances to customers was 3.18%, representing a decrease of 0.32 percentage points as compared with the end of the previous year.

(Unit: RMB million)

	31 December 2017		31 December 2016	
Item	**Amount**	**% of total**	Amount	% of total
Restructured loans	**14,837**	**0.53**	8,461	0.34
Overdue loans	**89,117**	**3.18**	86,154	3.50

Notes: 1. Restructured loans (full name: loans after restructuring) are loans of which the terms of repayment under the loan agreement have been amended by the Bank as a result of deteriorated financial status of the borrower or inability of the borrower to repay the debt due.

2. Overdue loans are loans of which the repayment of principal or interest is overdue for one or more days.

(VIII) Repossessed assets

(Unit: RMB million)

	31 December 2017		31 December 2016	
Item	**Balance**	**Allowance for impairment losses**	Balance	Allowance for impairment losses
Repossessed assets	**11,099**	**85**	12,114	81
Of which: Real estate and land use right	**10,252**	**85**	11,215	78
Motor vehicles	**186**	**—**	186	—
Others	**661**	**—**	713	3

(IX) Changes in allowance for impairment losses on loans

(Unit: RMB million)

Item	**31 December 2017**	31 December 2016
Opening balance	**64,394**	50,423
Charge for the period	**34,181**	43,162
Release during the period	**-2,001**	-1,948
Transfer out	**-4,359**	-10,710
Write-offs	**-18,439**	-17,500
Recoveries	**1,773**	1,849
Unwinding of discount	**-832**	-970
Exchange gain or loss	**-198**	88
Ending balance	**74,519**	64,394

Method for assessing allowances for impairment losses on loans:

Under the existing accounting standards, the Company makes impairment allowances for loans upon evaluation on an individual basis or on an aggregate basis. As for corporate loans, if there is objective evidence that an impairment loss on a loan has been incurred, impairment loss shall be recognized and the carrying amount of the financial assets shall be reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of estimated future cash flows shall be discounted at the original effective interest rate of the loan. As for retail loans or corporate loans without impairment loss, the Company formulates different allowance standards and makes provisions on an aggregate basis according to the loss record of different types of loans.

(X) NPLs and related measures

As at the end of the Reporting Period, the Group had NPL balance of RMB47,889 million, representing an increase of RMB6,454 million, or 15.58% as compared with the end of the previous year.

1. Industry concentration of NPLs

(Unit: RMB million)

Item	**31 December 2017** Amount	**31 December 2017** % of total	31 December 2016 Amount	31 December 2016 % of total
Corporate loans and advances				
Manufacturing	**12,392**	**25.89**	10,200	24.63
Wholesale and retail	**7,031**	**14.68**	5,889	14.21
Mining	**2,166**	**4.52**	1,874	4.52
Transportation, storage and postal service	**983**	**2.05**	1,263	3.05
Leasing and commercial service	**859**	**1.79**	812	1.96
Construction	**788**	**1.65**	793	1.91
Real estate	**552**	**1.15**	586	1.41
Agriculture, forestry, animal husbandry and fishery	**403**	**0.84**	293	0.71
Production and supply of electric power, heat, gas and water	**322**	**0.67**	155	0.37
Accommodation and catering	**85**	**0.18**	72	0.17
Financial services	**15**	**0.03**	45	0.11
Others	**158**	**0.33**	216	0.52
Subtotal	**25,754**	**53.78**	22,198	53.57
Personal loans and advances	**22,135**	**46.22**	19,237	46.43
Total	**47,889**	**100.00**	41,435	100.00

2. *Geographical distribution of NPLs*

(Unit: RMB million)

Item	**31 December 2017** Amount	**31 December 2017** % of total	31 December 2016 Amount	31 December 2016 % of total
Northern China	**19,843**	**41.43**	19,448	46.93
Eastern China	**11,053**	**23.08**	9,396	22.68
Southern China	**4,433**	**9.26**	3,736	9.02
Other regions	**12,560**	**26.23**	8,855	21.37
Total	**47,889**	**100.00**	41,435	100.00

Note: The geographical distribution is in line with the distribution shown in "V. Qualitative Analysis of Loans — (II) Geographical distribution of loans" in this report.

In order to effectively control and ensure stable asset quality in general, the Group mainly adopted the following measures during the Reporting Period:

(1) Proactively adjusting loan distribution and continuously optimizing asset structure in line with the national macro-economic policies, industrial policies and regional policies, latest regulatory requirements, and development strategies and risk preferences determined by the Board.

(2) Improving management policies on asset portfolios by imposing multidimensional risk limit management and portfolio management for different industries, customers and products.

(3) Strictly controlling risk of new credit facilities. Greater efforts were exerted to enhance screening of customers admittances, and set up stricter credit approval criteria in order to mitigate credit risks from the origins.

(4) Enhancing risk early-warning and post-loan risk supervision. Based on the big data analysis, the Company established a risk early-warning system to realize an automatic and intelligent collecting, analyzing and reporting of risk information. A new top-down alert management model of data-driven and active management was set up to strengthen the risk management of the entire process. In addition, post-loan management was enhanced for existing loans. A regular monitoring and inspection system was put in place to enhance supervision over major industries, regions and products and duly carry out proper risk prevention.

(5) Further enhancing collection and disposal of NPLs by concurrently implementing various measures, including recovery and disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off, and actively exploring and implementing new recovery methods, in order to improve the efficiency of collection and disposal.

(6) Improving the rules and regulations, strengthening accountability and compliance training to achieve positive results in establishing the philosophy of law-compliant operation, preventing and defusing risks, improving asset quality and promoting operation compliance.

VI. Analysis of Capital Adequacy Ratio

The Group calculated its capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法 (試行) 》) (the "New Measures") promulgated by the CBRC and other relevant regulatory provisions. The calculation of capital adequacy ratio covers the Company and the financial institutions directly or indirectly invested by the Company in accordance with the requirements of the New Measures. As at the end of the Reporting Period, the capital adequacy ratio, core tier-one capital adequacy ratio and tier-one capital adequacy ratio of the Group satisfied the requirements of the New Measures of the CBRC.

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

(Unit: RMB million)

Item	31 December 2017 The Group	 The Company
Net core tier-one capital	374,624	355,938
Net tier-one capital	385,414	365,814
Total net capital base	514,401	490,975
Core tier-one capital	375,828	362,298
Core tier-one capital deductions	-1,204	-6,360
Other tier-one capital	10,790	9,892
Other tier-one capital deductions	—	-16
Tier-two capital	128,987	125,186
Tier-two capital deductions	—	-25
Total risk-weighted assets	4,340,262	4,145,447
Of which: Credit risk-weighted assets	3,998,394	3,811,531
Market risk-weighted assets	63,112	65,702
Operational risk-weighted assets	278,756	268,214
Core tier-one capital adequacy ratio (%)	8.63	8.59
Tier-one capital adequacy ratio (%)	8.88	8.82
Capital adequacy ratio (%)	11.85	11.84

Capital instruments entitled for the preferential policy during the transitional period: According to the applicable requirements under the New Measures, non-qualified tier-two capital instruments issued by commercial banks before 12 September 2010 may be entitled to preferential policy of a progressive deduction of book value by 10% per annum starting from 1 January 2013. As at the end of the Reporting Period, the balance of non-qualified tier-two capital instruments of the Company was RMB9.0 billion, which can be put into the calculation.

As at the end of the Reporting Period, the net tier-one capital increased by RMB7,539 million, on- and off-balance sheet assets after adjustment increased by RMB239,706 million, while the leverage ratio decreased by 0.10 percentage points, as compared with the end of September 2017. The leverage ratio of the Group is as follows:

(Unit: RMB million)

Item	**31 December 2017**	30 September 2017	30 June 2017	31 March 2017
Leverage ratio (%)	**5.81**	5.91	5.69	5.40
Net tier-one capital	**385,414**	377,875	371,134	363,397
On- and off-balance sheet assets after adjustment	**6,629,353**	6,389,647	6,520,480	6,728,790

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

VII. Segment Report

In respect of geographical regions, the Group mainly operates its business in four main regions, namely, Northern China, Eastern China, Southern China and others. In respect of business lines, the Group provides different types of financial services in four major business segments, namely corporate banking, personal banking, treasury and others.

(I) Segment operating results by geographical region

(Unit: RMB million)

Item	**Total assets (excluding deferred income tax assets)**	**Operating income**	**Profit before income tax**
Northern China	5,083,940	73,651	39,652
Eastern China	1,295,906	25,964	7,030
Southern China	662,721	17,761	7,353
Other regions	941,025	24,571	6,527
Inter-segment elimination	-2,110,668	—	—
Total	5,872,924	141,947	60,562

Note: Inter-segment elimination refers to the centralized adjustments involving the Group or a number of branch offices (such as inter-entity balances and open credit).

(II) *Segment operating results by business line*

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate banking business	1,701,522	64,396	27,128
Personal banking business	1,092,556	48,621	15,557
Treasury business	2,884,691	23,609	14,578
Other businesses	194,155	5,321	3,299
Total	5,872,924	141,947	60,562

VIII. Other Financial Information

(I) *Explanation on changes in accounting policies*

Details of changes in accounting policies of the Company and their effect during the Reporting Period are set out in Note 2(1) "Basis of preparation" to the Financial Statements for the year 2017.

(II) *Items relating to fair value measurement*

1. *Internal control system relating to fair value measurement*

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk management and protect the legitimate interests of investors and all relevant parties, the Company has formulated the Administrative Measures regarding Fair Value (《公允價值管理辦法》) based on the Accounting Standards for Business Enterprises (《企業會計準則》), which expanded the scope of fair value measurement to cover the initial measurement of certain financial assets and financial liabilities; and clarified and refined the principles, methods and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Company has assigned specific working responsibilities to relevant managing departments for fair value management so as to continuously strengthen research on the valuation of its asset and liability businesses and improve internal valuation capabilities. The Company will also gradually optimize and employ the valuation models and systems and strengthen the verification of prices obtained externally. Moreover, the Company has correspondingly implemented internal control measures over the process of fair value measurement, including double-checking on price enquiry and confirmation, and adopting an evaluation procedure on fair value measurement which requires the person-in charge and reviewer to sign off in order to give effect to the measurement. Furthermore, the Internal Audit Department actively followed and rectified related problems by supervising and checking the range determined for fair value measurement and measurement methodology and procedure, so as to improve internal control within the Company.

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

2. *Financial instruments measured at fair value*

The Company's financial instruments measured at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instruments, available-for-sale securities and precious metals. In particular, the valuation methods of financial assets at fair value through profit or loss and the bond investment of the available-for-sale security investments were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply; for bonds denominated in foreign currencies, market value was determined through a combination of Bloomberg quotes and enquiries; the fair value of most derivative financial instruments was obtained directly from quotes of market prices and assessment model, while the fair value of certain derivative financial instruments in which customers are interested was obtained from market enquiries; and the valuation of foreign exchange option was obtained from Bloomberg quotes. Derivative financial instruments mainly consisted of interest rate swap contracts to which customers are parties and proprietary interest rate swap contracts, the market risks of which had been hedged. The changes in fair value had little impact on the profit of the Company. Changes in fair value of available-for-sale securities were considered when calculating shareholders' equity.

(Unit: RMB million)

Item	1 January 2017	Gain/loss from fair value changes for the period	Accumulated fair value changes charged to equity	Impairment allowance for the period	31 December 2017
Financial assets					
Of which: precious metals	22,591	-4,038	—	—	20,551
Financial assets at fair value through profit or loss	89,740	-112	—	—	74,601
Positive fair value of derivatives	7,843	10,913	107	—	18,734
Available-for-sale securities	306,927	—	-5,923	544	378,737
Total	427,101	6,763	-5,816	544	492,623
Financial liabilities					
Of which: financial liabilities at fair value through profit or loss	-868	-27	—	—	-3,373
Negative fair value of derivatives	-10,277	-9,059	—	—	-18,076
Total	-11,145	-9,086	—	—	-21,449

(III) Overdue and outstanding liabilities

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

IX. Performance of Key Business Lines

(I) Corporate and investment banking

During the Reporting Period, in response to the complicated and challenging operating and development environments, the Company adopted two major strategies as "one hand on operation development and the other on transformation and improvement", and strove to position itself as "a professional commercial bank", "a scenarized transaction bank" and "a customized investment bank" in order to further strengthen its corporate banking business.

1. Customer base of corporate banking

During the Reporting Period, adhering to the customer-oriented management philosophy, the Company refined its service systems for different groups of customers and innovated customer service model to provide comprehensive, intelligent and one-stop services for better customer experience. It is the objective of the Company to be "a bank of best customer experience". As at the end of the Reporting Period, domestic corporate customers with deposits of the Company increased by 173.6 thousand, or 20.69%, to 1,012.8 thousand as compared with the end of previous year. The number of domestic customers of the Company with general loans balance was 11,171.

2. *Corporate deposits and loans*

During the Reporting Period, the Company further consolidated its customer base, strengthened the development of its settlement business platform and expanded institutional finance. In response to the new changes and trends of the national economic development as well as the upgrades and transformation of the industrial and consumption structures, the Company actively developed businesses in the emerging industries and consumption-driven industries with promising prospects and market size, participated in major infrastructure projects supported by the national key strategies and in the construction of new urbanization, and seized the business opportunities of mergers, acquisitions and integration arising from the restructuring of traditional industries and the transformation and upgrade of leading enterprises. The Company also optimized its credit business structure by restricting loans to industries with overcapacity, such as steel and coal industries, in order to support the development of real economy more effectively. As at the end of the Reporting Period, the balance of corporate deposits and loans of the Company amounted to RMB2,434,747 million and RMB1,699,696 million, respectively. In particular, the balance of general corporate loans amounted to RMB1,617,816 million, representing an increase of RMB225,884 million, or 16.23%, as compared with the end of the previous year. The non-performing corporate loan ratio was 1.52%.

3. *Investment banking*

During the Reporting Period, the Company fully implemented the reform on investment banking business. Adhering to the mission and objective of the transformation and reform under the Phoenix Project, a set of new business model, procedures and mechanism of investment banking for commercial banks were established and a market-oriented incentive and restraint mechanism was adopted for the direct sales team of investment banking, which led to a remarkable improvement in its business competitiveness.

The investment banking business of the Company focused on four major sectors including medical and healthcare, cultural tourism and consumption, high-end manufacturing and information technology as well as government and investment institutions. The Company further reformed its four major business lines, including private placement, industry (government) funds, pre-IPO direct investment and mergers, acquisitions and restructuring, and developed a "4+2" investment banking product portfolio primarily consisting of bond issuance and securitization as the core products.

During the Reporting Period, the Company maintained steady business growth in the capital market. Mainly focused on strategic customers and key industries, the Company took the lead to complete a number of significant projects with high market influence in asset restructuring, debt-to-equity conversion and cross-border mergers and acquisitions.

In respect of the asset securitization business, the Company further consolidated its leading position among its peers with continuous breakthroughs in model innovation. The Company successfully launched the first PPP+ABS project backed by infrastructure facilities on stock exchanges in China, the first PPP+ABS project on the SZSE, the first securitization of green assets of the railway transportation industry, the first securitization of project regarding the green and environment-friendly buildings of state-owned enterprises in China, and the first project of securities backed by non-performing assets of the Company, which brought significant debut effect and impressive trading volume. The Company was awarded the "Pioneer Enterprise of the Year (企業類年度新銳獎)", "Enterprise of the Year for Excellent OTC Product (企業類年度場外優秀產品獎)", and "Top 10 Trades of the Year (年度十佳交易獎)" by the Annual Conference of the China Securitization Forum (中國資產證券化論壇年會).

In respect of the bond underwriting business, the Company overcame the difficulties and challenges from the market downturn and maintained its development through innovation. The numbers of issues in the third quarter broke the record, and the total number of issues for the whole year ranked top ten in the industry. The Company achieved breakthrough in the innovation of business models, including the filing and issue of the first trust-based ABN in batch mode in the interbank market, and the underwriting of ABN backed by the outstanding balance of properties sold by Sichuan Blue Ray (四川藍光), being the first in the market. During the Reporting Period, the bond issuance volume of the Company amounted to RMB243,547 million.

During the Reporting Period, in compliance with the national strategy, the Company successfully ogranised the "2017 Belt and Road Forum for Investment and Finance (2017「一帶一路」投融資高峰論壇). Dozens of important guests from the government, major enterprises, academia and industry peers attended and delivered speeches on the forum, published by over 40 authoritative media agencies. The brand influence of corporate banking and investment banking of the Company was further strengthened in the industry.

4. *Transaction Banking*

During the Reporting Period, to satisfy the financial demands from daily production and operation of enterprises, the Company continued to promote the innovation and upgrade of its supply chain finance by improving the risk control system and business development procedures, and enriching the offering of its four major product lines, namely the international business, new supply chain finance, settlement and cash management as well as domestic trade financing and factoring. The online and scenarized financial service offerings of transaction banking were preliminarily developed, which had facilitated the transformation and upgrade of the integrated development mode of corporate banking business.

Firstly, the Company made innovations in supply chain financial service model to support the transformation and upgrade of financial services for enterprises. During the Reporting Period, the Company upheld the principle of "cooperation for mutual growth" and constructed the new supply chain financing platform consisting of transaction scenarios of "production, supply and sales" of the supply chain customers to satisfy their specific financial needs. The platform effectively integrated the data of "cash flow, information flow, logistics and product flow", and offered scenarized financial services to meet the daily operating needs of enterprises. The model of providing financial services "on demand" under closed risk and self-liquidating condition was initially developed.

Secondly, the Company reshaped its competitive strength in international business adapting to the external changes. During the Reporting Period, the Company paid close attention to the changes of external environment with focus on the internationalized business needs of customers. The Company strengthened the promotion and application of key products, and strengthened the service brand of "Cross-border Express (跨境通)" for its international business consisting of five major products, namely cross-border financing, cross-border fund management, Cross-border E+ (跨境E+), cross-border synergy and international credit. The new product, "Minsheng Global Fast Payment GPI (民生環球速匯GPI)" was launched to offer customers with comprehensive and personalized cross-border financial services. As a result, the total assets and liabilities denominated in foreign currencies increased significantly, and the volume of cross-border settlement continued to grow.

Thirdly, the innovation on scenarized settlement and cash management products was further enhanced, which effectively improved the competitiveness of the Company. During the Reporting Period, the Company continued to develop new scenarios for the settlement and cash management products and established the three major cash management product systems of "Express (通)", "Pool (聚)" and "Earnings (盈)" with unique features to satisfy different financial needs of customers. Products of the "Express (通)" series integrated basic services including account and payment to the daily production and operation scenarios of enterprises according to the characteristics of industries, and provided financial solutions in respect of settlement and fund management for long-tail customers including small and medium enterprises and innovative enterprises. The "Pool (聚)" series focused to satisfy the multi-layer funding management requirement at home and abroad of group customers, which had effectively enhanced the service capabilities for group customers. "Earnings (盈)" series provided enterprises with open-ended services for capital growth featuring "high liquidity, high yield and low risks". These products had gained wide market recognition and the differentiated competitive edges of products were further consolidated.

Fourthly, the Company progressively innovated domestic trade finance and factoring products and pushed forward the transformation and development of its business. During the Reporting Period, the Company successfully issued the first accounts receivable asset-backed notes in batch mode in China, which set up a new channel between the traditional trade finance and the capital market. The Company also launched online self-service discount for electronic bills to offer customers with convenient business processing channel, which further enhanced the Company's distinctive competitiveness in its trade finance business. In addition, the Company managed to consolidate its leading position of factoring business among its peers. The Company accelerated the promotion of distinctive products, such as non-recourse factoring and "N+1" factoring, and vigorously promoted the application of accounts receivable solutions to specific industries, including pharmaceuticals, engineering, public utilities and TMT.

During the Reporting Period, the Company was awarded the "Best Supply-chain Financing Bank (最佳供應鏈金融銀行)" by China Banking Association, the Top Ten Innovative Financial Products (十佳金融產品創新) by The Banker, and the Outstanding Bank of Foreign Exchange Service of the Year (年度卓越外匯金融服務銀行) by the Economic Observer. The new settlement product line and technological structure design of the "Express (通)" series won the third prize of the Banking Technology Advancement (銀行科技發展三等獎) granted by the PBOC. The innovation efforts and integrated services of the Company's transaction banking business gained high recognition in the banking industry and the society, which further increased the brand influence of the Company.

(II) Retail banking

During the Reporting Period, the macro-economic situation was moving steadily towards the positive end. The deepening of economic transformation and restructuring further enhanced the economic growth momentum, which created a favorable external environment for the development of retail banking business. Furthermore, due to restriction measures on purchase of and mortgage for residential housing in some cities, the financial regulation was further tightened and the finance deleveraging was accelerated, leading to sharp increase in capital costs and bringing about new problems and challenges to the development of retail banking business.

The Company enhanced the analysis and studies on the economic situation and market environments to timely adjust the operation strategies and measures for retail banking. The Company focused on management of customer groups and increase of income. It placed equal emphasis on short term and long term development by addressing improvement of current operating performance and overall management capabilities, laying a solid foundation for the sustainable and rapid development of retail banking business. During the Reporting Period, the Company seized the market opportunities to push forward the development of credit card business, and achieved rapid growth in terms of major indicators, such as the number of cards issued and transaction volume. The Company further defined the strategic positioning and promoted transformation of its the small business finance. As a result, the small business finance recorded steady growth. Meanwhile, the wealth management system was refined, and the private banking business was reformed and adjusted, with further improvement in the allocation of assets.

During the Reporting Period, the principal business of retail banking maintained fast growth. The operating income from retail banking business of the Company was RMB48,162 million, accounting for 35.30% of the total operating income of the Company, which represented an increase of 2.24 percentage points as compared with the corresponding period of the previous year. The contribution of retail banking business grew significantly. Net non-interest income from retail banking business was RMB25,074 million, accounting for 52.06% of income from retail banking business and 48.24% of net non-interest income of the Company, which represented an increase of 6.09 percentage points and 8.37 percentage points as compared with the corresponding period of the previous year, respectively.

1. *Retail customers*

The Company adhered to the management of customer base, and endeavoured to improve customer group management its group-based operating system in order to enhance its management capability for classified customer groups. Based on the three major customer bases, being personal customers, small business customers and private banking customers, the Company further refined the customer classification for more targeted marketing approaches. Differentiated asset allocations and product distributions were organised to better satisfy diversified needs of different groups of customers and improve services.

During the Reporting Period, the Company carried out targeted customer acquisition through two major approaches. Firstly, the Company continued to intensify payroll services and cross-selling of credit cards by launching new products, such as Xin Ying Bao (薪盈寶) and An Xin Cun (安心存), to optimize payroll distribution procedures, and organising a series of marketing activities of "Pay-roll Account Lucky Draw (心悅，從薪出發)". Secondly, the Company developed new customer acquisition platforms, such as Payment Express (繳費通), rural financial services and cooperation between the bank and schools and upgraded platforms for special customer groups such as car owners and overseas travelers to establish a financial ecosystem for accurate acquisition of customers in batch mode. During the Reporting Period, the Company established the retail banking brand of "Your Considerate Bank (懂你的銀行)" and organised a series of "considerate bank day (懂你主題日)" activities to promote the strategic upgrading of its retail banking brand.

As at the end of the Reporting Period, the number of retail customers with existing deposits was 35,561.4 thousand, representing an increase of 5,223.8 thousand as compared with the end of the previous year.

2. *Financial assets*

During the Reporting Period, the Company continued to improve its asset allocation solution and strengthen the marketing of its product portfolios in response to the diversified investment needs of its customers. In accordance with the changes in the capital market and the latest trend of asset management, the Company improved its selection and marketing of quality funds and put efforts in promoting automatic investment plans (AIP). Furthermore, the Company speeded up the transformation of its sales approach for insurance products by increasing the options and enhancing the marketing of principal guaranteed insurance products with regular premiums. The supply and sales mechanisms of wealth management products of the Bank were also optimized with an aim to boost the sustainable growth of wealth management business.

During the Reporting Period, the Company further refined its asset allocation and promoted the C7 digital marketing project under the Phoenix Project. With the development of pivot tables for data management and data-driven marketing approaches, the Company established the base-line database, end-to-end application of front-end data and sustainable data and system support functions. More specific wealth management services were promoted to expand the scale of financial assets and savings deposit. As a result, the income contribution of the intermediary business continued to improve. Furthermore, the Company strengthened the internal and external collaborative development through enhancing the cross-selling between corporate and retail banking business and the synergy between domestic and international businesses. The business foundation of the Company was further consolidated.

As at the end of the Reporting Period, financial assets of retail customers managed by the Company amounted to RMB1,436,360 million, representing an increase of RMB174,347 million as compared with the end of the previous year, which was the highest growth rate historically. Among which, savings deposit amounted to RMB482,238 million, representing a decrease of RMB45,959 million as compared with the end of the previous year.

3. *Retail loans*

During the Reporting Period, in line with the changes in residential housing policies and capital costs, the Company further refined the allocation of loans, promoted installment payment of credit cards, loans to small and micro enterprises and consumption loans, and adjusted the structure of retail loans to increase revenues from the loan business. In addition, the Company continued to promote steady growth of secured loans to small and micro enterprises and improved guarantee structure of such loans so as to enhance its ability of risk prevention and control.

During the Reporting Period, the Company exerted efforts in making innovations in credit products and further expanded the application of the Internet and big data to the credit business. The operating efficiency and risk management level were enhanced. In respect of consumption finance, various online automatic products, such as fixed-cap consumption loans and automatic credit extension for monthly loans, were launched. The Company explored new business model for scenarized financial services and strengthened the cross-selling among consumption credit customer groups. In respect of small business finance, the Company accelerated the introduction and promotion of secured products, emphasized the upgrade of online marketing ability for secured loans, and promoted new products such as “Cloud Loan (雲快貸)”. Extension of secured loans was increased significantly to reduce credit risks.

As at the end of the Reporting Period, retail loans of the Company amounted to RMB1,088,918 million, representing an increase of RMB199,749 million as compared with the end of the previous year. Among which, loans to small and micro enterprises gradually rebounded and increased by RMB32,011 million to RMB359,147 million as compared with the end of the previous year. Pledged and secured loans to small and micro enterprises accounted for 75.64% of the total loans to small and micro enterprises, representing an increase of 13.72 percentage points as compared with the end of the previous year. The risk resistance capability was further strengthened. The balance of housing loans amounted to RMB349,073 million, representing an increase of RMB53,872 million as compared with the end of the previous year.

4. *Small business finance*

During the Reporting Period, the Company continued to implement its "small business finance strategy" in line with the new development model under the Phoenix Project. It continued to enhance the operation for classified groups of customers, optimized structure of its asset business, promoted cross-selling between different groups of customers and deepened the transformation and upgrade of development model of small business finance.

Firstly, asset structure was further adjusted to mitigate business risks. During the Reporting Period, in respect of small business finance, the Company strove to solicit quality customers and enhance risk identification and analysis of new customers through quantitative decision-making model in order to progressively increase the proportion of new quality customers. In addition, the Company increased the extension of secured loans and the percentage of secured and pledged loans recorded significant growth.

Secondly, differentiated pricing management of small business credit was put in place to enhance delicacy management. During the Reporting Period, based on the factors including overall contributions of customers, risk conditions and regional interest rate level, differentiated credit pricing and classified pricing management were implemented to improve customer management.

Thirdly, the Company enhanced product and service innovations and established a simplified online operating system. New products and services including "Happy Payment 3.0 (樂收銀3.0)" and e-accounts were upgraded while new products such as "Cloud Mortgage (雲抵押)" were put online during the Reporting Period. The Company made good use of new technologies such as mobile Internet and big data to promote simplified and handy online to offline (O2O) services for small finance business.

Fourthly, in order to further accommodate the differentiated financial needs of small and micro customers and improve its overall ability to provide financial services to the customer groups, the Company consistently enriched and optimized the product profile for small business finance and enhanced cross-selling of major products such as insurances, funds and wealth management products during the Reporting Period, which generated more income from intermediary businesses.

Fifthly, greater efforts were put into acquiring settlement customers so as to expand the customer base. The small business finance of the Company was conducted based on the principle of "classified customer group management (客群細分經營)". Major settlement products such as QR code cashier and cloud accounts were promoted to improve customer acquisition capabilities in the front end and expand the basic customer base in accordance with the philosophy of "settlement comes first, followed by cross-selling and appropriate credit extension (結算先行，交叉銷售，適時開展授信)".

As at the end of the Reporting Period, the Company had 5,924.2 thousand customers of small and micro enterprises, representing an increase of 1,802.9 thousand, or 43.75%, as compared with the end of the previous year. During the Reporting Period, the Company provided a total of RMB428,238 million of loans to small and micro enterprises.

5. *Credit card business*

During the Reporting Period, adhering to the operating requirement of "expanding retail banking business", the Company promoted the credit card business development through data application and technology innovation. Online application became the major channel of customer acquisition and credit cards business size expansion. Newly issued credit cards based on successful online application accounted for more than two thirds of the total number of newly issued credit cards. With the use of smart credit review platform, the automatic approval rate for first-time credit card applicants online was nearly 90%. "Daily Life (全民生活)", the APP of Minsheng credit card, was officially launched, which offered a new mobile online platform for the marketing, business processing and smart customer services. Given that the credit card product mix was further diversified, the Company issued a new chip-based credit card (芯動信用卡) with dynamic CVV2 security code to ensure the safety of overseas consumption with credit cards, being the first of its kind in China. To satisfy the personalized demand from young customers, credit cards with themes such as Charming China (魅力中國), Cultural Creations of the Forbidden City (故宮文創), Paintings of Van Gogh (梵高油畫) and My Characters (zì定義) were issued. To highlight the high-end brand image of credit cards, the Company issued Unionpay Prestige Diamond Card (titanium alloy version) (銀聯尊爵鑽石卡（鈦合金版）), the first Unionpay-branded credit card made of metal. The Company also issued various co-branded cards, such as JD Xiaobai Card (京東小白), China Resources Co-branded Card (華潤通) and Mercedes-Benz Owners Club Co-branded Card (奔馳車主俱樂部) in order to explore the customer conversion potential. In respect of marketing activities, the Company organised various activities under the theme of "Your Considerate Credit Card (懂你的信用卡)", such as Considerate Traveling (懂你的環球夢), Considerate Dinning (懂你的吃貨心) and Considerate Shopping (懂你的剁手癮), which targeted to provide a secured, economic and convenient consumption experience with credit cards to meet customers' consumption needs in daily life such as overseas traveling, dining and online shopping.

As at the end of the Reporting Period, the aggregate number of issued credit cards of the Company was 38,738.6 thousand, of which, 10,402.2 thousand were newly issued during the Reporting Period, representing an increase of 119.37% as compared with the corresponding period of the previous year. Transaction volume of credit card business was RMB1,648,261 million, representing an increase of 33.65% as compared with the corresponding period of the previous year. Accounts receivable amounted to RMB294,019 million, representing an increase of 41.78% as compared with the end of the previous year. Fee and commission income amounted to RMB21,383 million, representing an increase of 33.26% as compared with the corresponding period of the previous year. Non-performing ratio was 2.07%, representing a decrease of 0.43 percentage points as compared with the end of the previous year.

During the Reporting Period, the credit cards of the Company were awarded the "Most Influential Brand Award in the PRC Consumption Market (中國消費市場行業影響力品牌)" for 2017, "Best Innovation Project Award in the China Finance Industry for 2017 (2017年中國金融行業最佳創新項目獎)" at the "2017 China Financial Industry Transformation and Innovation Summit Forum and Award Ceremony (2017中國金融行業轉型與創新高峰論壇暨頒獎典禮)" hosted by International Data Corporation (IDC), "Best Credit Card for Women (最佳女性信用卡獎)" and "The Most Popular Innovative Project Award (最受歡迎創新項目獎)" by MasterCard, and "Best Creativity Award (最佳創意獎)" by JCB.

6. *Private banking business*

During the Reporting Period, in the private banking business, the Company, based on its deep understanding of its clients, established the service philosophy of "One Body and Three Wings (一體三翼)", with wealth management as the main focus, "investment banking + (投行+)" as the feature, globalization as the guidance, and "Internet + (互聯網+)" as the support. The Company pushed forward the construction of wealth management system, further expanded the customer base and optimized the private banking business model according to the Phoenix Project. Private banking centers of various branches adopted standard policies for "professional management and collective improvement". The Company introduced various new products for its asset management, trust, insurance and net value products to enrich its offering and introduce customized services in order to meet the needs of wealth management of customers. The Company aimed to become a top choice private bank for entrepreneurs by providing them with quality integrated investment and financing services. In addition, family trust and discretionary asset management businesses achieved breakthrough, and the family wealth management business saw rapid growth. The Company worked closely with overseas institutions for the establishment of overseas asset allocation platforms for overseas funds and overseas insurance services. Guided by "Internet + (互聯網+)" concept, the Company enhanced customer experience through its unique wealth management service supported by fintech. Attributable to the UPPER five-step efficiency enhancement techniques, the Company provided customers with professional one-stop services including wealth management, professional advisory, exclusive private banking products and VIP non-financial services.

As at the end of the Reporting Period, the private banking financial assets under the management of the Company amounted to RMB306,879 million, representing an increase of RMB10,131 million as compared with the end of the previous year.

7. *Community finance*

In compliance with the national strategy of "inclusive finance", the Company further reformed the business model and established a management system for the development of community finance to facilitate the sustainable and sound operation of community outlets and enhance customer experience in communities. During the Reporting Period, community finance of the Company experienced a rapid growth. As at the end of the Reporting Period, 1,622 community sub-branches had licenses, representing a decrease of 72 sub-branches as compared with the end of the previous year. Financial assets balance of the community outlets amounted to RMB218,057 million, representing an increase of RMB51,701 million as compared with the end of the previous year. The community outlets had 5,788.8 thousand customers, representing an increase of 1,168.2 thousand customers as compared with the end of the previous year.

(III) Treasury business

1. *Investment business*

During the Reporting Period, the Company decreased its investments in bonds and other types of investments with reference to its yield rate, liquidity, capital requirement and other factors. As at the end of the Reporting Period, net investment balance of the banking books of the Company amounted to RMB2,053,159 million, representing a decrease of RMB58,071 million, or 2.75%, as compared with the end of the previous year. The investment balance of the trading books of the Company amounted to RMB71,957 million, representing a decrease of RMB14,331 million, or 16.61%, as compared with the end of the previous year. As at the end of the Reporting Period, the percentage of investment balance of the Company's trading and banking books in the total assets of the Company decreased by 1.12 percentage points as compared with the end of the previous year.

2. *Interbank business*

During the Reporting Period, the Company adopted customer-oriented policy and targeted to refine the customer management of interbank business and expand the cooperation with other financial institutions. The Company built the e+ brand and strengthened the system development and cooperation platform for interbank business. During the Reporting Period, the interbank business maintained steady growth with sound risk and quality management.

In respect of the cooperation with strategic customers, the Company entered into strategic cooperation agreements with 21 strategic customers during the Reporting Period. As at the end of the Reporting Period, the Company had established 15 cooperation platforms with interbank strategic customers, and signed strategic cooperation agreements with a total of 211 strategic customers. The development of interbank cooperation was fortified.

In respect of development of interbank business, the Company further standardized liabilities management and refined interbank business structure in compliance with the regulatory requirement. During the Reporting Period, efforts were made to issue more IBNCD. A total of 510 tranches of IBNCD were issued with an amount of RMB818,250 million. As at the end of the Reporting Period, IBNCD amounted to RMB335,131 million, representing an increase of 31.25% as compared with the end of the previous year. The balance of interbank liabilities amounted to RMB1,432,022 million, representing a decrease of 6.21% as compared with the end of the previous year. Interbank assets amounted to RMB243,709 million, representing a decrease of 46.19% as compared with the end of the previous year.

3. *Custody business*

In respect of asset custody business, the Company thoroughly studied the policy market environment and took active initiatives to capture the opportunities and cope with the challenges of custody business despite the strict regulations, with focus on the expansion of structured custody businesses. In addition, the Company fully consolidated the resources of the Bank and established cooperation platforms for custody customers including funds, trusts, insurance companies and other banks. A marketing synergy system for custody business between the Head Office, branches and sub-branches was established to facilitate the marketing and development of various asset custody business opportunities. Furthermore, construction of custody platforms, namely the "Capital Certificate Express (資信通)" and "Wealth Management Express (財富通)" , was fortified. The Company conducted business innovation based on the needs of custody customers, and launched the "Hui Tong (惠通)" series of integrated custody financial services, supporting the steady growth of custody business. As at the end of the Reporting Period, asset custody balance (including the proceeds of funds supervision) amounted to RMB7,739,652 million, and the income from the custody business was RMB2,833 million.

In respect of pension business, the Company continued to refine its product mix and consolidate internal and external resources with focus on account management of corporate annuity and quality of custody business. Comprehensive pension management services, such as corporate annuity and secured pension management products were provided for institutional and personal customers. As at the end of the Reporting Period, the Company had RMB85,034 million pension funds under custody and managed 173.4 thousand personal accounts of corporate annuity.

4. *Wealth management business*

During the Reporting Period, the wealth management market experienced drastic changes and the interest rate of the market climbed up sharply. However, the sales to financial institutions of wealth management products, which had experienced rapid growth in the same period of last year, shrunk significantly. In strict compliance with the requirements of the regulatory policies, the Company put efforts in overcoming the effect from the unfavourable market environment by expanding the customer bases of retail banking and corporate banking with more diversified product offerings of wealth management. The Company satisfied the needs of investors in various aspects including asset value preservation and appreciation, and developed its brand of "Apex Asset Management (非凡資產管理)". The Company closely followed the major national strategies and supported the development of real economy with various instruments. The Company strove to increase its investment income through timely adjusting its investment strategies, controlling leverage ratio and optimizing its management of asset portfolio. The Company attached great importance to the risk management of wealth management business. The pre-investment risk assessment and post-investment risk management were strengthened in order to protect the interests of investors with professional risk management. As at the end of the Reporting Period, the existing scale of wealth management products of the Company amounted to RMB1,153,489 million.

5. *Precious metals and foreign exchange trading*

During the Reporting Period, the on-floor trading volume of gold, including agency sales for legal persons and individuals, of the Company in the precious metals market (the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 3,346.50 tons, and the trading volume of silver, including agency sales for legal persons and individuals, amounted to 14,102.99 tons. The total trading value amounted to RMB949,581 million. In terms of on-floor gold trading value, the Company was the fourth largest dealer at the Shanghai Gold Exchange, one of the most active proprietary dealers at the Shanghai Futures Exchange and one of the important domestic gold importers.

During the Reporting Period, the Company leased 95.58 tons of gold to its corporate customers, ranking third among the joint stock commercial banks, and sold physical precious metal of RMB508 million to individual customers. The Company effectively satisfied the needs of customers with diversified products. The outlook of further progress in the market was bright.

Aiming to serve the real economy, the Company developed an agency trading system for customers with real-time quotations. The Company also actively offered market making services in the interbank foreign exchange market, which further enhanced the competitive edges of its foreign exchange business. During the Reporting Period, the transaction volume of domestic spot settlement of the Company amounted to USD650,239 million, representing an increase of 125.30% as compared with the corresponding period of the previous year. The transaction volume of forward settlement and RMB exchange swap of the Company amounted to USD806,060 million, representing an increase of 28.12% as compared with the corresponding period of the previous year.

(IV) Innovation of Internet finance and services

During the Reporting Period, the Company seized the market opportunities by developing new Internet finance business model and actively applying cutting-edge fintech. Based on the diversified needs of customers, the Company focused on the innovation of financial platforms, products and services such as direct banking, Internet finance for retail and corporate customers, online payment and WeChat banking, which further enhanced the customers' experience. It also consolidated the Company's position as one of the top commercial banks in terms of market share.

1. Direct banking

During the Reporting Period, the Company further consolidated its leading position in direct banking by continuous innovation of online banking services and functions. With the philosophy of "simple banking (簡單的銀行)", the Company upgraded and optimized the experience of e-banking accounts. The Company further reformed the product and service offerings with innovative business model and established a leading product portfolio consisting of online wealth management, online loan and new payment methods. Through integrated business models such as e-banking account and online wealth management, e-banking account and online loan, e-banking account and easy payment and e-banking account account+online wealth management, e-banking account+online loan, e-banking account+easy payment and e-banking account+witness service, online long-tail customers were offered with inclusive financial services, which facilitated the transformation of a "customer-oriented" service philosophy and growth pattern. The financial service offerings were diversified and improved. The Company's direct banking brand maintained leading significant influence in the market, and won various awards including the "Top 10 Direct Banking (直銷銀行十強)" and "Most Outstanding Bank of Direct Banking of the Year (年度最佳直銷銀行)" in the comprehensive evaluation organised by the authoritative media and institutions such as Sina Finance and CFCA.

As at the end of the Reporting Period, the number of direct banking customers reached 10,914.5 thousand, the financial assets managed by the Company amounted to RMB104,746 million, and the total subscription amount of "Ru Yi Bao (如意寶)" amounted to RMB2.05 trillion.

2. Retail Internet finance

During the Reporting Period, the Company continued to modify its products and functions based on the needs of users, and gradually transform its self-service transaction platform to an integrated financial and living services platform catering to the "dining, living, traveling, shopping and entertainment". The Company constructed a brand-new payment platform with a payment center and standardized payment functions for mobile phones. Making full use of third-party resources, the Company also offered housekeeping services, legal consultation and special offers of commodities to improve the community services. In addition, application of new technologies was expanded, and new functions such as fingerprint login, iris payment, Bluetooth U-key (藍牙U寶) were introduced. Transaction experience of customers and the security system of mobile banking were further enhanced.

During the Reporting Period, the Company continued to develop its online banking as a featured channel supporting complex transactions, and streamline the business processes of electronic statements, agency sale of insurance, investment and wealth management and other businesses to improve users' experience. Major functions, including witness service for opening account in Hong Kong, asset overview and bundling mobile phone number with the bank account (我的手機號), were also put to service.

As at the end of the Reporting Period, the number of the Company's mobile banking customers reached 30,791.7 thousand, representing an increase of 6,040.3 thousand as compared with the end of the previous year. The number of transactions for the Reporting Period was 476 million, representing an increase of 8.50% as compared with the corresponding period of the previous year, while the transaction turnover amounted to RMB9.95 trillion, representing an increase of 8.37% as compared with the corresponding period of the previous year. The Company ranked top in the banking industry in terms of transaction activities of customers. The total number of personal online banking customers was 18,128.8 thousand, representing an increase of 1,883.6 thousand as compared with the end of the previous year. The number of transactions was 2,134 million, while the transaction turnover amounted to RMB10.88 trillion. The transaction replacement rate of personal online banking was 99.57%.

3. *Corporate Internet finance*

During the Reporting Period, the Company put efforts in the innovation of corporate Internet finance business. The Company cooperated with Internet platforms and set up a new fintech ecosystem mainly providing financial services for "e-commerce" and "e-government" affairs. Through consolidating cooperation with various quality e-commerce platforms, the Company customized new products mix consisting of payment and settlement, online financing and cash management functions and other combinations to provide integrated and innovative financial service solutions for customers. The Company also actively provided supports to the services of government departments and public organisations. On the basis of account and cash management, the Company built easy payment channels to provide convenient financial services for citizens and support the development of a service-based government.

As at the end of the Reporting Period, the Company had signed contracts with 1,042.7 thousand corporate online banking customers, representing an increase of 167.7 thousand as compared with the end of the previous year. The number of transactions was 109 million, while the transaction turnover amounted to RMB54.59 trillion.

4. *Online payment*

During the Reporting Period, focusing on the two core systems of "online payment and mobile payment", the Company further diversified its products and improved the service standards, and built up the brand of "Minsheng Payment ® (民生付®)". In addition to optimizing the existing products, the Company also launched new products such as Meizu Pay, Huawei Watch payment, Swatch payment and ORA e-card payment (橙鑫電子名片支付), as well as Unionpay QR-code payment (銀聯二維碼主掃支付) which covered substantially all scenarios including transfer by code, consumption and cash withdrawal. The Company also exerted efforts in the innovation of industry-based payment applications to strengthen the payment business. In response to the requirement of payment after completion of training course of the national driving test, the Company formulated and promoted an integrated solution for the management of driving course fees. To satisfy the differentiated needs of different business procedures of the fund sales agencies, the Company promoted various series of products for fund sales supervision, fund payment supervision and quick payment for funds. A real-name express payment system was put to operation to facilitate payment transfer for real-name consumption on quality e-commerce platforms. Fund collection service solutions were launched to allow merchandisers collecting payments directly under specific conditions. Moreover, the Company explored and rolled out integrated solutions for fund transfer and offered payment service in batch mode for corporate customers. According to the regulations on settlement of online payment, the interbank settlement network for online payment was upgraded and connected to the settlement platforms including Network Alliance (網聯), Unionpay Cardless Payment (銀聯無卡快捷支付) and others.

As at the end of the Reporting Period, the number of customers using Kua Hang Tong (跨行通) of the Company totaled 3,497.9 thousand, and the total concentrated fund amounted to RMB584,408 million. During the Reporting Period, total annual amount of personal online payment transactions was RMB1.08 trillion. Total supervised transaction amount of fund sales supervisory business amounted to RMB1.44 trillion. Currently, the Company has established supervision cooperation relationships with more than 390 fund sales agencies and agencies with pre-application for fund sales licenses, whom took up a market share of over 68%.

5. *WeChat banking*

During the Reporting Period, the Company continued to upgrade the version of WeChat banking and provided its customers with more quality financial services, including account management, wealth management products and convenient daily services. The Company optimized the Instant Account Notification, refined the list of special merchants, and upgraded cloud-based customer service platform. The official WeChat account of the Bank was modified to consolidate the “we media” matrix operation of Minsheng. A virtual business office was created and extensive contents marketing and cross-industry marketing campaigns via social media were conducted in order to enhance the recognition and influence of the Company’s major products and businesses. The number of followers of the Bank’s official WeChat account continued to increase.

As at the end of the Reporting Period, the number of customers using the Company’s matrix WeChat service account amounted to 26,818.9 thousand.

(V) *Overseas business*

During the Reporting Period, the Hong Kong Branch strictly followed the Company's development strategy of "strengthening corporate banking, expanding retail banking and optimizing financial markets business" and continued to strengthen the three major businesses, namely the corporate banking business, financial market business and private banking and wealth management business. Serving as an effective overseas business platform of the Company, the Hong Kong Branch maintained steady business growth with continuous improvement in efficiency.

Capitalizing on the cross-border synergy with the Head Office and seizing the strategic opportunities arising from the "Belt and Road Initiative", "the globalization of Renminbi" and "the development of the Guangdong-Hong Kong-Macau Bay Area", the Hong Kong Branch focused on providing professional cross-border financial solutions for quality customers targeting to "Going Global" in compliance with the overseas investment policies of China. The Hong Kong Branch expanded its featured business and intensified cooperation with professional institutions. Cooperation projects with Belle International, Intime Department Store, SciClone Pharmaceuticals, Huasheng Pharmaceuticals (華昇醫療), JD Group and other enterprises with high influence in the industry were successfully launched. The Hong Kong Branch completed 25 cross-border merger and acquisition projects with a total financing amount of HKD14 billion, representing an increase of 100% as compared with the corresponding period of the previous year. Through optimizing its professional brand of featured business consisting of the privatization of listed companies, cross-border merger and acquisition projects as well as healthcare, the Hong Kong Branch further enhanced the Company's competitiveness and influence in the international market.

Capitalizing on the strategic position of Hong Kong as an international financial centre, the Hong Kong Branch actively expanded its financial market business. During the Reporting Period, taking advantage of the high liquidity, stable assets quality and clear risk grading of the bond market, the Hong Kong Branch further expanded investment business in bonds. As at the end of the Reporting Period, the balance of bond investment of the Hong Kong Branch amounted to HKD47,727 million, representing an increase of HKD25,353 million, or 113.31%, as compared with the end of the previous year. With the optimized asset structure and stable asset scale, the Hong Kong Branch has laid a solid foundation for stabilizing the source of business income. In respect of bond issuance, during the Reporting Period, the Hong Kong Branch issued medium-term notes with an aggregate amount of USD2 billion, and completed 25 underwriting projects for bond issuance for customers with a total issue size of USD27.3 billion and a total underwriting amount of over USD2 billion. The success in the above projects has shown the influence and market position of the Company in the overseas bond market.

During the Reporting Period, the retail banking business of the Hong Kong Branch also achieved significant breakthrough. On 8 September, the personal wealth management business of the Hong Kong Branch officially commenced operation, marking a new page of the Company's expansion to cross-border retail banking market. The personal wealth management business of the Hong Kong Branch was positioned as an Internet-based simplified bank through online banking and mobile banking. Engaging in cross-border wealth management business, the Hong Kong Branch targeted to acquire medium-and high-end customers and developed as an acquisition and operation platform of medium and high-end customers of the Company in order to further enhance the cross-border integrated financial services of the Company. As at the end of the Reporting Period, the number of customers who had opened accounts for personal wealth management exceeded 10,000, including numerous quality employees of quality domestic groups listed overseas. The Hong Kong Branch also established cooperation with various traditional and Internet-based securities firms in Hong Kong. In respect of private banking business, the sales performance of "Minsheng Insurance (民生保)", a high-end retail banking product series, was satisfactory. 258 transactions were made during the Reporting Period and the total insurance premium of effective policies amounted to HKD2.3 billion, which had driven up the number of high-end private banking customers to 730, representing an increase of 42% as compared with the corresponding period of the previous year.

As at the end of the Reporting Period, the Hong Kong Branch of the Company had total assets of HKD189,793 million, among which, balances and placements with banks and other financial institutions amounted to HKD64,422 million, loans amounted to HKD74,971 million and investment bonds amounted to HKD47,727 million, respectively. Total liabilities amounted to HKD188,914 million, among which deposits and placements from banks and other financial institutions amounted to HKD84,087 million, deposits amounted to HKD62,836 million, issuance of certificates of deposit amounted to HKD14,437 million and medium-term notes amounted to HKD20,286 million, respectively. During the Reporting Period, net income amounted to HKD2,260 million, of which net interest income and net non-interest income amounting to HKD1,385 million and HKD875 million, respectively.

(VI) Channel management and operating services

1. Physical sales channels

An effective domestic sales network was established by the Company, which extended its business coverage to all provinces in Mainland China with focus on Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Company had covered 125 cities in the Mainland China, including 131 branch-level institutions (including 41 tier-one branches, 81 tier-two branches and 9 remote sub-branches), 1,145 business outlets of sub-branches (including business departments), 1,622 community sub-branches, 154 small business sub-branches and 4,485 self-service banks (including on-site and off-site self-service banks) in China. The Company continued to promote the innovation of channel models and transformation of service model to a customer-oriented mode integrating consultation, sales and services. During the year, the Company had customized additional 461 outlets with a coverage ratio of 77.1%, and 663 remote service equipments.

2. *Transformation and upgrade of self-service banks*

The Company launched a new version of self-service banks with a full-fledged upgrade in functions, improvement in sales, strengthened management modes and enhancement of efficiency, which facilitated the transformation of self-service banks from alternative transaction channels to sales service channels. By taking full advantage of the self-service channel, operating cost efficiency was enhanced significantly. As at the end of the Reporting Period, the number of self-service banks decreased by 647 as compared with the end of the previous year to 4,485, and the number of self-service machines was 8,580.

3. *Channel service*

Adhering to its customer-oriented principle, the Company has moinitored the service quality of different channels based on customers' experience. During the Reporting Period, the Company conducted quality supervision on 1,141 sub-branch-level outlets, 1,600 community outlets, 229 off-site remote self-services outlets and 86 rural bank outlets of the Group in respect of their services quality. The Company insisted in maintaining quality service and consistent experience for customers in all service channels.

During the Reporting Period, the Company made great efforts in improving service quality. As a result, in the Election for Standardised and Model Services by the China Banking Association (中國銀行業協會規範文明服務創優工作), 54 outlets of the Company were named as "Five-star Outlets of Standardised and Model Services in China's Banking Industry (中國銀行業文明規範服務五星級營業網點)" and 1 outlet was named as "Top 100 Model Units for Model and Standardised Services in China's Banking Industry (中國銀行業文明規範服務百佳示範單位)" for 2017, and 31 frontline service officers won the title of "Star Duty Manager (明星大堂經理)" of 2017. The Company has established sound market reputation.

4. *Operation management*

By accelerating the reform and innovation of operational model, the Company strove to provide professional, convenient, efficient and reliable financial services and enhance the service experience for customers. In order to strengthen the centralized operational service abilities, the scope of centralized operation of the Head Office and branches was extended and automatic application and operation of external information was also adopted. The professional service standards improved steadily. The Company further enriched its on air service offerings and provided excellent on air service experience for customers through intelligent voice navigation telephone system and "95568 Wealth Circle (95568財富圈)" which provided on air financial advisory services. Operation of outlets was effectively refined with the introduction of new services such as electronic seal for counter services and smart robot lobby managers in order to improve the customer services at outlets. In active response to the requirement of regulatory authorities, the Company conducted inspection on all payment and settlement businesses of the Bank and developed a module-based risk early warning system to ensure secured and reliable account management services for customers. The "Safe Accounts" created by the Company won the third prize of the "Award of Banking Scientific and Technological Development (銀行科技發展獎)" for 2016 by the PBOC, and the "Police-Bank Joint Development Contribution Award for 2016 (2016年度警銀共建貢獻獎)" jointly by the Ministry of Public Security of the PRC and China UnionPay.

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

As at the end of the Reporting Period, the Company had investments in subsidiaries amounting to RMB5,385 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 CBRC, was established in April 2008. 51.03% equity interest of Minsheng Financial Leasing was held by the Company.

As at the end of the Reporting Period, the total assets of Minsheng Financial Leasing amounted to RMB178,289 million, representing an increase of RMB25,694 million, or 16.84%, as compared with the end of the previous year; net assets amounted to RMB16,334 million, representing an increase of RMB1,540 million, or 10.41%, as compared with the end of the previous year. During the Reporting Period, net profit amounted to RMB1,703 million, representing an increase of RMB410 million, or 31.71%, as compared with the corresponding period of the previous year. Return on average equity was 10.94%, representing an increase of 1.73 percentage points as compared with the corresponding period of the previous year.

During the Reporting Period, Minsheng Financial Leasing earnestly carried out the strategic transformation. It adjusted the business directions and optimized the asset structure, and achieved satisfactory results in the improvement of operating efficiency, rectification of defects and enhancement of competitive advantages.

Firstly, it established the Automobile Leasing SBU to promote the rapid and healthy development of automobile business by capitalizing on the systematic advantages of the SBU. It also stepped into the automobile retail business with new retail assets of over RMB2.5 billion and started to record turnover in the retail segment. Making use of the "Internet+ (互聯網+)", it promoted the transformation and development of automobile retail business by constructing an automobile retail model featuring O2O and scenarized services with its own characteristics.

Secondly, in addition to the three strategic sectors including jets, vessels and automobiles, it exerted efforts in the development of extensive healthcare, big data, further environmental protection, tourism, high-end manufacturing and other emerging industries to capture the opportunities from the future economic growth momentum and development trend of China. Total investments increased by over RMB12.6 billion.

Thirdly, it pushed forward the strategic development of "One Body and Two Wings (一體兩翼)" with focus on improving the operating lease and asset transaction businesses. It increased the percentage of operating leases, resulting in an increase of income from operating leases by RMB1,152 million, or 69%, as compared with the corresponding period of the previous year far exceeding the 20% increase of finance lease income. Asset transaction business recorded rapid growth, and ranked top in the industry in terms of the asset transaction volume, composition and size of customer base, professional level of services and organisational structure. It has become one of the important "Wings" of the Company.

Fourthly, it pushed forward the risk management system reform to incorporate the characteristics of Minsheng Financial Leasing. Comprehensive risk management was implemented in strict compliance with the strategies of the Company, which placed equal emphasis on strategies, planning, proposals, markets, risks and performances. It further promoted the risk manager system to form a whole-process risk management model.

Fifthly, to further enhance the strategic synergy with the Company, it improved the communication mechanism to facilitate sharing of information, channels and customers as well as dynamic management of business cooperation. Strategic collaboration with the Company was consolidated, which has strengthened the integrated financial services and differentiated operation of the Company.

The sound and sustainable development of Minsheng Financial Leasing won high recognition in the market. During the Reporting Period, it was granted various awards, such as "Leasing Enterprise with Outstanding Influence of 2017 (2017卓越影響力租賃企業)" and "Most Competitive Financial Leasing Company of the Year (年度競爭力金融租賃公司)" by authoritative organisations. Its market position and brand image were further consolidated and enhanced.

2. *Minsheng Royal Fund*

Minsheng Royal Fund is a Sino-foreign fund management joint venture company established in November 2008 under the approval of the CSRC. 63.33% equity interest of the Minsheng Royal Fund was held by the Company. It mainly engages in fund raising, fund sales, asset management and other business approved by the CSRC.

As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB1,773 million, net assets of RMB1,501 million and net profit of RMB233 million. A total of 53 public funds were managed under Minsheng Royal Fund, which covered various types with high, medium and low risks and cross-border products, and consisted of the most comprehensive wealth management, bond and fund product lines in the market. Total value of fund assets under its management was RMB105,794 million. Total value of non-monetary funds under its management was RMB55,032 million, ranking 27th in the industry, up by 15 positions as compared with the previous year. Number of accounts managed by it was 54, with total scale of assets under its management amounting to RMB44,121 million.

The investment performance of Minsheng Royal Fund was remarkable. According to the data of Galaxy Securities Fund Appraisal Center (銀河證券基金評價中心), Minsheng Royal Fund ranked 34th out of 89 in terms of the active management capacity for equity funds, which was the top 38% among all peers. According to the statistics of Haitong Securities, the guaranteed return of equity funds managed by Minsheng Royal Fund for a term of three years reached 86.1%, ranking 4th out of 73 companies, while the guaranteed return of fixed-income funds for a term of five years was 61.2%, ranking the 6th out of 63 companies. With its sustainable outstanding results performance, Minsheng Royal Fund was awarded 9 Golden Bull awards in four years and became the "Top Ten Golden Bull Fund Management Companies (十大金牛基金管理公司)" for the first time in 2017, showing the high recognition of the industry and investors on the investment capability and overall strengths of the Company.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 51% equity interest of Minsheng Royal Asset Management. Minsheng Royal Asset Management's registered capital was RMB668 million and the scope of business included asset management business for specific customers and investment consultancy. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB220,359 million. It achieved satisfactory business interaction and mutual supplement with the operations of the Company and Minsheng Royal Fund and has gradually emerged as an important strategic platform of the Company.

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 CBRC. It has a registered capital of HKD2 billion and is principally engaged in investment banking. CMBC International is an important integrated and globalized strategic platform of the Company and will closely cooperate with the Company so as to achieve synergies between the commercial and investment banking businesses and offer all-round and diversified financial services to the Company's customers.

As at the end of the Reporting Period, CMBC International had total assets of HKD15,406 million, total liabilities of HKD12,892 million, net assets of HKD2,514 million and equity attributable to the shareholders of the Company of HKD2,003 million, representing an increase of 302.14%, 537.59%, 38.97% and 10.72% as compared with the end of the previous year, respectively. During the Reporting Period, CMBC International achieved net profit amounting to HKD225 million.

During the Reporting Period, CMBC International successfully obtained Type 6 license and sponsor qualification from the SFC. CMBC International completed the acquisition of Skyway Securities Group Limited, a listed company, and renamed it as CMBC Capital Holdings Limited ("CMBC Capital", stock code: HK.1141). CMBC Capital has Type 1, Type 2, Type 4 and Type 9 licenses. As at the end of the Reporting Period, CMBC International had Type 1, Type 2, Type 4, Type 6 and Type 9 licenses from the SFC and officially became a full-licensed player in investment banking. Its scope of business covers sponsorship and underwriting, financial advisory, corporate mergers and acquisitions and reorganisations, placement and refinancing of listed companies, margin lending, structural financing, securities brokerage, direct investment, asset management, futures business as well as supporting services and solutions. CMBC Capital is the second Chinese bank-invested investment bank listed in the Hong Kong market. During the Reporting Period, CMBC Capital was shortlisted to the MSCI Hong Kong Small Cap Index, Hang Seng Global Composite Index, Hang Seng Stock Connect Hong Kong Index and Hang Seng Composite Industry Indexes — Finance.

During the Reporting Period, with an aim to steadily form an integrated domestic and overseas structure, CMBC International established Ningbo CMBC Jintou Equity Investment Management Company Limited (寧波民銀金投股權投資管理有限公司), Suzhou CMBC Jintou Fund Management Company Limited (蘇州民銀金投基金管理有限公司) and Shenzhen CMBC Jinkong Investment Management Company Limited (深圳民銀金控投資管理有限公司) to serve as the domestic platforms for direct investment and asset management. It has obtained the qualification of fund manager for private equity investment and venture investment from the Asset Management Association of China, enabling it to satisfy the demands for financial services in relation to direct investment and asset management in China.

During the Reporting Period, CMBC International was dedicated to enhancing its corporate governance, compliance management and internal control system. More efforts were made to enhance the effectiveness of risk management through refining systems, internal control and management improvements. By focusing on the management of major aspects and timing prior to, during and after the investment and financing project, the overall risk prevention and control abilities were improved. The Company also emphasized to improve the management of consolidated financial statements regarding CMBC International in terms of strategic synergy, business cooperation and risk control.

4. *Minsheng rural banks*

Minsheng rural banks collectively refer to the rural banks initiated and established by the Company as a major promoter. As at the end of the Reporting Period, the Company established a total of 29 Minsheng rural banks with 87 business outlets. Total assets amounted to RMB35,614 million, representing an increase of RMB2,532 million, or 7.65%, as compared with the end of the previous year. Net asset amounted to RMB3,220 million, representing an increase of RMB209 million, or 6.94%, as compared with the end of the previous year. Balance of deposits amounted to RMB30,788 million, representing an increase of RMB2,943 million, or 10.57%, as compared with the end of the previous year. The total loans amounted to RMB18,197 million, representing an increase of RMB1,754 million, or 10.67%, as compared with the end of the previous year. During the Reporting Period, net profit amounted to RMB238 million, representing an increase of RMB136 million, or 133.33%, as compared with the corresponding period of previous year.

During the Reporting Period, the Company adopted measures in compliance with the requirement of the Board to maintain "effective risk control, steady business development and organised internal management". The Company supported Minsheng rural banks to develop localized services for the rural areas, agriculture and farmers, small business finance as well as residents in communities. The Company improved service quality and explored business model to facilitate sustainable development, and transform the Minsheng rural banks as an important platform to perform the social responsibilities and expand the Company's brand and service coverage to counties and villages.

During the Reporting Period, the Company further optimized the management system and mechanisms of Minsheng rural banks. With the introduction of an IT system, the group-based management and support and service quality of Minsheng rural banks were enhanced. The corporate governance, risk management, lawful operation and team building of Minsheng rural banks were improved, facilitating their sound and sustainable growth.

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

Structured entities consolidated to the financial statements of the Group include certain asset management plans. The Group shall determine whether it has controlling right over these structured entities based on its role as the manager of such plans and shall determine whether it is the major responsible party or an agent based on various aspects such as its authorized scope of decision, the power and rights of other parties to the asset management plans, and the risk exposure of the variable income. As the Group exercises the power of decision-making as the major responsible party of these structured entities and the share of income of the Group in the total investment income of such plans is relatively large, these asset management plans are consolidated to the financial statements of the Group although the Group did not hold any interests in these entities. As at the end of the Reporting Period, the total equity of the asset management plans under the management of and consolidated to the financial statements of the Group amounted to RMB4 million.

6. *Management of consolidated financial statements*

During the Reporting Period, to comply with the regulatory requirements, the Company continued to improve the management system and operation mechanism of consolidated financial statements, implemented special management requirements of key items in consolidated financial statements and strengthened supervision and evaluation with an aim to upgrade the management standard of the Group. Operation of the Group remained stable.

The Company adjusted and refined the management models of subsidiaries, and further strengthened the leading role and influence of senior management in implementing the management at group level. Intensive management was adopted in subsidiaries to maximize the interests of the Group under the "One Minsheng (一個民生)" principle. The Supervisory Board conducted special studies on the management of consolidated financial statements, which further enhanced the supervisory role of the

Supervisory Board in the management of consolidated financial managements. The Group maintained steady progress for all tasks of the management of consolidated financial statements. In particular, the IT system for the management of consolidated financial statements, evaluation and incentive systems, and reporting, supervision and assessment functions were further optimized and refined.

X. Risk Management

The principle of the Company's risk management is "Creating Value by Managing Risks". It focuses on the coordinated development of quality, profit and scale. The objective of the risk management of the Company is to enhance its risk management by actively establishing a comprehensive risk management system.

The Risk Management & Assets Monitoring and Control Department, the Legal Affairs and Compliance Department, the Assets Operation and Disposal Department, the Corporate Business Risk Management Department, the Retail Business Risk Management Department and the Financial Markets Risk Management Department have been established for risk management.

(I) Credit risk

Credit risk is the risk that a borrower or a counterparty defaults in making repayments in a timely manner in full amount for whatever reasons. Under the coordination of the Risk Management Committee of the Company, a platform consisting of risk management strategies, portfolio management and risk quantification and measurement tools have been established for the strategic implementation and balance of risks, capital and returns. The risk management system covers the whole process including pre-approval investigation, approval review, post disbursement management, collection and preservation of assets. Credit risks of on- and off-balance sheet items and non-credit business are also strictly controlled. Under the new economic circumstances, the Company will strive to strengthen the initiative and foresight of credit risk management in line with the changes in the macro-economic and financial situation.

During the Reporting Period, in face of increasing risks, the Company proactively took a series of measures to ensure the sustainable and prudent development of all business lines, such as tightening the standards for credit approval, facilitating business restructuring, promoting application of risk measurement tools, innovating the risk management approaches and strengthening asset quality management.

Firstly, the Company carried out strategic transformation and structural adjustment. The Company formulated and issued various risk management policies, such as the 2017 General Risk Policy and Portfolio Management Guidelines (《2017年度基本風險政策暨組合管理指引》), which restated the risk policy and portfolio management direction for all business departments and operating units regarding all types of investment and financing businesses in terms of the industries, regions, customers, products and other aspects. The Company has established a customized management objective of "One bank, one policy" with clear guidelines and quantitative indicators, which has refined the management systems of monitoring, reporting, adjustment and appraisal, and slightly adjusted policies based on the internal and external conditions and business practices. Secondly, the Company applied innovative technologies, such as big data, artificial intelligence, image recognition and machine learning, to the decision-making of credit approval to foster the integration of business scenarios and technologies. Thirdly, the Company further promoted the implementation of risk warning system. With the support of big data technology, the risk warning system was equipped with a new top-down alert management model to closely monitor and analyze the arising and changing of credit risks in major areas and of major customers. The philosophy, system, organisation and procedures of credit risk warning system were optimized. Fourthly, the Company launched the "Sword Campaign (亮劍行動)" in respect of asset quality to attain goals of asset quality management and achieved new breakthroughs by using new methods. The Company also established regular supervision of major departments by linking up the management of branches. Under a range of target accountability systems, the management of functional departments are fully responsible for such systems and work system of the concerned customers project team. Such systems accelerated the disposal and collection process and strengthened the top-down management, which also established a multi-dimensional and concrete supervisory and accountability system. The Company also strengthened its assets collection by various means, and successfully completed the securitization of non-performing assets, the first securitization operation of the Company. Fifthly, the Company promoted the application and upgrade of risk measurement tools. Internal rating results have been applied in aspects including credit access, risk authorization, quota setting and risk report. During the Reporting Period, the Company adopted the IFRS9 and new PRC accounting principles for the application of internal rating results in the provision for impairment assets.

(II) Market risk

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. The Company managed its interest rate risk, exchange rate risk, stock risk and commodity risk in accordance with the regulatory requirements and the rules of the Basel III. The Company further improved its market risk management system in the areas of quota management, measurement, middle office supervision, stress test and contingency management to cope with the fast-changing and innovative banking industry.

During the Reporting Period, the Company further enhanced the comprehensive planning of management system and proactive risk management, and prudently managed various types of market risks. Firstly, the Company continued to optimize the structure of market risk management by adjusting functions and duties, strengthening the coordination and management of market risks of trade accounts, bank accounts and off-balance sheet business. Secondly, the Company refined access and policies of investment management. The Company formulated policy guidance for investment of credit bonds and enhanced the inspection and assessment of the risk of default and operation of bond investment. Thirdly, the Company strengthened stress test by conducting review and update of stress test scenario. The Company conducted specialized stress test with respect to market changes and business needs. Fourthly, the Company continued to improve the coordination of market risk and related risk management, such as liquidity risk, operational risk and credit risk.

(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 at reasonable costs to cope with increase in assets or fulfill debt obligations despite its solvent position. At the beginning of the Reporting Period, the Company determined to maintain liquidity risk tolerance at a relatively stable level to ensure sufficient liquidity for the development of businesses and compliance of regulatory requirements. While ensuring sufficient assets of high liquidity to meet stress test for tolerable risk exposure, the utilization of capital remained highly efficiency. The targets of the liquidity risk management of the Company during the Reporting Period were to improve the management and measurement of liquidity risk based on development strategies of the Company and to strengthen the abilities to identify, monitor and measure liquidity risk, and refine control and management so as to achieve better balance among liquidity, safety and profitability. During the Reporting Period, in face of the regulatory requirements and increasingly complicated market environment, the Company was under immense pressure of liquidity risk management.

During the Reporting Period, the Company adopted various policies concerning liquidity risk management. It enhanced the measurement and monitoring levels and refined the full-covering management system of liquidity risk. In addition to the restructuring of assets and liabilities and allocation of assets, the Company thoroughly studied the changes in gaps of future cash flows of various business and monitored and managed interbank business as well as deposits and loans business in different approaches, in particular during sensitive periods, so as to be well-prepared for the risk hedging or risk overlay resulting from the fluctuation in capital business and deposits and loans business. The Company also continued to refine liquidity risk indicators for accurate measurement of liquidity risk. The Company closely monitored the changes in monetary policies and put effort in analyzing interest rate in the market. The Company also proactively participated in the operation of various monetary tools in open market launched by central bank. In addition, the Company enhanced the stress testing on liquidity and refined its risk warning and contingency plan. The Company paid close attention to changes in policies and markets and its own major operation policies, including the effect on liquidity of the changes in asset and liability management policies in addition to carrying out existing risk management policies. The Company also evaluated liquidity risk periodically and made timely adjustment when necessary.

(IV) Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and IT system or external events. The operational risk of the Company mainly comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets and interruption of business.

During the Reporting Period, the Company consolidated the base of operational risk management and implemented various operational risk management measures. Firstly, the Company enhanced the effectiveness of three major operational risk management tools, including internal review of operational risk and control of major business and management, review and examination on major risk indicators, and improvement of quality and efficiency of reporting on operational risk loss data. Secondly, the Company improved the collection, tracking and reporting mechanism of major operational risk cases. Thirdly, the Company refined the outsourcing risk management through revision of management system and conducting inspection and assessment on management, in an aim to establish a leading system of outsourcing risk management so as to achieve management differentiation, assessment standardization and refinement in result accuracy. Fourthly, the Company continued the development of business continuity system by applying advanced analysing tools to conduct quantitative and qualitative analyses of all lines of business of the Bank, to identify important business related information system and to improve unrealistic scenario of contingency plans of major businesses. The Company also conducted drills on major business and improved quality of such drills. Fifthly, the Company enhanced management effectiveness by optimizing operational risk management system and its functions and refining operational mechanism.

The Company continued to strengthen the inspection of compliance and internal control to facilitate problem rectification with emphasis on risk control in key areas. Firstly, the Company specified the inspection plans of compliance and internal control, major items of inspection for the Head Office, and indicators and implementation requirements of inspections for the whole bank. All operation units were required to formulate their annual inspection plans accordingly. The implementation of their inspection plans was supervised to identify problems for rectification. Secondly, the Company conducted special inspection of corporate banking, retail banking, inter-bank, wealth management and foreign exchange business to identify and eliminate potential risks in order to strengthen risk control of major aspects. Thirdly, the Company fully complied with the regulatory requirements to carry out double check for rectification under the “two enhancements and two controls” campaign, “overhaul of banking industry disorders” campaign and special campaign against the behaviours of "violation of the laws, rules and regulations”. All relevant works were accomplished in a orderly manner through a series of combined actions, including guidance of the Head Office and implementation of all units, rectification of detailed issues and improvement of internal control system, and punitive measures and education.

(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 the Bank, or the Bank suffering from losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region. Country risk may be triggered by deterioration of economic conditions, political and social turmoil, asset nationalization or expropriation, government’s refusal to pay external debt, foreign exchange control or currency depreciation in a country or region.

The Bank strictly complied with regulatory requirements, including the Guidelines on the Management of Outsourcing Risks of Banking Financial Institutions (《銀行業金融機構國別風險管理指引》) of the CBRC. Under the leadership of the Board and senior management, country risk management is included in the comprehensive risk management mechanism of the Bank with specialised distribution of responsibilities and centralised management. The Board is responsible for the effectiveness of country risk management and the senior management and Risk Management Committee of the Board are responsible for the implementation of country risk policies approved by the Board.

The Bank managed and controlled country risk by various management tools, including assessment and rating of country risk, setting country risk limit, statistics, analyses and indices of country risk exposure.

In view of changes in international political and economic conditions in 2017, the Bank further strengthened the identification and management of country risk according to regulatory requirements and business development. Firstly, the Bank updated and issued rating and limit of country risk for 2017 according to cross-border business development to take into account of country risk impact in the process of examining and assessing cross-border business and prudently evaluate transfer and mitigation effect of related country risk. This further promoted the application of country risk rating and limit. Secondly, according to new Basal II, the Bank carried out country risk assessment in respect of possibility, loss impact and non-financial factors. Thirdly, the Bank made adequate and prioritized provision for country risk according to the relevant principle. Fourthly, the Bank strengthened its three lines of defence system for country risk through organising special training on country risk management and statement preparation.

(VI) Interest rate risk in banking books

Interest rate risk in banking books refers to the adverse changes in the level of interest rate, term structure and other factors which lead to loss on overall revenue and the economic value of banking books, primarily caused by the mismatch of the maturity profiles and benchmark rates between financial positions and instruments of the banking books as well as embedded options. It can be classified as re-pricing 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 books. Firstly, through the management system of assets and liabilities, the Company regularly monitored the re-pricing levels of financial positions and instruments re-determined upon each maturity, and adopted various techniques in measuring and analyzing the interest rate risk in banking books, such as re-pricing gap analysis, duration analysis, scenario analysis and stress testing. Secondly, based on the factors giving rise to interest rate risk in banking books, the Company formulated proposals and implemented measures for management. Thirdly, capitalizing on the implementation of the new regulations of regulatory authorities, the Company refined its risk management framework so as to improve the management of interest rate risk in banking books.

(VII) Reputation risk

Reputation risk refers to the risk of negative evaluation of commercial banks and the overall banking industry by relevant interested parties, the media and the society as a result of the poor operation or management and other actions in breach of the national laws and regulations, social ethical standards or applicable internal rules by the commercial banks or their staff, or due to other external customers or events.

Reputation risk management of the Company is the daily proactively 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 minimize the losses and negative public perception. These are the objectives of reputation risk management.

The Company regards reputation risk management as one of the major tasks for maintaining normal operation and promoting favourable public opinion. 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》) of the CBRC 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》) to incorporate reputation risk management into the comprehensive risk management. Under the guidance of the Board and the senior management, the corporate governance of the Company was further enhanced. The Company adhered to the compliance operation and reminded its employees to comply with the law. The Company focused on solving negative public perception and to minimize reputation risk through review and improvement of its system and practices. The Company also put efforts in launching publicity activities and implementing process management. Firstly, the Company has upgraded its system and mechanism for four consecutive years and modified the Mechanism for Minimizing Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險處置機制》). Secondly, to deal with customer complaints, the Company has composed the Guidelines for Handling Customer Complaints (《客戶投訴處置手冊》), the first guidelines containing analysis and conclusion on complaints handling in the banking industry. Thirdly, the Company conducted quarterly review on material reputation risk events and identified the main areas for risk management and popular public opinion. The Company has published the Notice on Positive Guidance and Reputation Risk Management for Preparing for the 19th National Congress of the Communist Party of China (《關於做好迎接十九大正面引導和聲譽風險管理工作的通知》). Fourthly, the Company analysed its risk exposure and concluded the source and pattern of risks by conducting investigation on reputation risk and monitoring public opinion. The Company also improved the internal and external information exchange. Fifthly, all management departments cooperated to minimize risks and optimized risk control procedures in daily operation. Lastly, prudent approach is adopted in corporate development and banking business to achieve the objectives of the Company to serve the real economy and to demonstrate its measures and ability to prevent financial risks.

(VIII) *Information technology risk*

Information technology risk refers to the operational, legal, reputation and other risks faced by commercial banks as a result of natural factors, human factors, technical loopholes and management deficiencies in the course of using information technology.

During the Reporting Period, in accordance with the Guidelines for the Management of Information Technology Risk of Commercial Banks (《商業銀行信息科技風險管理指

引》), the Company conducted comprehensive information technology risk management in areas such as governance of information technology, development and maintenance of information system, information security, business continuity, outsourcing and audit. The further improvement of information technology risk management promoted business development. Firstly, following the medium- to long- term strategies for the development of information technology, the Company focused on the Phoenix Project and reallocated its resources. The Company also carried out major projects to fully meet the needs of business development. Secondly, information technology risk management was enhanced by carrying out comprehensive evaluation of information technology risks and carrying out investigation on risks in specific areas. The Company also further rectified problems and strengthened its ability to identify information technology risks and respond to emergency cases in accordance with internal and external information technology risk management requirements. Thirdly, the Company further standardized and automatized the operation and maintenance of the production system by optimizing the control process of operation and maintenance, so as to boost the efficiency and to ensure the safe and stable operation. Fourthly, the Company exerted efforts in strengthening and improving the information security management system and information security protection system and strictly followed the Internet Security Law. Through in-depth examination of Internet security and controlling data security, the Internet security protection of the Company was improved. Fifthly, the Company strengthened the three lines of defence system for information technology management and enhanced the management of information technology risks. Management evaluation was carried out and relevant reports were prepared in a timely manner.

(IX) Anti-money laundering

Adhering to the risk-oriented legal person supervision philosophy in accordance with the No. 3 Announcement of the PBOC and relevant regulations, the Company further optimized the organisational structure and system for anti-money laundering. The Company also optimized its internal control system and operation system for anti-money laundering by improving the system tools and process and putting efforts in employees training and promotion.

During the Reporting Period, the Company consistently improved the anti-money laundering performance and measures. First, the Company duly fulfilled its regulatory obligations in the effective implementation and promotion of regulatory policies. The Company actively participated in the annual assessments held by the regulators, supported surveys and researches and provided feedbacks. Second, the internal control system in respect of anti-money laundering was comprehensively amended and improved. The Company established a management system for money laundering risk evaluation of products and businesses as well as due diligence and risk evaluation of correspondent banks, and provided more specific standards on professional ethics. Third, risk control over major aspects was reinforced, such as sanctions, pyramid selling, fraud and abnormal overseas withdrawals with debit cards. Fourth, inspections against risks of money laundering by staff as well as anti-money laundering promotions and trainings were conducted to incorporate the anti-money laundering and compliance awareness into the corporate culture. As such, the understanding of staff and customers of the Company on anti-money laundering laws, regulations and new regulatory policies were generally enhanced and the staff of the Company were able to perform their anti-money laundering obligation effectively.

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

XI. Prospects and Measures

(I) Competition and development of the banking industry

In 2018, the global economy will hopefully recover to prosperity in spite of the uncertainties arising potential risks. The US economy is expected to grow steadily following the enforcement of tax reform, but investors should be cautioned against the risks of radical interest rate hike. The economic recovery in the Eurozone is expected to continue with mild inflation. It is also expected that the European Central Bank will gradually withdraw its monetary easing policies. However, the Eurozone economy will be facing challenges brought by the imbalanced economic recovery among different member states, the unresolved Brexit and the political uncertainties in countries such as Germany and Italy. As for the emerging economies, their continuous recovery will bode well for the slowdown of their monetary easing policies in 2018. Yet, due to the unstable foundation of their recovery, the following risk factors are worth noting: firstly, capital outflow and greater debt burdens of emerging economies may be resulted from the tightening monetary policies of major economies, especially that of the US; and secondly, exports of emerging economies may be hampered by the lingering uncertainties of commodity prices and the escalating trade protectionism. Intensified protectionism across the globe will put a brake on, and even reverse the policy coordination as well as the economic globalization among, different countries, which will probably drag down the global productivity and economic growth rate.

In China, the domestic economy will experience high-quality growth mainly driven by the initiatives to resolve imbalanced supply and demand against the backdrop of unsynchronized development of different sectors and insufficient resources. In the near term, the domestic economy will remain stable with steady growth rate while continuous improvements in economic structure will be seen in 2018. However, it should also be noted that the promising domestic economy is highly dependent on the rising demand resulted from the global economic recovery as well as the replenishment of domestic inventory. Despite the improvement in efficiency of enterprises mainly in the upstream and midstream industries such as coal, steel and chemical industries, the investments in the private sector will seem to be less vigorous. In 2018, as affected by factors including increasing interest rates, regulations on the real estate industry and the prudent and neutral monetary policy, it is uncertain whether the recovery of the manufacturing industry as well as the growth of the investments in the private sector and real estate will resume. In addition, the accumulated debts, high leverage ratio, surging asset prices, increasing financial risks, stricter supervision on cross industry activities of financial institutions, limited rising space for fiscal deficit and tight liquidity have imposed significant pressures and challenges on the path to pursue steady growth and structural adjustment.

As affected by external factors, in 2018, the banking industry will face new opportunities and challenges. In respect of opportunities, firstly, the restructuring of the national economy will generate greater demands, hence creating new business opportunities for the banking industry. Under the backdrop of cutting overcapacity, reducing excess inventory and deleveraging, traditional industries continue to transform and upgrade with more frequent mergers and acquisitions across industries, bringing more extensive opportunities for commercial banks in the provision of financing services for mergers and acquisitions and investment banking services. Meanwhile, as new industries, technologies, business trends and operational models will continuously emerge during the course of industrial transformation and upgrade, demands for customized financial products become stronger, and innovative financial services, such as technological finance, investment-loan linkage, industry funds and supply-chain finance, are witnessing rapid growth. Attributable to the new opportunities from the development of green finance, there will be urgent needs for innovation of financing for energy efficiency operations, financing for carbon-emission rights, green credit and asset securitization. Secondly, there will be numerous opportunities in the consumer finance market as new consumption highlights emerge. Currently, with consumption upgrade supported by policies, change in residents' consumption preference, financial innovation facilitated by information technology and generally low leverage ratio of residents, China has exhibited huge development potential for consumer finance. Tourism, healthcare, education, pension, entertainment and online shopping will become new consumption highlights, which will certainly create demand for credit and other comprehensive financial services. Thirdly, the strategic development plan of China will create opportunities for business development. Driven by the continuous advancement of the three major national strategies, namely the "Belt and Road Initiative", coordinated development of the Beijing-Tianjin-Hebei region and development of Yangtze River Economic Zone, development paces among Eastern China, Central China and Western China prone to be more balanced. The establishments of Xiong'an New Area, and the world-class metropolitan agglomerations of Guangdong-Hong Kong-Macao Greater Bay Area are expected to create demands for infrastructure investment and financing, resulting in enormous business opportunities for commercial banks. Fourthly, the promotion of mixed business operation and coordinated supervision will offer greater room for diversified and sustainable development of commercial banks. The financial market develops rapidly with the launch of the Shanghai-Hong Kong Stock Connect (滬港通), Shenzhen-Hong Kong Stock Connect (深港通), Bond Connect (債券通), investment-loan linkage and debt-to-equity conversion, facilitating the business expansion and income growth of commercial banks. In addition, as coordinated financial regulation further develops, the central government will launch a regulatory system that is more suitable to the finance industry, which will create more space for business innovation and growth.

In respect of challenges, firstly, liquidity management of banks will become more difficult. Due to the adverse effects of the expectation of the Federal Reserve Board's interest rate hikes and the shrinkage of balance sheets by major central banks in the world on the sources of liquidity, chances for loosening the domestic "prudent and neutral" monetary policy are dim. With the combined effects of domestic and foreign policies, liquidity contraction is likely to arise in the domestic banking system of China. The financial system will be mired in the problematic and expensive settlement of debts, posing adverse effect on liquidity management. Secondly, risk factors of export-oriented economies will increase. Trade conflicts and exchange rate disputes directly result in higher operational risks in import-export enterprises. Credit risks exposed to commercial banks in China associated with such enterprises may erupt intensively, which increase the obstacles for banks in "Going Global". Thirdly, financial regulation will put unprecedented pressure on compliance of banks. The optimization of macro prudent management framework and regulatory policies will increase the compliance cost of the banks and reduce profitability of the banking business. Fourthly, the management of assets and liabilities will face severe challenges. The continued pressure from the shortage of quality assets and increasing debt costs require higher profitability and professional and refined management of the banks. Fifthly, the loosened market access will lead to growing competition within or beyond the border of banking industry. The rapid establishment and operation of non-state-owned banks and further integration of Internet and finance will significantly change the traditional mode of financial business. As a result, the banking industry should speed up to transform its development strategies and operation patterns so as to rebuild customer relationships and service models.

As the domestic and international economies are undergoing in-depth restructuring, the banking industry in China has also entered a critical period of reform with business model shifting from heavy assets to light assets, from horizontal expansion to organic growth and from simple financing to the model of "finance + intelligence". In the future, the operation of the banking industry will be further differentiated and banks with precise strategic foresight, outstanding innovation, improved comprehensive network, sound liability-gearing assets, strong risk control abilities and sustainable and healthy operation will stand out from the competition.

(II) Development strategies of the Company

To cope with changes in external conditions and internal development needs, the Company has formulated the Development Plan of China Minsheng Bank for 2018–2020 (《中國民生銀行發展規劃(2018–2020)》), and has facilitated the implementation of the Phoenix Project. In the coming three years, the Company will commit to becoming an benchmark bank with distinctive features, increased value and continuous innovation. The Company will also strategically position itself as a bank for the NSOEs, a fintech-based bank and a bank offering comprehensive services. In order to become a bank for NSOEs, the Company will focus on large and medium NSOEs with high quality, upstream and downstream of the supply chain for core enterprises and small and micro enterprises, and serve as a financial butler of NSOE costomers and their senior management with integrated, customized and comprehensive financial services. It will strive to become the host bank and preferred bank of the NSOE customers. In order to become a fintech-based bank, the Company will establish the Internet finance system of "One E-CMBC", and apply new technologies to facilitate the innovation of its financial services. Cross-sector cooperation will be carried out to form an Internet business system. In order to become a bank offering comprehensive services, the Company will expedite its business layout diversification. A centralized business synergy system under "One Minsheng" will be established to boost the business synergy among its business lines as well as domestic and foreign units. Through creating a model with the integration of commercial, investment and transaction banking, the Company will provide its customers with comprehensive financial services of capital, intelligence and commerce. As a result, Minsheng Bank will be transformed to pursuing value growth.

In the implementation of the new three-year plan and the Phoenix Project, the Company will deploy its three major innovative businesses, three principal businesses and four major business segments based on the core principles of high quality development and efficiency. Its deployment includes strengthening three major innovative businesses, namely direct banking, small business finance and investment banking; consolidating three principal businesses, namely credit card, supply chain finance and asset management; and enhancing four major traditional business segments, namely corporate finance, retail finance, financial market and comprehensive operation. On the basis of the above deployment, the Company will transform itself into a benchmark bank of the industry principally engaging in digitalised, light-capital and comprehensive business in addition to the traditional business. In addition, greater reform and innovation efforts will be made. With innovative mechanisms and systems of its major management aspects, the Company will be able to revitalize its structure. It will also establish a customer-oriented operation and management system and extensively enhance its professional management to facilitate and support the implementation of its business development strategies.

Looking forward, the Company will seize the opportunities and challenges arising from the ever-changing operation environment in its pursuit of serving the real economy. While promoting reform and transformation and accelerating business restructuring, emphasis will be placed on risk management. The Company will also proactively develop new sources of profit growth and strengthen management foundation to achieve sustainable and stable development.

(III) Potential risks

In recent years, the domestic and global economies have encountered various predictable and unpredictable challenges. The conventional business mode of commercial banks is experiencing rapid and unprecedented changes due to factors including mounting pressure on economic growth, accelerated deleveraging of the financial industry and increasingly stringent regulatory environment. As illustrated by worldwide experience, after the liberalisation of interest rate, banks will experience a hard time with narrowed interest margin and profit decline. Meanwhile, the downward trend of macro-economy will affect the asset quality of banks and further increase provision pressures, thus creating challenges for both the operation profitability and asset quality of banks.

Facing the in-depth transformation of the financial environment, the Company will continuously strengthen its construction of risk culture and improve comprehensive risk management. It will also optimize asset structure and strictly safeguard asset quality with joint efforts throughout the Bank. Leveraging on the Phoenix Project, the Company will navigate the challenges posed by the liberalisation of interest rate, seize new market opportunities brought about by the "New Normal" and accelerate the transformation of business and management model across the Bank.

Chapter 4 Changes in Share Capital and Information on Shareholders

I. Ordinary Shares

(I) Changes in ordinary shares

(Unit: Share)

	31 December 2016		Changes over the Reporting Period (+,-)	**31 December 2017**	
	Number of shares	Percentage (%)	Number of shares	**Number of shares**	**Percentage (%)**
I. Shares subject to restriction on sales	—	—	—	**—**	**—**
1. State-owned shares	—	—	—	**—**	**—**
2. State-owned legal person shares	—	—	—	**—**	**—**
3. Other domestic shares	—	—	—	**—**	**—**
Of which:					
Held by domestic legal person	—	—	—	**—**	**—**
Held by domestic natural person	—	—	—	**—**	**—**
4. Foreign investor shares	—	—	—	**—**	**—**
Of which:					
Held by overseas legal person	—	—	—	**—**	**—**
Held by overseas natural person	—	—	—	**—**	**—**
II. Shares not subject to restriction on sales	36,485,348,752	100.00	—	**36,485,348,752**	**100.00**
1. Ordinary shares in RMB	29,551,769,344	81.00	—	**29,551,769,344**	**81.00**
2. Domestic listed foreign invested shares	—	—	—	—	—
3. Overseas listed foreign invested shares	6,933,579,408	19.00	—	**6,933,579,408**	**19.00**
4. Others	—	—	—	—	—
III. Total number of ordinary shares	36,485,348,752	100.00	—	**36,485,348,752**	**100.00**

(II) Shares subject to restriction on sales and restrictions

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

II. Sufficiency of Public Float

According to the data available to the Company and to the knowledge of the Directors, the Company had maintained sufficient public float as stipulated under the Hong Kong Listing Rules during the Reporting Period.

III. Issuance of Shares and Bonds During the Reporting Period

(I) Issuance of securities in the three years immediately before the end of the Reporting Period

In accordance with the approval of the CBRC (Yin Jian Fu [2011] No. 328) (銀監覆[2011]328號) and the CSRC (Zheng Jian Xu Ke [2012] No. 1573) (證監許可[2012]1573號), the Company issued a total of RMB20 billion A Share Convertible Bonds on 15 March 2013. Pursuant to the written consent (Shang Zheng Fa Zi [2013] No. 1) (上證發字[2013]1號) issued by the SSE, the RMB20 billion A Share Convertible Bonds were listed on the SSE (Convertible Bonds name: Minsheng Convertible Bonds; Convertible Bonds code: 110023), out of which RMB17,173,833,000 A Share Convertible Bonds were listed on 29 March 2013 while RMB2,826,167,000 A Share Convertible Bonds were listed on 2 May 2013. The conversion period for Minsheng Convertible Bonds commenced on 16 September 2013. As approved by the CBRC, the Company redeemed all registered Minsheng Convertible Bonds after the close of trading on 24 June 2015.

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

During the Reporting Period, there was no change in the total number of ordinary shares and shareholding structure of the Company.

(III) Employee shares

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

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

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

(I) Hybrid Capital Bonds of 2009

Pursuant to the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2009] No. 8) (銀市場許准予字[2009]第8號) and the approval by the CBRC (Yin Jian Fu [2009] No. 16) (銀監覆[2009]16號), the Company issued a total of RMB5,000 million hybrid capital bonds through a public offering in the national interbank bond market on 25 March 2009. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the hybrid capital bonds was AA+. These hybrid capital bonds have a term of 15 years. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the 10th year but before the maturity of the bonds. The bonds comprised fixed interest rate bonds and floating interest rate bonds. The fixed interest rate bonds (bond name: 09 Minsheng 01; bond code: 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 ten 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 net proceeds from the issuance of bonds were fully accounted as tier-two 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 CBRC on 1 January 2013, the proceeds were accounted as tier-two capital of the Company based on required proportion. The use of the proceeds was as stated in the prospectus.

On 25 March 2017, the prevailing interest of RMB264,900,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the fixed interest rate series and the floating interest rate series of the hybrid capital bonds of China Minsheng Bank of 2009 was RMB3,325 million and RMB1,675 million, respectively. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 29 April 2017 with the bond rating of AA+, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(II) Subordinated Bonds of 2011

Pursuant to the approval by the 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 at fixed interest rates through a public offering in the national interbank bond market on 18 March 2011. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the subordinated bonds was AAA. Two types of subordinated bonds were issued for terms of 10 years and 15 years, respectively. Type I Bonds (bond name: 11 Minsheng 01; bond code: 1108001), having a term of 10 years and amounting to RMB6,000 million, were issued at the nominal interest rate of 5.50% 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 nominal interest rate of 5.70%. These subordinated bonds granted the issuer a one-off early redemption option, that is, subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of Type I Bonds or after the expiry of the tenth year but before the maturity date of Type II Bonds. The exercise of the early redemption option by the issuer is not subject to the consent of bond holders.

According to applicable rules, the net proceeds from the issuance of bonds were fully accounted as tier-two 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 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 2017, the interest of RMB228,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the 15-year subordinated bonds of China Minsheng Bank of 2011 was RMB4,000 million. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 4 May 2017 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(III) Special Financial Bonds for Small and Micro Enterprises of 2012

Pursuant to the approval by the CBRC (Yin Jian Fu [2011] No. 480) (銀監覆[2011]480號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2011] No. 119) (銀市場許准予字[2011]第119號), the Company issued special financial bonds for small and micro enterprises with a total amount of RMB50,000 million through a public offering in the national interbank bond market in two installments on 10 February and 8 May 2012, respectively. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the two installments of financial bonds was AAA. The first installment of the financial bonds of China Minsheng Bank of 2012 (bond name: 12 Minsheng 01; bond code: 1208001) of RMB30,000 million was issued on 10 February 2012 with five-year fixed interest rate at the nominal interest rate of 4.30%. The interest was paid on an annual basis. The second installment of the financial bonds of China Minsheng Bank of 2012 (bond name: 12 Minsheng 02; bond code: 1208002) of RMB20,000 million was issued on 8 May 2012 with five-year fixed interest rate at the nominal interest rate of 4.39%. The interest was paid on an annual basis.

The proceeds from the issuance of RMB50,000 million special financial bonds for small and micro enterprises were specifically used for the extension of loans to small and micro enterprises as stated in the prospectus.

On 14 February 2017, the prevailing interest of RMB1,290,000,000 and principal of RMB30,000 million of the first installment of the financial bonds of 2012 was distributed and paid to the investors. On 10 May 2017, the prevailing interest of RMB878,000,000 and principal of RMB20,000 million of the second installment of the financial bonds of 2012 was distributed and paid to the investor.

As at the end of the Reporting Period, the balance of the special financial bonds for small and micro enterprises of the Company of 2012 was nil. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the second installment of the financial bonds of 2012 and issued a corresponding report on 4 May 2017 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(IV) Tier-Two Capital Bonds of 2014

Pursuant to the approval by the CBRC (Yin Jian Fu [2013] No. 570) (銀監覆[2013] 570號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2014] No. 6) (銀市場許准予字[2014]第6號), the Company issued tier-two capital bonds (bond name: 14 Minsheng Tier-Two; bond code: 1428003) with a total amount of RMB20,000 million through a public offering in the national interbank bond market on 18 March 2014. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the tier-two capital bonds was AAA. These tier-two capital bonds were issued for a term of ten years with fixed interest rate at the nominal interest rate of 6.60%. The interest was paid on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the CBRC upon the exercise of redemption option, the Company may, subject to the approval by the CBRC, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders.

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

On 20 March 2017, the prevailing interest of RMB1,320,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Bank of 2014 was RMB20,000 million. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 4 May 2017 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 2015

Pursuant to the approval by the CBRC (Yin Jian Fu [2015] No. 136) (銀監覆[2015] 136號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2015] No. 54) (銀市場許准予字[2015]第54號), the Company issued tier-two capital bonds (bond name: 15 Minsheng Tier-Two; bond code: 1528002) with a total amount of RMB20,000 million through 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 ten years with fixed interest rate at the nominal interest rate of 5.40%. The interest was paid on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the CBRC upon the exercise of redemption option, the Company may, subject to the approval by the CBRC, exercise one-off redemption of all or part of the bonds at par value at last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders.

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 2017, the prevailing interest of RMB1,080,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Bank of 2015 was RMB20,000 million. During the Reporting Period, Dagong International Credit Rating Company Limited conducted the annual tracking and rating of the bonds and issued a corresponding report on 4 May 2017 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(VI) Tier-Two Capital Bonds of 2016

Pursuant to the approval by the CBRC (Yin Jian Fu [2016] No. 119) (銀監覆[2016]119號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2016] No. 116) (銀市場許准予字[2016]第116號), the Company issued tier-two capital bonds (bond name: 16 Minsheng Tier-Two; bond code: 1628014) with a total amount of RMB20,000 million through 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 ten years with fixed interest rate at the nominal interest rate of 3.50%. The interest was paid on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the CBRC upon the exercise of redemption option, the Company may, subject to the approval by the CBRC, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders.

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 2017, the prevailing interest of RMB700,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Bank of 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 3 May 2017 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(VII) *Financial Bonds of 2016*

Pursuant to the approval by the CBRC (Yin Jian Fu [2015] No. 683) (銀監覆[2015]683號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2016] No. 161) (銀市場許准予字[2016]第161號), the Company issued the first installment of financial bonds (bond name: 16 Minsheng Bank 01; bond code: 1628017) with a total amount of RMB20,000 million through a public offering in the national interbank bond market on 27 October 2016. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the financial bonds was AAA. These financial capital bonds were issued for a term of three years with fixed interest rate at the nominal interest rate of 2.95%. The interest was paid on an annual basis. According to applicable rules, the proceeds from the bonds were used for loan extension, including, but not limited to, loans to certain small and micro enterprises and agricultural loans. The use of the proceeds was as stated in the prospectus.

On 28 October 2017, the prevailing interest of RMB590,000,000 was distributed to the bond investors.

As at the end of the Reporting Period, the balance of the first installment of the financial bonds of China Minsheng Bank 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 3 May 2017 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(VIII) *Financial Bonds of 2017*

Pursuant to the approval by the CBRC (Yin Jian Fu [2015] No. 683) (銀監覆[2015]683號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2016] No. 161) (銀市場許准予字[2016]第161號), the Company issued the 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 interest rate at the nominal interest rate of 4.00%. The interest was paid 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 certain small and micro enterprises and agricultural loans. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the first installment of the financial bonds of China Minsheng Bank 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 3 May 2017 with the bond rating of AAA, which was the same as the previous year (For details, please refer to www.chinabond.com.cn).

(IX) Tier-Two Capital Bonds of 2017

Pursuant to the approval by the 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 Bank of 2017 (bond name: 17 Minsheng Tier-Two 01; bond code: 1728016) and the second installment of tier-two capital bonds of China Minsheng Bank of 2017 (bond name: 17 Minsheng Tier-Two 02; bond code: 1728023) through public offering in the national interbank bond market on 12 September 2017 and 27 November 2017, respectively. As assessed by Dagong International Credit Rating Company Limited, the credit rating of the two installments of tier-two capital bonds was AAA. The two installments of tier-two capital bonds were issued for a term of ten years with fixed interest rate at the nominal interest rate of 4.70%. The interest was paid 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 CBRC upon the exercise of redemption option, the Company may, subject to the approval by the CBRC, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders.

According to applicable rules, the proceeds from the two installments of capital 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 and second installment of tier-two capital bonds of China Minsheng Bank of 2017 was RMB30,000 million.

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

(I) Issuance and listing of offshore preference shares

Pursuant to the approval by the CBRC (Yin Jian Fu [2016] No. 168) (銀監覆[2016]168號) and the approval by the CSRC (Zheng Jian Xu Ke [2016] No. 2971) (證監許可[2016]2971號), the Company issued non-cumulative perpetual preference shares (preference share name: CMBC 16USDPREF; code: 04609) in the amount of USD1,439 million on 14 December 2016 through a private offering in the overseas market in order to improve its capital structure, provide capital support for the efficient implementation of its strategies, enhance its capital adequacy ratio and strengthen its sustainable development capacity. The offshore preference shares were listed on the SEHK on 15 December 2016 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 71,950,000, all of which were issued and fully paid in US dollar.

Based on the Renminbi central parity rate against US dollar published by China Foreign Exchange Trading Centre on 14 December 2016, the gross proceeds from the offering of the offshore preference shares were approximately RMB9,933 million. The net proceeds raised from the offshore preference shares issuance were approximately RMB9,892 million, after deduction of the issuance expenses, which will be used to replenish the additional tier-one capital of the Company.

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

(II) Number of holder of offshore preference shares and particulars of shareholding

As at the end of the Reporting Period, the number of holder of offshore preference shares was one. As at the end of the month prior to the disclosure date of the Annual Report for the year (i.e. 28 February 2018), the number of holder of offshore preference shares was one.

The top ten holder(s) of preference shares (or nominees) of the Company are set out as follows (the following data were based on the registered holder of the preference shares as at 31 December 2017):

(Unit: Share)

Name of shareholder	Type of shareholder	Class of share	Changes over the Reporting Period	Shareholding percentage (%)	Number of shares held	Number of shares subject to restriction held	Number of shares pledged or locked-up
The Bank of New York Mellon Depository (Nominees) Limited	Overseas legal person	Offshore preference shares	—	100	71,950,000	—	Unknown

Notes:

1. The number of shares held by the preference shareholder was recorded according to the register of holders of the preference shares of the Company.
2. As the preference shares were issued through private offering in the overseas market, information of nominees of the allotted investors were based on the register of holders of the preference shares.
3. The Company does not know if there is any related relationship or concerted action among the above preference shareholder and the top ten shareholders of the ordinary shares.

(III) *Changes in offshore preference shares*

(Unit: Share)

Class of offshore preference shares	Offshore preference shares issued as of 31 December 2016	Changes over the Reporting Period	Offshore preference shares issued as of 31 December 2017
USD preference shares	71,950,000	—	71,950,000

(IV) *Profit distribution of preference shares*

The dividend of the offshore preference shares of the Company was paid in cash on an annual basis. Any dividends not paid to holders of preference shares will not be accumulated to the following dividend year. The holders of the 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 authorization 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 third extraordinary meeting of the seventh session of the Board on 4 December 2017. According to the term of the issuance of the offshore preference shares, the Company distributed dividends of USD79,145,000 (tax inclusive) to the holders of offshore preference shares of the Company whose name appeared on the register of members on the record date on 14 December 2017. The aforementioned dividends for the offshore preference shares amounted to approximately RMB524 million (tax inclusive). According to relevant PRC laws and regulations, when the Company distributes dividends for the offshore preference shares, it shall withhold and pay enterprise income tax at the rate of 10%. According to the relevant requirements of the terms and conditions of the offshore preference shares of the Company, the Company shall bear such tax, in addition to the dividends for the offshore preference shares.

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

(V) *Other information on the preference shares*

During the Reporting Period, no preference shares of the Company have been repurchased, converted into ordinary shares nor have their voting rights restored.

According to the requirements promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments (《企業會計準則第37號 — 金融工具列報》) and the Provisions on Differentiating Financial Debt and Equity Instruments and Related Accounting Treatment (《金融負債與權益工具的區分及相關會計處理規定》), there was no need for the issued and existing preference shares of the Company to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Company will have no obligation to deliver a variable quantity of its equity instruments as other equity instruments for accounting purpose.

VI. Shareholders

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

(Unit: Share)

Total number of ordinary shareholders at the end of the Reporting Period	380,550
Total number of ordinary shareholders at the end of the month immediately prior to the disclosure of the Annual Report	374,781

Particulars of shareholding of the top ten shareholders

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period	Changes over the Reporting Period	Number of shares held subject to restriction	Number of shares pledged
HKSCC Nominees Limited	Others	18.91	6,899,613,170	1,999,055	—	Unknown
Anbang Life Insurance Inc. — Steady Investment Portfolio	Domestic non-state-owned legal person	6.49	2,369,416,768	—	—	Nil
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	4.75	1,734,651,836	254,468,826	—	Nil
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.61	1,682,652,182	—	—	1,679,652,182
Anbang Property Insurance Inc. — Traditional products	Domestic non-state-owned legal person	4.56	1,665,225,632	—	—	Nil
Anbang Insurance Group Co., Ltd. — Traditional Insurance Products	Domestic non-state-owned legal person	4.49	1,639,344,938	—	—	Nil
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,523,606,135	—	—	89,522,000
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,149,732,989	—	—	1,149,732,989
Huaxia Life Insurance Co., Ltd. — Universal Insurance Product	Domestic non-state-owned legal person	3.14	1,146,469,451	118,153,253	—	Nil
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	2.98	1,086,917,406	—	—	Nil

Shareholding of top ten holders of 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	6,899,613,170	H shares
Anbang Life Insurance Inc. — Steady Investment Portfolio	2,369,416,768	A shares
China Securities Finance Corporation Limited	1,734,651,836	A shares
China Oceanwide Holdings Group Co., Ltd.	1,682,652,182	A shares
Anbang Property Insurance Inc. — Traditional products	1,665,225,632	A shares
Anbang Insurance Group Co., Ltd. — Traditional Insurance Products	1,639,344,938	A shares
New Hope Liuhe Investment Co., Ltd.	1,523,606,135	A shares
Shanghai Giant Lifetech Co., Ltd.	1,149,732,989	A shares
Huaxia Life Insurance Co., Ltd. — Universal Insurance Product	1,146,469,451	A shares
China Shipowners Mutual Assurance Association	1,086,917,406	A shares
Statement on the related relationship or concerted actions among the aforesaid shareholders	Anbang Insurance Group Co., Ltd. is the controlling shareholder of Anbang Life Insurance Inc. and Anbang Property Insurance Inc. The Company is not aware of any related relationship among other shareholders save as mentioned above.	

Notes:

1. The number of shares held by H shareholders was recorded in the Register of Members as kept by the H Share Registrar of the Company;

2. HKSCC Nominees Limited acted as an agent, representing the total amount of H shares held by all institutional and individual investors that registered in the account of such investors as at 31 December 2017.

(II) Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations

As at 31 December 2017, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests or short position in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware of:

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Anbang Insurance Group Co., Ltd.	A	Long	Beneficial owner	1,673,502,001			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	4,453,401,906			
				6,126,903,907	1	20.73	16.79
	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	381,608,500*	2 and 20	5.50	1.05
Orient Group Incorporation	A	Long	Party to the acting in concert agreement	2,225,890,961	3	7.53	6.10
Huaxia Life Insurance Co., Ltd.	A	Long	Party to the acting in concert agreement	2,225,890,961	3	7.53	6.10
China Oceanwide Holdings Group Co., Ltd.	A	Long	Beneficial owner	1,682,652,182	4 and 5	5.69	4.61
Oceanwide Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,682,652,182	4 and 5	5.69	4.61
Tohigh Holdings Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,682,652,182	4 and 5	5.69	4.61
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,608,929,324*	6 and 9	5.44	4.41
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,523,606,135*	6	5.16	4.18

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
New Hope Liuhe Investment Co., Ltd.	A	Long	Beneficial owner	1,523,606,135*	6	5.16	4.18
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,608,929,324*	7 and 9	5.44	4.41
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,608,929,324*	8 and 9	5.44	4.41
Guo Guangchang	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	808,612,400	10 and 11	11.66	2.22
Fosun International Limited	H	Long	Beneficial owner	695,179,800			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	113,432,600			
				808,612,400	10 and 11	11.66	2.22
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	808,612,400	10 and 11	11.66	2.22
Shi Jing	H	Long	Person who set up a discretionary trust	665,020,111	12 and 13	9.59	1.82
Abhaya Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	665,020,111	12 and 13	9.59	1.82
Wickhams Cay Trust Company Limited	H	Long	Trustee	665,020,111	12 and 13	9.59	1.82
Union Sky Holding Group Limited	H	Long	Beneficial owner	7,160,000			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	594,584,711			
				601,744,711	12	8.68	1.65

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 (%)
JH International Investment Company Limited	H	Long	Beneficial owner	594,584,711	12	8.58	1.63
The Goldman Sachs Group, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	622,206,076	14	8.97	1.71
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	603,039,644	14	8.70	1.65
Guotai Junan International Holdings Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	586,993,500	15 and 16	8.47	1.61
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	586,993,211	15 and 16	8.47	1.61
Guotai Junan Securities Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	586,993,500	15 and 16	8.47	1.61
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	586,993,211	15 and 16	8.47	1.61
Shanghai International Group Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	586,993,500	15 and 16	8.47	1.61
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	586,993,211	15 and 16	8.47	1.61
Oceanwide International Equity Investment Limited	H	Long	Beneficial owner	503,584,125	17	7.26	1.38
Ge Weidong	H	Long	Beneficial owner	333,641,500			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	79,642,700			
				413,284,200	18	5.96	1.13

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Macquarie Group Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	399,911,144	19	5.77	1.10
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	13,003,747	19	0.19	0.04
Anbang Property Insurance Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	381,608,500*	2 and 20	5.50	1.05
BlackRock, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	370,877,542	21	5.35	1.02
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	8,918,000	21	0.13	0.02

* 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 2017. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with the SFO.

Notes:

1. Anbang Insurance Group Co., Ltd. was deemed to have interests in the 6,126,903,907 A shares of the Company by virtue of its control over Anbang Life Insurance Inc., Anbang Property Insurance Inc. and Hexie Health Insurance Co., Ltd.

2. The long position of 381,608,500 H shares was directly held by Anbang Asset Management (Hong Kong) Co., Limited. Anbang Asset Management (Hong Kong) Co., Limited was a wholly-owned subsidiary of Anbang Property Insurance Inc. and 95.26% of the issued share capital of Anbang Property Insurance Inc. was owned by Anbang Insurance Group Co., Ltd.

   According to the SFO, Anbang Insurance Group Co., Ltd. and Anbang Property Insurance Inc. were deemed to have interests in the 381,608,500 H shares held by Anbang Asset Management (Hong Kong) Co., Limited.

3. The interests that Orient Group Incorporation (which held 1,066,764,269 A shares of the Company) and Huaxia Life Insurance Co., Ltd. (which held 1,159,126,692 A shares of the Company) held in the 2,225,890,961 A shares, as set out in the above table, were deemed to be jointly owned after both parties became persons acting in concert.

4. The 1,682,652,182 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang (a Non-executive Director of the Company) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

   According to the SFO, Mr. Lu Zhiqiang, Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd. were deemed to have interests in the 1,682,652,182 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. Lu Zhiqiang's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").

5. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 1,682,652,182 A shares, as set out in the above table, were from the same block of shares.

6. The 1,608,929,324 A shares comprised 85,323,189 A shares directly held by South Hope Industrial Co., Ltd. and 1,523,606,135 A shares directly held by New Hope 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. 23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively.

   According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 85,323,189 A shares held by South Hope Industrial Co., Ltd. and in the 1,523,606,135 A shares held by New Hope Liuhe Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,523,606,135 A shares held by New Hope Liuhe Investment Co., Ltd.

7. Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,608,929,324 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").

8. Ms. Liu Chang held 37.66% of the issued share capital of New Hope Group Co., Ltd. (see note (6) above). According to the SFO, Ms. Liu was deemed to have interests in the 1,608,929,324 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).

9. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang held in the 1,608,929,324 A shares, as set out in the above table, were from the same block of shares.

10. The 808,612,400 H shares (Long position) (in which 390,000,000 H shares were held through other derivatives) comprised 695,179,800 H shares directly held by Fosun International Limited, 35,592,600 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 77,840,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 71.55% of its issued share capital by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang held 64.45% of the issued share capital of Fosun International Holdings Ltd.

    According to the SFO, Fosun International Limited was deemed to have interests in the 35,592,600 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 77,840,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 808,612,400 H shares held by Fosun International Limited.

11. The interests that Mr. Guo Guangchang, Fosun International Limited and Fosun International Holdings Ltd. held in the 808,612,400 H shares, as set out in the above table, were from the same block of shares.

12. The 665,020,111 H shares (in which 586,003,211 H shares were held through cash settled derivatives (off exchange)) comprised 7,160,000 H shares directly held by Union Sky Holding Group Limited, 63,275,400 H shares directly held by Vogel Holding Group Limited and 594,584,711 H shares directly held by JH International Investment Company Limited. JH International Investment Company Limited was a wholly-owned subsidiary of Union Sky Holding Group Limited. Union Sky Holding Group Limited and Vogel Holding Group 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, Union Sky Holding Group Limited was deemed to have interests in the 594,584,711 H shares of JH International Investment Company Limited. Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited were deemed to have interests in the 7,160,000 H shares held by Union Sky Holding Group Limited, 63,275,400 H shares held by Vogel Holding Group Limited and 594,584,711 H shares held by JH International Investment Company Limited.

13. The interests that Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited held in the 665,020,111 H shares, as set out in the above table, were from the same block of shares.

14. The Goldman Sachs Group, Inc. was deemed to have a long position in 622,206,076 H shares and a short position in 603,039,644 H shares of the Company by virtue of its control over a number of corporations, which were indirectly wholly-owned subsidiaries of The Goldman Sachs Group, Inc., except the following corporation:

    14.1 Goldman Sachs Asset Management, L.P. held 3,583,114 H shares (Long position) in the Company. 99% of the interests in Goldman Sachs Asset Management, L.P. was held by GSAM Holdings L.L.C., which was a wholly-owned subsidiary of The Goldman Sachs Group, Inc.

    Besides, 468,331,949 H shares (Long position) and 552,696,183 H shares (Short position) were held through derivatives as follows:

4,767,500 H shares (Long position) and 109,087,500 H shares (Short position)	— through physically settled derivatives (on exchange)
200,000 H shares (Short position)	— through cash settled derivatives (on exchange)
122,033,000 H shares (Long position) and 442,098,000 H shares (Short position)	— through physically settled derivatives (off exchange)
341,531,449 H shares (Long position) and 1,310,683 H shares (Short position)	— through cash settled derivatives (off exchange)

15. The 586,993,500 H shares (Long position) and 586,993,211 H shares (Short position) were directly held by Guotai Junan Financial Products Limited. Guotai Junan Financial Products Limited was an indirect wholly-owned subsidiary of Guotai Junan International Holdings Limited, of which 64.66% of interests was indirectly held by Guotai Junan Securities Co., Ltd. 30.93% of the issued share capital of Guotai Junan Securities Co., Ltd. was held by Shanghai International Group Co., Ltd.

    According to the SFO, Guotai Junan International Holdings Limited, Guotai Junan Securities Co., Ltd. and Shanghai International Group Co., Ltd. were deemed to have interests in the 586,993,500 H shares (Long position) and 586,993,211 H shares (Short position) held by Guotai Junan Financial Products Limited.

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

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

16. The interests that Guotai Junan International Holdings Limited, Guotai Junan Securities Co., Ltd. and Shanghai International Group Co., Ltd. held in the 586,993,500 H shares (Long position) and 586,993,211 H shares (Short position), as set out in the above table, were from the same block of shares.

17. The 503,584,125 H shares (Long position) were directly held by Oceanwide International Equity Investment Limited. 98.86% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd. 67.15% 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.

18. The 413,284,200 H shares (Long position) comprised 333,641,500 H shares (Long position) directly held by Mr. Ge Weidong and 79,642,700 H shares (Long position) held by Chaos Investment Co., Ltd., which was wholly-owned by Mr. Ge.

19. Macquarie Group Limited had a long position in 399,911,144 H shares and a short position in 13,003,747 H shares of the Company through a number of wholly-owned subsidiaries. Besides, 194,298,000 H shares (Long position) and 8,420,000 H shares (Short position) were held through derivatives as follows:

770,000 H shares (Long position) and 457,500 H shares (Short position)	— through physically settled derivatives (on exchange)
40,000 H shares (Long position) and 398,500 H shares (Short position)	— through cash settled derivatives (on exchange)
193,488,000 H shares (Long position) and 7,564,000 H shares (Short position)	— through cash settled derivatives (off exchange)

20. The interests that Anbang Insurance Group Co., Ltd. and Anbang Property Insurance Inc. held in the 381,608,500 H shares (Long position), as set out in the above table, were from the same block of shares.

21. BlackRock, Inc. had a long position in 370,877,542 H shares (in which 260,000 H shares were held through cash settled unlisted derivatives) and a short position in 8,918,000 H shares (in which 3,251,500 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:

21.1 BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc. BR Jersey International Holdings L.P. had interests in the Company through the following indirect wholly-owned corporations:

21.1.1 BlackRock Japan Co., Ltd. held 11,503,330 H shares (Long position) in the Company.

21.1.2 BlackRock Asset Management Canada Limited held 947,600 H shares (Long position) in the Company.

21.1.3 BlackRock Investment Management (Australia) Limited held 1,285,100 H shares (Long position) in the Company.

21.1.4 BlackRock Asset Management North Asia Limited held 3,130,227 H shares (Long position) in the Company.

21.2 BlackRock Group Limited was owned as to 90% by BR Jersey International Holdings L.P. (see note (21.1) above). BlackRock Group Limited had interests and short positions in the Company through the following direct or indirect wholly-owned corporations:

21.2.1 BlackRock (Netherlands) B.V. held 874,500 H shares (Long position) in the Company.

21.2.2 BlackRock Advisors (UK) Limited held 3,502,999 H shares (Long position) in the Company.

21.2.3 BlackRock International Limited held 1,976,851 H shares (Long position) in the Company.

21.2.4 BlackRock Asset Management Ireland Limited held 39,607,355 H shares (Long position) and 189,500 H shares (Short position) in the Company.

21.2.5 BLACKROCK (Luxembourg) S.A. held 876,500 H shares (Long position) and 2,664,000 H shares (Short position) in the Company.

21.2.6 BlackRock Investment Management (UK) Limited held 23,388,387 H shares (Long position) in the Company.

21.2.7 BlackRock Asset Management Deutschland AG held 421,100 H shares (Long position) in the Company.

21.2.8 BlackRock Fund Managers Limited held 65,709,750 H shares (Long position) in the Company.

21.2.9 BlackRock Life Limited held 2,915,470 H shares (Long position) in the Company.

21.2.10 BlackRock Asset Management (Schweiz) AG held 30,000 H shares (Long position) in the Company.

21.2.11 BlackRock Investment Management (Taiwan) Limited held 1,500 H shares (Long position) in the Company.

Save as disclosed above and the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations", the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 31 December 2017 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 ten shareholders of the Company (other than HKSCC Nominees Limited) held an aggregate of 41.27% of its shares. Anbang Life Insurance Inc. — Steady Investment Portfolio, the single largest shareholder of the Company, held 6.49% of the shares of the Company. There was no shareholder who could control not less than half of the voting rights of the Board or at general meetings in accordance with its shareholding, the Articles of Association or agreements.

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

As at the end of the Reporting Period, there was no single corporate shareholder of the Company that held 10% or more of its shares. Anbang Life Insurance Inc., Anbang Property Insurance Inc., Anbang Insurance Group Co., Ltd. and Hexie Health Insurance Co., Ltd. collectively owned 10% or more of equity of the Company. On 23 February 2018, the Company noticed that China Insurance Regulatory Commission published the CIRC Notice Concerning the Takeover of Anbang Insurance Group Co., Ltd. in accordance with Laws (《中國保監會關於對安邦保險集團股份有限公司依法實施接管的公告》) on its official website. Meanwhile, the Company received a written notification from its shareholder Anbang Insurance Group Co., Ltd. stating that: "The current operation of Anbang Insurance Group Co., Ltd. and its subordinate bodies are generally stable with sufficient cash reserves. We have no intention to reduce our shareholdings in Minsheng Bank in the near future."

Name of Corporate shareholder	Person-in-charge or legal representative	Date of incorporation	Registered capital (RMB)	Principal business or management activities
Anbang Life Insurance Inc.	Yao Dafeng	23 June 2010	30.79 billion	Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance business of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the CIRC.
Anbang Property Insurance Inc.	Ye Jing	31 December 2011	37.0 billion	Property and casualty insurance, liability insurance, credit and guarantee insurance, short-term health insurance and accidental injury insurance, reinsurance in connection with the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations and other businesses approved by the CIRC.

Name of Corporate shareholder	Person-in-charge or legal representative	Date of incorporation	Registered capital (RMB)	Principal business or management activities
Anbang Insurance Group Co., Ltd.	He Xiaofeng	15 October 2004	61.9 billion	Establishment of insurance enterprises, supervision and management of various domestic and international businesses of the companies invested and controlled by Anbang Insurance, investment businesses permitted under the PRC laws and regulations, insurance businesses permitted under the PRC laws and regulations, and other businesses approved by CIRC.
Hexie Health Insurance Co., Ltd.	Gu Hongmei	12 January 2006	13.9 billion	Various Renminbi and foreign currencies-denominated health insurance businesses, accidental injury insurance businesses, health insurance business ancillary to the national health care policies and entrusted by the governments, health insurance related consulting service and agency businesses, health insurance related reinsurance businesses, funds application businesses permitted under the PRC laws and regulations, and other businesses approved by the CIRC.

(V) Substantial shareholders

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

(1) Anbang Property Insurance Inc.: It was incorporated on 31 December 2011; its registered capital is RMB37.0 billion; its uniform social credit code is 91440300599638085R; its legal representative is Ye Jing; its controlling shareholder is Anbang Insurance Group Co., Ltd.; its ultimate controller is Anbang Insurance Group Co., Ltd.; its ultimate beneficiary is Anbang Insurance Group Co., Ltd.; its parties acting in concert are Anbang Insurance Group Co., Ltd., Anbang Life Insurance Inc. and Hexie Health Insurance Co., Ltd.; its principal business includes: property and casualty insurance, liability insurance, credit and guarantee insurance, short-term health insurance and accidental injury insurance, reinsurance in connection with the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations and other businesses approved by the CIRC. As at the end of the Reporting Period, the shares of the Company held by Anbang Property Insurance Inc. — Traditional Products had not been pledged.

Anbang Life Insurance Inc.: It was incorporated on 23 June 2010; its registered capital is RMB30,790 million; its uniform social credit code is 9111000556828452N; its legal representative is Yao Dafeng; its controlling shareholder is Anbang Insurance Group Co., Ltd.; its ultimate controller is Anbang Insurance Group Co., Ltd.; its ultimate beneficiary is Anbang Insurance Group Co., Ltd.; its parties acting in concert are Anbang Insurance Group Co., Ltd., Anbang Property Insurance Inc. and Hexie Health Insurance Co., Ltd.; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance business of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the CIRC. As at the end of the Reporting Period, the shares of the Company held by Anbang Life Insurance Inc. — Steady Investment Portfolio had not been pledged.

Hexie Health Insurance Co., Ltd.: It was incorporated on 12 January 2006; its registered capital is RMB13.9 billion; its uniform social credit code is 915101007847688429; its legal representative is Gu Hongmei; its controlling shareholder is Anbang Insurance Group Co., Ltd.; its ultimate controller is Anbang Insurance Group Co., Ltd.; its ultimate beneficiary is Anbang Insurance Group Co., Ltd.; its parties acting in concert are Anbang Insurance Group Co., Ltd., Anbang Property Insurance Inc. and Anbang Life Insurance Inc.; its principal business includes: various Renminbi and foreign currencies-denominated health insurance businesses, accidental injury insurance businesses, health insurance business ancillary to the national health care policies and entrusted by the governments, health insurance related consulting service and agency businesses, health insurance related reinsurance businesses, funds application businesses permitted under the PRC laws and regulations, and other businesses approved by the CIRC. As at the end of the Reporting Period, the shares of the Company held by Hexie Health Insurance Co., Ltd. — Universal Insurance Product had not been pledged.

Anbang Insurance Group Co., Ltd. is the controlling shareholder of Anbang Life Insurance Inc., Anbang Property Insurance Inc. and Hexie Health Insurance Co., Ltd. and owns 99.98%, 97.56% and 98.04% of the shares of Anbang Life Insurance Inc., Anbang Property Insurance Inc. and Hexie Health Insurance Co., Ltd., respectively. As at the end of the Reporting Period, the shares of the Company held by Anbang Insurance Group Co., Ltd. — Traditional Insurance Products had not been pledged. The shareholder qualifications of Anbang Property Insurance Inc., Anbang Life Insurance Inc., and Hexie Health Insurance Co., Ltd. are subject to the approval by the PRC banking regulatory authorities. On 23 February 2018, the Company noticed that China Insurance Regulatory Commission published the CIRC Notice Concerning the Takeover of Anbang Insurance Group Co., Ltd. in accordance with Laws (《中國保監會關於對安邦保險集團股份有限公司依法實施接管的公告》) on its official website. Meanwhile, the Company received a written notification from its shareholder Anbang Insurance Group Co., Ltd. stating that: "The current operation of Anbang Insurance Group Co., Ltd. and its subordinate bodies are generally stable with sufficient cash reserves. We have no intention to reduce our shareholdings in Minsheng Bank in the near future."

(2) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital is RMB3,714,576,124; its uniform social credit code is 91230199126965908A; its legal representative is Sun Mingtao; its controlling shareholder is Orient Group Investment Holding Co., Ltd.; its ultimate controller is Zhang Hongwei; its ultimate beneficiary is Zhang Hongwei; its party acting in concert is Huaxia Life Insurance Co., Ltd.; its principal business includes:

investments in modern agriculture, new urbanization and development, financial industry, ports and transportation industry. As at the end of the Reporting Period, Orient Group Incorporation pledged 1,066,756,240 ordinary shares of the Company, representing 2.92% of the total share capital of the Company.

Huaxia Life Insurance Co., Ltd.: It was incorporated on 30 December 2006; its registered capital is RMB15.3 billion; 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 party acting in concert is Orient Group Incorporation; its principal business includes: 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 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 is 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 is 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 is 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 is 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. and Oceanwide International Equity Investment Limited pledged a total of 2,183,236,307 ordinary shares of the Company, representing 5.98% of the total share capital of the Company. On January 22, 2018, Oceanwide International Equity Investment Limited completed acquisition of 100% equity interests in Long Prosper Capital Company Limited. As at the date of this report, China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited pledged a total of 2,523,236,307 ordinary shares of the Company, representing 6.91% of the total share capital of the Company.

2. *In accordance with the Provisional Measures on the Administration of Commercial Bank Equity（商業銀行股權管理暫行辦法）under the order of the 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 is RMB576,555,600; its uniform social credit code is 91540091744936899C; its legal representative is Mou Qinghua; 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 management and wealth management investment. As at the end of the Reporting Period, New Hope Liuhe Investment Co., Ltd. pledged 89,522,000 ordinary shares of the Company, representing 0.25% of the total share capital of the Company.

South Hope Industrial Co., Ltd.: It was incorporated on 17 November 2011; its registered capital is RMB884,313,725; its uniform social credit code is 9154009158575152X0; its legal representative is Li Jianxiong; its controlling shareholder is New Hope Group Co., Ltd.; its ultimate controller is Liu Yonghao; its ultimate beneficiary is Liu Yonghao; its party acting in concert is New Hope Liuhe Investment Co., Ltd.; its principal business includes: Research and development, wholesale and retail of feeds, electronic products, hardware and electrical appliances, 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 is 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, back-to-back wholesale of prepackaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, Shanghai Giant Lifetech Co., Ltd. pledged 1,149,732,989 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 is 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 is RMB133 million; 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 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. As at the end of the Reporting Period, Good First Group Co., Ltd. pledged 523,240,000 ordinary shares of the Company, representing 1.43% of the total share capital of the Company.

(5) Tongfang Guoxin Investment Co., Ltd.: It was incorporated on 23 May 2007; its registered capital is RMB2,574,162,500; its uniform social credit code is 91500000660887401L; its legal representative is He Yubai; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tongfang Guoxin Investment Co., Ltd.; its parties acting in concert are Chongqing International Trust Company Limited and Chongqing Guotou Equity Investment Management Co. Ltd. (重慶國投股權投資管理有限公司); its principal business includes: (i) making investments within the scope encouraged and permitted by the government in accordance with the laws; (ii) providing the following services to its invested enterprises: 1) assisting its invested enterprises or acting as agent in purchasing any raw materials, parts and components required in respect of its owned machines and equipment and office equipment from foreign countries and providing related after-sale services; 2) providing technical supporting, staff training and internal human resources management services in respect of production, sales and marketing to its invested enterprises; 3) providing assistance and guarantees to its invested enterprises in applying loans; (iii) providing consultancy services to its investors and providing its associated companies with consultancy services, including market information, in respect of markets in which they invested; and (iv) acting as import and export agent or commission agent (excluding bidding agent) in respect of products manufactured by its parent company or its related companies or subsidiaries and providing related ancillary services. (Any business scope requiring licensing or approval is subject to the completion of licensing or approval procedures.) As at the end of the Reporting Period, Tongfang Guoxin Investment Co., Ltd. pledged 351,640,000 ordinary shares of the Company, representing 0.96% of the total share capital of the Company.

Chapter 5 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 payable during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
HONG Qi	M	1957	Chairman & Executive Director	19 November 2015–present	0	0	446.81	No
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	10 April 2012–present	0	0	91.50	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	10 April 2012–present	0	0	89.00	No
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	10 April 2012–present	0	0	90.00	No
LIANG Yutang	M	1958	Vice Chairman & Executive Director	10 April 2012–present	0	0	391.34	No
ZHENG Wanchun	M	1964	President	19 November 2015–1 February 2016	0	0	410.73	No
			Executive Director & President	1 February 2016–present				
SHI Yuzhu	M	1962	Non-executive Director	20 February 2017–present	0	0	60.00	No
WU Di	M	1965	Non-executive Director	15 June 2012–present	0	0	80.00	Yes
YAO Dafeng	M	1962	Non-executive Director	23 December 2014–present	0	0	82.00	Yes
SONG Chunfeng	M	1969	Non-executive Director	20 February 2017–present	0	0	—	Yes
TIAN Zhiping	M	1966	Non-executive Director	20 February 2017–present	0	0	—	No
WENG Zhenjie	M	1962	Non-executive Director	20 February 2017–present	0	0	—	No
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	15 June 2012–present	0	0	88.00	No
LIU Jipeng	M	1956	Independent Non-executive Director	28 October 2016–present	0	0	86.50	No
LI Hancheng	M	1963	Independent Non-executive Director	28 October 2016–present	0	0	95.00	No
XIE Zhichun	M	1958	Independent Non-executive Director	28 October 2016–present	0	0	99.00	No
PENG Xuefeng	M	1962	Independent Non-executive Director	20 February 2017–present	0	0	68.00	No
LIU Ningyu	M	1969	Independent Non-executive Director	20 February 2017–present	0	0	81.00	No

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax payable during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
ZHANG Juntong	M	1974	Employee Supervisor	15 February 2017–20 February 2017	0	0	323.21	No
			Chairman of the Supervisory Board & Employee Supervisor	20 February 2017–present				
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	10 April 2012–present	759,720	759,720	384.69	No
GUO Dong	M	1961	Employee Supervisor	18 March 2016–30 March 2016	0	0	293.86	No
			Vice Chairman of the Supervisory Board & Employee Supervisor	30 March 2016–present				
WANG Hang	M	1971	Non-executive Director	10 April 2012–20 February 2017	0	0	73.50	No
			Shareholder Supervisor	20 February 2017–present				
ZHANG Bo	M	1973	Shareholder Supervisor	20 February 2017–present	0	0	54.50	No
LU Zhongnan	M	1955	Shareholder Supervisor	10 April 2012–present	0	0	71.50	No
WANG Yugui	M	1951	Non-executive Director	10 April 2012–20 February 2017	0	0	71.50	No
			External Supervisor	20 February 2017–present				
BAO Jiming	M	1952	External Supervisor	20 February 2017–present	0	0	53.00	No
CHENG Guoqi	M	1975	External Supervisor	20 February 2017–present	0	0	59.00	No
SHI Jie	M	1965	Executive Vice President	5 September 2016–present	0	0	314.82	No
LI Bin	F	1967	Executive Vice President	5 September 2016–present	0	0	314.82	No
LIN Yunshan	M	1970	Executive Vice President	5 September 2016–present	0	0	314.82	No
BAI Dan	F	1963	Chief Financial Officer	10 April 2012–present	0	0	331.16	No
ZHANG Yuebo	M	1962	Chief Audit Officer	20 February 2017–present	0	0	174.55	No
HU Qinghua	M	1963	Chief Risk Officer	20 February 2017–present	0	0	228.20	No
FANG Zhou	M	1970	Board Secretary	20 February 2017–present	0	0	171.61	No
WANG Junhui	M	1971	Former Non-executive Director	10 April 2012–20 February 2017	0	0	13.5	Yes
GUO Guangchang	M	1967	Former Non-executive Director	17 December 2012–20 February 2017	0	0	13	Yes

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 payable during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
WANG Lihua	M	1963	Former Independent Non-executive Director	10 April 2012– 20 February 2017	0	0	29	Yes
HAN Jianmin	M	1969	Former Independent Non-executive Director	10 April 2012– 20 February 2017	0	0	18	Yes
DUAN Qingshan	M	1957	Former Chairman of the Supervisory Board & Employee Supervisor	10 April 2012– 20 February 2017	0	0	64.81	No
ZHANG Disheng	M	1955	Former Shareholder Supervisor	10 April 2012– 20 February 2017	0	0	12	No
ZHANG Ke	M	1953	Former External Supervisor	10 April 2012– 20 February 2017	0	0	12.5	Yes
WANG Liang	M	1942	Former External Supervisor	10 April 2012– 20 February 2017	0	0	11.5	No
WAN Qingyuan	M	1965	Former Board Secretary	10 April 2012– 20 February 2017	0	0	43.94	No
LIN Xiaoxuan	M	1965	Former Chief Information Officer (Dismissed)	20 February 2017– 28 August 2017	0	0	153.91	No

Notes:

1. The terms of office of Directors, Supervisors and Senior Management cover the terms of the seventh session of the Board and Supervisory Board which have taken effect from 20 February 2017 until the disclosure date of this Annual Report;

2. On 22 January 2017, the Company issued the Announcement on the Approvals of the Qualifications of Senior Management (《關於高級管理人員任職資格核准的公告》), pursuant to which, the qualifications of Shi Jie, Li Bin and Lin Yunshan as Executive Vice Presidents of the Company were approved by the CBRC;

3. On 20 February 2017, the seventh session of the Board of the Company was elected at the first extraordinary general meeting for 2017 of the Company. Shareholder Directors of the seventh session of the Board were nominated by the sixth session of the Board. During the nomination of candidates for Shareholder Directors, Mr. Zhang Hongwei was recommended by Orient Group Incorporation, Mr. Lu Zhiqiang was recommended by China Oceanwide Holdings Group Co., Ltd., Mr. Liu Yonghao was recommended by New Hope Investment Co., Ltd. (currently the name of the company has been changed to New Hope Liuhe Investment Co., Ltd.), Mr. Shi Yuzhu was recommended by Shanghai Giant Lifetech Co., Ltd., Mr. Wu Di was recommended by Good First Group Co., Ltd., Mr. Yao Dafeng was recommended by Anbang Life Insurance Inc., Mr. Song Chunfeng was recommended by China Shipowners Mutual Assurance Association, Mr. Tian Zhiping was recommended by Anbang Property Insurance Inc., and Mr. Weng Zhenjie was recommended by Chongqing Guoxin Investment Holding Co., Ltd. (重慶國信投資控股有限公司) (currently the name of the company has been changed to Tongfang Guoxin Investment Co., Ltd. (同方國信投資控股有限公司)). As at the disclosure date of this Annual Report, the qualifications of Mr. Yao Dafeng, Mr. Tian Zhiping and Mr. Weng Zhenjie are subject to the approval of the regulatory authorities of China banking industry. Mr. Yao Dafeng, Mr. Tian Zhiping and Mr. Weng Zhenjie attended all the meetings as non-voting delegates during the year;

4. On 20 February 2017, the resolutions regarding the appointment of the Chairman, Vice Chairmen, President, Executive Vice Presidents, Chief Financial Officer, Chief Audit Officer, Chief Information Officer, Chief Risk Officer and Board Secretary were considered and approved at the first meeting of the seventh session of the Board of the Company;

5. On 20 February 2017, the seventh session of the Supervisory Board of the Company was elected at the first extraordinary general meeting for 2017 of the Company. Shareholder Supervisors of the seventh session of the Supervisory Board were nominated by the sixth session of the Supervisory Board. During the nomination of candidates for Shareholder Supervisors, Mr. Lu Zhongnan was recommended by Orient Group Incorporation, Mr. Wang Hang was recommended by New Hope Liuhe Investment Co., Ltd., and Mr. Zhang Bo were recommended by China Oceanwide Holdings Group Co., Ltd.;

6. On 23 February 2017, the Company issued the Announcement on Approvals of the Qualifications of Independent Directors (《關於獨立董事資格核准的公告》), pursuant to which, the qualifications of Mr. Liu Jipeng and Mr. Li Hancheng as Independent Non-executive Directors of the Company were approved by the CBRC;

7. On 5 April 2017, the Company issued the Announcement on Approvals of the Qualifications of Directors (《關於董事任職資格核准的公告》), pursuant to which, the qualifications of Mr. Shi Yuzhu and Mr. Song Chunfeng as Directors and Mr. Xie Zhichun, Mr. Peng Xuefeng and Mr. Liu Ningyu as Independent Non-executive Directors of the Company were approved by the CBRC;

8. On 12 May 2017, the Company issued the Announcement on Approvals of the Qualification of Board Secretary (《關於董事會秘書資格核准的公告》), pursuant to which, the qualification of Mr. Fang Zhou as the Board Secretary of the Company was approved by the CBRC;

9. On 15 August 2017, the Company issued the Announcement on Approvals of the Qualification of Senior Management (《關於高級管理人員資格核准的公告》), pursuant to which, the qualification of Mr. Hu Qinghua as the Chief Risk Officer of the Company was approved by the CBRC;

10. On 28 August 2017, the resolution regarding the dismissal of Mr. Lin Xiaoxuan as the Chief Information Officer was considered and approved at the fifth meeting of the seventh session of the Board of the Company;

11. During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management retired during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities during the last three years;

12. During the Reporting Period, the total pretax emoluments of current and resigned Directors, Supervisors and Senior Management were RMB58,657,800. The total pretax remuneration of current Executive Directors, Employee Supervisors and Senior Management are still in confirmation process and further disclosure regarding such unconfirmed part will be made by the Company in due course.

(II) Current positions held by the Directors and Supervisors in the companies that are shareholders of the Company

Name	Name of the Company's shareholder company	Position	Term of Office
Zhang Hongwei	Orient Group Incorporation	Honorary chairman of the board of directors and director	June 2017–Present
Lu Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman of the board of directors and president	May 1999–Present
Liu Yonghao	New Hope Liuhe Investment Co., Ltd.	Director	August 2013–Present
Wu Di	Good First Group Co., Ltd.	Chairman of the board of directors and president	January 2003–Present
Yao Dafeng	Anbang Insurance Group Co., Ltd.	Vice president	July 2011–Present

Name	Name of the Company's shareholder company	Position	Term of Office
	Anbang Life Insurance Inc.	Director and chairman of the board of directors	July 2010–Present
Song Chunfeng	China Shipowners Mutual Assurance Association	General manager	March 2016–Present
Weng Zhenjie	Chongqing International Trust Company Limited	Director and chairman of the board of directors	October 2015–Present
Wang Hang	New Hope Group Co., Ltd.	Vice chairman of the board of directors	March 2010–Present
	New Hope Liuhe Co., Ltd.	Non-executive director	November 2011–Present

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

Directors

Executive Directors

Mr. Hong Qi, born in 1957, has been an Executive Director of the Company since 8 January 2004. He is also the Chairman of the Company, the chairman of the Strategic Development and Investment Management Committee and the Nomination Committee under the Board. Mr. Hong is the chairman of CMBC International, the vice president of China Chamber of International Commerce, an honorary vice chairman of Sun Yefang Economic Science Foundation, the vice council chairman of China Red Ribbon Foundation of ACFIC, the vice council chairman of China Foundation for Poverty Alleviation of ACFIC, a deputy director of Working Committee for Poverty Alleviation of ACFIC, the council chairman of China Academy of New Supply-side Economics, a standing council member of China International Finance Society, 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. He was the director of the Business Department of Head Office of the Company from January 1996 to September 1996. Mr. Hong acted as a vice general manager of Beijing Administrative Department of the Company from September 1996 to April 1998 and was promoted to the general manager from 1998 to 2000. Prior to joining the Company, Mr. Hong was the president and secretary of the party committee of the Beihai branch of the Bank of Communications from 1994 to 1995, a deputy director of the Securities Research Institute of Renmin University of China from 1991 to 1994, and a senior officer at the headquarters of the PBOC from 1985 to 1991. Mr. Hong has over 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. Liang Yutang, born in 1958, has been an Executive Director of the Company since 23 March 2009. He is also a Vice Chairman of the Company and a member of the Compensation and Remuneration Committee, the Related Party Transactions Supervision Committee and the Risk Management Committee under the Board. Mr. Liang joined the Company as a vice general manager of the Funds Planning Department upon the establishment of the Company and was the general manager of the Funds Planning Department and the general manager of the Financial Institutions Department of the Company from 1996 to 2002. Mr. Liang was an assistant president of the Company from 2003 to 2005, the general manager of the Beijing Branch of the Company from 2002 to 2007 and became an Executive Vice President of the Company in February 2005. Before joining the Company, Mr. Liang was the manager of the integrated planning department of the Bank of Communications from 1994 to 1995, and the general manager of Yutong Real Estate Development and Investment Company of the Zhengzhou branch of the Bank of Communications from 1992 to 1994. Mr. Liang was a deputy head of the academic secretariat of Henan Finance and Management College from 1990 to 1992, and a deputy director and the director of the Management Teaching Research Department of Henan Finance and Management College from 1985 to 1990. Mr. Liang has over 35 years of experience in finance industry. Mr. Liang obtained his Master's Degree in Economics from Xiamen University in 1993 and is a senior economist.

Mr. Zheng Wanchun, born in 1964, has been an Executive Director of the Company since 1 February 2016. He is also the President of the Company and a member of the Strategic Development and Investment Management Committee and the Compensation and Remuneration Committee under the Board. Before joining the Company, Mr. Zheng served as a vice president of Industrial and Commercial Bank of China Limited ("ICBC", listed on the SSE (stock code: 601398) and on the SEHK (stock code: 01398)) from September 2013 to October 2015. He served as the president of China Great Wall Asset Management Corporation from February 2011 to September 2013, a vice president of China Huarong Asset Management Co., Ltd. from December 2004 to February 2011, an assistant president of China Huarong Asset Management Co., Ltd. from September 2003 to December 2004, the general manager of operational management department of China Huarong Asset Management Co., Ltd. from April 2002 to September 2003, the general manager of creditor's rights management department of China Huarong Asset Management Co., Ltd. from June 2000 to April 2002, a vice general manager of industrial and commercial credit department of ICBC from October 1999 to June 2000 and acted as an assistant president and the general manager of the business department of Hainan branch of ICBC from November 1998 to October 1999. Mr. Zheng obtained his Doctor's Degree in Economics from Renmin University of China in 2000 and is a senior economist.

Non-executive Directors

Mr. Zhang Hongwei, born in 1954, has been a Vice Chairman of the Board of the Company since 30 April 2000. Mr. Zhang is a Non-executive Director and also a member of the Strategic Development and Investment Management Committee and the Nomination Committee under the Board. Mr. Zhang is the honorary chairman and director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), United Energy Group Limited (listed on the SEHK (stock code: 00467)) and Orient Group Investment Holding Co., Ltd. Mr. Zhang was previously the chairman of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190/900952)), a member of the eleventh session of CPPCC and a standing committee member of the tenth session of CPPCC. Mr. Zhang served as a vice chairman of the All-China Federation of Industry and Commerce ("ACFIC") from 1997 to 2007. Mr. Zhang obtained his MBA Degree from Harbin Institute of Technology in 1996 and is a senior economist.

Mr. Lu Zhiqiang, born in 1951, has been a Vice Chairman of the Board of the Company since 16 July 2006. Mr. Lu is a Non-executive Director and also a member of the Strategic Development and Investment Management Committee and the Compensation and Remuneration Committee under the Board. Mr. Lu was a Director from the establishment of the Company to June 2003 and was re-elected as a Director of the Company in 2006. Mr. Lu is the chairman and president of Oceanwide Group Co., Ltd., Tohigh Holdings Co., Ltd. and China Oceanwide Holdings Group Co., Ltd., the chairman of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)), the chairman of China Minsheng Trust Co., Ltd. and a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)). Mr. Lu is also a standing committee member of the twelve session of CPPCC and a member of the Committee for Economic Affairs of CPPCC. Mr. Lu was the Chairman of the Supervisory Board of the Company from June 2003 to December 2004 and a Vice Chairman of the Supervisory Board of the Company from December 2004 to June 2006. He was also a director of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. Lu was a standing committee member and vice chairman of ACFIC from 1998 to 2012. Mr. Lu obtained his Master's Degree in Economics from Fudan University in 1995 and is a research fellow.

Mr. Liu Yonghao, born in 1951, has been a Vice Chairman of the Board of the Company since 23 March 2009. Mr. Liu is a Non-executive Director, a member of the Strategic Development and Investment Management Committee and the Nomination Committee under the Board and was previously a Vice Chairman of the Board from the establishment of the Company to 2006. Mr. Liu is currently the chairman of New Hope Group Co., Ltd., a director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876)) and the president of the General Association of Sichuan Entrepreneurs. Mr. Liu is a committee member of the thirteenth session of CPPCC, a vice president of China Association of Agricultural Leading Enterprises, a vice president of China Association for Public Companies and one of the promoters of China Society for Promotion of the Guangcai Program. Mr. Liu was previously a vice president of China Society for Promotion of the Guangcai Program, a vice chairman of the seventh and eighth sessions of ACFIC, a committee member of the eighth, ninth, tenth and eleventh sessions of CPPCC, a standing committee member of the ninth and tenth sessions of CPPCC, a vice chairman of the tenth and eleventh sessions of Committee for Economic Affairs of the CPPCC, and a representative of the twelfth session of the National People's Congress.

Mr. Shi Yuzhu, born in 1962, has been a Non-executive Director of the Company and a member of the Strategic Development and Investment Management Committee under the Board since 20 February 2017. Mr. Shi is the chairman of Giant Investment Co., Ltd. and Giant Network Group Co., Ltd., (listed on the SZSE (stock code: 002558)) (formerly known as Chongqing New Century Cruise Co., Ltd), the chairman of the Giant Charity Foundation. Mr. Shi was previously a Non-executive Director of the Company from 2006 to 2014. Mr. Shi obtained his Bachelor's Degree in Mathematics from Zhejiang University in 1984 and graduated from the postgraduate program of soft science from Shenzhen University in 1990.

Mr. Wu Di, born in 1965, has been a Non-executive Director of the Company since 15 June 2012. He is also a member of the Compensation and Remuneration Committee and the Risk Management Committee under the Board. Mr. Wu is the chairman of the board of directors and president of Good First Group Co., Ltd., and a director of Hangzhou United Rural Commercial Bank. In addition, Mr. Wu is the vice president of International Boxing Association (AIBA), the vice president of Chinese Boxing Federation (CBF), the standing chairman of China International Chamber of Commerce for the Private Sector, representative of the thirteenth session of the Fujian Provincial People's Congress , the vice chairman of Fujian Province Association of Industry and Commerce, the vice chairman of Fujian Province Guangcai Promotion Society, honorary chairman of the 2nd Non-stated-owned Enterprise Chamber of Commerce in Fujian, the honorary chairman of the 1st session of Xiamen chamber of Commerce in Shanghai, a standing committee member of the thirteenth session of CPPCC Xiamen, a vice chairman of Xiamen Economics Society, the vice chairman of Xiamen Municipal Committee of China National Democratic Construction Association, chief supervisor of Xiamen Silk Road National Strategy Research Center and also the vice chairman of Xiamen Association of Cross-strait Exchanges. Mr. Wu was the assistant director of Dalian Ocean Fishery Group and a vice general manager of Shenzhen Tianma New Construction Material Co., Ltd. and the director of Yong An Property Insurance Company Limited. Mr. Wu obtained his Doctor's Degree in Economics from Renmin University of China and now serves as a guest professor of Renmin University of China. Mr.Wu is a senior economist.

Mr. Yao Dafeng, born in 1962, has been a Non-executive Director of the Company since 23 December 2014. He is also a member of the Strategic Development and Investment Management Committee and the Risk Management Committee under the Board. Mr. Yao has served as a vice president of Anbang Insurance Group Co., Ltd., the substantial shareholder of the Company, since July 2011 and a director and chairman of Anbang Life Insurance Inc., the substantial shareholder of the Company, since July 2010. Mr. Yao has also served as a director of Gemdale Corporation (listed on the SSE (stock code: 600383)) since April 2014 and a non-executive director of Sino-Ocean Group Holding Limited (listed on the SEHK (stock code: 03377)) since March 2016. Mr. Yao was the general manager of Anbang Property Insurance Inc. from September 2004 to July 2011, a deputy head of the preparatory team of Anbang Property Insurance Inc. from November 2002 to September 2004, a vice general manager of Wanxiang Finance Co., Ltd. from August 2002 to November 2002, and a credit officer, section chief, assistant division director and division director of the Zhejiang branch of Bank of China consecutively from August 1981 to July 2002. Mr. Yao Dafeng obtained his Bachelor's Degree in Law from the Department of Politics and Administration of Zhejiang University from September 1998 to June 2001, completed his postgraduate studies at the Department of Political Economy of the Party School of the Zhejiang Provincial Committee of the CPC from September 1999 to July 2002 and is a senior economist.

Mr. Song Chunfeng, born in 1969, has been a Non-executive Director of the Company and a member of the Related Party Transactions Supervision Committee and the Risk Management Committee under the Board since 20 February 2017. Mr. Song is the general manager of China Shipowners Mutual Assurance Association. Mr. Song also serves as a supervisor of Haitong Securities Co., Ltd (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. Song was the managing director of COSCO (Hong Kong) Insurance Brokers Limited, the chairman of the board of directors and general manager of Shenzhen COSCO Insurance Brokers Limited, the manager of the commerce division under the transportation department of COSCO/China COSCO Holdings Co., Ltd. (listed on the SSE (stock code: 601919)), and the principal staff member, deputy director, director and manager of the commerce division of the department of commerce under the department of transportation of COSCO. Mr. Song obtained his Doctor's Degree in Law from Peking University in 2006 and is a senior economist.

Mr. Tian Zhiping, born in 1966, has been a Non-executive Director of the Company and a member of the Nomination Committee and the Audit Committee under the Board since 20 February 2017. Mr. Tian is a vice general manager of Beijing Fellow Partners Investment Management Ltd. (北京復樸道和投資管理有限公司). Mr. Tian was the person-in-charge of the preparation team of the Singapore branch of Shanghai Pudong Development Bank (listed on the SSE (stock code: 600000)), a vice president of the Sichuan branch of ICBC (listed on the SSE (stock code: 601398) and on the SEHK (stock code: 01398)), a director and general manager of ICBC (London) plc, and the chairman of the board of directors and general manager of Industrial and Commercial Bank of China (Middle East) Limited. Mr. Tian obtained his MBA Degree from Southwestern University of Finance and Economics in 2002 and from the University of Hong Kong in 2003, respectively. Mr. Tian is a senior economist.

Mr. Weng Zhenjie, born in 1962, has been a Non-executive Director of the Company and a member of the Strategic Development and Investment Management Committee and the Audit Committee under the Board since 20 February 2017. Mr. Weng is the chairman of Chongqing International Trust Company Limited. Mr. Weng also serves as a director of China Trust Protection Fund Co., Ltd., China Trust Registration Corporation Limited, Chongqing Three Gorges Bank Co., Ltd., Hefei Science & Technology Rural Commercial Bank Company Limited, GuoDu Securities Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 870488)) and Chongqing Yufu Expressway Co., Ltd. (重慶渝涪高速公路有限公司), 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 the chairman of the board of directors of YIMIN Asset Management Co., Ltd. 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 representative of the third and fourth sessions of the National People's Congress of Chongqing, and a standing committee member of the National People's Congress of Chongqing, a vice general manager of Beijing Centergate Technologies (Holding) Co., Ltd. and an instructor of the Chinese People's Liberation Army Institute of Telecommunication Engineering. Mr. Weng obtained his Master's Degree in Engineering in 1986 and is a senior economist.

Independent Non-executive Directors

Mr. Cheng Hoi-chuen, born in 1948, has been an Independent Non-executive Director of the Company since 15 June 2012. He is also the chairman of the Compensation and Remuneration Committee and a member of the Nomination Committee and the Audit Committee under the Board. Mr. Cheng is currently serving as an independent non-executive director of CLP Holdings Limited (listed on the SEHK (stock code: 00002)), Great Eagle Holdings Limited (listed on the SEHK (stock code: 00041)), MTR Corporation Limited (listed on the SEHK (stock code: 00066)), Hui Xian Asset Management Limited (listed on the SEHK (stock code: 87001)), Shanghai Industrial Holdings Limited (listed on the SEHK (stock code: 00363)), Wing Tai Properties Limited (listed on the SEHK (stock code: 00369)) and CK Hutchison Holdings Limited (listed on the SEHK (stock code: 00001)). Mr. Cheng was awarded the Justice of the Peace in Hong Kong, Officer of the Order of the British Empire and Hong Kong Gold Bauhinia Star and was appointed as a member of the 11th session of CPPCC. Mr. Cheng was the chief economist and chief financial officer of HSBC, a vice president and the chief executive officer of Hang Seng Bank Limited (listed on the SEHK (stock code: 00011)), the chairman of HSBC and the chairman of HSBC (China) Company Limited, and an independent non-executive director of Hutchison Whampoa Limited (the shares of which were withdrawn from listing on the SEHK in June 2015). In addition, Mr. Cheng served as an adviser to the Central Policy Unit, a member of the executive council and legislative council of the Government of the Hong Kong Special Administrative Region, as well as the Hong Kong Affairs Adviser to the PRC. Mr. Cheng received his Bachelor's Degree in Social Science from The Chinese University of Hong Kong in 1973 and his Master's Degree of Philosophy from The University of Auckland in New Zealand in 1979. Mr. Cheng was conferred Honorary Fellowship by The Chinese University of Hong Kong in 2002 and his Doctor's Degree in Business Administration, honoris causa, by the Open University of Hong Kong in 2005 and his Doctor's Degree in Social Science, honoris causa, by The Chinese University of Hong Kong in 2005.

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 Strategic Development and Investment Management 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 Oceanwide International Financial Limited (previously known as Quam 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 Wanda Hotel Development

Company Limited (listed on the SEHK (stock code: 00169)) since July 2013 and an independent non-executive director of China Oceanwide Holdings Limited (listed on the SEHK (stock code: 00715)) since November 2014. Mr. Liu served as an independent non-executive director of 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 deputy academic secretary (deputy director) and assistant researcher of Institute of Industrial Economics of China Academy of Social Science from July 1986 to March 1989. Mr. Liu Jipeng received his Bachelor's Degree from the Department of Industry and Economics of Beijing Institute of Economics in July 1983 and his Master's Degree from the Chinese Academy of Social Sciences in July 1986. Mr. Liu Jipeng is a senior economist and qualified as certified public accountant (non-practicing).

Mr. Li Hancheng, born in 1963, has been an Independent Non-executive Director of the Company since 28 October 2016. Mr. Li is the chairman of the Related Party Transactions Supervision Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee under the Board. Mr. Li is a senior partner and a lawyer of Beijing S&P Law Firm, and qualified as a lawyer in the People's Republic of China. He is also a member of China Maritime Law Association, All China Lawyers Association, and Beijing Lawyers' Association. He has been an independent non-executive director of Styland Holdings Limited (listed on the SEHK (stock code: 00211)) since December 2008, and an external director of Beijing Electronics Holding Company Limited since February 2015. Mr. Li Hancheng was the administration officer and manager of Beijing S&P Law Firm from May 2000 to December 2004, and a staff member, a principal staff member and a deputy director of the Office of Personnel, and an assistant judge, a judge and a senior judge of Economic Division of the Supreme People's Court of People's Republic of China from July 1984 to April 2000. Mr. Li Hancheng obtained his Bachelor's Degree in Law from Southwest College of Political Science & Law (currently known as Southwest University of Political Science and Law) in 1984.

Mr. Xie Zhichun, born in 1958, has been an Independent Non-executive Director of the Company since 28 October 2016 and is also the chairman of the Risk Management Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee under the Board. Mr. Xie is a vice chairman of the consultation committee of Shenzhen Qianhai Shekou Free Trade Zone and Qianhai Shenzhen-Hong Kong Cooperation Zone, distinguished professor of the Research Center for Economic Development in China's Special Economic Zone in Shenzhen University and postgraduate supervisor of PBC School of Finance of Tsinghua University. Mr. Xie is serving as an executive director and the chairman of China Fortune Financial Group Limited (listed on the SEHK (stock code: 00290)) since January 2017, an independent non-executive director of China Taiping Insurance Holdings Company Limited (listed on the SEHK (stock code: 00966)) since 2015 and a non-executive director of China Smartpay Group Holdings Limited (listed on the SEHK (stock code: 08325)) since April 2017. He acted as a non-executive director of Elife Holdings Limited (listed on the SEHK (stock code: 00223)) (formerly known as Sino Resources Group Limited) from 2016 to 2017, a vice general manager of China Investment Corporation and an executive director and the general manager of Central Huijin Investment Ltd. from 2014 to 2015. From 2008 to 2014, Mr. Xie Zhichun was an executive director and vice general manager of China Everbright Group Limited and the chairman of the board of directors of Sun Life Everbright Life Insurance Co., Ltd. and chairman of the board of directors of Sun Life Everbright Asset Management Co., Ltd. From 2006 to 2008, he acted as a vice president and director of reorganisation and listing office of China Everbright Bank Company Limited. Mr. Xie Zhichun acted as a director and the president of Everbright Securities Company Limited, an executive director of China Everbright Group, an executive director of China Everbright Limited (listed on the SEHK (stock code: 00165)), a vice chairman (unattending) of China Enterprises Association (Singapore), a director of Shenyin & Wanguo Securities Co., Ltd., a director of Everbright Pramerica Fund Management Co., Ltd. and a vice chairman (unattending) of Securities Association of China from 2001 to 2006. From 1997 to 2001, he acted as an executive director and the president of China Everbright Asia-Pacific Company Limited (listed on Singapore Stock Exchange), a director of Shenyin & Wanguo Securities Co., Ltd, the chairman of China Everbright Asia-Pacific (New Zealand) Company, chairman of the board of directors of China Everbright (South Africa) Company, a director of China Everbright Asia-Pacific Industrial Investment Fund Management Company (中國光大亞太工業投資基金管理公司) and a director of Thailand Sunflower Company (泰國向日葵公司). Mr. Xie Zhichun was a director and vice president of Everbright Securities Company Limited (listed on the SSE (stock code: 601788) and on the SEHK (stock code: 06178)), a director of China Everbright Financial Holding Company (Hong Kong) (中國光大金融控股公司(香港)), the general manager of northern head office of Everbright Securities Company Limited, a director of Da Cheng Investment Fund Management Company from 1996 to 1999. Mr. Xie was a deputy director of preparation team and deputy president of Dalian branch of China Everbright Bank from 1994 to 1996. Mr. Xie was the general manager of international department of Heilongjiang branch of China Everbright Bank from 1992 to 1994. Mr. Xie Zhichun obtained his Bachelor's Degree in Philosophy from Heilongjiang University in 1982. In 1993, he obtained his Master's Degree in Economics from Harbin Institute of Technology. In 2004, Mr. Xie obtained his Doctor's Degree in Economics from Nankai University. He attended the strategy and leadership training program organised by the Party School of the Central Committee of CPC in 2013. Mr. Xie attended an advanced management program in Yale School of Management in the United States from August to September 2011, the 21st one-year training course for young and mid-aged leaders organised by the Party School of the Central Committee of CPC from 2005 to 2006, an advanced management program in Harvard Business School (AMP156) from April 1999 to July 1999 and the fourth training program for young leaders organised by the Party School of the Central Committee of CPC. Mr. Xie Zhichun is a senior economist.

Mr. Peng Xuefeng, born in 1962, has been an Independent Non-executive Director of the Company and a member of the Nomination Committee, the Compensation and Remuneration Committee and the Audit Committee under the Board since 20 February

2017. Mr. Peng is the director of Dentons Law Offices, LLP, an independent non-executive director of Henan Zhongfu Industrial Co., Ltd (listed on the SSE (stock code: 600595)), an independent non-executive director of Huida Sanitary Ware Co., Ltd. (listed on the SSE (stock code: 603385)) and an independent non-executive director of 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)), and Shandong Shipping Corporation (listed on NEEQ (stock code: 835589)). He was also a representative of the eleventh session of the National People's Congress, a vice president of the fifth session of All China Lawyers Association, a standing council member of the fourth session of All China Lawyers Association, a vice president of the sixth and the seventh sessions of Beijing Lawyers Association, a standing council member of the fourth and the fifth sessions of Beijing Lawyers Association, a member of the standing committee of the tenth session of All-China Youth Federation, a member of the eighth session of All-China Youth Federation, a standing member and the chief supervisor of the ninth session of Beijing Youth Federation and a member of the seventh and eighth sessions of Beijing Youth Federation. Mr. Peng obtained his Doctor's Degree in Law from Peking University in 2008 and has the qualification of lawyer, qualification of lawyer engaged in securities and qualification of certified tax agent.

Mr. Liu Ningyu, born in 1969, has been an Independent Non-executive Director of the Company and the chairman of the Audit Committee and a member of the Nomination Committee and the Related Party Transactions Supervision Committee under the Board since 20 February 2017. Mr. Liu serves as the managing partner of Ruihua Certified Public Accountants (special general partnership), vice president of Liaoning Province Assets Evaluation Association, a director of China Engineering Cost Association and an independent non-executive director of Zhongchao New Material Shares Co., Ltd. He was the managing partner of Crowe Horwath China CPAs (special general partnership) (國富浩華會計師事務所(特殊普通合夥)), the chief executive officer of Crowe Horwath China CPAs (國富浩華會計師事務所), the chief accountant of Liaoning Wanlong Jinhui CPA Co., Ltd. (遼寧萬隆金匯會計師事務所), a project manager of Liaoning Accounting Firm (遼寧會計師事務所) and an independent non-executive director of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)). Mr. Liu Ningyu obtained his MBA Degree from Macau University of Science and Technology in 2004 and studied for a senior course of the Executive Master of Business Administration (EMBA) held by Peking University from 2012 to 2013. Mr. Liu is a professor level senior accountant, a certified public accountant, a certified public valuer, a certified public accountant in Australia, the national accounting leading talent and senior member of The Chinese Institute of Certified Public Accountants.

Supervisors

Mr. Zhang Juntong, born in 1974, is an Employee Supervisor and the Chairman of the Supervisory Board of the Company. He is also the Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee under the Supervisory Board. Mr. Zhang joined the Company in 2016 and is now a vice secretary of Party Committee of the Company. Before joining the Company, Mr. Zhang served as a deputy director and the director of General Administration Department of the CBRC. He served as a researcher and a deputy director of General Office of the CSRC. Mr. Zhang also served in China National Technical Import and Export Corporation (中國技術進出口總公司) and China General Technology (Group) Holding, Limited (中國通用技術（集團）控股有限責任公司). Mr. Zhang obtained his Master's Degree in World Economy from Peking University.

Mr. Wang Jiazhi, born in 1959, is an Employee Supervisor and a Vice Chairman of the Supervisory Board. He is also a member of the Supervisory Committee under the Supervisory Board. Mr. Wang has been an Employee Supervisor of the Company since 10 April 2012. Mr. Wang was a vice chairman of the Supervisory Committee under the sixth session of the Supervisory Board. He was also a member of the Supervisory Committee under the sixth session of the Supervisory Board. Mr. Wang joined the Company in 1998 and was appointed as the president and secretary of Party Committee of Shijiazhuang Sub-branch of the Company, and was the president and secretary of Party Committee of Shijiazhuang Branch of the Company from 2001 to 2002. He was a member of the preparatory team of Fuzhou Branch of the Company from 2000 to 2001, and a director of Credit Division I of the Company from 1998 to 2000. Prior to joining the Company, Mr. Wang served as a deputy director (person in charge) of Shinan Office and a vice general manager (person in change) of development department of Qingdao branch of China Everbright Bank from 1996 to 1998. He also served as a director of Qingdao branch of China Citic Bank from 1992 to 1996, an officer and a deputy director (section level) of Shandong Linyi Economic and Trade Commission and Commission for Economic Restructuring from 1987 to 1992, and a loan officer of credit division of Shandong Linyi central sub-branch of ICBC from 1986 to 1987. He studied full-time in Shan dong TV University from 1983 to 1986. Mr. Wang was a planned statistician of Shandong Linyi Central Sub-branch of the PBOC from 1981 to 1983 and also worked as a statistician and loan officer of Feixian Sub-branch of the PBOC from 1980 to 1981. Mr. Wang obtained his Ph.D Degree in Economic Philosophy from Shanghai University of Finance and Economics and is a senior economist.

Mr. Guo Dong, born in 1961, is an Employee Supervisor and a Vice Chairman of the Supervisory Board. He is also a member of the Supervisory Committee under the Supervisory Board. Mr. Guo joined the Company in February 2015. Mr. Guo was elected as a vice chairman of the sixth session of the Supervisory Board on 30 March 2016 and was a member of the sixth session of the Supervisory Committee under the Supervisory Board. Mr. Guo was previously an inspector (at bureau level), a deputy inspector (at deputy bureau level), a deputy division director and the division director of Bureau V of the United Front Department of CPC Central Committee, a principal staff member and a deputy division director of Beijing Municipal Economic and Technological Cooperative Office, a staff member, a senior staff member and a principal staff member of the General Office of State Organs Work Committee of Beijing Municipal Committee of CPC, a commander of 52958 Force of PLA and a worker of Changzheng Automobile Manufacturing Factory (河北省長征汽車製造廠) in Hebei Province. Mr. Guo obtained his MBA Degree from Beijing Institute of Technology.

Mr. Wang Hang, born in 1971, is a Shareholder Supervisor of the Supervisory Board, a member of the Supervisory Committee and the Nomination and Examination Committee under the Supervisory Board and a vice chairman of the board of directors of CMBC International, a subsidiary of the Company. Mr. Wang is a co-founder of Beijing Hosen Investment Management, Center (L.P.) and a vice chairman of the board of directors of New Hope Group Co., Ltd. Mr. Wang has been a non-executive director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876)) since 29 November 2011. Mr. Wang was previously a non-executive director of the fourth to sixth sessions of the Board of the Company, a civil servant at the General Office of the PBOC, a chairman of Kunming O-Park Co., Ltd., a vice president of New Hope Group Co., Ltd., a vice chairman of Union Trust & Investment Ltd. and the chairman of the board of directors and president of Sichuan South Hope Industrial Co., Ltd.. Mr. Wang obtained his Master's Degree in Economics from Peking University.

Mr. Zhang Bo, born in 1973, is a Shareholder Supervisor of the Supervisory Board and also a member of the Nomination and Examination Committee under the Supervisory Board. Mr. Zhang serves as an executive director and vice chairman of China Oceanwide International Financial Limited (previously known as Quam Limited and listed on the SEHK (stock code: 00952)), a vice chairman of the board of directors, executive director and president of China Minsheng Trust Co., Ltd. and a director of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)), Minsheng Securities Co., Ltd., Asia-Pacific Property & Casualty Insurance Co., Ltd. and Wuhan CBD Investment & Development Co., Ltd.. Mr. Zhang was previously a vice president of the Houmashi sub-branch of Bank of China Limited. He served as a vice general manager of the risk management department and the general manager of the Corporate Banking Department of Taiyuan Branch, head of the funding and wealth management unit of the Corporate Banking Department, and deputy director of the preparation team of Changsha Branch of the Company. Mr. Zhang was also a member of the party committee, the chief risk officer, a vice president and the president of the aircraft leasing department of Minsheng Financial Leasing. Mr. Zhang obtained his MBA Degree from Wuhan University and is studying for a Doctoral Degree in Western Economics at Fudan University. He is an economist.

Mr. Lu Zhongnan, born in 1955, is a Shareholder Supervisor of the Supervisory Board and also a member of the Supervisory Committee and the Nomination and Examination Committee under the Supervisory Board. Mr. Lu is an independent non-executive director of Qilu Bank Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 832666)). He was a director of the Heilongjiang Branch, a vice president of the Harbin Branch, a vice president and standing vice president of the Heilongjiang Branch, a vice president of the Shenyang Branch of the PBOC. He was a director of Orient Group Industrial Co., Ltd., a director of New China Life Insurance Co., Ltd., a vice chairman and the president of China Minzu Securities Co., Ltd., the chairman of Shenzhen New Industry

Venture Capital Co., Ltd. and a director, a vice chairman and the chairman of the executive committee of the board of directors of New China Trust Co., Ltd. Mr. Lu graduated from a postgraduate course for advanced studies in economic management and is a senior economist.

Mr. Wang Yugui, born in 1951, is an External Supervisor of the Supervisory Board and also a member of the Supervisory Committee and the chairman of the Nomination and Examination Committee under the Supervisory Board. Mr. Wang is an arbitrator of the Maritime Arbitration Commission of China Council for the Promotion of International Trade. Mr. Wang was a non-executive director of the first to sixth sessions of the Board of the Company. He was also the general manager of China Shipowners Mutual Assurance Association, an executive council member of China Maritime Law Association and the China Association of Trade in Services and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. Wang graduated from Beijing International Studies University in 1977 and is a senior economist.

Mr. Bao Jiming, born in 1952, is an External Supervisor of the Supervisory Board and also a member of the Nomination and Examination Committee under the Supervisory Board. Mr. Bao is a professor at the Department of Business Administration at Fudan University, an academic director of EMBA and an independent non-executive director of Ozner Water International Holding Limited (listed on the SEHK (stock code: 02014)), Youngor Group Co., Ltd. (listed on the SSE (stock code: 600177)), Antong Holdings Co., Ltd. (listed on the SSE (stock code: 600179)) and Wanxiang Qianchao Co., Ltd. (listed on the SZSE (stock code: 000559)). He was an independent non-executive director of Misho Ecology & Landscape Co., Ltd. (listed on the SZSE (stock code: 300495)) and a deputy director of the training department and an assistant dean of the Department of Business Administration at Fudan University. He was also a secretary general, lecturer, associate professor and postgraduate supervisor at Fudan Development Institute. He was a deputy director of the science and technology department at Shanghai Municipal Education Commission, the office general manager, general manager of overseas business department and general manager of enterprise management department, executive directors and chairman of the board of directors of an overseas subsidiary of Shanghai Industrial Investment (Holdings) Co., Ltd. Mr. Bao is a post-doctoral fellow of the School of Economics at Fudan University.

Mr. Cheng Guoqi, born in 1975, is an External Supervisor of the Supervisory Board and also a member of the Supervisory Committee and the Nomination and Examination Committee under the Supervisory Board. Mr. Cheng runs a start-up company. He was a deputy director and director of the credit approval department of the head office of ICBC and a candidate for deputy director of foreign institutions. Mr. Cheng obtained his Bachelor's Degree in Management from Shanghai Jiao Tong University and his Master's Degree in Finance from the School of Finance of Central University of Finance and Economics. He is a senior economist.

Senior Management

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

Mr. Shi Jie, born in 1965, has been a member of the Party Committee of the Company since August 2016 and 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 Branch of the Company from March 2001. He served as the general manager of the Business Department of Shijiazhuang Branch of the Company from March 2001 to July 2001, and a deputy director (person in charge), a senior assistant general manager and a vice general manager of the Credit Assessment Department of the Head Office of the Company from July 2001 to June 2008. He served as the head of preparatory team for the Changchun Branch of the Company from June 2008 to February 2009, the president and secretary of Party Committee of Changchun Branch of the Company from February 2009 to August 2009, the general manager of the Credit Assessment Department of the Company from August 2009 to April 2016 and an Assistant President of the Company from August 2012 to September 2016. Prior to joining the Company, Mr. Shi served as a director of the Finance Department of Hebei University of Economics and Business from 1995 to 1998, an executive member of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995, and a lecturer of the Department of Finance at Hebei University of Economics and Business from 1985 to 1992. Mr. Shi obtained his Master's Degree in Management from Tianjin Institute of Finance and Economics.

Ms. Li Bin, born in 1967, has been a member of the Party Committee of the Company since August 2016 and an Executive Vice President of the Company since September 2016. Ms. Li joined the Company in August 1995 and served as the person in charge and director of the Fund Division of the International Business Department of the Company until October 2000, a vice general manager of the Fund and Capital Market Department of the Company from October 2000 to May 2007, the general manager of the Derivative Products Department of the Company from May 2007 to May 2009, the secretary of Party Committee of the Financial Market SBU of the Company from May 2009 to June 2009, the president and secretary of Party Committee of the Financial Market SBU of the Company from June 2009 to December 2015 and an Assistant President of the Company from August 2012 to September 2016. Prior to joining the Company, Ms. Li worked in the international department of Beijing branch of Agricultural Bank of China from 1990 to 1995. Ms. Li obtained her Ph.D Degree in Finance from the School of Finance of Renmin University of China.

Mr. Lin Yunshan, born in 1970, has been a member of the Party Committee of the Company since August 2016 and an Executive Vice President of the Company since September 2016. Mr. Lin joined the Company in February 2001, and served as the director of the Bills Business Division of the Corporate Business Department of the Company from August 2002 to December 2003, an assistant general manager of the Corporate Business Department of the Company from December 2003 to October 2005, a vice president and a member of the Party Committee of Shenzhen Branch of the Company from October 2005 to October 2007, the executive director of the office of the Corporate Banking Management Commission of the Company from October 2007 to September 2009, the general manager of the Corporate Banking Department of the Company from September 2009 to November 2012, and an Assistant President of the Company from August 2012 to September 2016. Prior to joining the Company, Mr. Lin served as a principal staff member of the Supervisory Department I of the PBOC from 1999 to 2001, the officer of the Payment System Division of the Payment Technology Department of the PBOC from 1998 to 1999, and a deputy officer and the officer of the Accounting Department of the PBOC from 1993 to 1998. Mr. Lin obtained his Master's Degree in Finance from Renmin University of China.

Ms. Bai Dan, born in 1963, has been the Chief Financial Officer of the Company since April 2012. Ms. Bai is also a vice chairwoman of the Asset and Liability Management Committee and the chairwoman of the Financial Management Committee of the Company. Ms. Bai joined the Company in 2000 and served as a vice general manager of the Planning and Treasury Department of the Company. She also served as a vice general manager and the general manager of the Accounting and Settlement Department and the general manager of the Finance and Accounting Department of the Company since January 2002 and December 2008 respectively. Prior to joining the Company, Ms. Bai served as an assistant general manager, a vice general manager and the general manager of the Finance and Accounting Department of Dalian Branch of the Bank of Communications from 1993 to 2000, and an accountant, a deputy head and the head of Dalian Development Zone Branch of the Bank of Communications from 1988 to 1993. Ms. Bai obtained her MBA Degree from Beijing Jiaotong University and is an accountant.

Mr. Zhang Yuebo, born in 1962, served as the Chief Internal Audit Executive of the Company from May 2010 to February 2017 and 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 in January 1996, a deputy director of the Accounting Department of the Company from January 1996 to October 1996, a vice general manager of the Beijing Administrative Department and the president of Zhongguancun Sub-branch of the Company from October 1996 to May 1999, a vice general manager (person-in-charge) and the general manager of the Finance and Accounting Department from May 1999 to May 2001, and the general manager of the Planning and Treasury Department and the IT Development Department of the Company from May 2001 to February 2002. Mr. Zhang went on a government-funded study at West Virginia University from February 2002 to June 2003. He then served as the general manager and the Chief Internal Audit Executive of the Internal Audit Department of the Company from July 2003 to May 2010, and has been the general manager and secretary of the Party Committee of the Internal Audit Department of the Company since May 2010. Prior to joining the Company, Mr. Zhang was previously the director of the Finance Department of Trust Investment Company for Development of Rural Villages in China from March 1992 to June 1995, the director of the accounting division of Xisi sub-branch of Beijing branch of China Construction Bank from July 1983 to March 1992. Mr. Zhang obtained his Master's Degree in Law from Peking University and his MBA Degree from West Virginia University.

Mr. Hu Qinghua, born in 1963, has been the Chief Risk Officer of the Company since February 2017. Mr. Hu joined the Company in November 1999, and served as a vice president of Nanjing Branch of the Company from November 1999 to June 2001, a deputy head of the preparatory team of Fuzhou Branch of the Company from June 2001 to August 2001, a vice president of Fuzhou Branch of the Company from August 2001 to March 2002, the president and secretary of the Party Committee of Chengdu Branch of the Company from March 2002 to January 2007, the president and secretary of Party Committee of Nanjing Branch of the Company from January 2007 to March 2015, the president and secretary of the Party Committee of Shanghai Branch of the Company from March 2015 to February 2017, and the president and secretary of the Party Committee of Shanghai Free Trade Zone Branch of the Company from May 2016 to February 2017. Prior to joining the Company, Mr. Hu served as the president of the Chengnan sub-branch of Nanjing branch of Huaxia Bank from 1997 to 1999, a deputy head (person in charge) of the Chengnan office under Nanjing branch of Huaxia Bank from 1995 to 1997, an assistant general manager of the financial center of Jiangsu Branch of the PBOC from 1994 to 1995, the manager of the financial center from 1992 to 1994, a deputy principal staff member of the gold and silver management division of Jiangsu Branch of the PBOC from 1988 to 1992 and an officer of Jiangsu Branch of the PBOC from 1982 to 1988. Mr. Hu Qinghua obtained his EMBA Degree from Nanjing University.

Mr. Fang Zhou, born in 1970, has been the Board Secretary of the Company since February 2017. Mr. Fang joined the Company in April 1998, and worked for the Corporate Business Department and the Human Resources Department of the Head Office of the Company. He served as a vice general manager (person-in-charge) and the general manager of the Risk Management Department of Nanjing Branch of the Company from July 2001 to April 2003, and a credit inspector of Wuhan Branch appointed by the Head Office of the Company from April 2003 to March 2004. He served as the director of the Human Resources Department of the Beijing Branch of the Company from March 2004 to November 2007 and the director of the Credit Assessment Department of the Beijing Branch of the Company from December 2006 to November 2007. He also served as a vice president of Fuzhou Branch of the Company from November 2007 to September 2010, a vice president (person-in-charge) of Wenzhou Branch of the Company from September 2010 to February 2012, the president and secretary of the Party Committee of Hangzhou Branch of the Company from February 2012 to April 2015, and the chief director of Office of the Board of the Company from April 2015 to February 2017. He has concurrently served as the chief director of Office of the Board and Office of the Supervisory Board since February 2017. Prior to joining the Company, Mr. Fang worked at the Hubei branch of China Construction Bank from July 1993 to April 1998. Mr. Fang obtained his Doctor’s degree in Economics from the Wuhan University and is an economist.

Joint Company Secretaries

Mr. Fang Zhou, is the Board Secretary and the Joint Company Secretary of the Company. Please refer to his biography under the paragraph headed “Senior Management”.

Ms. Wong Wai Yee, **Ella**, aged 42, is a director of Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated business, corporate and investor services. Ms. Wong has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wong is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and the Institute of Chartered Secretaries and Administrators ("ICSA") in the United Kingdom. Ms. Wong is a holder of the Practitioner's Endorsement from HKICS. (Note: The Company has engaged Tricor as an external service provider and appointed Ms. Wong as the Company's Joint Company Secretary since 20 February 2017.)

(IV) Changes of information of Directors and Supervisors

1. Mr. Hong Qi, the Chairman of the Company, has been appointed as a council member of China Entrepreneur Club;

2. Mr. Lu Zhiqiang, a Non-executive Director of the Company, ceased to serve as a vice chairman of ACFIC;

3. Mr. Wu Di, a Non-executive Director of the Company, has been appointed as representative of the 13th session of Fujian Provincial People's Congress and honorary chairman of the second session of the Non-stated-owned Enterprise Chamber of Commerce in Fujian;

4. Since July 2017, Mr. Xie Zhichun, an Independent Non-executive Director of the Company, ceased to serve as a non-executive director of Elife Holdings Limited (listed on the SEHK (stock code: 00223)) (formerly known as Sino Resources Group Limited);

5. Since December 2017, Mr. Liu Jipeng, an Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of China Oceanwide International Financial Limited (previously known as Quam Limited) (listed on the SEHK (stock code: 00952));

6. Since January 2018, Mr. Peng Xuefeng, an Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (listed on the SZSE (Stock Code: 002713));

7. Mr. Liu Ningyu, an Independent Non-executive Director of the Company, has been appointed as vice president of Liaoning Province Appraisal Society and director of China Engineering Cost Association;

8. Mr. Bao Jiming, a Supervisor of the Company, has been appointed as an independent non-executive director of Youngor Group Co., Ltd. (listed on the SSE (stock code: 600177)), Antong Holdings Co., Ltd. (listed on the SSE (stock code: 600179)) and Wanxiang Qianchao Co., Ltd. (listed on the SZSE (stock code: 000559)). Since November 2017, Mr. Bao has ceased to serve as an independent non-executive director of Misho Ecology & Landscape Co., Ltd. (listed on the SZSE (stock code: 300495)).

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

1. On 20 February 2017, the seventh session of the Board was elected at the first extraordinary general meeting for 2017 of the Company, comprising Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Shi Yuzhu, Mr. Wu Di, Mr. Yao Dafeng, Mr. Song Chunfeng, Mr. Tian Zhiping, Mr. Weng Zhenjie as the Non-executive Directors of the Company, Mr. Liu Jipeng, Mr. Li Hancheng, Mr. Xie Zhichun, Mr. Cheng Hoi-chuen, Mr. Peng Xuefeng and Mr. Liu Ningyu as the Independent Non-executive Directors of the Company, Mr. Hong Qi, Mr. Liang Yutang and Mr. Zheng Wanchun as the Executive Directors of the Company;

2. On 20 February 2017, due to change of session of the Board, Mr. Wang Yugui, Mr. Wang Hang, Mr. Wang Junhui, Mr. Guo Guangchang, Mr. Wang Lihua and Mr. Han Jianmin of the sixth session of the Board of the Company have ceased to serve as the Directors of the Company and Mr. Wan Qingyuan ceased to serve as the Board Secretary of the Company;

3. The Company received the "Report on the Result of Employee Supervisors Election of the Seventh Session of the Supervisory Board (《關於第七屆監事會職工監事選舉結果的報告》)" from the Committee of the Labour Union of the Company on 20 February 2017, Mr. Zhang Juntong, Mr. Wang Jiazhi and Mr. Guo Dong were elected as the Employee Supervisors of the seventh session of the Supervisory Board of the Company through the nomination and election in the meeting of the representatives of employee and general employees' meeting of the Company. On 20 February 2017, the seventh session of the Supervisory Board was elected at the first extraordinary general meeting for 2017 of the Company, comprising Mr. Wang Hang, Mr. Zhang Bo, Mr. Lu Zhongnan as Shareholder Supervisors of the Company and Mr. Wang Yugui, Mr. Bao Jiming and Mr. Cheng Guoqi as External Supervisors of the Company;

4. On 20 February 2017, due to the change of session of the Supervisory Board of the Company, Mr. Duan Qingshan, Mr. Zhang Ke, Mr. Zhang Disheng and Mr. Wang Liang from the sixth session of the Supervisory Board of the Company, ceased to serve as Supervisors of the Company;

5. On 28 August 2017, the fifth meeting of the seventh session of the Board of the Company considered and passed the dismissal of Mr. Lin Xiaoxuan as Chief Information Officer.

(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 PRC 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 2017, the total assets, net assets, net assets per share, deposits and loans of Sichuan Xinwang Bank were RMB16,316 million, RMB2,805 million, RMB0.94, RMB3,489 million and RMB10,134 million, respectively. Therefore, Sichuan Xinwang Bank is very different from the Company in terms of operation mode and operation scale. Mr. Liu Yonghao is just one of the directors of Sichuan Xinwang Bank and not the chairman of the board of directors of Sichuan Xinwang Bank. In addition, in accordance with the Articles of Association of the Company, Mr. Liu Yonghao shall abstain from voting in respect of resolutions in relation to Sichuan Xinwang Bank. As such, the interest of Mr. Liu Yonghao in Sichuan Xinwang Bank is not in conflict with his responsibilities as a Director of the Company.

Mr. Wu Di, a Non-executive Director of the Company, is a director of Hangzhou United Rural Commercial Bank Co., Ltd. ("Hangzhou United Bank") and has no interest in the equity in Hangzhou United Bank. To the best knowledge of the Company, Hangzhou United Bank was established on 5 January 2011. The customers of Hangzhou United Bank are mainly from rural areas and local communities as well as small and medium enterprises. Hangzhou United Bank is a local joint-stock bank of limited liabilities with a registered capital of RMB1.75 billion. As at the end of December 2017, the total assets, net assets, net assets per share, deposits and loans of Hangzhou United Bank were RMB170,494 million, RMB15,261 million, RMB8.30, RMB120,423 million and RMB86,895 million, respectively. Therefore, Hangzhou United Bank is just different from the Company in terms of scale and geographical coverage of business. Mr. Wu Di is just one of the directors and not the chairman of the board of directors of Hangzhou United Bank. In accordance with the Articles of Association of the Company, Mr. Wu Di shall abstain from voting in respect of resolutions in relation to Hangzhou United Bank. As such, the interest of Mr. Wu Di in Hangzhou United Bank is not in conflict with his responsibilities as a Director of the Company.

Mr. Weng Zhenjie, a Non-executive Director of the Company, is a director of Chongqing Three Gorges Bank Co., Ltd. ("Chongqing Three Gorges Bank") and a director of Hefei Science & Technology Rural Commercial Bank Company Limited ("Hefei Science & Technology Rural Commercial Bank") and has no interest in the equity in these two banks. To the best knowledge of the Company, Chongqing Three Gorges Bank was established as a joint stock city commercial bank in February 2008. As of 31 December 2017, the unaudited total assets, net assets, net assets per share, deposits and loans of Chongqing Three Gorges

Bank were RMB202,356 million, RMB13,100 million, RMB2.70, RMB123,800 million and RMB44,347 million, respectively. Hefei Science & Technology Rural Commercial Bank was established on 14 February 2007 and is a regional rural commercial bank providing services for small and medium enterprises, rural areas, technological enterprises and local areas. As at 31 December 2017, the total assets, net assets, net assets per share, deposits and loans of Hefei Science & Technology Rural Commercial Bank were RMB91,876 million, RMB5,889 million, RMB3.27, RMB55,788 million and RMB37,465 million, respectively. Therefore, Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank are very different from the Company in terms of scale and geographical coverage of business. Mr. Weng Zhenjie is just one of the directors and not the chairman of the board of directors of each of Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank. In addition, in accordance with the Articles of Association of the Company, Mr. Weng Zhenjie shall abstain from voting in respect of resolutions in relation to Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank. As such, the interest of Mr. Weng Zhenjie in Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank is not in conflict with his responsibilities as a Director of the Company.

Save as disclosed above, none of the Directors holds any interests in businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Company.

(VIII) *Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations*

(i) As at 31 December 2017, the following Directors/Supervisor of the Company had the following interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and as the Company is aware of:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued ordinary shares (%)
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,608,929,324	1	5.44	4.41
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,066,764,269	2	3.61	2.92
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,682,652,182	3	5.69	4.61
		H	Long position	Interest held by his controlled corporation(s)	510,448,725	4	7.36	1.40
Shi Yuzhu	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,149,732,989	5	3.89	3.15
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	759,720		0.003	0.002

Notes:

1. The 1,608,929,324 A shares comprised 85,323,189 A shares directly held by South Hope Industrial Co., Ltd. and 1,523,606,135 A shares directly held by New Hope 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. 23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 85,323,189 A shares held by South Hope Industrial Co., Ltd. and the 1,523,606,135 A shares held by New Hope 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 1,608,929,324 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. Liu Yonghao and the interests held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang, the details of which are disclosed in the section headed "Substantial Shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" in this Annual Report, were the same block of shares.

2. The 1,066,764,269 A shares were directly held by Orient Group Incorporation. 16.39%, 11.87% and 0.3% of the issued share capital of Orient Group Incorporation were held by Tibet Orient Runlan Investment Co., Ltd. (西藏東方潤瀾投資有限公司), Orient Group Investment Holding Co., Ltd. and Mr. Zhang Hongwei, respectively. Tibet Orient Runlan Investment Co., Ltd. (西藏東方潤瀾投資有限公司) was wholly-owned by Orient Group Investment Holding Co., Ltd. Mr. Zhang Hongwei indirectly held 94% of the issued share capital of Orient Group Investment Holding Co., Ltd. As disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" in this Annual Report, Orient Group Incorporation is a party to the acting in concert agreement.

3. The 1,682,652,182 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

4. The 510,448,725 H shares (Long position) comprised 6,864,600 H shares directly held by China Oceanwide International Investment Company Limited and 503,584,125 H shares directly held by Oceanwide International Equity Investment Limited. 98.86% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd., while all the issued share capital of China Oceanwide International Investment Company Limited and 67.15% of the issued share capital of Oceanwide Holdings Co., Ltd. were held by China Oceanwide Holdings Group Co., Ltd. (see note (3) above).

5. The 1,149,732,989 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 2017, the following Director of the Company had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	**Position**	**Long/ short position**	**Capacity**	**Interest in the registered capital**	**Note**	**Percentage of the total registered capital (%)**
Liu Yonghao	Non-executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,000,000	1	3.64

Note:

1. New Hope Group Co., Ltd. is interested in RMB2,000,000 of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

(iii) As at 31 December 2017, 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**	**Interest in the registered capital**	**Note**	**Percentage of the total registered capital (%)**
Shi Yuzhu	Non-executive Director	Long position	Interest held by his controlled corporation(s)	RMB24,000,000	1	10

Note:

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

(iv) As at 31 December 2017, 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**	**Interest in the registered capital**	**Note**	**Percentage of the total registered capital (%)**
Shi Yuzhu	Non-executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,500,000	1	10

Note:

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

Save as disclosed above, as at 31 December 2017, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

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

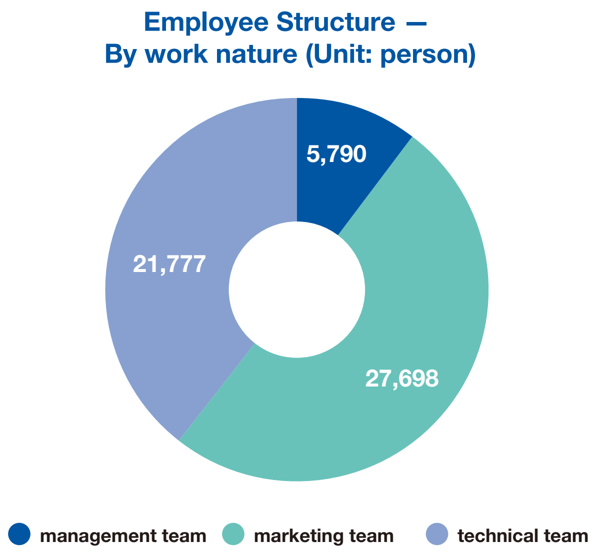
No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, subsisted during the Reporting Period. None of the Directors and Supervisors of the Company has entered into any service contract with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

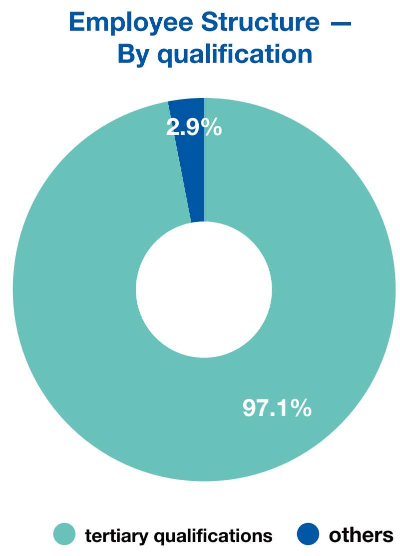
(X) Financial, business and family relationships among Directors, Supervisors and Senior Management

The Company has made enquiries to confirm that, among the members of the Board and the Supervisory Board of the Company, Mr. Lu Zhiqiang, a Vice Chairman, is currently the chairman of the board of directors, president and ultimate controller of China Oceanwide Holdings Group Co., Ltd., while Mr. Zhang Bo, a Supervisor, is a vice chairman of the board of directors and president of China Minsheng Trust Co., Ltd (中國民生信託有限公司), 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 Supervisory Board, including financial, business, family or other material or relevant relationships.

II. Employees

As at the end of the Reporting Period, the Group had 57,882 employees, of which 55,265 were employees of the Company and 2,617 were employees of the subsidiaries of the Company. Divided by professional specialties, 5,790 employees were categorized as management team, 27,698 as marketing team, and 21,777 as technical team. The Company had 53,684 employees with tertiary qualifications or above, accounting for 97.1% of the total number of employees. During the Reporting Period, 245 employees of the Company have retired.





The guiding principles of the Company's remuneration policy in 2017 were to effectively determine and allocate human resources in accordance with the strategic plans with an aim to enhance capital control, optimize business structure and enhance the core competitiveness of the Company and to reinforce cost-effective management of operations according to the requirements of strategic transformation of the Company and the needs for business development. It also strove to enhance the effectiveness of incentive policy in risk management and control through further improving the deferred compensation mechanism to optimize the risk control system.

During the Reporting Period, the Company highly emphasized on employee training. With standardized planning of the training and development mechanism of the Company, stronger training efforts were made in line with its strategies and business. The Company also placed an emphasis on optimizing the promotion path and training for the management and professional staff in order to meet higher international, professional and market standards. As at the end of the Reporting Period, the Company organised a total of 4,522 training programs of various kinds with over 1.60 million participants, and organised a total of seven internal qualification examinations with 69,300 attendances.

III. Business Network

As at the end of the Reporting Period, the Company had set up 42 branches in 41 cities across China, with 2,964 banking outlets in total.

During the Reporting Period, Haikou Branch of the Company had commenced operation.

Major entities of the Company as at the end of the Reporting Period are shown as follows:

Name of entity	Number of outlet	Headcount	Total assets (in RMB million) (excluding deferred income tax assets)	Address
Head Office	1	13,483	4,042,270	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	197	3,652	632,671	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	88	2,545	388,488	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	120	2,256	213,043	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	107	1,869	272,458	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Wuhan Branch	134	1,504	96,236	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	114	1,380	108,092	No. 2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	185	2,185	74,226	Minsheng Bank Tower, No. 197 Yuhua East Road, Chang'an District, Shijiazhuang
Dalian Branch	81	915	69,522	No. 4A Wuwu Road, Zhongshan District, Dalian
Nanjing Branch	193	2,914	322,236	No. 20 Hongwu Bei Road, Nanjing
Hangzhou Branch	56	1,651	126,704	Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	108	1,013	66,460	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	79	1,115	65,786	China Minsheng Bank Tower, No. 78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	50	975	51,597	No. 282 Hudong Road, Fuzhou
Jinan Branch	192	1,899	110,632	No. 229 Luoyuan Street, Jinan
Ningbo Branch	44	759	39,882	No. 815 Ju Xian Road, Gaoxin District, Ningbo

Name of entity	Number of outlet	Headcount	Total assets (in RMB million) (excluding deferred income tax assets)	Address
Chengdu Branch	143	1,444	100,123	Block 6, No. 966 North Section of Tianfu Avenue, Gaoxin District, Chengdu
Tianjin Branch	68	885	54,481	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	129	854	43,967	Chuntian Yinxiang Building, No. 331 Huancheng Nan Road, Kunming
Quanzhou Branch	48	539	29,320	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	39	1,171	89,502	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	65	995	41,780	No. 190 Hai'er Road, Laoshan District, Qingdao
Wenzhou Branch	59	566	49,450	1/F, 3–5/F and 12/F, Hengha Building, No. 1707 Wenzhou Avenue, Wenzhou
Xiamen Branch	23	536	31,400	Xiamen Minsheng Banking Mansion, No. 50 Hubin Nan Road, Xiamen
Zhengzhou Branch	137	1,612	87,250	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	65	903	57,927	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha
Changchun Branch	32	577	20,763	Minsheng Tower, No. 500 Changchun Street, Nanguan District, Changchun
Hefei Branch	69	734	42,474	Tian Qing Building, No. 135 Bozhou Road, Hefei
Nanchang Branch	57	535	36,712	No. 545 Huizhan Road, Honggutan New District, Nanchang
Shantou Branch	37	431	17,303	1–3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou

Name of entity	Number of outlet	Headcount	Total assets (in RMB million) (excluding deferred income tax assets)	Address
Nanning Branch	45	563	34,858	1–3/F, 3M/F, 30–31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning
Hohhot Branch	29	400	33,894	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia
Shenyang Branch	67	500	29,399	No. 65 Nanjing North Street, Heping District, Shenyang
Hong Kong Branch	1	195	162,574	40/F, 4106-08, 41/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	45	474	34,704	No. 28 Yangguan Avenue, Guanshanhu District, Guiyang
Haikou Branch	22	168	9,046	Zhonghua International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou
Lhasa Branch	5	152	8,708	Global Plaza, No. 8 Beijing West Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	2	103	32,964	40/F, No. 100 Pudong South Road, Pudong New District, Shanghai
Harbin Branch	9	212	13,709	1–6/F, Olympic Centre Area 1, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	11	242	13,496	1–4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Urumqi Branch	3	149	10,044	No. 314, Yangzijiang Road, Saybagh District, Urumqi
Xining Branch	2	106	6,805	1–4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining
Yinchuan Branch	3	104	3,403	1–5/F, Block 19, Jinhaimingyue, No. 106 Shanghai West Road, Jinfeng District, Yinchuan

Name of entity	Number of outlet	Headcount	Total assets (in RMB million) (excluding deferred income tax assets)	Address
Inter-region adjustment	—	—	-2,110,668	
Total	2,964	55,265	5,665,691	

Notes:

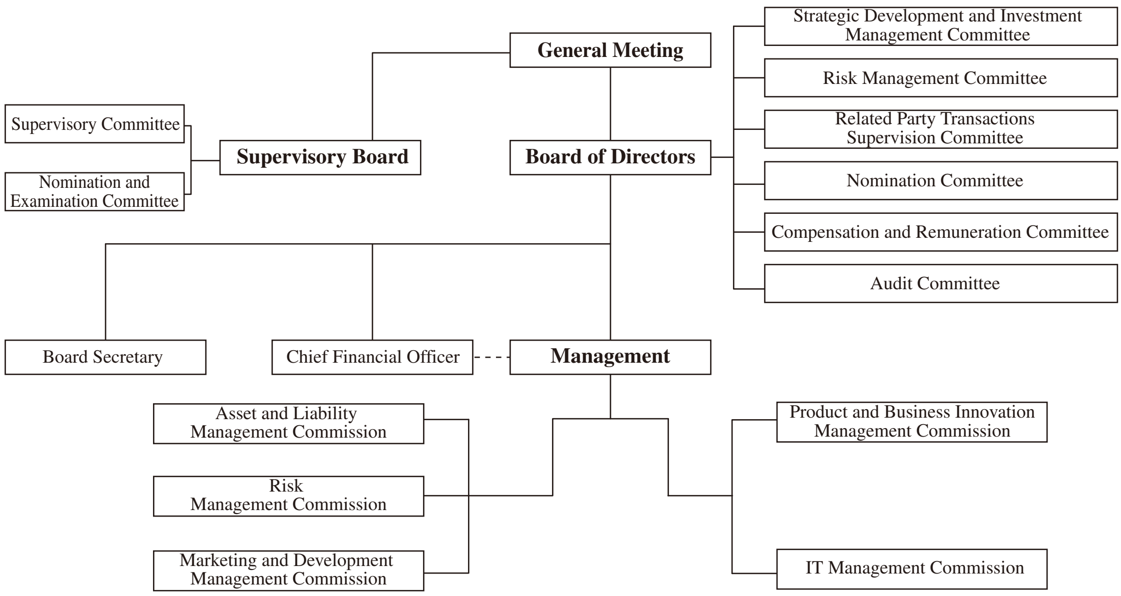
1. The number of institutions takes into account all types of banking establishments, including the Head Office, tier-one branches, business departments of branches, tier-two branches, sub-branches, community sub-branches and small-and-micro-business sub-branches.

2. Headcount of the Head Office includes the total number of the employees in business units, such as Credit Card Centre, other than the employees of the branches.

3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

Chapter 6 Corporate Governance

I. Corporate Governance Structure



II. Corporate Governance Overview

During the Reporting Period, the Company successfully completed the election of the seventh sessions of the Board of Directors and the Supervisory Board. The Company further improved its systems of compliance, internal control and compliance management of related party transactions. Performances of Directors and the Senior Management were evaluated regularly and the Supervisors fully performed their duties to supervise the construction of corporate governance policies and to further improve the quality and level of its overall corporate governance. Details are as follows:

1. During the Reporting Period, the Company had convened a total of 71 meetings, including two general meetings, 11 Board meetings, 40 meetings of the special committees of the Board, five meetings of the Supervisory Board and 13 meetings of the special committees of the Supervisory Board. 363 resolutions such as regular reports of the Company, working reports of the Board of Directors and the Supervisory Board, working reports of the President, financial budgets and final account reports, profit distribution proposals and policy revisions were considered and approved at these meetings.

2. In accordance with the regulatory and operation requirements, the Company has revised the relevant provisions of the Articles of Association, the Terms of Reference of the Nomination Committee of the Board, the Terms of Reference of the Compensation and Remuneration Committee of the Board, Provisional Measures on Performance Appraisal of Senior Management (《高級管理人員盡職考評試行辦法》), Management Rules for Information Disclosure (《信息披露事務管理制度》), Management Rules for Internal Reporting of Important Information (《重大信息內容報告制度》), Rules for Accountability System for Material Errors in Annual Report Disclosure (《年報信息披露重大差錯責任追究制度》), Rules of Procedures for Preparation of Regular Reports (《定期報告編製規程》) and Administrative Measures for Internal Transactions (《內部交易管理辦法 》). The

Company had also introduced the Administrative Measures for Postponement and Exemption of Information Disclosure (《暫緩與豁免信息披露管理辦法》) and the Regulations of the Review of Major Risk Management Systems by the Board (《董事會關於重要風險制度的審查規則》). The corporate governance system of the Company has been further improved by the formulation and amendment of the above rules and regulations. The Board and the Supervisory Board continued to enhance the corporate governance of the Company by ceaselessly strengthening the implementation and the enforcement of the rules and regulations.

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

4. During the Reporting Period, the Board conducted special studies on some branches and subsidiaries and prepared study reports. The studies allowed the Directors to have a whole picture of the Company and guaranteed the scientific decision making of the Board. The Audit Committee of the Board of the Company conducted site visits to Nanjing Branch, Harbin Branch and Minsheng Financial Leasing to have in-depth understanding of their internal control and provide management advices. It had also evaluated the performance of the Internal Control Department to further strengthen the supervisory role of internal audit over internal control of the Company. The Risk Management Committee of the Board had analyzed the risk-adjusted return and submitted a report thereon to the Board of Directors as a base for strategic decisions on risks.

5. During the Reporting Period, the Company continued to strengthen the collation and update of information on related and connected parties for better management of related party and connected transactions. According to latest local and overseas regulatory requirements, the Company strengthened its management of related party and connected transactions by promoting the centralized credit extension by the Group, so as to assure the fairness of price as well as compliance of operation and information disclosure. The Company is still in the process to revise the relevant systems for better management of related party and connected transactions.

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

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

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

9. During the Reporting Period, the Company disclosed all material information in accordance with the relevant requirements and continued to enhance the transparency of the Company, ensuring all shareholders have an equal opportunity to access the information of the Company. The management of investor relations of the Company adhered to the strategy of the Company. Through fully highlighting the strategic advantages, operation strategies and financial results of the Company, these activities strengthened the presence of the Company in the capital market. Please refer to "Information Disclosure and Investor Relations" in this chapter for details.

10. According to the internal inspection of the Company, no leakage of confidential information of the Company had been found as at the end of the Reporting Period. None of the insiders had purchased or sold the shares of the Company taking the advantage of any material share price sensitive inside information prior to the disclosure of such information. On 22 March 2012, the Rules for Insider Registration and Management (《內幕信息知情人登記管理規定》) was considered and approved at the 22nd meeting of the fifth session of the Board of Directors. Since then, the Company has stringently followed the relevant provisions to conduct registration of the insiders possessing insider knowledge for record.

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 beneficial owners before such information being published to the public.

III. Rights of Shareholders

1. *Procedures for shareholders to convene an extraordinary general meeting:*

In accordance with the Articles of Association, the Company shall convene an extraordinary general meeting within two months at the request of the shareholders individually or jointly holding 10% or more shares of the Company.

Shareholders may request the Board of Directors to convene an extraordinary general meeting or a class meeting by the following procedures:

Shareholders individually or jointly holding 10% or more shares of the Company shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall make a written response as to whether or not it will convene the extraordinary general meeting within 10 days upon receipt of the request.

If the Board of Directors agrees, a notice of convening such general or class meeting shall be issued within five days after the resolution of the Board of Directors is passed. Approval of the relevant shareholders must be sought if the resolution contained in the notice alters the original request.

If the Board of Directors refuses to convene the extraordinary general meeting or class meeting, or fails to respond within 10 days upon receipt of the request, shareholders individually or jointly holding 10% or more shares with voting rights in the proposed extraordinary general meeting shall have the right to propose to the Supervisory Board in writing to convene such general or class meeting.

If the Supervisory Board agrees thereto, a notice of convening such general or class meeting shall be issued within five days upon receipt of the proposal. Approval of the relevant shareholders must be sought if the resolution contained in the notice alters the original request.

If the Supervisory Board fails to give the notice of such general meeting or class meeting within the specified period, it shall be deemed to have failed to convene the meeting and shareholders who individually or jointly hold 10% or more of the Company's shares with voting rights in the proposed meeting for not less than 90 consecutive days shall have the right to convene and preside over the meeting.

The Board of Directors and the Board Secretary shall provide assistance when necessary for general meeting convened by the Supervisory Board or shareholders. The Board of Directors shall provide the register of shareholders as at the record date. Necessary costs of such general meetings shall be borne by the Company.

2. *Procedures for shareholders to make enquiries to the Board:*

Shareholders may make enquiries in writing to the Board through the Office of the Board of Directors of the Company at any time. The contact information of the Office of the Board of Directors is as follows:

Address: China Minsheng Bank Building, No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal Code: 100031
Telephone: 86-10-58560975
Facsimile: 86-10-58560720
Email: cmbc@cmbc.com.cn

3. *Procedures for shareholders to put forward proposals at general meetings:*

In accordance with the Articles of Association of the Company, shareholders jointly holding not less than 3% of shares of the Company shall be entitled to put forward proposals to the Company. Shareholders individually or jointly holding no less than 3% of shares of the Company may put forward provisional proposals to the meeting convener in writing 10 days prior to the date of the general meeting. Convener of such general meeting shall issue a supplementary notice of the meeting setting out the content of the provisional proposals within two days upon the receipt of the proposals.

The Board of Directors shall provide explanation for its decision to exclude any proposal of any shareholder from the agenda at the relevant general meeting. The contents of such excluded proposal and explanation of the Board of Directors shall be announced together with the resolutions of the general meeting after the close of the meeting.

In the annual general meeting, shareholders holding no less than 3% voting shares of the Company are entitled to put forward additional proposals in writing. The Company shall include the proposals that fall within the scope of power of the general meeting in the agenda of such meeting.

Shareholders may put forward proposals at general meetings through the Office of the Board of Directors, the contact information of which is set out in the section headed "2. Procedures for shareholders to make enquiries to the Board".

IV. General Meetings

During the Reporting Period, the Company held two general meetings and passed 102 resolutions. Details are as follows:

On 20 February 2017, the first extraordinary general meeting for 2017, the first class meeting of A shares for 2017 and the first class meeting of H shares for 2017 of the Company were held in Beijing in which shareholders attended and voted on-site and online. Please refer to the announcement dated 20 February 2017 published on the website of the Company (www.cmbc.com.cn), the website of the SSE (www.sse.com.cn) and the 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 21 February 2017.

On 16 June 2017, the annual general meeting for 2016, the second class meeting of A shares for 2017 and the second class meeting of H shares for 2017 of the Company were held in Beijing in which shareholders attended and voted on-site and online. Please refer to the announcement dated 16 June 2017 published on the website of the Company (www.cmbc.com.cn), the website of SSE (www.sse.com.cn) and the 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 17 June 2017.

V. Board of Directors

The Board is an independent decision-making body of the Company, responsible for execution of the resolutions passed by the general meetings; formulating the Company's major objectives, policies and development plans; deciding on the Company's operating plans, investment proposals and the establishment of internal management units; preparing annual financial budgets, final accounts and profit distribution plans; and appointing members of Senior Management. The Company's management team shall have the autonomy to operate the Company independently and the Board shall not interfere with the specific matters of the daily operation and management of the Company.

(I) Composition of the Board

As at the end of the Reporting Period, the Board of the Company had 18 members, of which nine were Non-executive Directors, three were Executive Directors and six were Independent Nonexecutive Directors. All Non-executive Directors held key positions in renowned enterprises and were experienced in management, finance and accounting, while the three Executive Directors had been engaged in banking operation and management for a long time with extensive professional experiences. The six Independent Non-executive Directors were experts in economics, finance, accounting and law. One of the Independent Non-executive Directors was from Hong Kong and was familiar with the IFRS and regulations of the Hong Kong capital market and equipped with extensive 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. The Board shall nominate candidates for directors for their merits and based on the requirements for the diversity of board members.

The list of Directors of the Company and their profiles are shown in the section headed "Directors, Supervisors, Senior Management and Employees" of this report. The status of Independent Non-executive Director has been indicated clearly in all communication of the Company which lists the name of Directors to comply with the provisions of the Hong Kong Listing Rules.

(II) Powers of the Board

The Board of the Company may exercise the following functions and powers:

1. to convene general meetings and to report its performance to shareholders;

2. to implement the resolutions passed at the general meetings;

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

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

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

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

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

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

9. to decide the internal management structure of the Company;

10. to appoint or remove the President, the Board Secretary, Chief Finance Officer and Chief Audit Officer of the Company based on the recommendations of the Chairman of the Board; to appoint or remove the Senior Management, such as Vice Presidents, Assistants to Presidents, Chief Risk Officer and Chief Information Officer of the Company based on the recommendations of the President and to decide on matters relating to their remunerations, reward and the imposition of any disciplinary measures;

11. to authorize the Nomination Committee under the Board to appoint or dismiss chief advisor, presidents of branches, presidents of SBUs and financial officers and approve the candidates of chairman, chief supervisor and general managers of subsidiaries;

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 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 authorized by the general meetings, including but not limited to the determination of repurchase, conversion and dividend payment; and

20. to exercise any other powers prescribed by the laws, administrative regulations and departmental rules, as well as any other powers conferred by the Articles of Association.

(III) Board meetings and contents of resolutions

During the Reporting Period, 11 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
23rd extraordinary meeting of the sixth session of the Board	10 January 2017	Shanghai Securities News, China Securities Journal and Securities Times	11 January 2017
1st meeting of the seventh session of the Board	20 February 2017	Shanghai Securities News, China Securities Journal and Securities Times	21 February 2017
2nd meeting of the seventh session of the Board	30 March 2017	Shanghai Securities News, China Securities Journal and Securities Times	31 March 2017
3rd meeting of the seventh session of the Board	26 April 2017	Shanghai Securities News, China Securities Journal and Securities Times	27 April 2017
1st extraordinary meeting of the seventh session of the Board	2 May 2017	Shanghai Securities News, China Securities Journal and Securities Times	3 May 2017
4th meeting of the seventh session of the Board	29 June 2017	Shanghai Securities News, China Securities Journal and Securities Times	30 June 2017
2nd extraordinary meeting of the seventh session of the Board	17 July 2017	Shanghai Securities News, China Securities Journal and Securities Times	18 July 2017
5th meeting of the seventh session of the Board	28 August 2017	Shanghai Securities News, China Securities Journal and Securities Times	29 August 2017
6th meeting of the seventh session of the Board	30 October 2017	Shanghai Securities News, China Securities Journal and Securities Times	31 October 2017
3rd extraordinary meeting of the seventh session of the Board	4 December 2017	Shanghai Securities News, China Securities Journal and Securities Times	5 December 2017
4th extraordinary meeting of the seventh session of the Board	27 December 2017	Shanghai Securities News, China Securities Journal and Securities Times	28 December 2017

At the above 11 meetings, 102 resolutions including four regular reports, working reports of the Board, working reports of the President, financial budget and final account reports, profit distribution proposals and the 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 2017:

Directors	**Attendance/ Number of Meetings**
Hong Qi	11/11
Zhang Hongwei	11/11
Lu Zhiqiang	11/11
Liu Yonghao	11/11
Liang Yutang	11/11
Zheng Wanchun	11/11
Shi Yuzhu	10/10
Wu Di	11/11
Yao Dafeng	11/11
Song Chunfeng	10/10
Tian Zhiping	10/10
Weng Zhenjie	10/10
Cheng Hoi-chuen	11/11
Liu Jipeng	11/11
Li Hancheng	11/11
Xie Zhichun	11/11
Peng Xuefeng	10/10
Liu Ningyu	10/10
Wang Yugui	1/1
Wang Hang	1/1
Wang Junhui	0/1
Guo Guangchang	1/1
Wang Lihua	1/1
Han Jianmin	1/1

Note: On 20 February 2017, the seventh session of the Board of the Company was elected. Wang Yugui, Wang Hang, Wang Junhui, Guo Guangchang, Wang Lihua and Han Jianmin ceased to serve as the Directors of the seventh session of the Board. Therefore, the numbers of meetings attended by Wang Yugui, Wang Hang, Wang Junhui, Guo Guangchang, Wang Lihua and Han Jianmin, the Directors of the sixth session of the Board, and Shi Yuzhu, Song Chunfeng, Tian Zhiping, Weng Zhenjie, Peng Xuefeng, Liu Ningyu, the Directors of the seventh session of the Board were less than the number of meetings convened.

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

1. *Implementation of profit distribution plan*

The Board of the Company distributed dividends to the shareholders according to the profit distribution plan for the second half of 2016 approved at the annual general meeting for 2016. On the basis of total share capital as at the record dates, cash dividend of the second half of 2016 of RMB1.65 (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 RMB6,020 million (before tax). 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 dollars. The Company distributed dividends to the holders of A shares and H shares in July 2017 in accordance with the regulations, and this distribution plan was completed.

The Board of the Company distributed dividends to the shareholders of the Company upon approval of the interim profit distribution plan for 2017 at the annual general meeting for 2016 and the fifth meeting of the seventh session of the Board of the Company. On the basis of total share capital of the Company as at the record dates, cash dividend of RMB1.20 (before tax) for every 10 shares was distributed to all shareholders whose names appeared on the share register as at the record date. The total amount of cash dividend was approximately RMB4,378 million (before tax). The cash dividend was denominated and declared in Renminbi. Dividends to the holders of A shares and H shares were paid in Renminbi and Hong Kong dollars, respectively. The Company distributed dividends to the holders of A shares and H shares in September 2017 and October 2017, respectively, in accordance with the regulations, and this distribution plan was completed.

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 2017:

Directors	**Attendance/ Number of Meetings**
Hong Qi	2/2
Zhang Hongwei	2/2
Lu Zhiqiang	2/2
Liu Yonghao	2/2
Liang Yutang	2/2
Zheng Wanchun	2/2
Shi Yuzhu	0/1
Wu Di	2/2
Yao Dafeng	2/2
Song Chunfeng	1/1
Tian Zhiping	1/1
Weng Zhenjie	1/1
Cheng Hoi-chuen	2/2
Liu Jipeng	2/2
Li Hancheng	2/2
Xie Zhichun	1/2
Peng Xuefeng	1/1
Liu Ningyu	1/1
Wang Yugui	1/1
Wang Hang	1/1
Wang Junhui	1/1
Guo Guangchang	1/1
Wang Lihua	1/1
Han Jianmin	1/1

Note: On 20 February 2017, the seventh session of the Board of the Company was elected. Wang Yugui, Wang Hang, Wang Junhui, Guo Guangchang, Wang Lihua and Han Jianmin ceased to serve as the Directors of the seventh session of the Board. Therefore, the numbers of meetings attended by Wang Yugui, Wang Hang, Wang Junhui, Guo Guangchang, Wang Lihua and Han Jianmin, the Directors of the sixth session of the Board, and Shi Yuzhu, Song Chunfeng, Tian Zhiping, Weng Zhenjie, Peng Xuefeng, Liu Ningyu, the Directors of the seventh session of the Board were less than the number of meetings convened.

(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 CBRC, 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 conscientiously, making suggestions actively and emphasizing minority shareholders' interests.

1. On-duty policy for Independent Non-executive Directors

In order to fully perform the functions of Independent Non-executive Directors and improve the effectiveness of the Board, the Board of the Company has adopted an on-duty policy since March 2007 pursuant to which Independent Non-executive Directors are required to work in the Company for one to two days per month. The Company provided offices and facilities for Independent Non-executive Directors. All Independent Non-executive Directors have complied with the on-duty policy. The main duties of the Independent Non-executive Directors while they are on duty are: to study the works of their respective committees; to 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 setting up and amending any relevant corporate governance policy. During the Reporting Period, the Independent Non-executive Directors had worked in the Company for some 45 working days in aggregate, had meetings with over 100 persons from the management and relevant departments. It is an achievement for the Company to implement the on-duty policy of Independent Non-executive Directors, which provides important support and assurance for Independent Non-executive Directors to give full effect of their expertise to provide professional opinion to the decision-making of the Board. The implementation of the policy enhanced the rationality and independence of the decision-making of the Board.

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

In order to further improve the corporate governance of the Company with an aim to fully perform the duties of Independent Non-executive Directors in governing information disclosure so as to ensure the truthfulness, accuracy, completeness and timeliness of the information disclosed in the Annual Report of the Company, the Working Rules for Involvement of Independent Directors in the Preparation of Annual Report (《獨立董事年報工作制度》) was considered and approved at the 16th Meeting of the fourth session of the Board.

Pursuant to the Rules, Independent Non-executive Directors are required to perform their responsibilities and duties diligently in the process of preparation and disclosure of the Annual Report of the Company. The management of the Company shall fully report the annual operating results and the progress of material issues to the Independent Non-executive Directors within 60 days after the end of each fiscal year.

The Independent Non-executive Directors may conduct 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 Report of the Company. Upon the issuance of the preliminary audit opinion, the Independent Non-executive Directors shall hold at least one meeting with the auditor responsible for the auditing of the Annual Report of the Company to discuss the issues identified in the auditing process before a Board meeting is convened to review the Annual Report.

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 2017 Annual Report of the Company. The Independent Non-executive Directors have received the reports from the management on the operation and development of material issues of 2017, maintained continuous communication with the accounting firm in respect of the annual auditing and reviewed auditing plans, report on pre-auditing and auditing from the accounting firm.

3. *Other duties of Independent Non-executive Directors*

The Independent Non-executive Directors shall give independent opinions on the following issues at Board meetings or general meetings:

(1) Nomination, appointment and removal of Directors;

(2) Appointment or removal of Senior Management;

(3) Remuneration of Directors and Senior Management;

(4) Major and very substantial related party transactions between the shareholders, de facto controllers and their respective related companies and the Company, and whether the Company has taken effective measures to collect outstanding payments;

(5) Issues that Independent Non-executive Directors considered may prejudice the interests of minority shareholders; and

(6) Other issues stipulated by the laws and regulations and the Articles of Association of the Company.

The Independent Non-executive Directors of the Company also played important roles in various special committees of the Board. They acted as the convener of the meetings of the Compensation and Remuneration Committee, Audit Committee, Related Party Transactions Supervision Committee and Risk Management Committee under the Board. The majority of members of the Compensation and Remuneration Committee, Nomination Committee, Related Party Transactions Supervision Committee and Audit Committee were Independent Non-executive Directors. At least one Independent Non-executive Director in each of the Audit Committee and Related Party Transactions Supervision Committee has professional accounting experience.

4. *Attendance of the Independent Non-executive Directors at meetings during the year:*

All Independent Non-executive Directors of the Company were conscientious and active in attending the Board meetings during the Reporting Period.

Attendance of the Independent Non-executive Directors at the Board meetings in 2017

Directors	Number of meetings	Attendance in person	Attendance by proxy
Cheng Hoi-chuen	11	11	0
Liu Jipeng	11	11	0
Li Hancheng	11	11	0
Xie Zhichun	11	11	0
Peng Xuefeng	10	10	0
Liu Ningyu	10	10	0
Wang Lihua	1	1	0
Han Jianmin	1	1	0

Note: On 20 February 2017, the seventh session of the Board of the Company was elected. Wang Lihua and Han Jianmin ceased to serve as Directors of the seventh session of the Board. Therefore, the numbers of meetings attended by Wang Lihua and Han Jianmin, Independent Non-executive Directors of the sixth session of the Board, and Peng Xuefeng and Liu Ningyu, Independent Non-executive Directors of the seventh session of the Board, were less than the number of meetings convened.

(VI) Confirmation of independence of Independent Non-executive Directors

All six Independent Non-executive Directors of the Company are not subject to the factors specified in Rule 3.13 of the Hong Kong Listing Rules which would put their independence into question. Moreover, the Company has received the annual confirmation of independence from each of the Independent Non-executive Directors in accordance with the Hong Kong Listing Rules. Therefore, the Company believes that all Independent Non-executive Directors are independent.

(VII) Chairman of the Board and President

The roles and duties of the Chairman of the Board and the President of the Company are performed by different persons with clearly defined responsibilities in line with the Hong Kong Listing Rules.

During the Reporting Period, the Chairman of the Board, Mr. Hong Qi, was responsible for leading the Board and acting as the Chairman of the Board meetings. He shall ensure that all Directors were well informed of the issues to be discussed during the Board meetings. He was also responsible for the management of the operation of the Board and ensured that the Board shall discuss all major and relevant issues in a timely and constructive manner. In order to allow the Board to discuss all major and relevant issues in time, the Chairman of the Board maintained close contact with relevant Senior Management to ensure that the Directors can promptly receive appropriate, complete and reliable information for their consideration and review.

During the Reporting Period, Mr. Zheng Wanchun, the President of the Company, was responsible for the business operation of the Company and the implementation of strategies and business plans of the Company.

(VIII) *Securities transactions by Directors, Supervisors and relevant employees*

The Company has adopted its own code of conduct of the Directors and the Supervisors regarding transactions in securities, on terms no less exacting than the Model Code as set out in the Appendix 10 to the Hong Kong Listing Rules. The Company has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above-mentioned Code for the year ended 31 December 2017. The Company also formulated the guidelines for dealings in securities of the Company by employees, which are no more lenient than the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

(IX) *Responsibility statement of Directors regarding preparation of financial statements*

All Directors of the Company had committed their responsibilities for the preparation of the financial statements of the Company for the year ended 31 December 2017.

VI. The Responsibilities of Corporate Governance and Special Committees of the Board

The corporate governance of the Company is vested in the Board. The duties include: (1) to develop and review the corporate governance policy and practice of the Company; (2) to review and monitor the training and continuous professional development of Directors and Senior Management; (3) to review and monitor the policies and practices in compliance with legal and regulatory requirements of the Company; (4) to formulate, review and monitor the code of conduct for employees and Directors; and (5) to review the compliance of the Company with the provisions of the Corporate Governance Code and disclosure in the Corporate Governance in the Annual Report.

The major works of corporate governance performed by the Board of the Company in 2017 were as follows: the Board had conducted due diligence assessments of Directors and Senior Management, organised and carried out trainings of Directors and formulated and amended various corporate governance policies of the Company in accordance with domestic and overseas regulatory requirements, including the Articles of Association, the Terms of Reference of the Nomination Committee of the Board (《董事會提名委員會工作細則》), 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 Regulations of the Review of Major Risk Management Systems by the Board of Directors (《董事會關於重要風險制度的審查規則》). 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 2017 based on its review.

Composition, functions and powers of the six special committees of the Board and their works in 2017 are as follows:

(I) Strategic Development and Investment Management Committee

1. Composition of the Strategic Development and Investment Management Committee and meetings in 2017

On 21 November 2016, the appointment of Liu Jipeng, the Director, as an additional member of the Strategic Development and Investment Management Committee was approved at the 21st extraordinary meeting of the sixth session of the Board. From 21 November 2016 to 19 February 2017, the Strategic Development and Investment Management Committee of the sixth session of the Board had nine members. The chairman was Hong Qi and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Wang Junhui, Yao Dafeng, Zheng Wanchun and Liu Jipeng.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Strategic Development and Investment Management Committee of the seventh session of the Board was nine with Hong Qi as the chairman and Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Zheng Wanchun, Shi Yuzhu, Yao Dafeng, Weng Zhenjie and Liu Jipeng as members.

In 2017, the Strategic Development and Investment Management Committee convened nine meetings, deliberated on 43 proposals and received seven reports. The attendance record is as follows:

Members	**Attendance/ Number of Meetings**
Non-executive Directors	
Zhang Hongwei	9/9
Lu Zhiqiang	9/9
Liu Yonghao	9/9
Wang Junhui	0/1
Wang Yugui	1/1
Shi Yuzhu	8/8
Yao Dafeng	9/9
Weng Zhenjie	8/8

Members	**Attendance/ Number of Meetings**
Executive Directors	
Hong Qi *(chairman of the committee)*	9/9
Zheng Wanchun	9/9
Independent Non-executive Directors	
Liu Jipeng	9/9

Note: On 20 February 2017, due to the change of session of the Board, Wang Junhui and Wang Yugui, the Directors of the sixth session of the Board, ceased to serve as the Directors of the Company, and Shi Yuzhu and Weng Zhenjie were elected as the Directors of the seventh session of the Board, therefore they were not counted as the quorum of all the meetings throughout the year.

2. *Major achievements of the Strategic Development and Investment Management Committee in 2017*

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

(1) Execution of supports on decision-making

The Strategic Development and Investment Management Committee further refined the process of operation and decision making of the committee to improve the overall support of decision making. It convened nine meetings to discuss material decision issues of the Company, which deliberated on 43 proposals and received seven 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 Investment Management Committee actively pushed forward the formulation of medium- and long-term develop strategies. With a focus on the NSOEs, financial technology and integrated services, it conducted research, discussion, interaction and exchanges on different levels to organise and prepare for reform, transformation and development planning under concerted efforts .

(3) Continuous optimization of capital management

The Strategic Development and Investment Management Committee continued to optimize the capital management system, and convened an expert panel of capital management for 2017 to prepare the annual capital planning, implement capital replenishment and capital monitoring and coordinate and complete the decision-making procedures of profit distribution for the Company.

(4) Continuous promotion of investment management

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

(5) Enhancement of the management of subsidiaries

The Strategic Development and Investment Management Committee adjusted and improved the management mechanism of subsidiaries. A series of regulations and systems were revised to fully ensure the legal compliance of the management mechanism of subsidiaries. Through further capitalizing on the value of the strategic platform of subsidiaries, business synergy and overall risk management of the Group were effectively improved.

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

The Strategic Development and Investment Management Committee refined the mechanism for the management of consolidated financial statements of the Group and restructured the management organisation of consolidated financial statements. Based on the adjustments to the management model of the subsidiaries of the Bank, it revised the regulations and systems of the management of consolidated financial statements. It also carried out the tracking, monitoring and research of key items of consolidated financial statements and facilitated the upgrade and transformation of the management mechanism of consolidated financial statements of the Group.

(7) Improvement of consumers' rights protection

The Strategic Development and Investment Management Committee received special reports from the Senior Management on the protection of consumers. The communication mechanism with the Senior Management was further optimized. Continuous efforts were made to supervise the improvement of the protection of consumers' rights at the operation level and to carry out supervision enhancement plan in order to facilitate the implementation of relevant initiatives.

(II) Nomination Committee

1. Composition of the Nomination Committee and meetings in 2017

On 21 November 2016, the appointment of Li Hancheng and Xie Zhichun, the Directors, as additional members of the Nomination Committee was approved at the 21st extraordinary meeting of the sixth session of the Board. From 21 November 2016 to 19 February 2017, the Nomination Committee under the sixth session of the Board comprised nine members and the chairman was Hong Qi. The members were Zhang Hongwei, Wang Hang, Cheng Hoi-chuen, Wang Lihua, Han Jianmin, Zheng Wanchun, Li Hancheng and Xie Zhichun.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Nomination Committee of the seventh session of the Board was nine with Hong Qi as the chairman and Zhang Hongwei, Liu Yonghao, Tian Zhiping, Cheng Hoi-chuen, Li Hancheng, Xie Zhichun, Peng Xuefeng and Liu Ningyu as members.

The Nomination Committee convened four meetings and reviewed 16 proposals in 2017. The attendance record is as follows:

Members	**Attendance/ Number of Meetings**
Non-executive Directors	
Zhang Hongwei	4/4
Liu Yonghao	4/4
Tian Zhiping	4/4
Executive Directors	
Hong Qi *(chairman of the committee)*	4/4
Independent Non-executive Directors	
Cheng Hoi-chuen	4/4
Li Hancheng	4/4
Xie Zhichun	4/4
Peng Xuefeng	4/4
Liu Ningyu	4/4

2. *Nomination procedures and process adopted by the Nomination Committee*

(1) Nomination procedures for Director candidates

(i) General procedures for the nomination of Director candidates

Method of election of the Company's Directors: after soliciting the opinions of the shareholders, the former Board of Directors will, in accordance with the relevant provisions of the Articles of Association of the Company, submit a written proposal at the general meeting containing the biographies and basic information of the candidates. The Nomination Committee under the Board of Directors is responsible for soliciting the opinions of shareholders, collecting the nomination proposals and examining the qualifications of the candidates to determine whether they comply with the qualification requirements for a director of a commercial bank under the Company Law of the PRC, Law of Commercial Banks and relevant laws, administrative regulations and departmental rules. After the review, the Nomination Committee will submit the proposal to the Board of Directors for their consideration, after which the Board of Directors will submit a proposal at general meeting for voting. Nominator shall obtain consent from nominee prior to the nomination. If a shareholder or the Supervisory Board raises an objection to the list of Director candidates, a new proposal should be submitted in accordance with the Articles of Association of the Company, pursuant to which the Nomination Committee shall examine the 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

In accordance with the provisions of the relevant laws, regulations and the Articles of Association of the Company, shareholders individually or jointly holding 1% or more of the voting shares of the Company, the Board of Directors or the Supervisory Board may nominate Independent Non-executive Director candidates for appointment via election by the general meeting. Nominator shall obtain consent from nominee of Independent Non-executive Director prior to the nomination. The nominator shall be fully aware of the occupation, education background, title, detailed work experiences and all part-time positions held by the nominee, and shall provide an opinion on the qualification and independence of the respective nominee to assume the position of Independent Non-executive Director. The nominee shall make a public declaration indicating that there is no relationship between him and the Company which would affect his independent judgment. A nominee shall possess the qualification as required by the regulatory authorities and the requisite qualification and independence under the Articles of Association of the Company. Before any general meeting for the election of the Independent Non-executive Director is held, the Board of Directors shall disclose the above mentioned information in accordance with relevant requirements.

Prior to the date of the general meeting at which the Independent Non-executive Directors will be elected, the Company shall submit relevant materials in connection with all of its nominees for Independent Non-executive Directors to the CSRC, the local office of the CSRC where the Company is headquartered, the stock exchanges at which the shares of the Company are listed, and the CBRC. Where the Board of Directors raises any objection in respect of any nominee, its written opinion shall also be submitted to the above authorities. Where the CSRC raises any objection in respect of any nominee, such nominee may not serve as a candidate for Independent Director, but he/she may serve as a Director candidate. During the general meeting to elect the Independent Non-executive Director, the Board of Directors shall provide a statement on whether the CSRC raised any objection to any candidate.

(2) Criteria and 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 CBRC. Such qualification shall be reviewed by the CBRC.

Independent Non-executive Director shall possess the following basic requirements:

1. obtains qualifications to serve as directors of listed commercial banks in accordance with the laws, administrative regulations and other relevant provisions;

2. obtains a bachelor degree or above or with relevant professional qualifications in middle level or above;

3. fulfills the independence requirement specified in the Articles of Association;

4. is equipped with a basic knowledge of the operation of listed commercial banks, and is familiar with relevant laws, administrative regulations, rules and regulations; and is able to read, understand and analyse commercial bank's credit statistics and financial statements;

5. has more than five years of legal, economic, commercial banking or other working experience necessary for performing duties as independent non-executive directors;

6. obtains other qualifications to serve as directors specified in the Articles of Association of the Company; and

7. meets the requirements of the Hong Kong Listing Rules regarding the qualifications of independent non-executive directors.

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. directly or indirectly holds 1% or more of the voting shares of the Company or is one of the top ten individual shareholders of the Company or is a lineal relative of such individual shareholder;

3. an employee of a corporate shareholder who directly or indirectly holds 5% or more of the voting shares of the Company or is a lineal relative of such employee, or is an employee of one of the top five corporate shareholders of the Company or is a lineal relative of such employee;

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

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

6. other persons as specified by the CSRC or the CBRC;

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

3. *Major achievements of the Nomination Committee in 2017*

During the Reporting Period, the Nomination Committee of the Board duly performed the following duties in respect of evaluation of the independence of the annual work of the Independent Directors, examination and approval of the qualification of Senior Management and amendment on the terms of reference of the Committee in accordance with the Working Plan of the Nomination Committee (《提名委員會工作計劃》) formulated at the beginning of the year:

(1) Evaluation of the independence of the annual work of the Independent Directors

The Nomination Committee has reviewed the Annual Duty Report of Independent Directors for 2016 (《獨立董事2016年度述職報告》) of the six Independent 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 Independent Directors of the Company have complied with the professional standards, independently and objectively performed their duties, diligently supervised the compliance with respect to the development of the businesses and significant matters of the Company and protected the interests of all shareholders of the Company.

(2) Amendment on the Terms of Reference of the Nomination Committee of the Board (《董事會提名委員會工作細則》)

Based on the actual condition of the Company, the Nomination Committee has amended the terms in the Terms of Reference of the Nomination Committee of the Board (《董事會提名委員會工作細則》) in accordance with the Guidelines for Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) by the CBRC and the Articles of Association to strengthen and improve the responsibilities of the committee and to ensure the performance of the committee of its duties and functions. The Terms of Reference of the Nomination Committee of the Board (《董事會提名委員會工作細則》) were submitted to the Board for consideration and approval.

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

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

(4) Examination on the qualifications of the presidents of branches, presidents of SBUs, financial officers and senior executives of subsidiaries

The Nomination Committee continued to perform its duties of making decisions on selection and appointment of senior executives. The Nomination Committee considered more than 20 candidates for presidents of branches, presidents of SBU, financial officers and candidates for chairmen of the board, chairmen of the supervisory board and general managers of subsidiaries during the year.

(III) Compensation and Remuneration Committee

1. Composition of the Compensation and Remuneration Committee and meetings in 2017

On 21 November 2016, the 21st extraordinary meeting of the sixth session of the Board approved the appointment of Liu Jipeng and Li Hancheng as members of the Compensation and Remuneration Committee. From 21 November 2016 until 19 February 2017, the Compensation and Remuneration Committee of the sixth session of the Board had nine members. The chairman was Cheng Hoi-chuen and the members were Lu Zhiqiang, Liang Yutang, Wang Hang, Guo Guangchang, Wang Lihua, Han Jianmin, Liu Jipeng and Li Hancheng.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Compensation and Remuneration Committee of the seventh session of the Board was nine with Cheng Hoi-chuen as the chairman and Lu Zhiqiang, Liang Yutang, Zheng Wanchun, Wu Di, Liu Jipeng, Li Hancheng, Xie Zhichun and Peng Xuefeng as members.

The Compensation and Remuneration Committee convened four meetings, reviewed 17 proposals and received two reports in 2017. The attendance record is as follows:

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

2. *Major achievements of the Compensation and Remuneration Committee in 2017*

During the Reporting Period, according to the Terms of Reference of the Compensation and Remuneration Committee of the Board (《董事會薪酬與考核委員會工作細則》) and the annual work plan of the Board, the Compensation and Remuneration Committee focused on optimizing and refining the remuneration system of the Company, improved the consistency of incentive and constrainable measures, 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) Determination on the targets and target value of key performance indicators of Senior Management in 2017

In accordance with the Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》) of the Company, the performance remuneration of the Senior Management is pegged to their key performance indicators ("KPIs"). During the Reporting Period, based on the actual operating condition of the Company, the Compensation and Remuneration Committee of the Board considered the KPIs, weighting and target value of the Senior Management so as to establish a rational foundation for performance evaluation of the Senior Management.

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

In order to enhance the efficiency of Directors performing their duties and the decision-making of the Board, the Compensation and Remuneration Committee of the Board carried out an objective evaluation of the performance of all the Directors for 2016 during the Reporting Period. The targets of evaluation comprised all of the 18 Directors, including Shareholder Directors, Independent Non-executive Directors and Executive Directors.

(3) Assessment on due diligence of Senior Management for the year

The Compensation and Remuneration Committee of the Board assessed the due diligence of eight members of the Senior Management of the Head Office for 2016 under the authorization of the Board. The due diligence assessment of the Senior Management of the Head Office included leadership and duty performance. It facilitated a thorough understanding of the Board to the performance of Senior Management and guided them to improve their performance.

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

The Compensation and Remuneration Committee reviewed the 2016 remuneration report of Directors based on the annual performance of Directors in compliance with the provision of the Rules on Remuneration of Directors and Supervisors (《董事、監事薪酬制度》). According to the Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》) and the Administrative Measures of Venture Fund for Senior Management (《高級管理人員風險基金管理辦法》) as well as the operation indicators for 2017, the Compensation and Remuneration Committee reviewed the 2016 remuneration report of Senior Management of the Head Office appointed by the Board.

(5) Amendment of major policies including 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》)

Based on the conditions of the Company, the Compensation and Remuneration Committee has amended certain provisions in 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》) in accordance to the Guidelines for Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) by the CBRC and the Articles of Association, continued to strengthen and improve the duties of the committee, standardized and optimized working procedures and ensured the performance of the committee of its duties and functions. According to the Articles of Association and the scope of duties of the committee, the Compensation and Remuneration Committee has amended the Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》) and the Provisional Regulations on the Appraisal of Senior Management (《高級管理人員盡職考評試行辦法》)

to further improve the examination and remuneration systems, and realize the consistency of incentive and constraint measures, values and responsibilities. The above policy was submitted to the Board for consideration and approval.

(6) Determination on the pay scale of Senior Management of the Head Office

The Compensation and Remuneration Committee of the Board has considered and determined the pay scale of the Senior Management of the Company 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 Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》).

(7) Organisation of special study on compensation packages

To maintain the market competitiveness and the attractiveness of the Company's remuneration, the Compensation and Remuneration Committee of the Board visited some branches of the Company to conduct special study on compensation packages during the Reporting Period to have direct and in-depth understanding of the operation management, general remuneration and its competitiveness among its peers. The committee prepared special study report to propose effective measures to develop the uniqueness of the remuneration mechanism of the Company and to further optimize and improve the remuneration system of the Company.

(IV) Risk Management Committee

1. Composition of the Risk Management Committee and meetings in 2017

At the 16th extraordinary meeting of the sixth session of the Board held on 28 February 2016, Zheng Wanchun, the Director, was appointed as a member of the Risk Management Committee. From 28 February 2016 to 19 February 2017, the number of the members of the sixth session of the Risk Management Committee was seven with Wang Lihua as the chairman and the members were changed to Liang Yutang, Wang Yugui, Wang Hang, Guo Guangchang, Yao Dafeng and Zheng Wanchun. On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Risk Management Committee of the seventh session of the Board was five with Xie Zhichun as the chairman and Liang Yutang, Wu Di, Yao Dafeng and Song Chunfeng as members.

Major duties of the Risk Management Committee include conducting research on national macro-economic and financial policies and analyzing market changes to formulate risk management proposals for the industry and establish risk control indicator system for the Company; studying on regulations, policies and regulatory indicators issued by regulatory authorities to provide recommendations for effective implementation; conducting researches on the development strategies and risk management system of the Company to provide recommendations on the improvement of organisational structure, control procedures and risk solutions for risk management; reviewing risk monitoring indicators system and risk management information analysis report to monitor the implementation of necessary identification, measurement, supervision and control measures for operational risks carried out by the management; reviewing early-warning and prevention as well as contingency plans for major risks on operation and management of the Company; organising risk assessment for material operation issues to formulate risk prevention measures and other duties delegated by the Board of Directors.

The Risk Management Committee convened nine meetings, reviewed 13 proposals, examined and processed 33 businesses beyond risk limits of the Board and received three reports in 2017. The attendance record is as follows:

Members	**Attendance/ Number of Meetings**
Non-executive Directors	
Wu Di	8/8
Yao Dafeng	9/9
Song Chunfeng	8/8
Wang Yugui	1/1
Wang Hang	1/1
Guo Guangchang	1/1
Executive Directors	
Zheng Wanchun	1/1
Liang Yutang	9/9
Independent Non-executive Directors	
Xie Zhichun *(chairman of the committee during the Reporting Period)*	8/8
Wang Lihua	1/1

Note: On 20 February 2017, the seventh session of the Board of the Company was elected. Wang Yugui, Wang Hang, Guo Guangchang and Wang Lihua ceased to serve as Directors of the Company. Zheng Wanchun ceased to serve as member of the Risk Management Committee under the Board. Therefore, the numbers of meetings attended by Zheng Wanchun, Wang Yugui, Wang Hang, Guo Guangchang and Wang Lihua, Directors of the sixth session of the Board, and Xie Zhichun, Wu Di and Song Chunfeng, Directors of the seventh session of the Board, were less than the number of meetings convened.

2. *Major achievements of the Risk Management Committee in 2017*

In 2017, under the leadership of the Board, the Risk Management Committee continued to expand the depth and scope of risk controls while adhering to innovation and practice. The committee strengthened the supervision of the implementation of all risk policies by the regulatory departments and the Board, studied the regulations (including rules and normative documents) of the PBOC, the CBRC and the CSRC. As at the end of the Reporting Period, a total of 43 regulations were related to the risk management responsibilities of the Board, 9 of which were general regulations and 34 of which are special regulations, with a total of 222 requirements for the performance of risk management duties of the Board. To improve the effectiveness of risk management, strengthen the risk management system, to standardize the working procedures and improve the quality of policies, the Risk Management Committee prepared and issued the Regulations of the Review of Major Risk Management Systems by the Board (《董事會關於重要風險制度的審查規則》). Efforts were also made to fulfill duties including risk guidance and evaluation and to perform tasks including risk guidance, risk evaluation, risk investigation and research and risk reports. During the year, the Risk Management Committee convened nine meetings and reviewed and approved various proposals of the Company, including the Guiding Opinion on Risk Management by the Board in 2017 (《董事會2017年風險管理指導意見》), Report on Semi-annual and Annual Risk Assessment of the Board (《董事會年度、半年度風險評估報告》), Information Technology Risk Management Report in 2016 (《2016年度信息科技風險管理報告》), Administrative Measures for Continuous Operation (2017 revised edition) (《業務連續性管理辦法（2017年修訂版）》), Operational Risk Management Report in 2016 (《2016年度操作風險管理報告》), Risk Management Report of First Quarter of 2017 (《2017年1季度風險管理報告》), Resolution on Termination of Examination on Businesses Beyond Risk Limits of the Board (《關於終止審核董事會超風險限額業務的議案》), Regulations of the Review of Major Risk Management Systems by the Board (《董事會關於重要風險制度的審查規則》) and Risk Management Report of Third Quarter of 2017 (《2017年3季度風險管理報告》). The Risk Management Committee studied and reviewed the risk management report by the operation management on a quarterly basis, considered and approved the quarterly risk management report of the operation management team.

(V) Audit Committee

1. *Composition of the Audit Committee and meetings in 2017*

At the 14th extraordinary meeting of the sixth session of the Board held on 15 January 2016, Han Jianmin was appointed as the chairman of the Audit Committee. From 15 January 2016 to 19 February 2017, the number of members of the Audit Committee of the sixth session of the Board was three, with Han Jianmin as the chairman and Wu Di and Cheng Hoi-chuen as members.

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Audit Committee of the seventh session of the Board was five, with Liu Ningyu as the chairman and Tian Zhiping, Weng Zhenjie, Cheng Hoi-chuen and Peng Xuefeng as members.

As of the end of the Reporting Period, 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 were experts in finance and management. The two 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 Audit Committee is well-structured, with sufficient specialty and independence, which ensures the committee to perform its supervisory duty effectively.

The members of the Audit Committee and their profiles are set out in the section "Directors, Supervisors, Senior Management and Employees" in this report. The members of the committee are not related to each other in terms of finance, business, family or other material or relevant relations.

The Audit Committee convened eight meetings, reviewed 26 proposals and listened to three reports in 2017. The attendance record is as follows:

Members	**Attendance/ Number of Meetings**
Non-executive Directors	
Wu Di	1/1
Tian Zhiping	7/7
Weng Zhenjie	7/7
Independent Non-executive Directors	
Han Jianmin	1/1
Liu Ningyu *(chairman of the committee during the Reporting Period)*	7/7
Cheng Hoi-chuen	8/8
Peng Xuefeng	7/7

Note: On 20 February 2017, the Company elected the seventh session of the Board of Directors. Han Jianmin ceased to serve as the Director, and Wu Di ceased to serve as the member of the Audit Committee. Therefore, the numbers of meetings attended by Han Jianmin Wu Di, the Directors of the sixth session of the Board, and Liu Ningyu, Peng Xuefeng, Tian Zhiping and Weng Zhenjie, the Directors of the seventh session of the Board, were less than the number of meetings during the year.

2. *Major achievements of the Audit Committee in 2017*

(1) Internal control inspections to and work guidance for branches

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

(2) Review of financial statements of the Company

Based on the disclosure requirements of the regulatory authorities for annual financial statements and the review and disclosure plan of the Audit Committee, the Audit Committee organised the preparation and auditing of the 2016 Annual Report, and completed the review of the 2016 Report on Final Accounts, 2017 Financial Budget, 2017 Interim Financial Report, and the first and third quarterly reports of 2017 of the Company.

(3) Organisation and completion of internal control evaluation

During the Reporting Period, in accordance with the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and the supporting guidance, Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制評價指引》) and other requirements in relation to the internal control evaluation of listed companies, the Audit Committee monitored and guided the Company to comprehensively evaluate the design and operation of internal control for 2016 under the principle of comprehensiveness, significance and objectiveness. The committee enhanced the evaluation on the operating results and features of business units and the strategic enforcement of the Board, so as to comprehensively enhance the overall effectiveness of its internal control evaluation.

(4) Completion of assessment and re-appointment of external auditors

In accordance with the Articles of Association, Terms of Reference of Audit Committee (《審計委員會工作細則》), Administrative Measures on Appointment and Management of Accounting Firm (《會計師事務所聘任管理辦法》) and requirements of regulatory authorities, the Audit Committee completed the assessment regarding the auditing work of external accounting firms for 2016. According to the assessment results, the Company confirmed the re-appointment of KPMG Huazhen LLP and KPMG Certified Public Accountants as the accounting firms for the external auditing of the Company for 2017. The Audit Committee also completed the consideration and discussion on the remuneration of the external accounting firms.

(VI) Related Party Transactions Supervision Committee

1. *Composition of the Related Party Transactions Supervision Committee and meetings in 2017*

   At the 21st extraordinary meeting of the sixth session of the Board held on 21 November 2016, Xie Zhichun was appointed as a member of the Related Party Transactions Supervision Committee. From 21 November 2016 to 19 February 2017, the Related Party Transactions Supervision Committee of the sixth session of the Board consisted of six members. The chairman of the committee was Han Jianmin, and the members were Liang Yutang, Wang Junhui, Wu Di, Wang Lihua and Xie Zhichun.

   On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Board (《第七屆董事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Board, the number of members of the Related Party Transactions Supervision Committee of the seventh session of the Board was five, with Li Hancheng as the chairman and Liang Yutang, Song Chunfeng, Liu Jipeng and Liu Ningyu as members.

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

The Related Party Transactions Supervision Committee under the Board convened 8 meetings and reviewed 20 proposals in 2017. The attendance record is as follows:

Members	**Attendance/ Number of Meetings**
Non-executive Directors	
Wang Junhui	2/2
Wu Di	2/2
Song Chunfeng	6/6
Executive Directors	
Liang Yutang	8/8
Independent Non-executive Directors	
Han Jianmin	2/2
Wang Lihua	2/2
Xie Zhichun	2/2
Li Hancheng *(chairman of the committee during the Reporting Period)*	6/6
Liu Jipeng	6/6
Liu Ningyu	6/6

Note: On 20 February 2017, the seventh session of the Board of the Company was elected. Han Jiamin, Wang Junhui and Wang Lihua ceased to serve as the Directors of the Company and Wu Di and Xie Zhichun ceased to serve as members of the Related Party Transactions Supervision Committee under the Board. Therefore, the number of meetings attended by Han Jianmin, Wang Junhui, Wu Di, Wang Lihua and Xie Zhichun, the Directors of the sixth session of the Board, and Li Hancheng, Song Chunfeng, Liu Jipeng and Liu Ningyu, the Directos of the seventh session of the Board, were less than the number of meetings in the year.

2. *Major achievements of the Related Party Transactions Supervision Committee in 2017*

(1) Completion of significant integrated credit granting for related party groups

During the Reporting Period, the Related Party Transactions Supervision Committee of the Board put forward the integrated credit granting for groups. It examined the integrated credit granting for related party groups, including Fosun Group (復星集團) and Good First Group (福信集團), on a case-by-case basis, and submitted integrated credit granting exceeding its granting limit to the Board for approval, so as to enhance the efficiency of the management of related party transactions of the Company and to better control the risks.

(2) Re-organisation of list of related parties

According to the listing rules of the SSE and the Hong Kong Listing Rules, the database of related parties was maintained through regularly collecting update of data from related parties by mail, and was managed dynamically with prompt update, and effectively delivered the importance and management principles of related party transactions and internal transactions to the shareholders, Directors, Supervisors, Senior Management and subsidiaries of the Company. As such, a solid foundation was laid to enhance the management of related party transactions of the Company.

(3) Recognition and approval of related party transactions

During the Reporting Period, the Related Party Transactions Supervision Committee completed the filing, approval and disclosure of several related party transaction confirmations, related party credit granting and non-credit related party transactions.

(4) Effective management of internal transactions of the Group

During the Reporting Period, the committee revised the Administrative Measures on Internal Transactions (《內部交易管理辦法》), and the management of internal transactions remained in line with such measures with continuous standardization of supervision, review, report, control and evaluation of internal transactions.

VII. The Supervisory Board

The Supervisory Board 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 Supervisory Board shall be accountable for the general meetings.

(I) Composition of the Supervisory Board

On 20 February 2017, the change of session of the Supervisory Board of the Company was completed. After elections by the general meeting of the Company and meeting of the representatives of employees, the seventh session of the Supervisory Board of the Company comprised nine members, including three Shareholder Supervisors, three External Supervisors and three Employee Supervisors. The three External Supervisors are all experts in finance and management; the three Shareholder Supervisors are key persons in charge of renowned companies in China with extensive management experience and sufficient knowledge in finance and accounting; and three Employee Supervisors have been engaged in policy analysis and banking operation and management for a long time, possessing extensive professional experiences.

The Supervisory Board is well-structured, with high degree of specialty and independence, which ensures that the Supervisory Board brings its supervisory functions into full play.

The list of Supervisors and their profiles are set out in the section "Directors, Supervisors, Senior Management and Employees" of this report. The members of the Supervisory Board are not related to each other in terms of finance, business, family or other material or relevant relations.

(II) The functions and duties of the Supervisory Board

According to the Articles of Association, the Supervisory Board of the Company shall exercise the following rights:

1. to review the regular reports of the Company prepared by the Board and propose opinions on the reports in writing;

2. to examine financial activities of the Company and may (if necessary) engage another accounting firm to conduct independent auditing on financial status in the name of the Company;

3. to oversee the compliance of Directors, President, 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 they breach any applicable laws, administrative regulations, the Company's Articles of Association or resolutions of general meetings;

5. to conduct auditing over the issues in connection with the operation and decision making, risk management and internal control of the Company as and when necessary;

6. to make a departure auditing, if required, in respect of any resigning director or member of Senior Management;

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

8. to propose to convene extraordinary general meetings, and, if the Board fails to convene or chair such a meeting as required under the Company Law of the PRC, to convene or chair the general meetings;

9. to propose to convene an extraordinary board meeting and submit proposals to the general meeting;

10. to file lawsuits against Directors and members of Senior Management according to Article 152 of the Company Law of the PRC;

11. to investigate any irregularities in the operations of the Company and, if necessary, may engage accounting firms, law firms or other professional firms to assist its work at the costs of the Company; and

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

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

(III) The Supervisory Board meetings and contents of resolutions

During the Reporting Period, five meetings have been held by the Supervisory Board of the Company. The details are as follows:

Meetings	Date	Publication	Date of Disclosure
1st meeting of the seventh session of the Supervisory Board	20 February 2017	Shanghai Securities News, China Securities Journal and Securities Times	21 February 2017
2nd meeting of the seventh session of the Supervisory Board	30 March 2017	Shanghai Securities News, China Securities Journal and Securities Times	31 March 2017
3rd meeting of the seventh session of the Supervisory Board	26 April 2017	Exempt from announcement in accordance with relevant provisions	
4th meeting of the seventh session of the Supervisory Board	28 August 2017	Exempt from announcement in accordance with relevant provisions	
5th meeting of the seventh session of the Supervisory Board	30 October 2017	Exempt from announcement in accordance with relevant provisions	

The Supervisory Board of the Company reviewed and approved 10 proposals of the Company, including the 2016 Annual Report, First Quarterly Report, Interim Report and Third Quarterly Report for 2017, 2016 Working Report of the Supervisory Board, Performance Assessment Report of Directors and Supervisors for 2016 by the Supervisory Board, and the election of the Chairman and Vice Chairman of the seventh session of the Supervisory Board and the members of the special committees of the seventh session of the Supervisory Board at the above meetings. During the Reporting Period, the Supervisory Board had no objection towards the supervised matters.

(IV) The attendance record of Supervisors of the Company at meetings of the Supervisory Board in 2017

Supervisors	Attendance/ Number of meetings
Zhang Juntong	5/5
Wang Jiazhi	5/5
Guo Dong	5/5
Wang Hang	5/5
Zhang Bo	5/5
Lu Zhongnan	5/5
Wang Yugui	4/5
Bao Jiming	5/5
Cheng Guoqi	5/5

(V) The attendance record of Supervisors of the Company at general meetings in 2017

The following table sets out the attendance of Supervisors of the Company at the general meetings in 2017:

Supervisors	Attendance/ Number of meetings
Zhang Juntong	1/1
Wang Jiazhi	2/2
Guo Dong	2/2
Wang Hang	1/1
Zhang Bo	1/1
Lu Zhongnan	2/2
Wang Yugui	1/1
Bao Jiming	1/1
Cheng Guoqi	1/1
Duan Qingshan	1/1
Zhang Ke	1/1
Zhang Disheng	1/1
Wang Liang	1/1

Note: On 20 February 2017, the seventh session of the Supervisory Board of the Company was elected. Duan Qingshan, Zhang Ke, Zhang Disheng and Wang Liang ceased to serve as the Supervisors of the seventh session of the Supervisory Board. Therefore, the number of meetings attended by Duan Qingshan, Zhang Ke, Zhang Disheng and Wang Liang, the Supervisors of the sixth session of the Supervisory Board, and Zhang Juntong, Wang Hang, Zhang Bo, Wang Yugui, Bao Jiming and Cheng Guoqi, the Supervisors of the seventh session of the Supervisory Board, were less than the number of meetings in the year.

VIII. Special Committees under the Supervisory Board

The Supervisory Board of the Company has a Nomination and Examination Committee and a Supervisory Committee. Members, rights and functions of such committees and their works in 2017 are as follows:

(I) Nomination and Examination Committee

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Supervisory Board of the Company (《關於公司第七屆監事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Supervisory Board, the number of members of the Nomination and Examination Committee of the seventh session of the Supervisory Board was seven with Wang Yugui as the chairman and Zhang Juntong, Wang Hang, Zhang Bo, Lu Zhongnan, Bao Jiming and Cheng Guoqi as members.

The major duties of the Nomination and Examination Committee under the Supervisory Board include: making recommendations to the Supervisory Board on the size and composition of the Supervisory Board; reviewing standards and procedures for election of Supervisors and making recommendations to the Supervisory Board; extensively identifying qualified candidates for Supervisors or accepting recommendations on candidates of Supervisors by other persons as authorized under the Articles of Association; carrying out preliminary examination on qualification and conditions of the candidates of Supervisors nominated by shareholders and making recommendations; supervising the selection and appointment processes of Directors; supervising and evaluating the performance of Directors, Supervisors and members of Senior Management during the year; studying and formulating remuneration policy and budget of Supervisors and submitting reports to the general meeting for approval after being considered and approved by the Supervisory Board; ensuring the remuneration management system and policy of the Company and the remuneration plan of Senior Management are efficient and reasonable; conducting departure auditing in respect of Senior Management when necessary; formulating training plans and organising training activities for Supervisors; and performing other duties conferred by the Supervisory Board.

During the Reporting Period, the Nomination and Examination Committee under the seventh session of the Supervisory Board convened three meetings and reviewed four proposals. The attendance record of each member is as follows:

Members	**Attendance/ Number of meetings**
Nomination and Examination Committee under the seventh session of the Supervisory Board	
Wang Yugui *(chairman of the committee during the Reporting Period)*	3/3
Zhang Juntong	3/3
Wang Hang	3/3
Zhang Bo	3/3
Lu Zhongnan	3/3
Bao Jiming	3/3
Cheng Guoqi	3/3

During the Reporting Period, based on the work plan of the Supervisory Board, the Nomination and Examination Committee under the seventh session of the Supervisory Board actively performed its duties and functions conferred by the Articles of Association and the Terms of Reference of Nomination and Examination Committee under the Supervisory Board (《監事會提名與評價委員會工作細則》). It carried out the performance appraisal, reviewed and approved the remuneration distribution plan for the Supervisors and organised and arranged training programs for Supervisors. All tasks in 2017 were successfully completed and the functions of the committee were performed in a relatively effective way. The major achievements of the Nomination and Examination Committee under the Supervisory Board in 2017 are as follows:

1. *Carrying out performance appraisal*

   During the Reporting Period, the Nomination and Examination Committee carried out performance appraisal of the Board, Directors, Supervisors, Senior Management and senior executives in 2016. During the year, the committee reviewed and supervised the performance of Directors and members of Senior Management through different ways on a regular and on-going basis, including attending meetings of the Board as non-voting delegates and Senior Management, reviewing meeting minutes of the Board, examining the meeting documents of the Board and the Senior Management and refined the performance supervision files of Directors. The committee circulated a supervision report on the statistics and appraisal of performance of Directors for the first half of the year to remind them to pay attention to their performance. The committee carried out the annual performance appraisal of Directors, Supervisors and Senior Management based on the supervision information of performance during the year. The committee also formulated the Performance Appraisal Report on the Board of Directors and Directors in 2016 (Draft) (《2016年度董事會及董事履職評價報告(草案)》) and the Performance Appraisal Report on Supervisors in 2016 (Draft) (《2016年度監事履職評價報告(草案)》).

2. *Discussing and approving supervisors' remuneration distribution plan*

In accordance with the Articles of Association, the duties of the Nomination and Examination Committee of the Supervisory Board include discussing and formulating remuneration policy plans for supervisors. During the Reporting Period, the Nomination and Examination Committee conducted review and examination of the remuneration distribution in 2016 based on researches and submitted the results to the Supervisory Board for consideration, approval and disclosure along with the 2016 Annual Report.

3. *Organising training programs for Supervisors*

During the Reporting Period, the Nomination and Examination Committee arranged Supervisors to participate in the training courses for directors and supervisors sponsored by the CSRC, Beijing Branch. The committee also invited the industry experts to hold special training programs for Supervisors on hot issues of domestic economic development, regulatory policies, business operation of the Company and the duties of Supervisory Board in order to enhance competence and skills of Supervisors.

(II) Supervisory Committee

On 20 February 2017, according to the Resolution on the Composition of the Special Committees of the Seventh Session of the Supervisory Board of the Company (《關於公司第七屆監事會專門委員會組成成員的決議》) approved at the first meeting of the seventh session of the Supervisory Board, the number of members of the Supervisory Committee of the seventh session of the Supervisory Board was seven, with Zhang Juntong as the chairman and Wang Jiazhi, Guo Dong, Wang Hang, Lu Zhongnan, Wang Yugui and Cheng Guoqi as members.

The major duties of the Supervisory Committee under the Supervisory Board include: formulating proposals on the examination and supervision on the financial activities of the Company; formulating proposals on the examination and supervision on the operational decisions, risk management and internal control of the Company; evaluating the compliance and implementation of significant decisions of the Company; organising visits, researches, and investigations on business units of the Company and supervising the rectification of relevant deficiencies; carrying out specific investigation on key projects as required by regulatory authorities and submitting investigation report in a timely manner; and performing other duties conferred by the Supervisory Board.

During the Reporting Period, the Supervisory Committee under the seventh session of the Supervisory Board convened 10 meetings and reviewed 10 proposals. The attendance record of each member is as follows:

Members	**Attendance/ Number of Meetings**
Supervisory Committee under the seventh session of the Supervisory Board	
Zhang Juntong *(chairman of the committee during the Reporting Period)*	10/10
Wang Jiazhi	10/10
Guo Dong	10/10
Wang Hang	10/10
Lu Zhongnan	10/10
Wang Yugui	9/10
Cheng Guoqi	10/10

During the Reporting Period, based on the work plan of the Supervisory Board, the Supervisory Committee under the seventh session of the Supervisory Board actively performed the duties and functions conferred by the Articles of Association and the Terms of Reference of Supervisory Committee under the Supervisory Board (《監事會監督委員會工作細則》). The Supervisory Committee carried out supervision in a prudent manner, assisted the Supervisory Board in completing major researches and enhanced financial, risk and internal control supervision. Through carrying out special investigation and other tasks, the committee duly performed its duties. The major achievements of Supervisory Committee under the Supervisory Board in 2017 are as follows:

1. *Organising and conducting major researches*

   During the Reporting Period, according to the supervisory requirements and the development of the Company, the Supervisory Committee assisted the Supervisory Board in completing several major researches, including researches on the establishment and management of overall risk management system, the consolidation management of the Group, operating and development of branches, compliance of business operation and the development and effect of electronic bill business. For the overall risk management structure, the consolidation management of the Group, the development of electronic bill business and the deficiencies of the development and operation management, opinions and recommendations were provided as references to further improve the management mechanism of overall risk, the consolidation management of the Group and facilitate the healthy development of compliance of business operation.

2. *Reinforcing financial monitoring*

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

3. *Strengthening monitoring of risks*

The Supervisory Committee thoroughly reviewed its supervisory duties in accordance with the regulatory rules and requirements and further refined its supervision measures based on the situation of the Company. Emphasis was put on the supervision of general risks management, management of specific risks and material risks. The committee provided effective advices and suggestions for decision-making of operation. In respect of the general risk management of the Company, the committee provided more than 20 advices and suggestions concerning the enhancement of general risk management, modification of risk awareness and effective risk prevention. The committee indicated the importance of general risk management and compliance management in management of consolidated financial statements. In addition, the Supervisory Committee paid close attention to credit risk management and conducted on-site investigation on the asset quality and operation of various branches. The committee submitted 9 investigation reports to the Supervisory Board and proposed improvement of asset recovery management and disposal of NPLs.

4. *Emphasizing supervision of compliance for internal control*

The Supervisory Committee strengthened synergy between external and internal supervision and put great efforts in supervision and inspection of the internal control and compliance management in accordance with financial policies and regulatory requirements of the government. Firstly, the committee received regular work reports from internal audit department and internal control and compliance department and made proposals on the improvement of duties and business process for key risk exposure, risk prevention and accountability management. Secondly, the committee strengthened its supervision on the implementation of rectification measures. In respect of the problems identified by internal and external audits, the committee established a supervision system to receive regular reports on the progress and follow-ups of rectification works, in an aim to promote the implementation and improve the sense of compliant operation. Thirdly, the committee exerted efforts in investigation and inspection on the internal control of branches. Investigation teams conducted on-site investigation on compliant operation at branches and attended briefings on internal control evaluation, so as to understand the business development, compliant operation and event prevention of front line operating entities. The relevance and effectiveness of supervisions were therefore enhanced.

5. Actively conducting special researches and investigations

In response to the situation and challenges that the Company faced, the committee conducted researches and investigation on selected hot sector and issues such as the transformation of business models and Internet finance. Through visits to Shanghai Commercial Paper Exchange Corporation Ltd. and financial service companies, the committee was able to understand the business model and development prospects of electronic instruments and prepared the Research Report on the Development and Impact of Electronic Bill Business (《電子票據業務發展與影響調研報告》) and made advices and suggestions for the development of bill business of the Company.

IX. The Decision-making System of the Company

The highest authority of the Company is the general meeting, which manages and supervises the operations of the Company through the Board of Directors and the Supervisory Board. The President is appointed by the Board of Directors and is fully responsible for the daily operations and management of the Company. The Company adopts a single-level legal person system. Branches are all non-independent accounting entities, operating under the authorization of the Head Office and reporting to the Head Office.

The Company has no controlling shareholders and is completely independent from its major shareholders in terms of business, personnel, assets, organisations and finance. The Company maintains independence and integrity in managing its own businesses and operations, and its Board, the Supervisory Board and internal departments also operate independently.

X. Establishment and Implementation of the Performance Evaluation and Incentive Mechanism for the Senior Management

In accordance with the Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》), the performance remuneration of the Senior Management is pegged to their KPIs and the results of their annual due diligence appraisal. With reference to the 2017 Financial Budget Report (《2017年度財務預算報告》), the Compensation and Remuneration Committee under the Board set the benchmarks of the KPIs for 2017 and the Board determined the annual performance remuneration of Senior Management based on the six KPI results, such as net profit, and the results of their due diligence appraisal. In accordance with the regulatory requirements, the Company has set up venture funds for Senior Management since 2009, which were accrued by a certain proportion from Senior Management's performance remuneration on a yearly basis.

(I) Remuneration policy for Senior Management of the Company

The remuneration policy for Senior Management of the Company is implemented to facilitate the accomplishment of development strategies and business objectives, and at the same time reflects the principles of human resources management strategy and guidelines of the Company. The Company evaluated performance on the basis of the operating results of Senior Management so as to encourage the Senior Management to press ahead along with the Company. The Company formulated a fair and coherent remuneration policy for

Senior Management with reasonable structure and market competitiveness; set up incentive and discipline mechanism for Senior Management with simpler and clearer classification, assessment procedures and duties and performance management system; and determined remuneration of Senior Management according to their duties, capability and contribution to operating results.

(II) Remuneration policy for Directors of the Company

The Company paid remuneration to all Directors in accordance with the Rules on Remuneration of Directors and Supervisors of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事、監事薪酬制度》). The remuneration of Directors comprises annual fee, allowances for special committees, reimbursement for attending meetings and reimbursement for research and investigation.

XI. Information Disclosure and Investor Relations

(I) Information disclosure

The Company discloses its information in strict compliance with the regulations of the securities regulatory authorities, and publishes all sorts of regular reports and interim 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 57 interim announcements on the SSE. The Company also published 123 information disclosure documents both in Chinese and English, including 45 overseas regulatory announcements on the SEHK. The Company published its first Environmental, Social and Governance Report in compliance with the new requirements of the SEHK.

During the Reporting Period, the Company regulated the information disclosure of the Group in accordance with regulatory requirements and based on the needs of internal management. The Company reviewed and revised the Information Disclosure Management System (《信息披露事務管理制度》), Major Information Internal Reporting System (《重大信息內部報告制度》), Accountability System for Material Errors in Annual Report Disclosure (《年報信息披露重大差錯責任追究制度》) and Rules for Preparing Regular Report (《定期報告編製規程》) and also formulated the Administrative Measures on Suspension and Exemption of Information Disclosure (《暫緩與豁免信息披露管理辦法》).

(II) Investor relations

In respect of investor relations management, the Company adhered to its strategic targets and put great emphasis on its market positioning. The Company regularly held results presentations and actively participated in large-scale investment strategy seminars, so as to show the latest results and potential of the Company to investors.

The website of the Company, investor hotlines, investor journals and investment strategy conference with securities companies served as effective and smooth communication channels between the Company and investors. During the Reporting Period, the Company had organised three performance conferences. The Company also organised investor briefing session regarding profit distribution for the year 2016 on the roadshow platform on China Securities Website (中證網) through Internet interaction to respond to investors' inquiries in relation to profit distribution plan for the year 2016. With proactive efforts to establish communication with domestic and overseas major institutional investors, the Company took part in 10 major institutional investment strategy seminars held by domestic and overseas investment banks or securities firms and received more than 50 research visits by investment institutions and 85 visits by investors, meeting a total of 350 persons. Through these communication channels, the Company promoted its operating results, development strategies and transformation to the capital market and achieved great recognition from domestic and overseas institutions.

To safeguard the rights and interests of minority shareholders, the Company published 8 special issues of The Investors. The Company also received 135 calls from investors and responded to their concerns regarding the fluctuations of stock price, dividend distribution, asset quality and other hot issues. The Company also answered 104 questions from investors through the Internet platform of E-interaction at the SSE (上證e互動) platform and the market response was encouraging.

During the Reporting Period, the Company received wide market recognition for its efforts in information disclosure and investor relations. The Company won the award of "Listed Company with Best Investment Potential" at the Seventh Hong Kong Golden Bauhinia Awards ceremony. The annual report of the Company was awarded silver award of 2016 Annual Report from League of American Communications Professionals (LACP) and ranked top 40 Chinese annual report in 2016. The annual report of the Company was also awarded various honours including "Bronze Award of Chairman's Letter" and "Excellent Cover Design of Annual Reports" in the selection of annual report organised by the ARC.

XII. Amendments to Articles of Association in 2017

During the Reporting Period, the first extraordinary general meeting of the Company for 2017 considered and approved the Resolution on the Amendments to the Articles of Association of China Minsheng Banking Corp., Ltd. (《關於修訂<中國民生銀行股份有限公司章程>的決議》). The Company therefore amended various provisions including the composition and terms of reference of the Board and the Supervisory Board based on the actual situation and regulatory rules. Please refer to the announcement dated 30 December 2016 and the circulars dated 24 January 2017 in relation to the first extraordinary general meeting for 2017, the first A share class meeting for 2017 and the first H share class meeting for 2017 of the Company published on the website of the Company (www.cmbc.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) for details of the amendments. The amended Articles of Association are still subject to approval by the CBRC.

XIII. Continuous Professional Development Training of Directors

All Directors of the Company abided by their obligations and duties in the Company and kept abreast of the business operation and development of the Company. The Company encouraged its Directors to take part in various continuous professional development programs for the improvement and enhancement of their knowledge and expertise. The Directors, Yao Dafeng, Song Chunfeng, Weng Zhenjie, Cheng Hoi-chuen, Li Hancheng and Xie Zhichun, attended the briefing sessions and training programs of business organised by the Company and financial or corporate governance trainings and seminars organised by professional institutions and studied the relevant publications. The Vice Chairmen of the Board, Lu Zhiqiang and Liang Yutang, and the Directors, Shi Yuzhu and Tian Zhiping, attended the briefing session and training programs of business organised by the Company and financial or corporate governance seminars organised by domestic and overseas professional institutions. The Vice Chairman of the Board, Liu Yonghao, and the Directors, Wu Di and Peng Xuefeng, attended the briefing sessions and training programs of business organised by the Company and studied the relevant publications, and the Chairman, Hong Qi, the Vice Chairman, Zhang Hongwei, and the Directors, Zheng Wanchun, Liu Jipeng and Liu Ningyu, studied relevant publications.

XIV. Training of Company Secretaries

During the financial year ended 31 December 2017, both Fang Zhou and Wong Wai Yee, Ella, the Joint Company Secretaries, had attended no less than 15 hours of relevant professional trainings organised by the SSE, the SEHK or 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 Joint Company Secretary. Mr. Wang Honggang, the Representative of Securities Affairs of the Company, is the primary contact person of the Company.

XVI. Compliance with the Corporate Governance Code Set Out in Appendix 14 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 Supervisory Board and the management team and maintained an effective internal control management system. In compliance the Law on Commercial Banks of the PRC (《中華人民共和國商業銀行法》), Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and other laws and regulations and regulatory rules, the Company established and effectively implemented comprehensive internal control policies and evaluated their effectiveness.

The Board has entrusted the Audit Department of the Company to evaluate the effectiveness of internal control. The Audit Department conducts preliminary identification of internal control deficiencies in accordance with the deficiency identification standards, and gives rectification requirements to the evaluated departments and carries out follow-up measures on the rectification. In respect of major deficiencies in internal control, the Audit Department communicates and confirms with the Senior Management of the Company, and suggests improvement measures. For major issues identified in the audit and the decisions of the Senior Management on whether rectification measures should be taken, the Audit Department reports to the Audit Committee which shall make the final decision on major control deficiencies and hold the relevant units or persons responsible.

The Board has entrusted the Audit Department of the Company to evaluate the effectiveness of the internal control of the Company as of 31 December 2017, being the benchmark date of self-evaluation report on internal control, based on both daily and specialized supervision of internal control. The Audit Department issued the Self-evaluation Report of Internal Control for 2017 of China Minsheng Banking Corp., Ltd. (《中國民生銀行2017年度內部控制評價報告》), according to which, no material defects were found in the internal control on financial and non-financial reports. For details of the Self-evaluation Report of Internal Control for 2017 of China Minsheng Banking Corp., Ltd., please visit the Company's website (www.cmbc.com.cn) and the website of the SSE (www.sse.com.cn).

KPMG Huazhen LLP engaged by the Company has conducted review and issued the Auditor's Report on Internal Control of China Minsheng Banking Corp., Ltd. for 2017 (《中國民生銀行2017年度內部控制審計報告》) which confirmed that the Company maintained effective internal control of financial report in all material aspects as of 31 December 2017 in accordance with the relevant regulations, and no material defect was identified in all material aspects of internal control on non-financial items. For details of the Auditor's Report on Internal Control of China Minsheng Banking Corp., Ltd. for 2017, please visit the Company's website (www.cmbc.com.cn) and the website of the SSE (www.sse.com.cn).

XVIII. Risk Management

(I) Implementation of Guidelines on Risk Management by the Board in 2017

The Guidelines on Risk Management by the Board of Directors in 2017 of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會2017年風險管理指導意見》) (the "2017 Guidelines") is a strategic guiding document for risk management for the Board of the Company and an important document for the culture of risk and compliance management of the Company. The main contents of the 2017 Guidelines include: assessment on the economic trends, major problems in business development and operation management, guiding opinion and risk appetite, opinion on risk management and implementation requirements.

According to the 2017 Guidelines, the management is required to formulate strategies and plans based on risk management targets set by the Board and coordinate, promote and implement such strategies and plans. The Risk Management Committee under the Board is responsible for the guidance and supervision of the implementation of the 2017 Guidelines, carrying out regular (interim) assessment on the risk management of the Company and the implementation of the 2017 Guidelines. The Risk Management Committee under the Board also kept abreast of the risk management status of the Company and major issues in the implementation of the 2017 Guidelines through conducting special research and investigation and reviewing relevant reports and documents. The Risk Management Committee under the Board identified risks, made recommendation on rectification measures and put suggestion forwards on the decision-making regarding risk management of the Board through various methods including issuing risk warning letters and risk management rectification notices and implementing accountability system.

(II) Guidelines on Risk Management by the Board in 2018

In order to strengthen its comprehensive risk management and its capability to cope with new risks and challenges, the Risk Management Committee under the Board of the Company formulated the Guidelines on Risk Management by the Board of Directors in 2018 (《董事會2018年風險管理指導意見》) (the "2018 Guidelines").

The 2018 Guidelines specifies principles of risk management, risk management objectives, strategies of risk management, overall risk management and management of specified risks based on the development strategies formulated by the Board, regulatory requirements and risk management situation of the Company. The 2018 Guidelines also specifies the responsibilities of the "three lines of defense" for risk management. The 2018 Guidelines mainly contains the guiding principles and objectives, key points of tasks and implementation requirements of risk management works.

The 2018 Guidelines formulated by the Board of the Company have embarked on the top-level design of risk management for commercial banks, optimized the risk management system with the Board as the core and strengthened the risk management duties of the Board, and further improved the efficiency of risk management of the Board and provided important guarantee to strengthen risk control capacity, push forward the execution of the development strategies of the Board and transformation of the Company, so as to achieve safe and stable operation and sustainable development of the Company.

The Board is committed to establishing an effective risk management and internal control systems and has the ultimate responsibilities for the risk management, internal control and compliance 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 eliminating the risks preventing 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 misstatement or loss.

(III) Procedures for identification, evaluation and management of material risks

The Risk Management Committee of the Board is responsible for the research and evaluation of risk management of the Company. According to the risk profile and risk management of the Company as well as the implementation progress of 2018 Guidelines, the Office of the Risk Management Committee of the Board organises risk assessment on regular basis (once every half year) or based on the needs of risk management, and submits the risk assessment report to the Risk Management Committee of the Board, which will be an important basis for decision-making on risk management of the Board. In addition, the Risk Management Committee of the Board keeps abreast of the risk management of the Company through various forms such as special risk investigation, risk inspection, studies of relevant information and organisation of seminars and presentations. Through issuing risk alerts and risk management rectification notices, organising meetings and interviews and implementing accountability system, opinions of the Board on risk management are circulated to the management in order to reveal the major issues of risk management.

(IV) Procedures and internal controls for the handling and dissemination of inside information

In accordance with its information disclosure management system, the Company has adopted control measures to monitor its business and corporate development and events, including insider registration and management pursuant to the Rules for Insider Registration and Management (《內幕信息知情人登記管理規定》) formulated by the Company. All departments, branches (sub-branches), subsidiaries of the Company shall submit written reports to the Office of the Board of the Company before disclosure of inside information. They shall also submit and supplement the information of insiders and report to the regulatory authorities in accordance with relevant regulations. Internal investigation shall be conducted on trading of shares and derivatives of the Company by insiders. In case of discovery of any insider transaction, inside information leakage or suggestion to other parties to use inside information for transaction, relevant parties shall be held accountable, and the relevant situation and results shall be timely reported to regulatory authorities. If any inside information of the Company is circulated in the market before being disclosed in accordance with laws resulting in abnormal change in the share price of the Company, the Board Secretary of the Company shall promptly report to the Board so that the Company can timely clarify and report to regulatory authorities.

Chapter 7 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 "2017 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

The audited profit after taxation of the Company for 2017 was RMB48,619 million, of which net profit for the first half of the year was RMB27,526 million. A cash dividend of RMB4,378 million, or RMB1.20 for every 10 shares, was distributed as in the interim profit distribution plan. The net profit for the second half of 2017 was RMB21,093 million. The profit distribution plan for the second half of 2017 is proposed as follows:

According to the relevant requirement, 10% of the net profit of the Company for the second half of 2017, being RMB2,109 million, was allocated to the statutory surplus reserve. A general provision for risks of RMB1,038 million was made at a rate of 1.5% of the balance of the risky assets as at the end of December 2017. The profits distributable to shareholders as at the end of December 2017 was RMB158,189 million.

According to relevant provisions of the Articles of Association of the Company in respect of profit distribution, having considered various factors including the capital adequacy ratio required by the regulatory authorities and the sustainable development of the Company, the Company proposed to distribute to holders of A shares and holders of H shares whose names appear on the registers as at the record dates a cash dividend of RMB0.30 (tax inclusive) for every 10 shares being held and 2 bonus shares for every 10 shares. Based on the number of shares of the Company in issue, being 36,485 million shares, as at 31 December 2017, the total cash dividend is RMB1,095 million and the total number of bonus shares is 7,297 million shares. The cash dividend will be denominated and declared in RMB, and will be paid in RMB to the holders of A shares and in Hong Kong dollar to holders of H shares. The actual amount of dividend to be paid in Hong Kong dollars shall be calculated based on the benchmark exchange rate of RMB against Hong Kong dollars on the day of the annual general meeting as announced by the PBOC.

The cash dividend and the bonus shares are expected to be paid to holders of H shares on 27 July 2018.

The Company is currently under strategic transformation, and the retained earnings are mainly used to promote the implementation of the strategic transformation as well as the improvement and adjustment of business structure in order to continuously strengthen the Company's risk resistance ability.

The Independent Non-executive Directors of the Company have expressed their view that they agree with the Profit Distribution Plan of the Company for the Second Half of 2017 considered and passed at the seventh meeting of the seventh session of the Board of the Company, and agree to propose such resolution to the 2017 Annual General Meeting of the Company for consideration. The Company is currently under strategic transformation, and the retained earnings are mainly used to promote the implementation of the strategic transformation as well as the improvement and adjustment of business structure in order to continuously strengthen the Company's risk resistance ability. They are of the view that, the above profit distribution plan of the Company is in line with the actual conditions of the Company with both the interests of the Company and its shareholders taken into consideration, and has complied with relevant laws, regulations and the Articles of Association, which they think is beneficial to the sustainable, stable and healthy development of the Company.

The formulation and implementation of the cash dividend policy by the Company are in compliance with the stipulations of the Articles of Association and the requirements stated in the resolutions approved by the general meeting of the Company. The basis and proportion of profit distribution are clearly specified. Effective determination and approval procedures and mechanisms are in place. The said distribution has been examined and approved by the Independent Non-executive Directors. Legitimate rights and interests of minority shareholders are well protected by being entitled to attend general meetings to exercise their voting rights and make proposals or enquiries on the operations of the Company.

Taxation

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) 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 (《關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知》) (the "Notice") issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual shareholders of H Shares whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

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. Below are relevant taxation policies:

- Shanghai-Hong Kong Stock Connect: Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知（財稅[2014]81號）》), for dividends received by domestic individual investors from investing in H shares listed on the SEHK through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the SEHK through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

- Shenzhen-Hong Kong Stock Connect: Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知（財稅[2016]127號）》), for dividends received by domestic individual investors from investing in H shares listed on the SEHK through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the SEHK through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Shareholders are suggested to consult their tax consultants regarding the tax impacts in China, Hong Kong and other countries (regions) for holding and selling the Company's H Shares.

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

(Unit: RMB million)

	2017	2016	2015
Cash dividends	**5,473**	10,216	8,574
Net profit attributable to equity shareholders of the Company	**49,813**	47,843	46,111
Cash dividend payout ratio (%)	**10.99**	21.35	18.59

VII. Cash Dividends Policy of the Company

According to Article 298 of the Articles of Association, the distribution of profits of the Company emphasizes on reasonable investment returns to investors and shall be sustainable and stable. The Company shall distribute dividends in profit-making years. To the extent that the normal working capital requirement is fulfilled, the Company shall distribute dividends primarily in cash. The profit distributed in the form of cash dividends for each year shall not be less than 10% of the distributable profit attributable to ordinary shareholders 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 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 amended profit distribution policy shall not violate the relevant requirements of regulatory authorities of the place where the Company is listed. Any proposal regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Directors and the Supervisory Board and, after consideration by the Board, be proposed to the general meeting of the Company for approval. Any proposal regarding the adjustments to the Company's cash dividend policy shall be approved by more than two-thirds of the votes of the shareholders attending the general meeting of the Company. Online voting shall be provided when such proposal is voted on a general meeting.

The profit distribution policy of the Company complies with the Articles of Association and procedures of consideration. The policy is intended to fully protect the legal interests of minority shareholders with clearly specified criteria and proportion of profit distribution. The conditions and procedures of adjustment or change to the profit distribution policy are in compliance with the relevant requirements and principle of transparency.

VIII. Substantial Shareholders

For details of substantial shareholders of the Company, please refer to "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 securities of the Company as at 31 December 2017, 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 2017 annual financial statements of the Company had been audited by KPMG Certified Public Accountants in accordance with the IFRS. Standard unqualified auditors' report had been issued accordingly.

XI. Pre-emptive Rights

Pre-emptive rights are not prescribed in the Articles of Association and the Company Law of the PRC, and the Company is not required to issue new shares to the current shareholders based on the holding proportion of the shareholders. In accordance with the Articles of Association, the Company may increase its capital by public offering of ordinary shares, issuance of ordinary shares to its existing shareholders, distribution of new ordinary shares to its existing shareholders, private placing of ordinary shares, conversion of preference shares to ordinary shares, and any other methods permitted by the applicable laws and administrative regulations. There is no compulsory rule in relation to pre-emptive rights in the Articles of Association.

XII. Charity and Other Donations

As at the end of the Reporting Period, the total amount of charitable donations of the Group was RMB177 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.

Details of retirement benefits provided by the Company to its employees during the Reporting Period are set out in Note 33 (2) to the Financial Statements, respectively.

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 maximize the value and return. In 2017, there was no significant or material disputes between the Group and its customers.

XVII. Interests of Directors and Supervisors in Major Contracts

The Directors and Supervisors of the Company had no material interests in any major contracts entered into by the Company or its subsidiaries during the Reporting Period.

XVIII. Protection of Rights and Interests of Consumers

During the Reporting Period, the Strategic Development and Investment Management Committee under the Board of the Company considered the summary of protection of rights and interests of consumers in 2016 and special report on the plan for protection of rights and interests of consumers for 2017 prepared by the management team. It instructed the management team to duly protect the rights and interests of consumers so as to ensure the effective operation of the mechanism of protection of rights and interests of consumers of the Company.

Under the guideline of caring for the well-being of the people and serving the people, the Consumer Protection Committee of the Company promoted the protection of rights and interests of consumers in an orderly manner. Firstly, in respect of system development, it refined the overall system structure, and improved special systems for key areas such as financial education and emergency response. Secondly, in respect of system mechanism, a consumer protection center was set up in the Head Office of the Company to promote the mechanism of joint meetings, regular reporting, internal appraisal and special audit, in order to facilitate the orderly consumer protection works. Thirdly, in respect of product and service management, the committee carried out a comprehensive management of product and services risks in each of processes and developed a high-quality customer service system. Fourthly, in respect of financial education, the Company held all the special publicity events planned by regulatory authorities and organised its own featured publicity events, which achieved synergy effect and satisfying results. Fifthly, in respect of complaint handling, the Company further optimized the complaint handling procedures, adopted stricter complaint accountability and strengthened complaint data analysis, which continuously improved the complaint management of the Company regarding system development, team building, problem solving and other aspects.

Chapter 8 Report of the Supervisory Board

I. Meetings of the Supervisory Board and Special Committees

During the Reporting Period, a total of five, ten and three meetings were convened, respectively, by the Supervisory Board, the Supervisory Committee and the Nomination and Examination Committee. 18 resolutions were considered and approved at these meetings to adopt the working reports of the Supervisory Board for 2016, 2016 Annual Report and its Summary and Internal Control Evaluation Report for 2016. In addition, 14 reports in respect of the blueprint planning and implementation of the Phoenix Project, establishment and operation of the comprehensive risk management system, management of liquidity risks, management of consolidated financial statements of the Group and remuneration management system and policies of the Bank were reviewed. The average personal attendance of meetings of the Supervisory Board, the Supervisory Committee and the Nomination and Examination Committee were 98%, 97% and 100%, respectively.

II. Performance of the Supervisory Board

During the Reporting Period, to pursue core work of the strategic transformation under the Phoenix Project, the Supervisory Board made clear its responsibilities and position and strove to improve the governance philosophy in accordance with relevant laws and regulations, supervisory requirements of the state and the Articles of Association of the Bank. The Supervisory Board also enhanced its supervision and adopted various means of supervision to sufficiently, efficiently and independently perform its duties of corporate governance so as to ensure the healthy development of the Bank in compliance of relevant requirements.

Supervision of performance. In view of the new economic and financial conditions, the Supervisory Board strengthened its work by adopting new methods of supervision focusing on financial activities, risk management and internal control. The Supervisory Board focused on the supervision of the implementation of the national macroeconomic policies and supervision requirements, in particular the implementation of the spirit of the 19th CPC National Congress and the spirit of the National Financial Work Conference; as well as the Bank's support and service to the real economy, and fulfilment of its economic and social responsibilities; conducted thorough analyses on adjustment and implementation of major strategic decisions of the Bank; and supervised the implementation of key programs of the Phoenix Project. The Supervisors attended the meetings of the Board of Directors and its special committees and Senior Management as non-voting delegates, and reviewed special reports on operation management, business operation, risk management and internal control. The Supervisory Board strengthened its supervision of the performance of the Board of Directors, Directors and Senior Management and their members assessed and prepared reports on the performance of the Board of Directors, Directors and Senior Management and their members according to the supervisory requirements. Through scientific and standardized performance assessment criteria and procedures, the Supervisory Board urged the proper performance of the Board of Directors, Directors and Senior Management and their members so as to ensure the corporate governance is in compliance with relevant laws.

Supervision of financial activities. The Supervisory Board carefully reviewed regular reports as well as the preparation of such reports, including an annual report and four quarterly reports for five times. The Supervisory Board put forward further verification requirements on key matters, including the quality of credit assets, disposal of non-performing assets and wealth management, and demanded follow-up actions to be taken by relevant departments. The Supervisory Board also enhanced the supervision of external auditors, the execution of audit contracts, independence and effectiveness of audit as well as the deployment of auditors to further improve the quality of audit work. The Supervisory Board reviewed quarterly operation reports; conducted on-site operation review of branches and sub-branches; regularly examined and analyzed overall operation management and benefit efficiency; prepared semi-annual analysis reports of the industry operation of other banks and financial institutions as well as reports on the supervision of operation indicators of the Bank, and accordingly raised proposals and advice as references for management decisions.

Supervision of risk management. In response to the changes in the operation and regulatory environment, the Supervisory Board timely grasped the key points for supervision by conducting a thorough review of its supervision of risk management; the Supervisory Board also kept improving its monitoring mechanism and adopted new methods of supervision in accordance with the actual situation of the Bank. The Supervisory Board strengthened its supervision of the establishment and implementation of the comprehensive risk management system and reviewed reports thereon, and paid on-site review of branches and sub-branches. The Supervisory Board enhanced the supervision of management of consolidated financial statements, conducted study on the management of consolidated financial statements of the Group, and conducted comprehensive review of corporate governance, operation management, internal control and risk management of the Group and its affiliates. The Supervisory Board was highly concerned about the credit risk management control of the Bank. The Supervisors conducted on-site inspections and supervision on asset quality at various branches and sub-branches for multiple times, in particular the variation trend of credit asset quality, control measures and disposal of non-performing assets. The Supervisory Board focused on the management of liquidity risk, reviewed reports on liquidity risk management, conducted in-depth study of liquidity management framework and system, major control measures and their effectiveness, contingent liquidity management and stress test. The Supervisory Board reviewed risk management reports on a regular basis and listened to reporting on operation and reputation risk management reports.

Supervision of internal control. To deal with the systematic, structural and organisational problems in internal control of the Bank in the new normal and strategic transition of the Bank, the Supervisory Board further coordinated internal and external supervision resources to improve the collaboration between external regulation and internal supervision efforts, and strengthened the examination of internal control and risk compliance management of the Bank. The Supervisory Board received briefing from the CBRC regarding its regulatory works in 2016 and the remedial measures taken by the Bank, and studied the regulatory opinions. Based on the problem identified in the regulatory briefing, the "334 special inspection" and the examination of "irregularities in the banking industry", the Supervisory Board prepared an inspection checklist and established a system to supervise the implementation of remedial measures and the effectiveness of the measures. The Supervisory Board reviewed regular working reports of the internal audit and control department, strictly examined the annual reports on internal control assessment, and strengthened the guidance on compliance of internal audit and control. The Supervisory Board conducted special studies on compliant operation, enhanced supervision on incident prevention and control, and acquired information on the handling of major incidents, notable incidents and negative information of the Bank on a timely basis.

Improvement of internal structure. The Supervisory Board further improved its supervision system, methods and measures, optimized the valuation and behaviour of supervision by taking into consideration the Group as a whole, thus to improve the Company's sense of service and to highlight the orientation on risk management. Supported by the party building and an "all-in-one" cooperation combining the audit, disciplinary inspection departments and the labour union, the Supervisory Board aimed to build up an extensive supervision model with "clearly defined duties, complementary functions, information-sharing and overall synergy". The Supervisory Board completed the re-election of members of the seventh session of the Supervisory Board in accordance with the law and regulations. The annual performance assessment of the Supervisors was completed and all members of the Supervisory Board duly performed their duties, actively attending meetings, carefully considering resolutions, and conducting in-depth studies, and improved their capacities for duty performance by various means including attending meetings, receiving trainings, paying visits to other banks and financial institutions and conducting project researches. During the Reporting Period, all Supervisors have worked for the Bank for more than 15 working days.

III. Independent Opinion of the Supervisory Board

(I) Legal operation of the Company

During the Reporting Period, the Company maintained legal operation and all decision-making procedures were in compliance with the applicable laws, regulations and the Articles of Association. There was no breach of the applicable laws and regulations and the Articles of Association nor any act which would harm the interests of the Company and its shareholders by any Directors or Senior Management in performing their duties.

(II) Authenticity of the financial statements

The annual financial statements of the Company have been audited by KPMG Huazhen LLP and KPMG Certified Public Accountants in accordance with the CAS and the IFRS, respectively. Standard and unqualified auditors' reports have been issued accordingly. The Supervisory Board considered that the financial statements of the Company for the year truthfully, accurately and completely reflected the Company's financial position and business performance.

(III) Use of proceeds from fund-raising activities

During the Reporting Period, the Company successfully issued one financial bonds of RMB30 billion and two installments of tier-two capital bonds of RMB15 billion each (RMB30 billion in total) in the interbank bond market in China. The Hong Kong Branch successfully issued three medium term notes of USD0.5 billion, USD0.8 billion and USD0.7 billion, respectively, in the overseas market. The proceeds of above were used in compliance with the undertakings on the use of proceeds of the Company.

(IV) Acquisition and disposal of assets

During the Reporting Period, there was no new acquisition or disposal of assets of the Company.

(V) Related party transactions

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

(VI) Implementation of resolutions adopted at general meetings

The Supervisory Board raised no objection to the reports and proposals submitted by the Board to the general meetings in 2017 and supervised the implementation of the resolutions adopted at general meetings. The Supervisory Board is convinced that the Board implemented the resolutions in real earnest.

(VII) Internal control

The Company continued to strengthen and improve its internal control. The Supervisory Board raised no objection to the Self-evaluation Report of Internal Control for 2017 of the Company. During the Reporting Period, no material defects were found in respect of the completeness, reasonability and effectiveness of the internal control mechanism and system.

Chapter 9 Major Events

I. Material Litigation and Arbitration Proceedings

During the Reporting Period, the Company had no litigation or arbitration proceedings that had significant impact on its operations. As of the end of the Reporting Period, there were 9,830 pending litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB47,993.1069 million and 293 pending litigations involving the Company as defendant for approximately RMB3,344.3719 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Company has strictly complied with the Articles of Association, the Basic Accounting Rules (《基本財務規則》) and the Administrative Measures for Fixed Assets (《固定資產管理辦法》) of the Company. The Company has made arrangements for writing off residual value and account treatment of fixed assets that satisfied the conditions for disposal. The shareholders' interest has not been prejudiced and the Company has not experienced any loss of assets.

III. Material Contracts and Their Performances

The Company participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing. The construction plan will be redesigned and re-approved after confirmation of the building heights and planning adjustment for the uncommenced construction projects in the core area of CBD;

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. Decoration has completed in September 2017 and the project has been put into operation;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai Sub-district, Quanzhou, and obtained the permits for commencement of construction works on 6 May 2016. As at the end of the Reporting Period, structural construction of beams, planks and columns of 2 underground levels were completed. According to the construction plans, the underground structure and roof-top sealing of the project will be completed by February 2018 and August 2018, respectively, the completion check of the main structure will be completed by April 2019, and decoration will be completed in 2020 for commencement of operation;

The Company participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side road in Taijiang District, Fuzhou. Currently, the project is in the progress of plan designing;

The construction of Shunyi Headquarter Base in Beijing has been completed and put into operation. The settlement and audit have been completed and the audit conclusion has been approved by the competent authority;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No. 4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou, and has completed the excavation and pile foundation construction. The construction is currently suspended;

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 disclosure.

VI. Appointment of Accountants

The 2016 annual general meeting of the Company considered and confirmed to continue to engage KPMG Huazhen LLP and KPMG Certified Public Accountants as the domestic and international auditors of the Company for 2017, 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 audit of the 2017 financial statements, review of the 2017 interim financial statements and audit of internal control for 2017, was RMB10.60 million, including fees for internal control audit of RMB1.10 million.

As at the end of the Reporting Period, KPMG Huazhen LLP and KPMG Certified Public Accountants have been providing audit services to the Company for seven consecutive years. Dou Youming, the signing accountant, has provided services for the Company for two consecutive years. Jin Naiwen, the signing accountant, has provided services for the Company for three consecutive years.

VII. Major Related Party Transactions

The Company did not have any controlling related party or any major related party transaction with its accumulated total transaction amount accounting for more than 5% of the audited net asset value of the Company during the Reporting Period. During the Reporting Period, the related party transactions of the Company were mainly loans to shareholders and related parties. All loans to related parties were extended in compliance with the relevant laws and regulations and according to the credit terms and approval procedures of the Company, and the principal and interests were fully repaid on time, which did not have any adverse impacts on the operating results and financial position of the Company. Details of related party transactions based on the relevant accounting standards during the Reporting Period are set out in Note 47 to the consolidated financial statements.

In accordance with the requirements of Rules 14A.49 and 14A.71 under Chapter 14A of the Hong Kong Listing Rules, the connected transactions and continuing connected transactions of the Company during the Reporting Period were as follows:

Continuing connected transactions between the Company and Anbang Insurance for the agency sale services of financial products

1. ***Details of transactions***

   On 17 January 2017, the Company and Anbang Insurance, a connected party, entered into the business cooperation framework agreement for the agency sale services of financial products, with a term from 1 January 2017 to 31 December 2017. Pursuant to the agreement, the Company shall provide agency sale services of financial products to Anbang Insurance and its subsidiaries, including but not limited to insurance products, asset management products, funds products and securities products, and charge service fees in return. For the year ended 31 December 2017, the annual cap of the service fees was RMB6 billion, and the actual service fees for the connected transactions were RMB352 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 transaction, Anbang Insurance held approximately 17.84% equity interests of the Company, and was therefore a substantial shareholder of the Company. Thus, Anbang Insurance constitutes a connected person of the Company and the transactions between the Group and Anbang Insurance constitute connected party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees receivable from Anbang Insurance and its subsidiaries under the business cooperation framework agreement for the agency sale services of financial products exceeds 0.1% but is less than 5%, the transactions constitute non-exempted continuing connected transactions of the Company, and are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of Hong Kong Listing Rules. For details, please refer to the connected transaction announcements of the Company published on 10 January 2017, respectively, on the 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 KPMG Certified Public Accountants, the international auditor of the Company, to perform relevant procedures on the continuing connected transactions regarding the business cooperation with Anbang Insurance for agency sale services of financial products according to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported the results of its procedures to the Board. Regarding the disclosed continuing connected transactions, nothing has come to the attention of the auditor that:

a. the disclosed continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

d. the aggregate amount of each of the continuing connected transactions have exceeded the aggregate annual caps in the continuing connected transaction announcement of the Company disclosed on the website of the SEHK and the website of the Company on 10 January 2017.

Save as disclosed in this Annual Report, during the Reporting Period, the Company did not have any discloseable connected transaction or continuing connected transaction pursuant to provisions in relation to connected transactions under Chapter 14A of the Hong Kong Listing Rules.

VIII. Repurchase, Sale or Redemption of Securities

Save as disclosed in this Annual Report, during the 12 months ended 31 December 2017, the Group has neither sold any securities of the Company nor purchased or redeemed any securities of the Company.

IX. Audit Committee

As at the end of the Reporting Period, the members of Audit Committee of the Company included Liu Ningyu (chairman), Tian Zhiping, Weng Zhenjie, Cheng Hoi-chuen and Peng Xuefeng. The main responsibilities of the Audit Committee include reviewing and supervising the financial reporting procedures and internal control system of the Company and providing advices to the Board. The Audit Committee of the Company reviewed and confirmed the 2017 Annual Report and the 2017 Results Announcement for the year ended 31 December 2017.

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 has not implemented any 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 was committed to the reform of its systems in response to the major strategies of China. Based on the development of ecological civilization, the Company endeavored to alleviate poverty with meticulous efforts, placed emphasis on people's livelihood and continued its commitment in charity work for society, which had made contributions to the development of the Company, advancement of the society and improvement in people's livelihood. The Company's performance of social responsibility has marked a new milestone.

During the Reporting Period, the Company exerted great efforts in developing its corporate culture and prepared "Minsheng DNA — Handbook on Corporate Culture of China Minsheng Bank (《民生DNA — 中國民生銀行企業文化手冊》)" which introduces the culture and philosophy of China Minsheng Bank in the new era, and enriched the connotation and denotation of the the social responsibility philosophy of the Company. In addition, the Company actively organised bank-wide poverty alleviation through offering of financial services and carried out targeted poverty alleviation projects in two counties of Henan Province. On 1 November 2017, Hua County in Henan shook off poverty successfully and Fengqiu County is expected to complete the poverty alleviation works in 2018. Meanwhile, the Company proactively upgraded its image as a responsible corporate mainly through the issue of social responsibility report, organisation of the third round of "Power of Minsheng's Love — ME Charity Innovation Funding Scheme (我決定民生愛的力量 — ME公益創新資助計劃)" and improvement in relevant rules administering the art institutions.

The Company's social responsibility practices in 2017 were highly recognized by the third parties such as relevant government authorities, charity organisations and mainstream media, and was awarded the "Outstanding Poverty Alleviation Case in 2017 (優秀扶貧案例獎)" by the State Council Leading Group Office of Poverty Alleviation and Development and the Chinese Academy of Social Sciences. The poverty alleviation projects of the Company was selected as a case study in the "Bluebook for Enterprise Poverty Alleviation (2017) (《企業扶貧藍皮書（2017）》)" by the Chinese Academy of Social Sciences. The Company also won the "Innovative Poverty Alleviation Project in Banking Industry Award (銀行業金融扶貧創新獎)" in 2017 by Sina Finance and was named as the "Most Competitive Bank in Financial Poverty Alleviation (卓越競爭力金融扶貧銀行)" in 2017 by China Business Journal. The Company ranked first in the Social Responsibility Development Index of China's Banking Industry (中國銀行業社會責任發展指數) and third in the Social Responsibility Development Index of Top 100 Private Enterprises (民營企業100強社會責任發展指數) in the Bluebook for the Corporate Social Responsibility (2017) (企業社會責任藍皮書(2017)) published by the Chinese Academy of Social Sciences.

For details of the Social Responsibility Report for 2017 (《2017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 ideology of the poverty alleviation meeting of the central government of China and a series of deployment requirements for poverty alleviation as stipulated by the State Council Leading Group Office of Poverty Alleviation and Development, the PBOC, the CBRC and the CSRC, the Company further optimized its poverty mechanism and innovation based on enhanced insights. Emphasis was placed on the integrated efforts for poverty alleviation, encouragement and education. These initiatives were proven effective in terms of poverty alleviation and even elimination of poverty, facilitating the development of poverty-stricken areas and increasing the income of the poor. As such, the Company has made remarkable contributions to the success of poverty alleviation. In 2017, the Company donated RMB40,420 thousand for poverty alleviation and set aside RMB4,142 million as targeted poverty alleviation loans of which RMB3,914 million was for individuals and RMB228 million was for enterprises.

1. *Effective poverty alleviation plan*

Hua County and Fengqiu County in Henan have been the targeted poverty alleviation counties of the Company. According to the objectives of shaking off poverty plans poverty alleviation work plan for Hua County for 2017 and Fengqiu County by 2018, the senior management of the Company placed great emphasis on poverty alleviation works and formulated the Targeted Poverty Alleviation Plan for 2017 (《2017年定點扶貧計劃》) (the "Plan") based on the actual needs of these two counties and the business features of the Company after consulting with relevant departments.

According to the Plan, in 2017, the Company adhered to its concept of alleviating poverty through education and put great effort in providing education to people in poverty. In addition, the Company also focused on various poverty alleviation approaches, such as health care, equity interests financial services and improvement of infrastructure in rural areas. Leveraging on its banking business advantages, the Company supported the development of poverty-stricken areas through various financial measures.

2. *Overview of poverty alleviation work for the year*

To substantially implement the guidance and strategies of the CPC Central Committee concerning poverty alleviation and development, the Senior Management of the Company placed great emphasis on poverty alleviation work. All employees of the Company have worked together and exerted efforts in helping those people in poverty getting rid of predicament.

During the Reporting Period, the Company continued to proceed with targeted poverty alleviation worsk in Hua County and Fengqiu County in Henan. The Senior management conducted several on-site investigations in these counties. Based on the business features of the Company and the actual needs of these two counties, the Company carried out its poverty alleviation work effectively through various methods, such as providing education and health care assistance and transferring equity interests and providing financial services to the poor. On 1 November 2017, Hua County and 17,000 people in Fengqiu County have shaken off poverty successfully. Fengqiu County is expected to be out of poverty by 2018.

3. *Achievement of targeted poverty alleviation*

Unit: RMB 10 thousand

Indicators	Amount and progress		
I. General information			
Of which:		**Amount for the year**	**Balance**
1. Funds	Amount	418,233.70	211,544.21
	Of which: Poverty alleviation loans to individuals	391,378.79	176,489.30
	Poverty alleviation loans to enterprises	22,812.91	31,012.91
	Donations for the year	4,042.00	4,042.00
2. Number of poor people helped to be removed from administrative record for poverty registering (person)[Note 1]			1,805
II. Itemized input			
1. Industrial development			
Of which: 1.1 Type of industrial development projects			☑ Sharing of property income
1.2 Number of industrial development projects			4
1.3 Amount invested for industrial development projects			4,270

Indicators	Amount and progress
1.4 Number of poor people helped to be removed from administrative record for poverty registering (person)	622
2. Transfer employment	
Of which:	
2.1 Number of people received vocational training (person/time)	25
2.2 Number of poor people helped to be removed from administrative record for poverty registering (person)	25
3. Education	
Of which:	
3.1 Amount of subsidies to poor students	314.86
3.2 Number of poor students subsidized (person)	2,494
3.3 Amount invested for the improvement of educational resources in poor areas	871.7
4. Medical care	
Of which:	
4.1 Amount invested for the medical and health care resources in poor areas	60
5. Public welfare	
Of which:	
5.1 Amount invested for poverty alleviation projects in Eastern and Western China	370
5.2 Amount invested for targeted poverty alleviation works	1,206
5.3 Public charity foundation for poverty alleviation	1,200

Indicators	Amount and progress
6. Other items	
Of which:	
6.1 The number of project	1
6.2 Contribution	6
6.3 Other items	Hardened pavement of 3,500 meters on both sides of the village road of Huying Village in Hua County
III. Awards (details and grades)	

"Outstanding Poverty Alleviation Case (優秀扶貧案例獎)" in 2017 by the State Council Leading Group Office of Poverty Alleviation and Development and the Chinese Academy of Social Sciences and elected as a case study in the Bluebook for Enterprise Poverty Alleviation (2017) (《企業扶貧藍皮書（2017）》) by the Chinese Academy of Social Sciences

"The Innovative Poverty Alleviation Project in Banking Industry Award (銀行業金融扶貧創新獎)" in 2017 by Sina Finance

"The Most Competitive Bank in Financial Poverty Alleviation (卓越競爭力金融扶貧銀行)" in 2017 by China Business Journal

Note 1: In 2017, the Company carried out designated poverty alleviation measures in Hua County and Fengqiu County in Henan Province in terms of medical support, education, business enhancement and equity investment. The information of the poor people in the poverty-stricken areas was filed and registered to ensure the effectiveness of its poverty alleviation efforts. For more details regarding poverty alleviation, please refer to the section headed "The Company also devoted itself to charity" in Chapter 6 of the Social Responsibility Report for 2017 of the Company and the 2017 Special Edition for Targeted Poverty Alleviation of the Company. For details of the Social Responsibility Report for 2017 and the 2017 Special Edition for Targeted Poverty Alleviation of the Company, please refer to the Company's website (www.cmbc.com.cn) and the SSE's website (www.sse.com.cn).

4. Continuing targeted poverty alleviation plan

In 2018, the Company will carry on the implementation of the guidelines in relation to poverty alleviation plan promulgated by the CPC Central Committee. By combining coordination and adaptation to local conditions, the Company will continue to stress on poverty alleviation through the means of education, medical care, share equity and finance based on its advantages in the industry, learning from experiences and proactive exploration of new measures. In accordance with the requirement of "Targeted poverty alleviation and precise poverty removal", the Company aims to ensure the poverty removal of Fengqiu County in 2018 and sustainability of poverty removal of Hua County. The Company will further improve the poverty alleviation module, leverage the economic potential of poverty-stricken counties to build up new highlight of targeted poverty alleviation, making greater contributions in establishing the moderately prosperous society.

XVI. Other Major Events

Pursuant to the approvals by the CBRC and the PBOC, the Company successfully issued financial bonds with an aggregate amount of RMB30 billion in the national interbank bond market. For details, please refer to the announcement dated 9 March 2017 published on the website of the Company (www.cmbc.com.cn) and the HKEX news website of the SEHK (www.hkexnews.hk).

The Company received the Approval on the Operation of Haikou Branch of China Minsheng Bank (Qiong Yin Jian Fu [2017] No. 41) (《關於中國民生銀行海口分行開業的批覆》（瓊銀監覆[2017] 41號）) from CBRC Hainan Bureau, pursuant to which the operation of Haikou Branch of the Company was approved. For details, please refer to the announcement dated 26 April 2017 published on the website of the Company (www.cmbc.com.cn) and the HKEX news website of the SEHK (www.hkexnews.hk).

The Hong Kong Branch of the Company has applied to the SEHK for the listing of the USD5,000,000,000 medium term note programme. For details, please refer to the announcement dated 27 April 2017 published on the website of the Company (www.cmbc.com.cn) and the HKEX news website of the SEHK (www.hkexnews.hk).

The Hong Kong Branch of the Company has applied to the SEHK for, and the SEHK has approved, the listing of USD500,000,000 2.50% notes due 2020. For details, please refer to the announcement dated 5 May 2017 published on the website of the Company (www.cmbc.com.cn) and the HKEX news website of the SEHK (www.hkexnews.hk).

The Company obtained the approval from the CBRC (Yin Jian Fu [2017] No. 178) (銀監覆[2017] 178號) for the issuance of tier-two capital bonds with an aggregate amount up to RMB30 billion. For details, please refer to the announcement dated 9 June 2017 published on the website of the Company (www.cmbc.com.cn) and the HKEX news website of the SEHK (www.hkexnews.hk).

The Company obtained the approval from 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) for the issuance of tier-two capital bonds with an aggregate amount up to RMB30 billion through public offering in the national interbank bond market. For details, please refer to the announcement dated 30 August 2017 published on the website of the Company (www.cmbc.com.cn) and the HKEX news website of the SEHK (www.hkexnews.hk).

Pursuant to the approvals by the CBRC and the PBOC, the Company successfully issued tier-two capital bonds with an aggregate amount of RMB15 billion in the national interbank bond market. For details, please refer to the announcement dated 14 September 2017 published on the website of the Company (www.cmbc.com.cn) and the HKEX news website of the SEHK (www.hkexnews.hk).

Pursuant to the approvals by the CBRC and the PBOC, the Company successfully issued tier-two capital bonds with an aggregate amount of RMB15 billion in the national interbank bond market. For details, please refer to the announcement dated 11 January 2018 published on the website of the Company (www.cmbc.com.cn) and the HKEX news website of the SEHK (www.hkexnews.hk).

Chapter 10 Financial Reports

I. Independent Auditor's Report

II. Financial Statements (Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated and the Bank's Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows)

III. Notes to the Consolidated Financial Statements for the Year 2017

IV. Unaudited Supplementary Information of Financial Statements for the Year 2017

Independent auditor's report

to the shareholders of China Minsheng Banking Corp., Ltd.

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

Opinion

We have audited the consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 230 to 395, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of the consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the requirements of the code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants ("Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report

to the shareholders of China Minsheng Banking Corp., Ltd. (continued)

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Impairment of loans and receivables</td></tr>
<tr><td colspan="2">Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies on pages 247–249.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Loans and receivables include both loans and advances to customers and investment securities classified as loans and receivables.

Impairment of loans and receivables is a subjective area due to the level of judgement applied by management in determining allowances.

From the Group's perspective, the portfolios which gave rise to the greatest uncertainty in determining impairment allowances were those where impairments were derived from collective assessment models and individual cash flow assessments, where the loans and receivables were unsecured or where the loans and receivables were subject to potential collateral shortfalls.

The determination of collective impairment allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The Group's collective impairment allowances are derived from estimates including the Group's historical losses for loans and receivables, the loss emergence period (i.e. the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss) and other adjustment factors. The Group's collective impairment allowances for personal</td><td>Our audit procedures to assess impairment of loans and receivables included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording, monitoring and restructuring of loans and receivables, the credit grading process and the measurement of impairment allowances for individually assessed loans and receivables;

• comparing the total balance of the loans and receivables grading report used by management to assess the allowances for impairment with the general ledger and comparing individual loan information, on a sample basis, with underlying loan agreements and other related documentation to assess the presentation of the information in the loan grading report;</td></tr>
</table>

Key audit matters (continued)

Impairment of loans and receivables	
Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies on pages 247–249.	
The Key Audit Matter	**How the matter was addressed in our audit**
loans are derived from estimates, including the Group's historical overdue data, historical loss experience for personal loans and other adjustment factors. Individual impairment allowances are estimated by management once objective evidence of impairment becomes apparent in a corporate loan. Management exercises judgement in determining the quantum of loss based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints external valuers for the valuation of property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of impairment allowances as at the reporting date. We identified impairment of loans and receivables as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.	• evaluating the validity of the models used and assumptions adopted in the Group's calculation of collective impairment allowances by critically assessing input parameters involving subjective judgement, seeking collaborative evidence from external sources, assessing the accuracy of the loan grading migration data for the corporate loan portfolios and comparing the historical losses against the Group's other internal records and our prior year records. As part of these procedures, we challenged the Group's revisions to estimates and input parameters, the consistency of judgement applied in the use of economic factors, the loss emergence period and the observation period for historical losses. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development. We also assessed the emergence period by tracing the lifecycle of overdue accounts from the specific credit event to downgrading the account to a non-performing loan. Having considered the above, we performed re-calculations of the amount of collective impairment allowances to assess the application of the Group's methodology;

Key audit matters (continued)

Impairment of loans and receivables	
Refer to note 21 and note 22(3) to the consolidated financial statements and the accounting policies on pages 247–249.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• assessing the impairment allowances for individually impaired corporate loans and receivables by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation. We also selected samples based on other risk criteria, including but not limited to borrowers with adverse press coverage and from the Group's overdue report. We involved our internal IT specialists to assess the logic and compilation of the overdue report; • performing credit review procedures for the sample of loans and receivables selected as mentioned above, which included making enquiries of credit managers about customers' business operations, reviewing customers' financial information, researching market information about customers' businesses and evaluating management's assessment of the value of any collateral held, assessing the forecast cash flows for impaired loans and receivables, challenging the viability of the Group's recovery plans, comparing management's valuation of collateral to market prices, evaluating the timing and means of realisation of collateral and considering other sources of repayment asserted by management. Where available, we made use of post reporting date information to evaluate credit quality with hindsight; and • assessing the disclosures in relation to impairment of loans and receivables in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key audit matters (continued)

Fair value of financial instruments	
Refer to note 48 to the consolidated financial statements and the accounting policies on page 250.	
The Key Audit Matter	**How the matter was addressed in our audit**
The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement. We have identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of management's key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments; • assessing the fair values of level 1 financial instruments, on a sample basis, by comparing the fair values applied by the Group with publicly available market data; • performing, on a sample basis, independent valuations of level 2 and level 3 financial instruments and comparing these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and • assessing whether the financial statement disclosures appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Key audit matters (continued)

Consolidation of structured entities	
Refer to note 44 and note 45 to the consolidated financial statements and the accounting policies on page 244.	
The Key Audit Matter	**How the matter was addressed in our audit**
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its ability to influence its own returns from the entity. These factors are not purely quantitative and need to be considered collectively. We identified the consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities.	Our audit procedures to assess the consolidation of structured entities included the following: • making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • performing the following procedures for structured entities on a sample basis: — inspecting selected contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement the Group has with the structured entities and to assess management's judgement over whether the Group has the ability to exercise power over the structured entities; — inspecting the risk and reward structure of the structured entities, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such entities;

Key audit matters (continued)

Consolidation of structured entities	
Refer to note 44 and note 45 to the consolidated financial statements and the accounting policies on page 244.	
The Key Audit Matter	**How the matter was addressed in our audit**
	— evaluating management's analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entities to assess management's judgement over the Group's ability to influence its own returns from the structured entities; — assessing management's judgement over whether the structured entities should be consolidated or not; and • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Lok Man.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	**2017**	2016
Interest income		**230,910**	203,918
Interest expense		**(144,358)**	(109,234)
Net interest income	6	**86,552**	94,684
Fee and commission income		**54,068**	56,266
Fee and commission expense		**(6,326)**	(4,005)
Net fee and commission income	7	**47,742**	52,261
Net trading gain	8	**1,366**	1,633
Net gain arising from disposals of securities and discounted bills	9	**3,874**	2,471
Impairment losses on assets	10	**(34,140)**	(41,378)
Operating expenses	11	**(47,245)**	(52,424)
Other operating income		**2,413**	3,002
Profit before income tax		**60,562**	60,249
Income tax expense	13	**(9,640)**	(11,471)
Net profit		**50,922**	48,778
Net profit attributable to:			
Equity shareholders of the Bank		**49,813**	47,843
Non-controlling interests		**1,109**	935
		50,922	48,778
Earnings per share (expressed in RMB)	14		
Basic earnings per share		**1.35**	1.31
Diluted earnings per share		**1.35**	1.31

The notes on pages 240 to 395 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

(Expressed in millions of Renminbi, unless otherwise stated)

	2017	2016
Net profit	**50,922**	48,778
Other comprehensive income:		
Items that may be reclassified subsequently to profit:		
Change in fair value of available-for-sale securities	**(1,104)**	(3,054)
Transfer to profit or loss	**(2,732)**	(1,171)
Less: income tax relating to available-for-sale securities	**957**	1,056
Effective hedging portion of gains/(losses) arising from cash flow hedging instruments	**958**	(961)
Less: income tax relating to cash flow hedging instruments	**(240)**	240
Exchange difference on translating foreign operations	**(453)**	405
Other comprehensive income, net of tax	**(2,614)**	(3,485)
Total comprehensive income	**48,308**	45,293
Total comprehensive income attributable to:		
Equity shareholders of the Bank	**47,293**	44,250
Non-controlling interests	**1,015**	1,043
	48,308	45,293

The notes on pages 240 to 395 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	**2017**	2016
ASSETS			
Cash and balances with central bank	15	**442,938**	524,239
Balances with banks and other financial institutions	16	**75,257**	188,414
Precious metals		**20,836**	22,880
Financial assets at fair value through profit or loss	17	**74,601**	89,740
Positive fair value of derivatives	18	**18,734**	7,843
Placements with banks and other financial institutions	19	**143,205**	182,877
Financial assets held under resale agreements	20	**52,812**	90,546
Loans and advances to customers	21	**2,729,788**	2,397,192
Investment securities:			
— available-for-sale securities	22	**378,889**	307,078
— held-to-maturity securities	22	**708,244**	661,362
— loans and receivables	22	**974,163**	1,148,729
Long-term receivables	23	**101,304**	94,791
Property and equipment	24	**48,338**	46,190
Deferred income tax assets	25	**29,162**	23,366
Investments in associates		**21**	25
Other assets	27	**103,794**	110,605
Total assets		**5,902,086**	5,895,877
LIABILITIES			
Borrowings from central bank		**335,173**	315,438
Deposits from customers	28	**2,966,311**	3,082,242
Deposits and placements from banks and other financial institutions	29	**1,315,993**	1,408,019
Financial liabilities at fair value through the profit or loss		**3,373**	868
Negative fair value of derivatives	18	**18,076**	10,277
Financial assets sold under repurchase agreements	30	**107,522**	113,255
Borrowings from banks and other financial institutions	31	**146,999**	122,474
Provisions		**809**	1,075
Debt securities issued	32	**501,927**	398,376
Current income tax liabilities		**11,807**	8,313
Deferred income tax liabilities	25	**65**	—
Other liabilities	33	**104,219**	83,513
Total liabilities		**5,512,274**	5,543,850

The notes on pages 240 to 395 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

As at 31 December 2017

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	**2017**	2016
EQUITY			
Share capital	34	**36,485**	36,485
Other equity instrument			
Including: Preference shares	35	**9,892**	9,892
Reserves			
Capital reserve	34	**64,753**	64,744
Surplus reserve	36	**34,914**	30,052
General reserve	36	**74,168**	72,929
Other reserves		**(4,662)**	(2,142)
Retained earnings	36	**163,420**	130,630
Total equity attributable to equity shareholders of the Bank		**378,970**	342,590
Non-controlling interests	37	**10,842**	9,437
Total equity		**389,812**	352,027
Total liabilities and equity		**5,902,086**	5,895,877

Approved and authorised for issue by the Board of Directors on 29 March 2018.

Hong Qi
Chairman

Zheng Wanchun
Director and President

Liu Ningyu
Director

(Company Seal)

The notes on pages 240 to 395 form part of these financial statements.

Statement of Financial Position

As at 31 December 2017

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	**2017**	2016
ASSETS			
Cash and balances with central bank	15	**438,071**	520,471
Balances with banks and other financial institutions	16	**50,149**	178,072
Precious metals		**20,836**	22,880
Financial assets at fair value through profit or loss	17	**71,957**	86,288
Positive fair value of derivatives	18	**18,696**	7,759
Placements with banks and other financial institutions	19	**145,705**	184,819
Financial assets held under resale agreements	20	**47,855**	90,046
Loans and advances to customers	21	**2,714,957**	2,381,879
Investment securities:			
— available-for-sale securities	22	**377,315**	303,528
— held-to-maturity securities	22	**708,244**	661,362
— loans and receivables	22	**967,600**	1,146,340
Property and equipment	24	**21,559**	22,110
Deferred income tax assets	25	**28,205**	22,402
Investment in subsidiaries	26	**5,385**	5,385
Other assets	27	**77,362**	83,238
Total assets		**5,693,896**	5,716,579
LIABILITIES			
Borrowings from central bank		**334,500**	315,000
Deposits from customers	28	**2,936,021**	3,050,669
Deposits and placements from banks and other financial institutions	29	**1,324,632**	1,414,302
Financial liabilities at fair value through profit or loss		**3,373**	868
Negative fair value of derivatives	18	**18,057**	10,250
Financial assets sold under repurchase agreements	30	**107,390**	112,484
Provisions		**808**	1,075
Debt securities issued	32	**500,929**	398,376
Current income tax liabilities		**11,402**	7,986
Other liabilities	33	**84,594**	68,749
Total liabilities		**5,321,706**	5,379,759

The notes on pages 240 to 395 form part of these financial statements.

Statement of Financial Position (continued)

As at 31 December 2017

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	**2017**	2016
EQUITY			
Share capital	34	**36,485**	36,485
Other equity instrument			
Including: Preference shares	35	**9,892**	9,892
Reserves			
Capital reserve	34	**64,447**	64,447
Surplus reserve	36	**34,914**	30,052
General reserve	36	**73,129**	71,982
Other reserves		**(4,866)**	(2,538)
Retained earnings	36	**158,189**	126,500
Total equity		**372,190**	336,820
Total liabilities and equity		**5,693,896**	5,716,579

Approved and authorised for issue by the Board of Directors on 29 March 2018.

Hong Qi
Chairman

Zheng Wanchun
Director and President

Liu Ningyu
Director

(Company Seal)

The notes on pages 240 to 395 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Bank												
				Reserves										
	Note	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Subtotal	Retained earnings	Total	Non-controlling interests	Total equity
		34	35	34	36	36	39		39		36		37	
At 1 January 2017		**36,485**	**9,892**	**64,744**	**30,052**	**72,929**	**(1,834)**	**413**	**(721)**	**165,583**	**130,630**	**342,590**	**9,437**	**352,027**
Net profit		–	–	–	–	–	–	–	–	–	49,813	49,813	1,109	50,922
Other comprehensive income, net of tax		–	–	–	–	–	(2,923)	(315)	718	(2,520)	–	(2,520)	(94)	(2,614)
Total comprehensive income		–	–	–	–	–	(2,923)	(315)	718	(2,520)	49,813	47,293	1,015	48,308
Appropriation to surplus reserve	36	–	–	–	4,862	–	–	–	–	4,862	(4,862)	–	–	–
Appropriation to general reserve	36	–	–	–	–	1,239	–	–	–	1,239	(1,239)	–	–	–
Cash dividends	38	–	–	–	–	–	–	–	–	–	(10,921)	(10,921)	(15)	(10,936)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	415	415
Equity transactions with non-controlling interests		–	–	9	–	–	–	–	–	9	(1)	8	(10)	(2)
At 31 December 2017		**36,485**	**9,892**	**64,753**	**34,914**	**74,168**	**(4,757)**	**98**	**(3)**	**169,173**	**163,420**	**378,970**	**10,842**	**389,812**

The notes on pages 240 to 395 form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2016

(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	Subtotal	Retained earnings	Total	Non-controlling interests	Total equity
	Note	34	35	34	36	36	39		39		36		37	
At 1 January 2016		36,485	—	64,744	25,361	56,351	1,291	160	—	147,907	116,826	301,218	8,565	309,783
Net profit		—	—	—	—	—	—	—	—	—	47,843	47,843	935	48,778
Other comprehensive income, net of tax		—	—	—	—	—	(3,125)	253	(721)	(3,593)	—	(3,593)	108	(3,485)
Total comprehensive income		—	—	—	—	—	(3,125)	253	(721)	(3,593)	47,843	44,250	1,043	45,293
Capital injection by non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	—	20	20
Capital injection by other equity holders		—	9,892	—	—	—	—	—	—	—	—	9,892	—	9,892
Appropriation to surplus reserve	36	—	—	—	4,691	—	—	—	—	4,691	(4,691)	—	—	—
Appropriation to general reserve	36	—	—	—	—	16,578	—	—	—	16,578	(16,578)	—	—	—
Cash dividends	38	—	—	—	—	—	—	—	—	—	(12,770)	(12,770)	(191)	(12,961)
At 31 December 2016		36,485	9,892	64,744	30,052	72,929	(1,834)	413	(721)	165,583	130,630	342,590	9,437	352,027

The notes on pages 240 to 395 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

(Expressed in millions of Renminbi, unless otherwise stated)

	2017	2016
Cash flows from operating activities:		
Profit before income tax	**60,562**	60,249
Adjustments for:		
— Impairment losses on assets	**34,140**	41,378
— Depreciation and amortisation	**4,794**	4,700
— Changes in provisions	**(266)**	(850)
— Losses/(gains) on disposal of property and equipment and other long-term assets	**96**	(8)
— (Gains)/losses from changes in fair value	**(1,742)**	2,699
— Net gains on disposal of investment securities	**(2,797)**	(1,361)
— Interest expense on debt securities issued and other financing activities	**18,947**	10,547
— Interest income from investment securities	**(76,557)**	(55,151)
	37,177	62,203
Changes in operating assets:		
Net decrease/(increase) in balances with central bank, banks and other financial institutions	**155,273**	(142,771)
Net decrease in placements with banks and other financial institutions	**16,646**	54,939
Net decrease in financial assets held under resale agreements	**37,581**	478,510
Net increase in loans and advances to customers	**(365,169)**	(439,952)
Net decrease/(increase) in other operating assets	**16,459**	(74,657)
	(139,210)	(123,931)
Changes in operating liabilities:		
Net (decrease)/increase in deposits from customers	**(115,931)**	349,980
Net (decrease)/increase in deposits and placements from banks and other financial institutions	**(92,026)**	417,244
Net (decrease)/increase in financial assets sold under repurchase agreements	**(5,833)**	63,933
Income tax paid	**(11,196)**	(15,535)
Net increase in borrowings from central bank	**19,735**	252,961
Net increase in other operating liabilities	**50,225**	22,000
	(155,026)	1,090,583
Net cash from operating activities	**(257,059)**	1,028,855

The notes on pages 240 to 395 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2017

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	**2017**	2016
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		**2,453,680**	1,467,663
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**3,427**	3,852
Net payments for acquisition of subsidiaries and other business units		**330**	—
Cash payment for purchase of investment securities		**(2,322,906)**	(2,651,273)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		**(10,244)**	(10,681)
Cash payment for investment in associates		**—**	(14)
Net cash from investing activities		**124,287**	(1,190,453)
Cash flows from financing activities:			
Proceeds from issue of preference shares		**—**	9,933
Capital contribution from non-controlling interests to subsidiaries		**—**	20
Proceeds from issue of debt securities	41(2)	**885,225**	573,214
Repayments of debt securities issued	41(2)	**(788,740)**	(360,809)
Interest paid on debt securities issued	41(2)	**(12,282)**	(5,741)
Dividends paid	41(2)	**(10,934)**	(12,961)
Net cash from financing activities	41(2)	**73,269**	203,656
Net (decrease)/increase in cash and cash equivalents		**(59,503)**	42,058
Cash and cash equivalents at 1 January		**171,303**	126,460
Effect of foreign exchange rate changes		**(2,701)**	2,785
Cash and cash equivalents at 31 December	41	**109,099**	171,303

The notes on pages 240 to 395 form part of these financial statements.

1 GENERAL INFORMATION

China Minsheng Banking Corp., Ltd. (the "Bank") is a national joint-stock commercial bank established in the People's Republic of China ("PRC") on 7 February 1996 with the approval of the State Council of the PRC and the People's Bank of China ("PBOC").

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking Regulatory Commission ("CBRC"), and the business licence as approved by the Beijing Administration for Industry and Commerce, the uniform social credit code is No. 91110000100018988F.

The Bank's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 600016 and 01988, respectively. The offshore preference shares are listed in Hong Kong Stock Exchange of Hong Kong Limited and the stock code is 04609.

For the purpose of these financial statements, mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the "Group") mainly provide corporate and personal banking, treasury business, finance leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 31 December 2017, the Bank has 42 tier-one branches and 32 directly controlled subsidiaries.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

(1) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except that: (i) available-for-sale securities are measured at fair value; (ii) financial assets and financial liabilities at fair value through profit or loss (including derivative instruments) are measured at fair value; and (iii) precious metals that acquired principally for trading purpose are measured at fair value.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(1) Basis of preparation (continued)

Changes in accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards ("IASs")) that are effective in 2017 and relevant to the Group's operation:

- Annual Improvements to IFRSs 2014–2016 Cycle
- Amendments to IAS 12, Income taxes "Recognition of deferred taxes assets for unrealised losses"

The principal effects of adopting these amended IFRSs are as follows:

Annual Improvements to IFRSs 2014-2016 Cycle

The 2014–2016 cycle of annual improvement contains amendments to three standards, of which only IFRS 12 Disclosure of Interests in Other Entities is first effective for the current accounting period of the group.

Amendments to IAS 12, Income taxes "Recognition of deferred taxes assets for unrealised losses"

These amendments clarify the requirements on recognition of deferred tax assets related to debt instruments measured at fair value.

The adoption of the above standards does not have any material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements.

Standard	**Effective for accounting periods beginning on or after**
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial Instruments*	1 January 2018
Amendments to IFRS 2, *Share-based payment*	1 January 2018
IFRS 16, *Leases*	1 January 2019
Amendments to IFRS 9, *Prepayment features with negative compensation and modifications of financial liabilities*	1 January 2019
Amendments to IAS 28, *Long-term interests in associates and joint ventures*	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019

So far the Group has concluded that the adoption of other standards is unlikely to have a significant impact on its operating results and financial position, except for IFRS 9 "Financial instruments". Further information about the changes of IFRS 9 that are expected to affect the Group is as follows:

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(1) Basis of preparation (continued)

IFRS 9 "Financial instruments"

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis and includes an exception from the requirement to restate comparative information. The group plans to use the exemption from restating comparative information and will recognise any impact on accumulated profit or loss and reserves against the opening balance of retained profits and reserves at 1 January 2018.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If a debt instrument is classified as FVOCI then interest revenue, impairment, foreign exchange gains/losses and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated as FVOCI then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without recycling.

Based on a preliminary assessment, if the group were to adopt the new classification and measurement requirements on financial assets at 31 December 2017, the Group's equity would decrease as compared with that recognised under IAS 39.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). Based on its assessment, the Group does not believe that the requirements will have a material impact on its financial liabilities.

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances, which will result in earlier recognition of credit losses. Based on a preliminary assessment, if the group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss would increase primarily attributed to an increase in accumulated impairment losses of loans and advances to customers and credit commitments, and the Group's equity would decrease as compared with that recognised under IAS 39.

(1) Basis of preparation (continued)

Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

Disclosure

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit loss. The Group has updated the system and controls that it believes will be necessary to disclose the required data.

Transition

The Group is required to adopt IFRS 9 from 1 January 2018. The Group will change its accounting policies from the beginning of 2018 and disclose its financial statements in accordance with IFRS 9 since the first quarterly report of 2018. The Group will use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Based on a preliminary assessment, if the group were to adopt IFRS 9 at 31 December 2017, the Group's equity attributable to shareholders of the Bank would decrease by no more than 3 percent as a result of the new requirements on classification and measurement, impairment and hedge accounting as compared with that recognised under IAS 39.

(2) Consolidated financial statements

The Group's consolidated financial statements comprise the Bank, its subsidiaries and structured entities controlled by the Group.

The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Bank has power, only substantive rights (held by the Bank and other parties) are considered.

(i) Subsidiaries

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at: the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination; or the cost of capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 2(12).

The results and affairs of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank shall make necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

(2) Consolidated financial statements (continued)

(ii) Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Involvement with consolidated and unconsolidated structured entities is disclosed in Notes 44 and 45.

(3) Foreign currency translation

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of domestic branches and subsidiaries of the Group. The functional currencies of overseas entities are determined in accordance with the primary economic environment in which they operate.

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale securities, which are recognised in other comprehensive income.

Foreign currency financial statements of overseas entities are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as “exchange reserve” in the shareholder’s equity in the statement of financial position.

The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

(4) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income from interest-bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(4) Income recognition (continued)

(i) Interest income (continued)

Interest on the impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the related impairment loss.

When the future cash flow or the expected life of financial assets or financial liabilities could not be estimated reliably, the Group adopted the contractual cash flow over the full contractual term of the financial assets or financial liabilities.

(ii) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

(5) Financial instruments

(i) Classification of financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of the Group's investments at initial recognition.

a Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if it is: (i) acquired principally for the purpose of selling it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

Financial assets are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement basis of the financial assets; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss unless: the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets designated at fair value through profit or loss of the Group are reported in "financial assets at fair value through profit or loss" in the statement of financial position.

b Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term; (ii) those that the Group upon initial recognition designates as at fair value through profit or loss or as available-for-sale; or (iii) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

(5) Financial instruments (continued)

(i) Classification of financial assets (continued)

c Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold to maturity, other than (i) those that the Group upon initial recognition designates as at fair value through profit or loss; (ii) those that the Group designates as available-for-sale and; (iii) those that meet the definition of loans and receivables.

The Group shall reclassify any remaining held-to-maturity investments as available-for-sale and shall not classify any financial assets as held-to-maturity during the current financial year or during the two preceding financial years, if the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) except for sale or reclassification that:

— is so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

— occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

— is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

d Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

(ii) Recognition and measurement of financial assets

All financial assets are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are measured initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial assets at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments and loans and receivables are measured at amortised cost, while other categories of financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses.

Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(5) Financial instruments (continued)

(ii) Recognition and measurement of financial assets (continued)

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income and reclassified into the profit or loss.

Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss.

(iii) Derecognition of financial assets

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

(iv) Impairment of financial assets

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following loss event:

— significant financial difficulty of the borrower or issuer;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— the Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

— it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

— disappearance of an active market for financial assets because of financial difficulties;

— observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(5) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;

- a significant (the decline of fair value over 50%)or prolonged decline (the continued decline of fair value over one year) in the fair value of an investment in an equity instrument below its cost; and

- other objective evidence indicating there is an impairment of the financial asset.

a Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed loans and receivables with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(5) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

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

Collective assessment (continued)

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

Impairment reversal and loan write-off

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

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

b Available-for-sale financial assets

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(5) Financial instruments (continued)

(v) Financial liabilities

a Classification, recognition and measurement

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

— Financial liabilities at fair value through profit or loss

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

— Other financial liabilities

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

b Derecognition

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

(vi) Fair value measurement

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

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

(vii) Offsetting

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(5) Financial instruments (continued)

(viii) Derivative financial instruments and embedded derivative financial instruments

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

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

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

— it is settled at a future date.

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

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

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

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

(ix) Asset-backed securities

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(5) Financial instruments (continued)

(ix) Asset-backed securities (coninued)

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

(x) Preference share

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

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

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

(6) Precious metals

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

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

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

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

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

(8) Repossessed assets

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

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

(9) Investment properties

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

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

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

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

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

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

(10) Property and equipment

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

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

(10) Property and equipment (continued)

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

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	15–40 years	5%	2.38%–6.33%
Leasehold improvement	5–10 years	0%	10%–20%
Office equipment	3–10 years	5%	9.5%–31.67%
Transportation equipment	5–24 years	5%	3.96%–19%

No depreciation is provided on construction work in progress.

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

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

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

(11) Intangible assets

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

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

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

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

(12) Impairment of non-financial assets

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

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

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

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

(i) Impairment loss

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

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

(ii) Reversing an impairment loss

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

An impairment loss in respect of goodwill is not reversed.

(13) Income tax

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

(13) Income tax (continued)

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.

(14) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits-defined contribution plans

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

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

(15) Provisions

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

(16) Leases

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

(i) Operating leases

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

(ii) Finance leases

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

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

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

(17) Contingent liabilities

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

(17) Contingent liabilities (continued)

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

(18) Fiduciary activities

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

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

(19) Hedge accounting

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

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

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

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

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

(19) Hedge accounting (continued)

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

(20) Profit distribution

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

(21) Cash and cash equivalents

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

(22) Financial guarantees contracts

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

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

(23) Related parties

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

a has control or joint control over the Group;

b has significant influence over the Group; or

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(23) Related parties (continued)

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

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

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

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

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

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

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

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

(24) Operating segment

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

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

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

3 FINANCIAL RISK MANAGEMENT

(1) Financial risk management overview

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

As at 31 December 2017, the Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing"), Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund") and CMBC International Holding Ltd. ("CMBC International"), and 29 Rural banks. Its subsidiaries as separate entities, are responsible for financial risk management in their respective businesses. In 2017, the financial risk arising from commercial banking was the most significant risk for the Group's operations.

The Group's risk management policies are designed to set appropriate risk limits and controls, and to monitor risks and limit compliance through reliable and up-to-date information systems. The Group regularly reviews its risk management policies, improves its transmission mechanism and refines related systems to promptly reflect the latest regulatory requirements and changes in the market.

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

The Development Planning Department under the Bank's senior management is responsible for the routine management of subsidiaries, with a comprehensive risk management framework at the Group level gradually established and refined.

The most significant types of risks to the Group are credit risk, market risk, liquidity risk and operational risk. Market risk comprises interest rate risk, foreign exchange risk, equity risk and commodity risk.

(2) Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to it. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

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

(i) Credit risk measurement

a Loans and credit commitments

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

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

Pass: The borrower can fulfill contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

Special-mention: The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.

Substandard: The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.

Doubtful: The borrower can't repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.

Loss: After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(i) Credit risk measurement (continued)

b Debt securities and other bills

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

(ii) Risk limit control and mitigation policies

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

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

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

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

Other specific control and mitigation measures include:

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

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

a Collateral (continued)

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.

b Derivative instruments

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

c Credit related commitments

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(iii) Impairment allowance policies

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

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

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

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

(2) Credit risk (continued)

(iv) Maximum credit risk exposure

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

	Group		Bank	
	2017	2016	**2017**	2016
Balances with central bank	**434,858**	515,253	**430,227**	511,705
Balances with banks and other financial institutions	**75,257**	188,414	**50,149**	178,072
Financial assets at fair value through profit or loss				
— Debt securities	**69,564**	75,596	**68,996**	75,174
Positive fair value of derivatives	**18,734**	7,843	**18,696**	7,759
Placements with banks and other financial institutions	**143,205**	182,877	**145,705**	184,819
Financial assets held under resale agreements	**52,812**	90,546	**47,855**	90,046
Loans and advances to customers				
— Corporate loans and advances	**1,651,808**	1,521,076	**1,653,064**	1,516,980
— Personal loans and advances	**1,077,980**	876,116	**1,061,893**	864,899
Investment securities				
— Debt securities	**2,004,406**	2,094,674	**1,996,808**	2,089,857
Long-term receivables	**101,304**	94,791	**—**	—
Other financial assets	**80,720**	86,769	**63,193**	67,882
Total	**5,710,648**	5,733,955	**5,536,586**	5,587,193
Off-balance sheet credit commitments	**819,242**	998,270	**815,867**	990,559
Maximum credit risk exposure	**6,529,890**	6,732,225	**6,352,453**	6,577,752

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(v) Loans and advances to customers

	Group		Bank	
	2017	2016	**2017**	2016
Gross balance of loans and advances to customers				
Neither past due nor impaired	**2,712,536**	2,374,632	**2,697,936**	2,359,557
Past due but not impaired	**43,882**	45,519	**43,320**	44,939
Impaired	**47,889**	41,435	**47,358**	41,058
	2,804,307	2,461,586	**2,788,614**	2,445,554
Less: allowance for impairment loss				
Neither past due nor impaired	**(40,441)**	(34,323)	**(39,974)**	(33,898)
Past due but not impaired	**(5,666)**	(5,914)	**(5,605)**	(5,857)
Impaired	**(28,412)**	(24,157)	**(28,078)**	(23,920)
	(74,519)	(64,394)	**(73,657)**	(63,675)
Net balance				
Neither past due nor impaired	**2,672,095**	2,340,309	**2,657,962**	2,325,659
Past due but not impaired	**38,216**	39,605	**37,715**	39,082
Impaired	**19,477**	17,278	**19,280**	17,138
	2,729,788	2,397,192	**2,714,957**	2,381,879

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(a) Neither past due nor impaired

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

	Group		Bank	
	2017	2016	**2017**	2016
Corporate loans and advances	**1,642,208**	1,506,023	**1,643,432**	1,501,866
Personal loans and advances	**1,070,328**	868,609	**1,054,504**	857,691
Total	**2,712,536**	2,374,632	**2,697,936**	2,359,557

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

	Group		Bank	
	2017	2016	**2017**	2016
Unsecured loans	**663,807**	482,196	**665,894**	482,326
Guaranteed loans	**590,852**	590,411	**584,910**	584,337
Loans secured by				
— tangible assets other than monetary assets	**1,108,371**	945,956	**1,099,313**	939,095
— monetary assets	**349,506**	356,069	**347,819**	353,799
Total	**2,712,536**	2,374,632	**2,697,936**	2,359,557

(b) Past due but not impaired

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(b) Past due but not impaired (continued)

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

Group

	2017				
	Less than 30 days	**30 to 60 days**	**60 to 90 days**	**More than 90 days**	**Total**
Corporate loans and advances	**4,542**	**4,139**	**2,357**	**19,480**	**30,518**
Personal loans and advances	**6,167**	**2,716**	**3,260**	**1,221**	**13,364**
Total	**10,709**	**6,855**	**5,617**	**20,701**	**43,882**

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

Bank

	2017				
	Less than 30 days	**30 to 60 days**	**60 to 90 days**	**More than 90 days**	**Total**
Corporate loans and advances	**4,536**	**4,139**	**2,356**	**19,479**	**30,510**
Personal loans and advances	**5,952**	**2,647**	**3,218**	**993**	**12,810**
Total	**10,488**	**6,786**	**5,574**	**20,472**	**43,320**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(b) Past due but not impaired (continued)

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

As at 31 December 2017, the balance of loans and advances past due but not impaired which were covered by collateral was RMB18,872 million (31 December 2016: RMB18,924 million). The fair value of collateral held against these loans and advances was amounted to RMB46,232 million (31 December 2016: RMB46,293 million).

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

(c) Impaired loans

	Group		**Bank**	
	2017	2016	**2017**	2016
Corporate loans and advances	**25,754**	22,198	**25,754**	22,134
Personal loans and advances	**22,135**	19,237	**21,604**	18,924
Total	**47,889**	41,435	**47,358**	41,058
% of total loans and advances	**1.71%**	1.68%	**1.70%**	1.68%
Allowance for impairment losses				
— Corporate loans and advances	**(13,675)**	(11,142)	**(13,675)**	(11,099)
— Personal loans and advances	**(14,737)**	(13,015)	**(14,403)**	(12,821)
Total	**(28,412)**	(24,157)	**(28,078)**	(23,920)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(c) Impaired loans (continued)

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

Impaired loans and advances by type of collateral:

	Group		Bank	
	2017	2016	**2017**	2016
Unsecured loans	**7,263**	6,213	**7,262**	6,212
Guaranteed loans	**23,919**	20,729	**23,672**	20,511
Loans secured by				
— Tangible assets other than monetary assets	**12,602**	11,624	**12,328**	11,467
— Monetary assets	**4,105**	2,869	**4,096**	2,868
Total	**47,889**	41,435	**47,358**	41,058
Fair value of collateral held against impaired loans	**11,070**	9,396	**10,954**	9,334

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

(d) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Rescheduled loans amounted to RMB14,837 million as at 31 December 2017 (31 December 2016: RMB8,461 million).

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

(d) Loans and advances rescheduled (continued)

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

	Group	
	2017	2016
Loans and advances to customers	**2,438**	951
% of total loans and advances	**0.09%**	0.04%

(vi) Amounts due from banks and other financial institutions

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

	Group		Bank	
	2017	2016	**2017**	2016
Individually assessed and impaired gross amount	—	168	—	168
Allowances for impairment losses	—	(156)	—	(156)
Subtotal	—	12	—	12
Grade A to AAA	**200,321**	352,671	**176,730**	343,771
Grade B to BBB	**22,552**	55,592	**21,417**	55,592
Unrated	**48,401**	53,562	**45,562**	53,562
Subtotal	**271,274**	461,825	**243,709**	452,925
Total	**271,274**	461,837	**243,709**	452,937

Amounts neither past due nor impaired 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(vii) Long-term receivables

	Group	
	2017	2016
Long-term receivables		
Neither past due nor impaired	**99,734**	91,478
Past due but not impaired	**3,011**	4,796
Impaired	**1,985**	1,958
	104,730	98,232
Less: allowance for impairment loss		
Neither past due nor impaired	**(2,313)**	(2,050)
Past due but not impaired	**(377)**	(769)
Impaired	**(736)**	(622)
Subtotal	**(3,426)**	(3,441)
Net balance	**101,304**	94,791

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(viii) Debt securities

RMB-denominated debt securities

Group

	2017				
	Financial assets at fair value through profit or loss	**Available for-sale securities**	**Held-to-maturity securities**	**Loans and receivables**	**Total**
Debt securities					
Neither past due nor impaired	**40,958**	**242,008**	**698,342**	**963,572**	**1,944,880**
Impaired	**—**	**175**	**88**	**1,664**	**1,927**
Subtotal	**40,958**	**242,183**	**698,430**	**965,236**	**1,946,807**
Less: allowance for impairment loss					
Neither past due nor impaired	**—**	**—**	**—**	**(1,863)**	**(1,863)**
Impaired	**—**	**(71)**	**(55)**	**(328)**	**(454)**
Total	**40,958**	**242,112**	**698,375**	**963,045**	**1,944,490**

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(viii) Debt securities (continued)

RMB-denominated debt securities (continued)

Bank

	2017				
	Financial assets at fair value through profit or loss	**Available for-sale securities**	**Held-to-maturity securities**	**Loans and receivables**	**Total**
Debt securities					
Neither past due nor impaired	**40,958**	**241,986**	**698,342**	**961,457**	**1,942,743**
Impaired	**—**	**50**	**88**	**1,664**	**1,802**
Subtotal	**40,958**	**242,036**	**698,430**	**963,121**	**1,944,545**
Less: allowance for impairment loss					
Neither past due nor impaired	**—**	**—**	**—**	**(1,863)**	**(1,863)**
Impaired	**—**	**(31)**	**(55)**	**(328)**	**(414)**
Total	**40,958**	**242,005**	**698,375**	**960,930**	**1,942,268**

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(viii) Debt securities (continued)

RMB-denominated debt securities (continued)

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

Group

	2017				
	Financial assets at fair value through profit or loss	**Available for-sale securities**	**Held-to-maturity securities**	**Loans and receivables**	**Total**
AAA	**25**	**620**	**—**	**—**	**645**
AA- to AA+	**—**	**7,690**	**—**	**—**	**7,690**
A- to A+	**4,405**	**44,045**	**3,191**	**—**	**51,641**
Lower than A-	**14,121**	**20,714**	**6,521**	**—**	**41,356**
Unrated	**10,055**	**6,818**	**157**	**11,118**	**28,148**
Total	**28,606**	**79,887**	**9,869**	**11,118**	**129,480**

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

(2) Credit risk (continued)

(viii) Debt securities (continued)

RMB-denominated debt securities (continued)

Bank

	2017				
	Financial assets at fair value through profit or loss	**Available for-sale securities**	**Held-to-maturity securities**	**Loans and receivables**	**Total**
AAA	**25**	**620**	**—**	**—**	**645**
AA- to AA+	**—**	**7,690**	**—**	**—**	**7,690**
A- to A+	**4,405**	**44,045**	**3,191**	**—**	**51,641**
Lower than A-	**13,793**	**20,213**	**6,521**	**—**	**40,527**
Unrated	**9,815**	**6,391**	**157**	**6,670**	**23,033**
Total	**28,038**	**78,959**	**9,869**	**6,670**	**123,536**

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

The Group's impaired debt securities which were individually assessed for impairment were valued at RMB2,262 million as at 31 December 2017 (31 December 2016: RMB1,139 million), incurring an impairment loss of RMB765 million (31 December 2016: RMB477 million).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets

The Group conducts its credit business predominantly within mainland China, with major customers concentrated in a number of key industries. In China, different regions and different industries have their own unique characteristics in economic development. This has consequently exposed the Group's operations to different credit risks. The Group continues to improve the management of risk concentration by industry and region to avoid excess lending to individual sectors, and to reduce credit extension to regions with scarce resources and fragile financial ecology.

a Geographical concentration

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

Group

	2017				
	Northern China	**Eastern China**	**Southern China**	**Overseas and other PRC regions**	**Total**
Balances with central bank	**429,181**	**3,040**	**879**	**1,758**	**434,858**
Balances with banks and other financial institutions	**50,097**	**8,099**	**4,453**	**12,608**	**75,257**
Placements with banks and other financial institutions	**115,772**	**700**	**—**	**26,733**	**143,205**
Financial assets held under resale agreements	**51,708**	**—**	**—**	**1,104**	**52,812**
Gross loans and advances to customers	**923,083**	**810,954**	**392,912**	**677,358**	**2,804,307**
Less: allowance for impairment losses	**(27,637)**	**(18,122)**	**(8,861)**	**(19,899)**	**(74,519)**
Long-term receivables	**101,304**	**—**	**—**	**—**	**101,304**
Other financial assets	**76,771**	**6,383**	**3,480**	**12,820**	**99,454**
Total	**1,720,279**	**811,054**	**392,863**	**712,482**	**3,636,678**

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

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

a Geographical concentration (continued)

Bank

	2017				
	Northern China	**Eastern China**	**Southern China**	**Overseas and other PRC regions**	**Total**
Balances with central bank	**429,136**	**381**	**532**	**178**	**430,227**
Balances with banks and other financial institutions	**31,484**	**4,798**	**3,184**	**10,683**	**50,149**
Placements with banks and other financial institutions	**115,772**	**700**	**—**	**29,233**	**145,705**
Financial assets held under resale agreements	**46,751**	**—**	**—**	**1,104**	**47,855**
Gross loans and advances to customers	**922,809**	**801,204**	**391,453**	**673,148**	**2,788,614**
Less: allowance for impairment losses	**(27,626)**	**(17,692)**	**(8,792)**	**(19,547)**	**(73,657)**
Other financial assets	**63,844**	**6,254**	**3,264**	**8,527**	**81,889**
Total	**1,582,170**	**795,645**	**389,641**	**703,326**	**3,470,782**

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

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

a Geographical concentration (continued)

Financial assets — securities (by location of issuers)

Group

	2017				
	Mainland China	**North America**	**Europe**	**Others**	**Total**
Financial assets at fair value through profit or loss	**54,982**	**5,926**	**405**	**8,251**	**69,564**
Available-for-sale debt securities	**287,586**	**14,556**	**958**	**18,899**	**321,999**
Held-to-maturity investments	**702,510**	**5,659**	**—**	**75**	**708,244**
Loans and receivables	**971,849**	**348**	**—**	**1,966**	**974,163**
Total	**2,016,927**	**26,489**	**1,363**	**29,191**	**2,073,970**

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

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

a Geographical concentration (continued)

Bank

	2017				
	Mainland China	**North America**	**Europe**	**Others**	**Total**
Financial assets at fair value through profit or loss	**54,910**	**5,926**	**405**	**7,755**	**68,996**
Available-for-sale debt securities	**287,479**	**14,556**	**958**	**17,971**	**320,964**
Held-to-maturity investments	**702,510**	**5,659**	**—**	**75**	**708,244**
Loans and receivables	**966,991**	**—**	**—**	**609**	**967,600**
Total	**2,011,890**	**26,141**	**1,363**	**26,410**	**2,065,804**

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

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

b Industry concentration

Group

	2017						
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	434,858	—	—	—	—	—	434,858
Balances with banks and other financial institutions	—	75,257	—	—	—	—	75,257
Placements with banks and other financial institutions	—	143,205	—	—	—	—	143,205
Financial assets held under resale agreements	—	52,812	—	—	—	—	52,812
Corporate loans and advances	—	102,255	321,205	252,270	976,078	—	1,651,808
— of which: balance secured by collateral	—	46,813	130,854	206,704	415,654	—	800,025
Personal loans and advances	—	—	—	—	—	1,077,980	1,077,980
— of which: balance secured by collateral	—	—	—	—	—	672,134	672,134
Investment securities — debt securities	805,788	928,881	36,774	65,574	167,389	—	2,004,406
Long-term receivables	—	1,123	16,509	4,845	74,055	4,772	101,304
Other financial assets	9,045	53,246	9,495	7,162	82,381	7,689	169,018
Total	1,249,691	1,356,779	383,983	329,851	1,299,903	1,090,441	5,710,648

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

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

b Industry concentration (continued)

Bank

	2017						
	Governments and quasi-governments	**Financial institutions**	**Manufacturing**	**Real estate**	**Others**	**Individuals**	**Total**
Balances with central bank	**430,227**	**—**	**—**	**—**	**—**	**—**	**430,227**
Balances with banks and other financial institutions	**—**	**50,149**	**—**	**—**	**—**	**—**	**50,149**
Placements with banks and other financial institutions	**—**	**145,705**	**—**	**—**	**—**	**—**	**145,705**
Financial assets held under resale agreements	**—**	**47,855**	**—**	**—**	**—**	**—**	**47,855**
Corporate loans and advances	**—**	**104,759**	**320,639**	**252,270**	**975,396**	**—**	**1,653,064**
— of which: balance secured by collateral	**—**	**46,813**	**130,331**	**206,704**	**415,208**	**—**	**799,056**
Personal loans and advances	**—**	**—**	**—**	**—**	**—**	**1,061,893**	**1,061,893**
— of which: balance secured by collateral	**—**	**—**	**—**	**—**	**—**	**661,768**	**661,768**
Investment securities — debt securities	**805,095**	**927,696**	**36,705**	**64,859**	**162,453**	**—**	**1,996,808**
Other financial assets	**8,890**	**52,911**	**9,489**	**7,041**	**64,956**	**7,598**	**150,885**
Total	**1,244,212**	**1,329,075**	**366,833**	**324,170**	**1,202,805**	**1,069,491**	**5,536,586**

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

(3) Market risk

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

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

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

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

Currently, the Risk Management and Quality Control Department proposes market risk appetite and determines the overall direction of market risk management under the Group's risk management framework. The Financial Market Risk Management Department, the risk management department of the entire bank, sets exposure limits according to the Group's risk management framework and coordinates the management of market risk related to banking books, trading books and off-balance sheet assets. It is responsible for related systems, measures, policies, limit management, data, models, measurement, monitoring and monitoring reports.

(i) Market risk measurement techniques

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

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(ii) Currency risk

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

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

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

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

Group

	2017				
	RMB	**USD**	**HKD**	**Others**	**Total**
Assets:					
Cash and balances with central bank	**402,256**	**40,293**	**175**	**214**	**442,938**
Balances with banks and other financial institutions	**35,892**	**26,228**	**7,496**	**5,641**	**75,257**
Financial assets at fair value through profit or loss	**43,644**	**30,286**	**303**	**368**	**74,601**
Placements with banks and other financial institutions	**119,666**	**13,934**	**6,450**	**3,155**	**143,205**
Financial assets held under resale agreements	**52,812**	**—**	**—**	**—**	**52,812**
Loans and advances to customers	**2,563,333**	**111,048**	**30,527**	**24,880**	**2,729,788**
Investment securities	**1,960,359**	**88,583**	**4,169**	**8,185**	**2,061,296**
Long-term receivables	**76,372**	**24,932**	**—**	**—**	**101,304**
Other assets	**140,257**	**54,304**	**5,421**	**20,903**	**220,885**
Total assets	**5,394,591**	**389,608**	**54,541**	**63,346**	**5,902,086**
Liabilities:					
Borrowings from central bank	**335,173**	**—**	**—**	**—**	**335,173**
Deposits from customers	**2,750,441**	**188,439**	**21,547**	**5,884**	**2,966,311**
Deposits and placements from banks and other financial institutions	**1,163,855**	**127,023**	**6,723**	**18,392**	**1,315,993**
Financial assets sold under repurchase agreements	**104,680**	**2,842**	**—**	**—**	**107,522**
Borrowings from banks and other financial institutions	**94,080**	**49,479**	**3,440**	**—**	**146,999**
Debt securities issued	**484,969**	**16,958**	**—**	**—**	**501,927**
Other liabilities	**127,174**	**9,563**	**1,556**	**56**	**138,349**
Total liabilities	**5,060,372**	**394,304**	**33,266**	**24,332**	**5,512,274**
Net position	**334,219**	**(4,696)**	**21,275**	**39,014**	**389,812**
Foreign currency derivatives	**(4,053)**	**(2,561)**	**(219)**	**—**	**(6,833)**
Off-balance sheet credit commitments	**765,392**	**41,628**	**5,245**	**6,977**	**819,242**

(3) Market risk (continued)

(ii) Currency risk (continued)

Group (continued)

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(ii) Currency risk (continued)

Bank

	2017				
	RMB	**USD**	**HKD**	**Others**	**Total**
Assets:					
Cash and balances with central bank	**397,389**	**40,293**	**175**	**214**	**438,071**
Balances with banks and other financial institutions	**12,751**	**24,563**	**7,198**	**5,637**	**50,149**
Financial assets at fair value through profit or loss	**43,390**	**28,199**	**—**	**368**	**71,957**
Placements with banks and other financial institutions	**122,166**	**13,934**	**6,450**	**3,155**	**145,705**
Financial assets held under resale agreements	**47,855**	**—**	**—**	**—**	**47,855**
Loans and advances to customers	**2,545,998**	**111,048**	**33,031**	**24,880**	**2,714,957**
Investment securities	**1,957,599**	**84,692**	**2,683**	**8,185**	**2,053,159**
Other assets	**120,003**	**25,225**	**5,912**	**20,903**	**172,043**
Total assets	**5,247,151**	**327,954**	**55,449**	**63,342**	**5,693,896**
Liabilities:					
Borrowings from central bank	**334,500**	**—**	**—**	**—**	**334,500**
Deposits from customers	**2,720,026**	**188,465**	**21,646**	**5,884**	**2,936,021**
Deposits and placements from banks and other financial institutions	**1,171,496**	**128,020**	**6,724**	**18,392**	**1,324,632**
Financial assets sold under repurchase agreements	**104,555**	**2,835**	**—**	**—**	**107,390**
Debt securities issued	**483,971**	**16,958**	**—**	**—**	**500,929**
Other liabilities	**112,013**	**5,274**	**913**	**34**	**118,234**
Total liabilities	**4,926,561**	**341,552**	**29,283**	**24,310**	**5,321,706**
Net position	**320,590**	**(13,598)**	**26,166**	**39,032**	**372,190**
Foreign currency derivatives	**(4,053)**	**(2,561)**	**(219)**	**—**	**(6,833)**
Off-balance sheet credit commitments	**764,846**	**38,799**	**5,245**	**6,977**	**815,867**

(3) Market risk (continued)

(ii) Currency risk (continued)

Bank (continued)

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(ii) Currency risk (continued)

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2017, 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 RMB80 million (31 December 2016: increase by RMB362 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 RMB80 million (31 December 2016: decrease by RMB362 million).

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

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

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

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

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

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

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

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

(iii) Interest rate risk

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

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

Group

	Note	2017					
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		434,858	—	—	—	8,080	442,938
Balances with banks and other financial institutions		71,335	3,922	—	—	—	75,257
Financial assets at fair value through profit or loss		13,394	17,709	40,932	1,503	1,063	74,601
Placements with banks and other financial institutions		46,865	90,626	5,714	—	—	143,205
Financial assets held under resale agreements		50,130	2,682	—	—	—	52,812
Loans and advances to customers	(i)	2,177,749	333,596	176,896	41,547	—	2,729,788
Investment securities		289,294	697,922	689,443	378,999	5,638	2,061,296
Long-term receivables		101,304	—	—	—	—	101,304
Other assets		9,322	6,198	—	—	205,365	220,885
Total assets		3,194,251	1,152,655	912,985	422,049	220,146	5,902,086
Liabilities:							
Borrowings from central bank		23,673	311,500	—	—	—	335,173
Deposits from customers		2,309,543	510,302	146,059	407	—	2,966,311
Deposits and placements from banks and other financial institutions		1,110,312	203,681	2,000	—	—	1,315,993
Financial assets sold under repurchase agreements		93,188	14,287	47	—	—	107,522
Borrowings from banks and other financial institutions		42,377	73,311	18,278	13,033	—	146,999
Debt securities issued		227,727	102,464	72,849	98,887	—	501,927
Other liabilities		—	3,373	—	—	134,976	138,349
Total liabilities		3,806,820	1,218,918	239,233	112,327	134,976	5,512,274
Total interest sensitivity gap		(612,569)	(66,263)	673,752	309,722	85,170	389,812

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

Group (continued)

	Note	2016 Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		515,253	—	—	—	8,986	524,239
Balances with banks and other financial institutions		64,977	121,374	2,063	—	—	188,414
Financial assets at fair value through profit or loss		35,600	28,424	21,919	3,071	726	89,740
Placements with banks and other financial institutions		62,897	111,116	8,864	—	—	182,877
Financial assets held under resale agreements		86,000	4,546	—	—	—	90,546
Loans and advances to customers	(i)	1,811,163	398,240	156,672	31,117	—	2,397,192
Investment securities		368,568	711,849	627,546	401,997	7,209	2,117,169
Long-term receivables		94,791	—	—	—	—	94,791
Other assets		12,413	—	—	—	198,496	210,909
Total assets		3,051,662	1,375,549	817,064	436,185	215,417	5,895,877
Liabilities:							
Borrowings from central bank		95,109	220,329	—	—	—	315,438
Deposits from customers		1,859,909	900,527	321,465	341	—	3,082,242
Deposits and placements from banks and other financial institutions		856,773	550,566	680	—	—	1,408,019
Financial assets sold under repurchase agreements		82,144	31,033	78	—	—	113,255
Borrowings from banks and other financial institutions		51,395	41,893	19,485	9,701	—	122,474
Debt securities issued		97,121	204,482	29,529	67,244	—	398,376
Other liabilities		868	—	—	—	103,178	104,046
Total liabilities		3,043,319	1,948,830	371,237	77,286	103,178	5,543,850
Total interest sensitivity gap		8,343	(573,281)	445,827	358,899	112,239	352,027

(i) For loans and advances to customers of the Group, the "less than 3 months" category includes overdue amounts (net of allowances for impairment losses) of RMB55,977 million as at 31 December 2017 (31 December 2016: RMB56,420 million).

(3) Market risk (continued)

(iii) Interest rate risk (continued)

Bank

	Note	2017 Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		430,227	—	—	—	7,844	438,071
Balances with banks and other financial institutions		48,642	1,507	—	—	—	50,149
Financial assets at fair value through profit or loss		11,780	17,709	40,436	1,503	529	71,957
Placements with banks and other financial institutions		46,865	93,126	5,714	—	—	145,705
Financial assets held under resale agreements		47,855	—	—	—	—	47,855
Loans and advances to customers	(i)	2,167,443	330,703	176,089	40,722	—	2,714,957
Investment securities		287,133	695,114	686,951	378,807	5,154	2,053,159
Other assets		9,322	6,198	—	—	156,523	172,043
Total assets		3,049,267	1,144,357	909,190	421,032	170,050	5,693,896
Liabilities:							
Borrowings from central bank		23,000	311,500	—	—	—	334,500
Deposits from customers		2,288,667	504,664	142,684	6	—	2,936,021
Deposits and placements from banks and other financial institutions		1,118,561	204,071	2,000	—	—	1,324,632
Financial assets sold under repurchase agreements		93,103	14,287	—	—	—	107,390
Debt securities issued		227,727	102,464	71,851	98,887	—	500,929
Other liabilities		—	3,373	—	—	114,861	118,234
Total liabilities		3,751,058	1,140,359	216,535	98,893	114,861	5,321,706
Total interest sensitivity gap		(701,791)	3,998	692,655	322,139	55,189	372,190

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

Bank (continued)

	Note	2016 Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		511,705	—	—	—	8,766	520,471
Balances with banks and other financial institutions		55,628	120,396	2,048	—	—	178,072
Financial assets at fair value through profit or loss		33,515	28,424	21,300	3,049	—	86,288
Placements with banks and other financial institutions		64,839	111,116	8,864	—	—	184,819
Financial assets held under resale agreements		86,000	4,046	—	—	—	90,046
Loans and advances to customers	(i)	1,797,728	396,751	156,593	30,807	—	2,381,879
Investment securities		366,115	710,729	626,327	401,915	6,144	2,111,230
Other assets		—	—	—	—	163,774	163,774
Total assets		2,915,530	1,371,462	815,132	435,771	178,684	5,716,579
Liabilities:							
Borrowings from central bank		95,000	220,000	—	—	—	315,000
Deposits from customers		1,841,382	890,622	318,378	287	—	3,050,669
Deposits and placements from banks and other financial institutions		863,011	550,611	680	—	—	1,414,302
Financial assets sold under repurchase agreements		81,705	30,779	—	—	—	112,484
Debt securities issued		97,121	204,482	29,529	67,244	—	398,376
Other liabilities		868	—	—	—	88,060	88,928
Total liabilities		2,979,087	1,896,494	348,587	67,531	88,060	5,379,759
Total interest sensitivity gap		(63,557)	(525,032)	466,545	368,240	90,624	336,820

(i) For loans and advances to customers of the Bank, the "less than 3 months" category includes overdue amounts (net of allowances for impairment losses) of RMB55,292 million as at 31 December 2017 (31 December 2016: RMB55,762 million).

(3) Market risk (continued)

(iii) Interest rate risk (continued)

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

	Group		Bank	
	2017 (Loss)/gain	2016 (Loss)/gain	**2017 (Loss)/gain**	2016 (Loss)/gain
Up 100 bps parallel shift in yield curves	**(4,206)**	(1,558)	**(4,594)**	(1,894)
Down 100 bps parallel shift in yield curves	**4,206**	1,558	**4,594**	1,894

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.

(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 15% of the total RMB denominated deposits and 5% of the total foreign currency denominated balances as statutory reserves with the PBOC.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(i) Liquidity risk management policy

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

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

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

— To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios;

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(ii) Maturity analysis

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

Group

	Note	2017							
		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
		(i)							
Assets:									
Cash and balances with central bank		408,965	33,973	—	—	—	—	—	442,938
Balances with banks and other financial institutions		—	59,170	6,231	5,934	3,922	—	—	75,257
Financial assets at fair value through profit or loss		5,037	—	3,900	5,448	17,780	40,933	1,503	74,601
Placements with banks and other financial institutions		—	—	28,465	18,400	90,626	5,714	—	143,205
Financial assets held under resale agreements		400	—	40,189	9,541	2,682	—	—	52,812
Loans and advances to customers	(ii)	49,157	8,536	407,013	239,300	928,326	606,502	490,954	2,729,788
Investment securities									
— available-for-sale securities		56,906	—	7,136	17,698	79,602	170,064	47,483	378,889
— held-to-maturity securities		33	—	1,373	2,840	37,631	360,821	305,546	708,244
— loans and receivables		1,334	—	121,382	66,989	577,836	179,371	27,251	974,163
Long-term receivables		4,071	—	5,155	5,408	22,107	54,377	10,186	101,304
Other assets		64,514	21,825	10,982	20,142	42,517	42,330	18,575	220,885
Total assets		590,417	123,504	631,826	391,700	1,803,029	1,460,112	901,498	5,902,086
Liabilities:									
Borrowings from central bank		—	—	—	23,673	311,500	—	—	335,173
Deposits from customers		4,098	1,371,679	582,424	351,743	510,302	146,059	6	2,966,311
Deposits and placements from banks and other financial institutions		—	175,494	411,300	523,518	203,681	2,000	—	1,315,993
Financial assets sold under repurchase agreements		—	—	81,332	11,856	14,334	—	—	107,522
Borrowings from banks and other financial institutions		—	—	16,265	26,112	73,311	18,278	13,033	146,999
Debt securities issued		—	—	63,989	163,738	102,464	72,849	98,887	501,927
Other liabilities		4,373	35,169	43,087	17,368	30,996	4,927	2,429	138,349
Total liabilities		8,471	1,582,342	1,198,397	1,118,008	1,246,588	244,113	114,355	5,512,274
Net position		581,946	(1,458,838)	(566,571)	(726,308)	556,441	1,215,999	787,143	389,812
Notional amount of derivatives		—	—	513,820	456,739	809,650	176,333	10,230	1,966,772

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(ii) Maturity analysis (continued)

Group (continued)

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(ii) Maturity analysis (continued)

Bank

	Note	2017							
		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
		(i)							
Assets:									
Cash and balances with central bank		406,439	31,632	—	—	—	—	—	438,071
Balances with banks and other financial institutions		—	40,022	4,767	3,853	1,507	—	—	50,149
Financial assets at fair value through profit or loss		2,961	—	3,900	5,448	17,709	40,436	1,503	71,957
Placements with banks and other financial institutions		—	—	28,465	18,400	93,126	5,714	—	145,705
Financial assets held under resale agreements		400	—	40,189	7,266	—	—	—	47,855
Loans and advances to customers	(ii)	48,670	8,325	405,881	239,934	919,478	604,151	488,518	2,714,957
Investment securities									
— available-for-sale securities		56,280	—	7,082	17,698	79,581	169,383	47,291	377,315
— held-to-maturity securities		33	—	1,373	2,840	37,631	360,821	305,546	708,244
— loans and receivables		1,334	—	120,314	66,092	575,049	177,560	27,251	967,600
Other assets		34,426	18,022	9,858	17,249	36,856	38,535	17,097	172,043
Total assets		550,543	98,001	621,829	378,780	1,760,937	1,396,600	887,206	5,693,896
Liabilities:									
Borrowings from central bank		—	—	—	23,000	311,500	—	—	334,500
Deposits from customers		—	1,360,251	578,980	349,436	504,664	142,684	6	2,936,021
Deposits and placements from banks and other financial institutions		—	179,365	413,801	525,395	204,071	2,000	—	1,324,632
Financial assets sold under repurchase agreements		—	—	81,305	11,798	14,287	—	—	107,390
Debt securities issued		—	—	63,989	163,738	102,464	71,851	98,887	500,929
Other liabilities		811	31,968	36,050	16,120	27,118	3,848	2,319	118,234
Total liabilities		811	1,571,584	1,174,125	1,089,487	1,164,104	220,383	101,212	5,321,706
Net position		549,732	(1,473,583)	(552,296)	(710,707)	596,833	1,176,217	785,994	372,190
Notional amount of derivatives		—	—	513,820	456,439	809,650	175,491	9,285	1,964,685

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(ii) Maturity analysis (continued)

Bank (continued)

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

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

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

Group

	2017					
	Less than 1 months	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years and indefinite**	**Total**
Financial assets:						
Cash and balances with central bank	**33,973**	**—**	**—**	**—**	**408,983**	**442,956**
Balances with banks and other financial institutions	**69,427**	**1,942**	**3,998**	**—**	**—**	**75,367**
Financial assets at fair value through profit or loss	**4,062**	**5,868**	**19,632**	**45,855**	**4,537**	**79,954**
Placements with banks and other financial institutions	**28,506**	**18,526**	**94,092**	**6,071**	**—**	**147,195**
Financial assets held under resale agreements	**40,212**	**10,055**	**2,790**	**—**	**—**	**53,057**
Loans and advances to customers	**493,900**	**263,824**	**1,005,255**	**780,893**	**824,567**	**3,368,439**
Investment securities	**131,134**	**91,274**	**749,965**	**812,223**	**473,839**	**2,258,435**
Long-term receivables	**5,454**	**5,986**	**24,847**	**64,485**	**20,721**	**121,493**
Other financial assets	**32,835**	**20,392**	**42,754**	**42,330**	**83,090**	**221,401**
Total financial assets (expected maturity date)	**839,503**	**417,867**	**1,943,333**	**1,751,857**	**1,815,737**	**6,768,297**
Financial liabilities:						
Borrowings from central bank	**—**	**23,799**	**318,061**	**—**	**—**	**341,860**
Deposits from customers	**1,951,759**	**352,758**	**518,232**	**156,276**	**3,379**	**2,982,404**
Deposits and placements from banks and other financial institutions	**586,669**	**528,343**	**209,353**	**2,327**	**—**	**1,326,692**
Financial assets sold under repurchase agreements	**81,833**	**8,741**	**14,566**	**49**	**—**	**105,189**
Borrowings from banks and other financial institutions	**16,301**	**26,317**	**75,498**	**20,033**	**17,032**	**155,181**
Debt securities issued	**64,137**	**165,104**	**109,034**	**74,207**	**139,256**	**551,738**
Other financial liabilities	**17,249**	**3,161**	**7,108**	**2,106**	**4,999**	**34,623**
Total financial liabilities (contractual maturity date)	**2,717,948**	**1,108,223**	**1,251,852**	**254,998**	**164,666**	**5,497,687**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

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

Group (continued)

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

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

Bank

	2017					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	Total
Financial assets:						
Cash and balances with central bank	406,457	—	—	—	31,632	438,089
Balances with banks and other financial institutions	44,791	3,865	1,526	—	—	50,182
Financial assets at fair value through profit or loss	4,062	5,865	19,606	45,337	4,714	79,584
Placements with banks and other financial institutions	28,506	18,526	96,668	6,071	—	149,771
Financial assets held under resale agreements	40,212	7,750	—	—	—	47,962
Loans and advances to customers	492,070	261,954	996,408	778,542	822,131	3,351,105
Investment securities	131,023	91,206	749,722	811,236	473,160	2,256,347
Other financial assets	27,909	17,499	37,093	38,535	51,523	172,559
Total financial assets (expected maturity date)	1,175,030	406,665	1,901,023	1,679,721	1,383,160	6,545,599
Financial liabilities:						
Borrowings from central bank	—	23,122	318,061	—	—	341,183
Deposits from customers	1,939,429	350,766	511,348	153,104	7	2,954,654
Deposits and placements from banks and other financial institutions	593,046	530,235	209,753	2,327	—	1,335,361
Financial assets sold under repurchase agreements	81,805	8,683	14,566	—	—	105,054
Debt securities issued	64,137	165,104	109,034	73,088	139,256	550,619
Other financial liabilities	16,994	1,167	6,895	1,581	1,538	28,175
Total financial liabilities (contractual maturity date)	2,695,411	1,079,077	1,169,657	230,100	140,801	5,315,046

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

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

Bank (continued)

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(iv) Analysis on contractual undiscounted cash flows of derivatives

a Derivatives settled on a net basis

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

— Interest rate derivatives: interest rate swaps;

— Credit derivatives: credit default swaps.

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

Group

	2017					
	Less than 1 months	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Interest rate derivatives	**(5)**	**5**	**(4)**	**(17)**	**10**	**(11)**
Credit derivatives	**—**	**—**	**—**	**1**	**—**	**1**
Total	**(5)**	**5**	**(4)**	**(16)**	**10**	**(10)**

Bank

	2017					
	Less than 1 months	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Interest rate derivatives	**(5)**	**4**	**(7)**	**(34)**	**—**	**(42)**
Credit derivatives	**—**	**—**	**—**	**1**	**—**	**1**
Total	**(5)**	**4**	**(7)**	**(33)**	**—**	**(41)**

Group and Bank

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

b Derivatives settled on a gross basis

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

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

— Precious metal derivatives: precious metal forwards, swaps & options;

— Other derivatives: futures, equity and options derivatives.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

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

b Derivatives settled on a gross basis (continued)

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

Group

	2017					
	Less than 1 months	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Foreign exchange derivatives						
— Cash outflow	**(434,438)**	**(324,897)**	**(505,028)**	**(9,918)**	**—**	**(1,274,281)**
— Cash inflow	**433,512**	**321,146**	**502,733**	**10,057**	**—**	**1,267,448**
Precious metal derivatives						
— Cash outflow	**(15,286)**	**(23,037)**	**(56,960)**	**—**	**—**	**(95,283)**
— Cash inflow	**12,105**	**22,128**	**53,023**	**—**	**—**	**87,256**
Others						
— Cash outflow	**(36)**	**—**	**(18,352)**	**—**	**—**	**(18,388)**
— Cash inflow	**36**	**27**	**18,361**	**—**	**—**	**18,424**
Total cash outflow	**(449,760)**	**(347,934)**	**(580,340)**	**(9,918)**	**—**	**(1,387,952)**
Total cash inflow	**445,653**	**343,301**	**574,117**	**10,057**	**—**	**1,373,128**

	2016					
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
— Cash outflow	(197,179)	(75,479)	(239,967)	(2,535)	—	(515,160)
— Cash inflow	199,718	77,114	245,207	2,588	—	524,627
Precious metal derivatives						
— Cash outflow	(21,476)	(31,925)	(38,824)	—	—	(92,225)
— Cash inflow	20,298	30,661	38,507	—	—	89,466
Others						
— Cash outflow	—	—	(13)	—	—	(13)
— Cash inflow	—	—	109	—	—	109
Total cash outflow	(218,655)	(107,404)	(278,804)	(2,535)	—	(607,398)
Total cash inflow	220,016	107,775	283,823	2,588	—	614,202

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

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

b Derivatives settled on a gross basis (continued)

Bank

	2017					
	Less than 1 months	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Foreign exchange derivatives						
— Cash outflow	**(434,438)**	**(324,897)**	**(505,028)**	**(9,918)**	**—**	**(1,274,281)**
— Cash inflow	**433,512**	**321,146**	**502,733**	**10,057**	**—**	**1,267,448**
Precious metal derivatives						
— Cash outflow	**(15,286)**	**(23,037)**	**(56,960)**	**—**	**—**	**(95,283)**
— Cash inflow	**12,105**	**22,128**	**53,023**	**—**	**—**	**87,256**
Others						
— Cash outflow	**(36)**	**—**	**(18,352)**	**—**	**—**	**(18,388)**
— Cash inflow	**36**	**—**	**18,361**	**—**	**—**	**18,397**
Total cash outflow	**(449,760)**	**(347,934)**	**(580,340)**	**(9,918)**	**—**	**(1,387,952)**
Total cash inflow	**445,653**	**343,274**	**574,117**	**10,057**	**—**	**1,373,101**

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

(4) Liquidity risk (continued)

(v) Analysis on contractual undiscounted cash flows of commitments

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

Group

	2017			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Bank acceptances	**461,630**	—	—	**461,630**
Letters of credit	**106,766**	**757**	—	**107,523**
Guarantees	**96,631**	**42,360**	**2,938**	**141,929**
Unused credit card commitments	**100,714**	—	—	**100,714**
Capital commitments	**4,515**	**14,601**	—	**19,116**
Operating lease commitments	**3,441**	**8,219**	**2,343**	**14,003**
Irrevocable loan commitments	**680**	**2,277**	**1,329**	**4,286**
Finance lease commitments	**3,158**	**2**	—	**3,160**
Total	**777,535**	**68,216**	**6,610**	**852,361**

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

(4) Liquidity risk (continued)

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

Bank

	2017			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Bank acceptances	**461,419**	—	—	**461,419**
Letters of credit	**106,766**	**757**	—	**107,523**
Guarantees	**96,627**	**42,360**	**2,938**	**141,925**
Unused credit card commitments	**100,714**	—	—	**100,714**
Capital commitments	**456**	**173**	—	**629**
Operating lease commitments	**3,342**	**8,082**	**2,315**	**13,739**
Irrevocable loan commitments	**680**	**2,277**	**1,329**	**4,286**
Total	**770,004**	**53,649**	**6,582**	**830,235**

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

(5) Operational risk

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

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

The Bank continues to strengthen the inspection of compliance and internal controls and rectification of problems, stressing the control of risk in key areas. By combining unified supervision by the Head Office with implementation by individual entities, the rectification of specific problems with the upgraded internal control system, and accountability of non-compliance with early warning education, the Bank completes the special inspection exercise.

(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.

The Group establishes three lines of defences in this regard. The first line of defence is overseas business units, which comply with related requirements when initiating and approving overseas business, identify and review key risk elements. The second line of defence is the Risk Management Department which takes into full account the impact of country risk when reviewing cross-border business, implements risk limits and carefully assesses the effect of risk transfer and mitigation. The Audit Department, the third line of defence, regularly reviews the effectiveness of the risk management system, monitors and assesses the implementation of risk management policy and risk limits. In addition to implementing the Head Office's requirements relating to country risk limits and exposure statistics, the subsidiaries included in the consolidated financial statements of the Group are required to formulate their respective country risk management rules and procedures.

In respect of country risk reserve management, the Group complies with the requirement on giving priority to the accrual of country risk reserve, which is fully accrued at the bank and subsidiary levels.

(7) Capital management

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

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

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

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the contingent nature of any potential losses. The counterparty credit risk-weighted assets for OTC derivatives are the summation of default risk-weighted assets and credit value adjustment ("CVA"). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(7) Capital management (continued)

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

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 CBRC as below:

	Note	**2017**	2016
Core tier-one capital adequacy ratio		**8.63%**	8.95%
Tier-one capital adequacy ratio		**8.88%**	9.22%
Capital adequacy ratio		**11.85%**	11.73%
Components of capital base			
Core tier-one capital:			
Share capital		**36,485**	36,485
Valid portion of capital reserve		**64,753**	64,744
Surplus reserve		**34,914**	30,052
General reserve		**74,168**	72,929
Retained earnings		**163,420**	130,630
Valid portion of non-controlling interests		**6,750**	7,011
Others	(1)	**(4,662)**	(2,142)
Total core tier-one capital		**375,828**	339,709
Total core tier-one capital		**375,828**	339,709
Core tier-one capital deductions		**(1,204)**	(1,035)
Net core tier-one capital		**374,624**	338,674
Other tier-one capital		**10,790**	10,589
Net tier-one capital		**385,414**	349,263
Tier-two capital:			
Valid portion of tier-two capital instruments issued and share premium		**98,887**	68,916
Surplus provision for loan impairment		**28,300**	24,442
Valid portion of non-controlling interests		**1,800**	1,409
Tier-two capital deductions		**—**	—
Net tier-two capital		**128,987**	94,767
Net capital base		**514,401**	444,030
Credit risk-weighted assets		**3,998,394**	3,468,749
Market risk-weighted assets		**63,112**	42,638
Operational risk-weighted assets		**278,756**	274,686
Total risk-weighted assets		**4,340,262**	3,786,073

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

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(1) Impairment allowances on loans and advances

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

(2) Fair value of derivative and other financial instruments

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

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

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

(4) Held-to-maturity securities

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

(5) Taxation

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

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(6) Structured entities

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

5 SEGMENT INFORMATION

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

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

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

Geographical segments:

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

Geographical segments: (continued)

Group

	2017					
	Northern China	**Eastern China**	**Southern China**	**Other locations**	**Inter-segment elimination**	**Total**
External net interest income	58,037	6,418	3,650	18,447	—	86,552
Inter-segment net interest (expense)/income	(31,500)	17,043	11,012	3,445	—	—
Net interest income	26,537	23,461	14,662	21,892	—	86,552
Fee and commission income	43,620	2,684	5,008	2,756	—	54,068
Fee and commission expense	(3,308)	(579)	(1,904)	(535)	—	(6,326)
Net fee and commission income	40,312	2,105	3,104	2,221	—	47,742
Operating expenses	(19,536)	(10,987)	(6,756)	(9,966)	—	(47,245)
Impairment losses on assets	(14,463)	(7,947)	(3,652)	(8,078)	—	(34,140)
Net other income	6,802	398	(5)	458	—	7,653
Profit before income tax	39,652	7,030	7,353	6,527	—	60,562
Depreciation and amortisation	3,049	688	370	687	—	4,794
Capital expenditure	7,979	987	593	793	—	10,352
Segment assets	5,083,940	1,295,906	662,721	941,025	(2,110,668)	5,872,924
Investments in associates	—	—	21	—	—	21
Deferred income tax assets						29,162
Total assets						5,902,086
Segment liabilities	(4,781,657)	(1,274,839)	(644,197)	(922,184)	2,110,668	(5,512,209)
Deferred income tax liabilities						(65)
Total liabilities						(5,512,274)
Credit commitments	323,716	236,813	89,067	169,646	—	819,242

5 SEGMENT INFORMATION (CONTINUED)

Geographical segments: (continued)

Group (continued)

	2016					
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
External net interest income	63,340	10,131	2,933	18,280	—	94,684
Inter-segment net interest (expense)/income	(27,026)	13,166	10,804	3,056	—	—
Net interest income	36,314	23,297	13,737	21,336	—	94,684
Fee and commission income	42,734	4,760	4,137	4,635	—	56,266
Fee and commission expense	(2,046)	(663)	(720)	(576)	—	(4,005)
Net fee and commission income	40,688	4,097	3,417	4,059	—	52,261
Operating expenses	(22,219)	(12,177)	(7,250)	(10,778)	—	(52,424)
Impairment losses on assets	(21,366)	(10,481)	(2,584)	(6,947)	—	(41,378)
Net other income	4,832	1,124	618	532	—	7,106
Profit before income tax	38,249	5,860	7,938	8,202	—	60,249
Depreciation and amortisation	2,739	757	423	781	—	4,700
Capital expenditure	7,842	1,321	606	836	—	10,605
Segment assets	4,795,197	1,521,038	827,041	1,077,414	(2,348,179)	5,872,511
Investments in associates	—	—	25	—	—	25
Deferred income tax assets						23,366
Total assets						5,895,877
Segment liabilities/total liabilities	(4,523,616)	(1,504,305)	(808,695)	(1,055,413)	2,348,179	(5,543,850)
Credit commitments	344,463	323,375	99,029	231,403	—	998,270

5 SEGMENT INFORMATION (CONTINUED)

Business segments:

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

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

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

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

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

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

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

Business segments: (continued)

Group

	2017				
	Corporate banking	**Personal banking**	**Treasury**	**Others**	**Total**
Net interest income	**50,149**	**23,521**	**11,726**	**1,156**	**86,552**
Including: inter-segment net interest income/(expense)	**9,265**	**(17,901)**	**8,619**	**17**	**—**
Net fee and commission income	**14,115**	**25,074**	**6,773**	**1,780**	**47,742**
Including: inter-segment net fee and commission (expense)/income	**(43)**	**—**	**—**	**43**	**—**
Operating expenses	**(21,725)**	**(16,485)**	**(7,827)**	**(1,208)**	**(47,245)**
Impairment losses on assets	**(15,543)**	**(16,579)**	**(1,204)**	**(814)**	**(34,140)**
Other net income	**132**	**26**	**5,110**	**2,385**	**7,653**
Profit before income tax	**27,128**	**15,557**	**14,578**	**3,299**	**60,562**
Depreciation and amortisation	**1,762**	**1,324**	**619**	**1,089**	**4,794**
Capital expenditure	**977**	**735**	**343**	**8,297**	**10,352**
Segment assets	**1,701,522**	**1,092,556**	**2,884,691**	**194,155**	**5,872,924**
Investments in associates	**—**	**—**	**—**	**21**	**21**
Deferred income tax assets					**29,162**
Total assets					**5,902,086**
Segment liabilities	**(2,485,406)**	**(577,068)**	**(2,278,437)**	**(171,298)**	**(5,512,209)**
Deferred income tax liabilities					**(65)**
Total liabilities					**(5,512,274)**
Credit commitments	**715,368**	**100,714**	**—**	**3,160**	**819,242**

5 SEGMENT INFORMATION (CONTINUED)

Business segments: (continued)

Group (continued)

	2016				
	Corporate banking	Personal banking	Treasury	Others	Total
Net interest income	51,445	27,019	14,445	1,775	94,684
Including: inter-segment net interest income/(expense)	16,915	(8,492)	(8,440)	17	—
Net fee and commission income	19,641	22,597	7,803	2,220	52,261
Including: inter-segment net fee and commission (expense)/income	(323)	—	—	323	—
Operating expenses	(24,454)	(17,111)	(9,545)	(1,314)	(52,424)
Impairment losses on assets	(20,401)	(20,012)	(106)	(859)	(41,378)
Other net income	1,290	43	3,879	1,894	7,106
Profit before income tax	27,521	12,536	16,476	3,716	60,249
Depreciation and amortisation	1,647	1,128	579	1,346	4,700
Capital expenditure	1,027	703	362	8,513	10,605
Segment assets	1,600,607	889,907	3,220,636	161,361	5,872,511
Investments in associates	—	—	—	25	25
Deferred income tax assets					23,366
Total assets					5,895,877
Segment liabilities/total liabilities	(2,578,464)	(616,229)	(2,204,088)	(145,069)	(5,543,850)
Credit commitments	928,114	63,335	—	6,821	998,270

6 NET INTEREST INCOME

	2017	2016
Interest income arising from:		
— Loans and advances to customers		
— Corporate loans and advances	**71,542**	65,919
— Personal loans and advances	**50,576**	44,600
— Discounted bills	**4,334**	4,775
— Investment securities	**78,995**	56,669
— Including:		
Financial assets at fair value through profit or loss	**2,438**	1,488
— Balances with central bank	**6,870**	6,961
— Placements with banks and other financial Institutions	**6,708**	6,587
— Long-term receivables	**6,431**	5,543
— Balances with banks and other financial Institutions	**2,792**	4,088
— Financial assets held under resale agreements	**2,662**	8,776
Subtotal	**230,910**	203,918
Interest expense arising from:		
— Deposits from customers	**(52,244)**	(51,305)
— Deposits and placements from banks and other financial institutions	**(51,833)**	(35,324)
— Debt securities issued	**(18,947)**	(10,547)
— Borrowings from central bank	**(10,005)**	(5,689)
— Borrowings from banks and other financial institutions and others	**(5,877)**	(3,977)
— Financial assets sold under repurchase agreements	**(5,452)**	(2,392)
Subtotal	**(144,358)**	(109,234)
Net interest income	**86,552**	94,684
Of which:		
Interest income from impaired financial assets identified	**832**	970

7 NET FEE AND COMMISSION INCOME

	2017	2016
Fee and commission income		
— Bank card services	**22,009**	16,807
— Trust and other fiduciary services	**13,085**	15,072
— Agency services	**11,648**	15,651
— Settlement services	**3,028**	2,403
— Credit commitments	**2,493**	4,501
— Finance lease services	**1,070**	1,056
— Financial advisory services	**412**	617
— Others	**323**	159
Subtotal	**54,068**	56,266
Fee and commission expense	**(6,326)**	(4,005)
Net fee and commission income	**47,742**	52,261

8 NET TRADING GAIN

	2017	2016
(Loss)/gain on exchange rate instruments	**(2,267)**	3,491
Gain/(loss) on interest rate instruments	**88**	(338)
Gain/(loss) on precious metals and other products	**3,545**	(1,520)
Total	**1,366**	1,633

9 NET GAIN ARISING FROM DISPOSALS OF SECURITIES AND DISCOUNTED BILLS

	2017	2016
Net gain arising from disposals of securities	**3,541**	1,846
Net gain arising from disposals of discounted bills	**333**	625
Total	**3,874**	2,471

Gain or loss arising from disposals of discounted bills represents the difference between the discounted interest income unamortised and rediscounted interest cost.

10 IMPAIRMENT LOSSES ON ASSETS

	2017	2016
Loans and advances to customers	**32,180**	41,214
Investment securities		
— loans and receivables	**634**	(34)
— available-for-sale securities	**488**	(6)
— held-to-maturity securities	**(20)**	(23)
Long-term receivables	**449**	711
Placements with banks and other financial institutions	**68**	29
Others	**341**	(513)
Total	**34,140**	41,378

11 OPERATING EXPENSES

	2017	2016
Staff costs, including directors' emoluments		
— Short-term employee benefits	**22,952**	22,774
— Post-employment benefits-defined contribution plans	**2,167**	2,308
Rental and property management expenses	**4,337**	4,466
Depreciation and amortisation	**3,350**	3,535
Office expenses	**1,610**	2,214
Tax and surcharges	**1,484**	4,338
Business expenses and others	**11,345**	12,789
Total	**47,245**	52,424

Auditors' remuneration included in the operating expenses of the Group for the year ended 31 December 2017 was RMB17 million (for the year ended 31 December 2016: RMB16 million).

12 DIRECTORS AND SUPERVISORS' EMOLUMENTS

For the year ended 31 December 2017 (in thousands of RMB)

	2017			
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Hong Qi(1) (2)	**3,762**	**303**	**403**	**4,468**
Zhang Hongwei	**915**	**—**	**—**	**915**
Lu Zhiqiang	**890**	**—**	**—**	**890**
Liu Yonghao	**900**	**—**	**—**	**900**
Liang Yutang(1) (2)	**3,301**	**256**	**356**	**3,913**
Zheng Wanchun(1) (2)	**3,408**	**297**	**402**	**4,107**
Shi Yuzhu	**600**	**—**	**—**	**600**
Wu Di	**800**	**—**	**—**	**800**
Yao Dafeng	**820**	**—**	**—**	**820**
Song Chunfeng	**—**	**—**	**—**	**—**
Tian Zhiping	**—**	**—**	**—**	**—**
Weng Zhenjie	**—**	**—**	**—**	**—**
Cheng Hoi-chuen	**880**	**—**	**—**	**880**
Liu Jipeng	**865**	**—**	**—**	**865**
Li Hancheng	**950**	**—**	**—**	**950**
Xie Zhichun	**990**	**—**	**—**	**990**
Peng Xuefeng	**680**	**—**	**—**	**680**
Liu Ningyu	**810**	**—**	**—**	**810**
Zhang Juntong(1) (2)	**2,727**	**227**	**278**	**3,232**
Wang Jiazhi(1) (2)	**3,298**	**227**	**322**	**3,847**
Guo Dong(1) (2)	**2,522**	**189**	**228**	**2,939**
Wang Hang	**735**	**—**	**—**	**735**
Zhang Bo	**545**	**—**	**—**	**545**
Lu Zhongnan	**715**	**—**	**—**	**715**
Wang Yugui	**715**	**—**	**—**	**715**
Bao Jiming	**530**	**—**	**—**	**530**
Cheng Guoqi	**590**	**—**	**—**	**590**
Wang Junhui	**135**	**—**	**—**	**135**
Guo Guangchang	**130**	**—**	**—**	**130**
Wang Lihua	**290**	**—**	**—**	**290**
Han Jianmin	**180**	**—**	**—**	**180**
Duan Qingshan(1) (2)	**610**	**38**	**—**	**648**
Zhang Disheng	**120**	**—**	**—**	**120**
Zhang Ke	**125**	**—**	**—**	**125**
Wang Liang	**115**	**—**	**—**	**115**

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

(2) The emoluments before tax of Executive Directors, the Chairman and Vice Chairman of the Supervisory Board are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2017 financial statements.

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

	2016			
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	Total
Hong Qi[(1) (2)]	3,729	442	3,079	7,250
Zheng Wanchun[(1) (2)]	3,503	405	2,812	6,720
Liang Yutang[(1) (2)]	3,459	331	2,547	6,337
Duan Qingshan[(1) (2)]	3,377	331	2,452	6,160
Wang Jiazhi[(1) (2)]	3,196	331	1,908	5,435
Guo Dong[(1) (2)]	1,741	229	1,192	3,162
Cheng Hoi-chuen	950	—	—	950
Han Jianmin	1,070	—	—	1,070
Zhang Hongwei	925	—	—	925
Lu Zhiqiang	890	—	—	890
Wang Hang	990	—	—	990
Wang Lihua	1,175	—	—	1,175
Liu Yonghao	855	—	—	855
Guo Guangchang	805	—	—	805
Wang Yugui	1,000	—	—	1,000
Wu Di	875	—	—	875
Wang Junhui	740	—	—	740
Zhang Ke	685	—	—	685
Lu Zhongnan	785	—	—	785
Zhang Disheng	655	—	—	655
Wang Liang	685	—	—	685
Yao Dafeng	830	—	—	830
Liu Jipeng	110	—	—	110
Li Hancheng	110	—	—	110

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

(2) The emoluments before tax of Executive Directors, the Chairman and Vice Chairman of the Supervisory Board were approved by the Compensation and Remuneration Committee of the Board of Directors. The Bank made further disclosure in *the Supplementary Announcement Regarding the Senior Management's Emoluments of China Minsheng Banking Corp., Ltd. of 2016*, and the related emoluments were restated accordingly.

For the year ended 31 December 2017, the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed above.

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

13 INCOME TAX EXPENSE

	2017	2016
Current tax for the year	**14,764**	17,832
Adjustment for prior years	**(110)**	(151)
Subtotal	**14,654**	17,681
Changes in deferred tax (Note 25)	**(5,014)**	(6,210)
Total	**9,640**	11,471

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

	Note	**2017**	2016
Profit before income tax		**60,562**	60,249
Income tax at the tax rate of 25%		**15,141**	15,062
Effect of non-taxable income	(i)	**(5,874)**	(4,176)
Effect of non-deductible expenses		**441**	428
Others		**(68)**	157
Income tax expense		**9,640**	11,471

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

The applicable income tax rate for mainland China was 25% for the year ended 31 December 2017 (for the year ended 31 December 2016: 25%). The applicable income tax rate for Hong Kong branch and CMBC International was 16.5% (for the year ended 31 December 2016: 16.5%).

14 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank for the period by the adjusted weighted average number of ordinary shares in issue. There's no dilutive potential shares during 2017 and 2016.

	2017	2016
Net profit attributable to equity shareholders of the Bank	**49,813**	47,843
Less: Profit for the year attributable to other equity holders of the Bank	**(523)**	—
Net profit attributable to ordinary equity shareholders of the Bank	**49,290**	47,843
Weighted average number of ordinary shares in issue (in millions)	**36,485**	36,485
Basic/diluted earnings per share (in RMB)	**1.35**	1.31

15 CASH AND BALANCES WITH CENTRAL BANK

	Group		Bank	
	2017	2016	**2017**	2016
Cash	**8,080**	8,986	**7,844**	8,766
Balances with central bank				
Statutory deposit reserves	**407,340**	427,603	**404,814**	425,156
Surplus deposit reserves	**25,893**	84,335	**23,788**	83,234
Fiscal deposits and others	**1,625**	3,315	**1,625**	3,315
Total	**442,938**	524,239	**438,071**	520,471

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 2017 the statutory deposit reserve rate applicable to domestic branches of the Bank for RMB deposits was 15.0 % and the reserve rate for foreign currency deposits was 5.0 % (31 December 2016: 15.0% of RMB deposits and 5.0% of foreign currency deposits). The amount of statutory deposit reserves of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

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

16 BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2017	2016	**2017**	2016
Mainland China				
— Banks	**41,682**	171,645	**19,666**	162,592
— Other financial institutions	**7,644**	6,141	**7,644**	5,941
— Subtotal	**49,326**	177,786	**27,310**	168,533
Overseas				
— Banks	**25,205**	10,310	**22,119**	9,221
— Other financial institutions	**726**	318	**720**	318
— Subtotal	**25,931**	10,628	**22,839**	9,539
Total	**75,257**	188,414	**50,149**	178,072

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2017	2016	**2017**	2016
Held for trading purpose				
Debt securities				
Government				
— Listed outside Hong Kong	**1,565**	605	**1,565**	605
Policy banks				
— Listed in Hong Kong	**65**	—	**65**	—
— Listed outside Hong Kong	**1,064**	3,039	**1,064**	3,039
Banking and non-banking financial institution bonds				
— Listed in Hong Kong	**8,479**	2,232	**8,479**	2,232
— Listed outside Hong Kong	**10,695**	19,234	**10,631**	19,213
Other corporates				
— Listed in Hong Kong	**10,791**	6,314	**10,433**	5,913
— Listed outside Hong Kong	**29,630**	39,360	**29,555**	39,360
Equity investments				
— Listed in Hong Kong	**532**	726	**529**	—
— Unlisted	**531**	—	**—**	—
Investment funds				
— Unlisted	**1,314**	12,304	**—**	10,000
Designated at fair value through profit or loss				
Debt securities				
Banking and non-banking financial institution bonds				
— Unlisted	**3,633**	—	**3,633**	—
Other corporates				
— Unlisted	**3,642**	4,812	**3,571**	4,812
Investment funds				
— Unlisted	**2,660**	1,114	**2,432**	1,114
Total	**74,601**	89,740	**71,957**	86,288

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

18 DERIVATIVES

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

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

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

18 DERIVATIVES (CONTINUED)

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

Group

	2017		
	Notional amount	**Fair value**	
		Assets	**Liabilities**
Currency swaps	**1,129,297**	**10,304**	**(14,952)**
Interest rate swaps	**596,828**	**1,050**	**(315)**
Precious metal derivatives	**93,805**	**5,540**	**(868)**
Currency options	**72,787**	**375**	**(307)**
Currency forwards	**51,421**	**619**	**(1,062)**
Commodity options	**17,199**	**789**	**(554)**
Extension options	**5,000**	**—**	**—**
Credit derivatives	**131**	**4**	**—**
Others	**304**	**53**	**(18)**
Total		**18,734**	**(18,076)**

	2016		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	961,676	4,350	(7,045)
Interest rate swaps	312,133	104	(141)
Precious metal derivatives	90,504	2,775	(1,978)
Currency forwards	52,682	354	(968)
Currency options	22,748	171	(145)
Extension options	5,000	—	—
Credit derivatives	139	1	—
Others	21	88	—
Total		7,843	(10,277)

18 DERIVATIVES (CONTINUED)

Bank

	2017		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	**1,129,297**	**10,304**	**(14,952)**
Interest rate swaps	**594,741**	**1,039**	**(296)**
Precious metal derivatives	**93,805**	**5,540**	**(868)**
Currency options	**72,787**	**375**	**(307)**
Currency forwards	**51,421**	**619**	**(1,062)**
Commodity options	**17,199**	**789**	**(554)**
Extension options	**5,000**	**—**	**—**
Credit derivatives	**131**	**4**	**—**
Others	**304**	**26**	**(18)**
Total		**18,696**	**(18,057)**

	2016		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	961,676	4,350	(7,045)
Interest rate swaps	309,546	104	(114)
Precious metal derivatives	90,504	2,775	(1,978)
Currency forwards	52,682	354	(968)
Currency options	22,748	171	(145)
Extension options	5,000	—	—
Credit derivatives	139	1	—
Others	21	4	—
Total		7,759	(10,250)

Cash flow hedges

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

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

18 DERIVATIVES (CONTINUED)

Group and Bank

	2017		
	Notional amount	Fair value Assets	Fair value Liabilities
Currency swap	**3,371**	**109**	**—**
Total		**109**	**—**

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

Credit risk weighted amount

	Group	
	2017	2016
Exchange rate contracts	**4,994**	3,133
Precious metal contracts	**3,818**	1,851
Commodity option contracts	**2,510**	—
Interest rate contracts	**585**	152
Other derivative contracts	**45**	87
Total	**11,952**	5,223

	Bank	
	2017	2016
Exchange rate contracts	**4,994**	3,133
Precious metal contracts	**3,818**	1,851
Commodity option contracts	**2,510**	—
Interest rate contracts	**577**	145
Other derivative contracts	**18**	1
Total	**11,917**	5,130

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

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

19 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2017	2016	**2017**	2016
Mainland China				
— Banks	**6,060**	23,400	**6,060**	23,400
— Other financial institutions	**112,497**	118,364	**114,997**	120,306
Overseas				
— Banks	**21,295**	37,768	**21,295**	37,768
— Other financial institutions	**3,448**	3,374	**3,448**	3,374
Less: Allowance for impairment losses	**(95)**	(29)	**(95)**	(29)
Total	**143,205**	182,877	**145,705**	184,819

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	Group		Bank	
	2017	2016	**2017**	2016
Bonds	**46,751**	47,711	**46,751**	47,711
Discounted bills	**704**	40,674	**704**	40,674
Others*	**5,357**	2,317	**400**	1,817
Gross balance	**52,812**	90,702	**47,855**	90,202
Less: allowance for impairment losses	**—**	(156)	**—**	(156)
Net balance	**52,812**	90,546	**47,855**	90,046

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

21 LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2017	2016	**2017**	2016
Corporate loans and advances				
— Corporate loans	**1,615,830**	1,394,864	**1,617,816**	1,391,932
— Discounted bills	**82,650**	165,800	**81,880**	164,453
Subtotal	**1,698,480**	1,560,664	**1,699,696**	1,556,385
Personal loans and advances				
— Micro lending*	**373,262**	335,074	**359,147**	327,136
— Residential mortgage	**350,986**	295,875	**349,073**	295,201
— Credit cards	**294,019**	207,372	**294,019**	207,372
— Others	**87,560**	62,601	**86,679**	59,460
Subtotal	**1,105,827**	900,922	**1,088,918**	889,169
Gross balance	**2,804,307**	2,461,586	**2,788,614**	2,445,554
Less: allowance for impairment losses				
— Individual assessment	**(13,675)**	(11,142)	**(13,675)**	(11,099)
— Collective assessment	**(60,844)**	(53,252)	**(59,982)**	(52,576)
Subtotal	**(74,519)**	(64,394)	**(73,657)**	(63,675)
Net balance	**2,729,788**	2,397,192	**2,714,957**	2,381,879

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

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

Group

	2017				
	Loans and advances for which allowances are collectively assessed ***(Note (i))***	**Impaired loans and advances** ***(Note (ii))***			
		For which allowances are collectively assessed	**For which allowances are individually assessed**	**Subtotal**	**Total**
Gross balance of loans and advances to customers					
— Corporate loans and advances	**1,672,726**	**—**	**25,754**	**25,754**	**1,698,480**
— Personal loans and advances	**1,083,692**	**22,135**	**—**	**22,135**	**1,105,827**
Allowance for impairment losses	**(46,107)**	**(14,737)**	**(13,675)**	**(28,412)**	**(74,519)**
Net balance of loans and advances to customers	**2,710,311**	**7,398**	**12,079**	**19,477**	**2,729,788**

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

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

Bank

	2017				
	Loans and advances for which allowances are collectively assessed *(Note (i))*	**Impaired loans and advances *(Note (ii))***			
		For which allowances are collectively assessed	**For which allowances are individually assessed**	**Subtotal**	**Total**
Gross balance of loans and advances to customers					
— Corporate loans and advances	**1,673,942**	**—**	**25,754**	**25,754**	**1,699,696**
— Personal loans and advances	**1,067,314**	**21,604**	**—**	**21,604**	**1,088,918**
Allowance for impairment losses	**(45,579)**	**(14,403)**	**(13,675)**	**(28,078)**	**(73,657)**
Net balance of loans and advances to customers	**2,695,677**	**7,201**	**12,079**	**19,280**	**2,714,957**

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

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

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

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

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

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

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

(iv) As at 31 December 2017, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB25,754 million (31 December 2016: RMB22,198 million). The covered portion and uncovered portion of these loans and advances were RMB10,469 million (31 December 2016: RMB10,088 million) and RMB15,285 million (31 December 2016: RMB12,110 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB4,999 million (31 December 2016: RMB5,052 million). As at 31 December 2017, the individual impairment allowances made for these loans and advances were RMB13,675 million (31 December 2016: RMB11,142 million).

As at 31 December 2017, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB25,754 million (31 December 2016: RMB22,134 million). The covered portion and uncovered portion of these loans and advances were RMB10,469 million (31 December 2016: RMB10,040 million) and RMB15,285 million (31 December 2016: RMB12,094 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB4,999 million (31 December 2016: RMB5,040 million). As at 31 December 2017, the individual impairment allowances made for these loans and advances were RMB13,675 million (31 December 2016: RMB11,099 million).

(2) Loans and advances to customers analysed by industries

	Group				**Bank**			
	2017		2016		**2017**		2016	
	Amount	**(%)**	Amount	(%)	**Amount**	**(%)**	Amount	(%)
Corporate loans and advances								
Manufacturing	**335,206**	**11.95**	321,246	13.05	**334,625**	**12.00**	319,437	13.06
Leasing and commercial services	**275,289**	**9.82**	199,841	8.12	**275,259**	**9.87**	199,413	8.15
Real estate	**256,127**	**9.13**	226,944	9.22	**256,127**	**9.18**	226,941	9.28
Wholesale and retail	**221,770**	**7.91**	221,161	8.98	**221,499**	**7.94**	220,500	9.02
Mining	**125,949**	**4.49**	128,243	5.21	**125,942**	**4.52**	128,238	5.24
Financial services	**103,672**	**3.70**	110,836	4.50	**106,176**	**3.81**	111,247	4.55
Water, environment and public utilities management	**89,079**	**3.18**	61,187	2.49	**89,061**	**3.19**	61,162	2.50
Transportation, storage and postal service	**81,176**	**2.89**	79,753	3.24	**81,153**	**2.91**	79,723	3.26
Construction	**75,924**	**2.71**	66,678	2.71	**75,841**	**2.72**	66,460	2.72
Production and supply of electric power, heat, gas and water	**52,021**	**1.86**	46,569	1.89	**51,988**	**1.86**	46,508	1.90
Agriculture, forestry, animal husbandry and fishery	**10,788**	**0.38**	15,905	0.65	**10,688**	**0.38**	15,459	0.63
Public administration, social security and social organisations	**10,284**	**0.37**	24,886	1.01	**10,284**	**0.37**	24,886	1.02
Accommodation and catering	**7,494**	**0.27**	8,277	0.34	**7,494**	**0.27**	8,226	0.34
Others	**53,701**	**1.91**	49,138	1.99	**53,559**	**1.93**	48,185	1.97
Subtotal	**1,698,480**	**60.57**	1,560,664	63.40	**1,699,696**	**60.95**	1,556,385	63.64
Personal loans and advances	**1,105,827**	**39.43**	900,922	36.60	**1,088,918**	**39.05**	889,169	36.36
Total	**2,804,307**	**100.00**	2,461,586	100.00	**2,788,614**	**100.00**	2,445,554	100.00

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

	Group				Bank			
	2017		2016		**2017**		2016	
	Amount	**(%)**	Amount	(%)	**Amount**	**(%)**	Amount	(%)
Unsecured loans	**678,023**	**24.18**	493,658	20.05	**680,107**	**24.39**	493,788	20.19
Guaranteed loans	**632,828**	**22.57**	632,487	25.69	**626,416**	**22.46**	625,867	25.59
Loans secured by								
— tangible assets other than monetary assets	**1,134,722**	**40.46**	972,097	39.50	**1,125,154**	**40.35**	964,846	39.46
— monetary assets	**358,734**	**12.79**	363,344	14.76	**356,937**	**12.80**	361,053	14.76
Total	**2,804,307**	**100.00**	2,461,586	100.00	**2,788,614**	**100.00**	2,445,554	100.00

(4) Overdue loans analysed by overdue period

Group

	2017				
	Less than 3 months	**3 to 12 months**	**1 to 3 years**	**More than 3 years**	**Total**
Unsecured loans	**5,731**	**5,287**	**3,098**	**69**	**14,185**
Guaranteed loans	**11,260**	**12,768**	**15,207**	**1,294**	**40,529**
Loans secured by					
— tangible assets other than monetary assets	**4,860**	**6,846**	**12,613**	**1,562**	**25,881**
— monetary assets	**2,204**	**1,842**	**3,970**	**506**	**8,522**
Total	**24,055**	**26,743**	**34,888**	**3,431**	**89,117**
% of total loans and advances	**0.87%**	**0.95%**	**1.24%**	**0.12%**	**3.18%**

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

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

Bank

	2017				
	Less than 3 months	**3 to 12 months**	**1 to 3 years**	**More than 3 years**	**Total**
Unsecured loans	**5,729**	**5,286**	**3,098**	**69**	**14,182**
Guaranteed loans	**11,132**	**12,684**	**15,001**	**1,254**	**40,071**
Loans secured by					
— tangible assets other than monetary assets	**4,733**	**6,742**	**12,378**	**1,526**	**25,379**
— monetary assets	**2,117**	**1,840**	**3,953**	**506**	**8,416**
Total	**23,711**	**26,552**	**34,430**	**3,355**	**88,048**
% of total loans and advances	**0.86%**	**0.95%**	**1.23%**	**0.12%**	**3.16%**

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

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

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(5) Changes in allowance for impairment losses:

Group

	2017			
	Corporate loans and advances		**Personal loans and advances**	**Total**
	Individual assessment	**Collective assessment**	**Collective assessment**	
At 1 January	**(11,142)**	**(28,446)**	**(24,806)**	**(64,394)**
Charge for the year	**(10,604)**	**(6,904)**	**(16,673)**	**(34,181)**
Release during the year	**1,901**	**100**	**—**	**2,001**
Reclassification	**(2,055)**	**2,055**	**—**	**—**
Transfer out	**2,391**	**—**	**1,968**	**4,359**
Write-offs	**6,362**	**—**	**12,077**	**18,439**
Recoveries	**(1,015)**	**—**	**(758)**	**(1,773)**
Unwinding of discount	**487**	**—**	**345**	**832**
Exchange difference	**—**	**198**	**—**	**198**
At 31 December	**(13,675)**	**(32,997)**	**(27,847)**	**(74,519)**

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

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

Bank

	2017			
	Corporate loans and advances		**Personal loans and advances**	**Total**
	Individual assessment	**Collective assessment**	**Collective assessment**	
At 1 January	**(11,099)**	**(28,306)**	**(24,270)**	**(63,675)**
Charge for the year	**(10,604)**	**(6,904)**	**(16,333)**	**(33,841)**
Release during the year	**1,878**	**—**	**—**	**1,878**
Reclassification	**(2,055)**	**2,055**	**—**	**—**
Transfer out	**2,391**	**—**	**1,957**	**4,348**
Write-offs	**6,330**	**—**	**12,018**	**18,348**
Recoveries	**(1,003)**	**—**	**(742)**	**(1,745)**
Unwinding of discount	**487**	**—**	**345**	**832**
Exchange difference	**—**	**198**	**—**	**198**
At 31 December	**(13,675)**	**(32,957)**	**(27,025)**	**(73,657)**

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

22 INVESTMENT SECURITIES

	Note	Group		Bank	
		2017	2016	**2017**	2016
Available-for-sale securities	(1)	**378,889**	307,078	**377,315**	303,528
Held-to-maturity securities	(2)	**708,244**	661,362	**708,244**	661,362
Loans and receivables	(3)	**974,163**	1,148,729	**967,600**	1,146,340
Total		**2,061,296**	2,117,169	**2,053,159**	2,111,230
Analysed as follows:					
— Listed in Hong Kong		**39,666**	20,510	**39,521**	20,356
— Listed outside Hong Kong		**972,845**	924,232	**970,982**	922,211
— Unlisted		**1,048,785**	1,172,427	**1,042,656**	1,168,663
Total		**2,061,296**	2,117,169	**2,053,159**	2,111,230

(1) Available-for-sale securities

	Group		Bank	
	2017	2016	**2017**	2016
Debt securities at fair value				
Government				
— listed in Hong Kong	**18**	52	**18**	52
— listed outside Hong Kong	**93,019**	65,440	**93,019**	65,440
— unlisted	**835**	894	**835**	894
Policy banks				
— listed in Hong Kong	**337**	108	**337**	108
— listed outside Hong Kong	**34,183**	26,292	**34,183**	26,292
Banking and non-banking financial institution				
— listed in Hong Kong	**25,073**	15,097	**25,073**	15,083
— listed outside Hong Kong	**91,701**	94,868	**91,701**	93,390
— unlisted	**26,445**	26,847	**26,445**	26,247
Other corporates				
— listed in Hong Kong	**7,613**	5,182	**7,468**	5,042
— listed outside Hong Kong	**39,409**	48,449	**38,607**	48,344
— unlisted	**3,861**	1,748	**3,733**	1,652
Less: allowance for impairment losses (Note (i))	**(495)**	(394)	**(455)**	(389)
Subtotal	**321,999**	284,583	**320,964**	282,155
Equity investments				
— listed in Hong Kong	**62**	71	**62**	71
— listed outside Hong Kong	**1,732**	930	**1,275**	492
— unlisted	**4,776**	4,626	**4,750**	3,997
Less: allowance for impairment losses (Note (i))	**(932)**	(564)	**(932)**	(564)
Subtotal	**5,638**	5,063	**5,155**	3,996
Investment Funds				
— unlisted	**51,252**	17,432	**51,196**	17,377
Total	**378,889**	307,078	**377,315**	303,528

The book value of the Group's impaired available-for-sale financial assets amounted to RMB1,614 million as at 31 December 2017 (31 December 2016: RMB1,199 million) and the provision amounted to RMB1,314 million (31 December 2016: RMB958 million).

22 INVESTMENT SECURITIES (CONTINUED)

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

The book value of the Bank's impaired available-for-sale financial assets amounted to RMB1,488 million as at 31 December 2017 (31 December 2016: RMB1,066 million) and the provision amounted to RMB1,274 million (31 December 2016: RMB953 million).

The Group did not reclassify any available-for-sale securities in 2017 and 2016.

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

Group

	2017		
	Available-for-sale debt instruments	**Available-for-sale equity instruments**	**Total**
At 1 January	**(394)**	**(564)**	**(958)**
Charge for the year	**(148)**	**(368)**	**(516)**
Release during the year	**28**	**—**	**28**
Exchange difference	**19**	**—**	**19**
At 31 December	**(495)**	**(932)**	**(1,427)**

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

Bank

	2017		
	Available-for-sale debt instruments	**Available-for-sale equity instruments**	**Total**
At 1 January	**(389)**	**(564)**	**(953)**
Charge for the year	**(113)**	**(368)**	**(481)**
Release during the year	**28**	**—**	**28**
Exchange difference	**19**	**—**	**19**
At 31 December	**(455)**	**(932)**	**(1,387)**

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

Bank (continued)

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

(2) Held-to-maturity securities

	Group and Bank	
	2017	2016
Government		
— listed outside Hong Kong	**651,129**	610,045
Policy banks		
— listed outside Hong Kong	**19,760**	25,613
Banking and non-banking financial institution		
— listed in Hong Kong	**4,405**	—
— listed outside Hong Kong	**27,468**	17,321
— unlisted	**2,353**	2,584
Other corporates		
— listed in Hong Kong	**2,171**	—
— listed outside Hong Kong	**874**	5,881
— unlisted	**146**	—
Less: allowance for impairment losses (Note (i))	**(62)**	(82)
Total	**708,244**	661,362
Fair value of securities	**679,333**	658,558

During the year of 2017, the Group reclassified held-to-maturity debt securities with a total par value of RMB13,395 million (for the year ended 31 December 2016: RMB26,244 million) to available-for-sale debt securities. The aggregate amount of these held-to-maturity securities reclassified was insignificant relative to the total amount of the Group's held-to-maturity securities.

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

	Group and Bank	
	2017	2016
At 1 January	**(82)**	(105)
Charge for the year	—	(7)
Release during the year	**20**	30
At 31 December	**(62)**	(82)

22 INVESTMENT SECURITIES (CONTINUED)

(3) Loans and receivables

	Group		Bank	
	2017	2016	**2017**	2016
Bond				
Government				
— unlisted	**60,788**	51,394	**60,094**	51,394
Policy banks				
— listed outside Hong Kong	**500**	500	**500**	500
Banking and non-banking financial institution				
— listed outside Hong Kong	**6,793**	13,566	**6,787**	13,566
— unlisted	**129,567**	1,168	**129,089**	805
Other corporates				
— listed outside Hong Kong	**6,835**	15,409	**6,232**	15,409
— unlisted	**25,035**	17,038	**20,884**	16,373
Asset management plans	**670,774**	1,040,867	**670,074**	1,039,432
Trust beneficiary rights	**76,137**	10,475	**76,137**	10,475
Total	**976,429**	1,150,417	**969,797**	1,147,954
Less: allowance for impairment losses (Note (i))	**(2,266)**	(1,688)	**(2,197)**	(1,614)
Net value	**974,163**	1,148,729	**967,600**	1,146,340

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

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

	Group		Bank	
	2017	2016	**2017**	2016
At 1 January	**(1,688)**	(1,722)	**(1,614)**	(1,497)
Charge for the year	**(772)**	(117)	**(701)**	(117)
Release during the year	**138**	151	**64**	—
Write-offs	**52**	—	**52**	—
Exchange difference	**4**	—	**2**	—
At 31 December	**(2,266)**	(1,688)	**(2,197)**	(1,614)

23 LONG-TERM RECEIVABLES

	Note	Group 2017	Group 2016
Finance lease receivables		**121,493**	112,992
Less: unearned finance lease income		**(16,763)**	(16,789)
Present value of minimum finance lease receivables		**104,730**	96,203
Others		**—**	2,029
Less: allowance for impairment losses	(1)		
Collective assessment		**(1,817)**	(2,263)
Individual assessment		**(1,609)**	(1,178)
Net balance		**101,304**	94,791

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

Group

	2017			2016		
	Finance lease receivables	**Unearned finance lease income**	**Minimum finance lease receivables**	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	**36,287**	**(2,925)**	**33,362**	30,684	(2,776)	27,908
1 year to 2 years	**28,546**	**(3,032)**	**25,514**	23,164	(2,700)	20,464
2 years to 3 years	**19,964**	**(2,548)**	**17,416**	17,487	(2,232)	15,255
3 years to 5 years	**15,975**	**(3,024)**	**12,951**	19,546	(3,442)	16,104
More than 5 years	**15,023**	**(4,724)**	**10,299**	15,004	(4,843)	10,161
Indefinite*	**5,698**	**(510)**	**5,188**	7,107	(796)	6,311
	121,493	**(16,763)**	**104,730**	112,992	(16,789)	96,203

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

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

	Group 2017	Group 2016
At 1 January	**(3,441)**	(2,773)
Charge for the year	**(449)**	(711)
Transfer out	**216**	50
Write-offs	**248**	—
Recoveries	**—**	(7)
At 31 December	**(3,426)**	(3,441)

24 PROPERTY AND EQUIPMENT

Group

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Operating lease fixed assets	Construction in progress	Total
Original cost							
Balance at 1 January 2016	12,961	8,635	8,409	507	18,798	5,517	54,827
Increase	633	838	625	46	8,852	1,979	12,973
CIP transfers	790	—	—	—	—	(790)	—
Decrease	(95)	—	(319)	(29)	(1,816)	(2,080)	(4,339)
Balance at 31 December 2016	14,289	9,473	8,715	524	25,834	4,626	63,461
Increase	199	540	516	22	6,697	1,006	8,980
CIP transfers	750	—	—	—	—	(750)	—
Decrease	—	(4,277)	(466)	(24)	(2,874)	(2)	(7,643)
Balance at 31 December 2017	**15,238**	**5,736**	**8,765**	**522**	**29,657**	**4,880**	**64,798**
Accumulated depreciation							
Balance at 1 January 2016	(2,362)	(5,210)	(4,247)	(316)	(1,374)	—	(13,509)
Increase	(446)	(1,346)	(1,296)	(64)	(971)	—	(4,123)
Decrease	26	—	299	22	184	—	531
Balance at 31 December 2016	(2,782)	(6,556)	(5,244)	(358)	(2,161)	—	(17,101)
Increase	(444)	(1,089)	(1,251)	(56)	(1,320)	—	(4,160)
Decrease	—	4,260	408	23	316	—	5,007
Balance at 31 December 2017	**(3,226)**	**(3,385)**	**(6,087)**	**(391)**	**(3,165)**	**—**	**(16,254)**
Impairment losses							
Balance at 1 January 2016	—	—	—	—	(167)	—	(167)
Increase	—	—	—	—	(3)	—	(3)
Decrease	—	—	—	—	—	—	—
Balance at 31 December 2016	—	—	—	—	(170)	—	(170)
Increase	—	—	—	—	(36)	—	(36)
Decrease	—	—	—	—	—	—	—
Balance at 31 December 2017	**—**	**—**	**—**	**—**	**(206)**	**—**	**(206)**
Net value							
Balance at 31 December 2016	11,507	2,917	3,471	166	23,503	4,626	46,190
Balance at 31 December 2017	**12,012**	**2,351**	**2,678**	**131**	**26,286**	**4,880**	**48,338**

24 PROPERTY AND EQUIPMENT (CONTINUED)

Bank

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Construction in progress	Total
Original cost						
Balance at 1 January 2016	12,508	8,452	8,234	475	5,435	35,104
Increase	631	827	603	43	1,979	4,083
CIP transfers	790	—	—	—	(790)	—
Decrease	(95)	—	(311)	(29)	(2,080)	(2,515)
Balance at 31 December 2016	13,834	9,279	8,526	489	4,544	36,672
Increase	192	522	470	21	1,137	2,342
CIP transfers	750	—	—	—	(750)	—
Decrease	(1)	(4,233)	(449)	(18)	—	(4,701)
Balance at 31 December 2017	**14,775**	**5,568**	**8,547**	**492**	**4,931**	**34,313**
Accumulated depreciation						
Balance at 1 January 2016	(2,312)	(5,093)	(4,112)	(294)	—	(11,811)
Increase	(430)	(1,326)	(1,272)	(61)	—	(3,089)
Decrease	26	—	291	21	—	338
Balance at 31 December 2016	(2,716)	(6,419)	(5,093)	(334)	—	(14,562)
Increase	(456)	(1,066)	(1,249)	(53)	—	(2,824)
Decrease	—	4,211	403	18	—	4,632
Balance at 31 December 2017	**(3,172)**	**(3,274)**	**(5,939)**	**(369)**	**—**	**(12,754)**
Net value						
Balance at 31 December 2016	11,118	2,860	3,433	155	4,544	22,110
Balance at 31 December 2017	**11,603**	**2,294**	**2,608**	**123**	**4,931**	**21,559**

As at 31 December 2017 and 31 December 2016, the Group and the Bank did not have any property and equipment which were acquired by means of finance leasing or temporarily idle or held for sale.

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

	Group		Bank	
	2017	2016	**2017**	2016
Held in mainland China				
on medium-term lease (10–50 years)	**11,853**	11,471	**11,568**	11,082
on short-term lease (less than 10 years)	**2,510**	2,953	**2,329**	2,896
Total	**14,363**	14,424	**13,897**	13,978

As at 31 December 2017, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB1,016 million (31 December 2016: RMB1,108 million) was still in progress. Management is of the view that the aforesaid matter would not affect the Group's rights to these assets nor have any significant impact on the Group's operations.

25 DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

Group

	2017		2016	
	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	**24,686**	**98,744**	19,760	79,040
Employee benefits payable	**2,858**	**11,432**	2,456	9,824
Fair value losses of				
— derivatives	**4,515**	**18,060**	2,347	9,389
— available-for-sale securities	**1,635**	**6,543**	697	2,788
— financial assets at fair value through profit or loss	**107**	**427**	45	180
Others	**108**	**432**	99	396
Subtotal	**33,909**	**135,638**	25,404	101,617
Deferred income tax liabilities				
Fair value gains of				
— derivatives	**(4,647)**	**(18,586)**	(1,940)	(7,759)
— available-for-sale securities	**(79)**	**(316)**	(98)	(392)
— financial assets at fair value through profit or loss	**(21)**	**(84)**	—	—
Others	**(65)**	**(260)**	—	—
Subtotal	**(4,812)**	**(19,246)**	(2,038)	(8,151)
Deferred income tax assets, net	**29,097**	**116,392**	23,366	93,466

25 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

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

Bank

	2017		2016	
	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	**23,819**	**95,276**	18,905	75,620
Employee benefits payable	**2,822**	**11,288**	2,421	9,686
Fair value losses of				
— derivatives	**4,515**	**18,060**	2,347	9,389
— available-for-sale securities	**1,635**	**6,543**	697	2,786
— financial assets at fair value through profit or loss	**107**	**427**	45	180
Subtotal	**32,898**	**131,594**	24,415	97,661
Deferred income tax liabilities				
Fair value gains of				
— derivatives	**(4,647)**	**(18,586)**	(1,940)	(7,759)
— available-for-sale securities	**(25)**	**(98)**	(73)	(292)
— financial assets at fair value through profit or loss	**(21)**	**(84)**	—	—
Subtotal	**(4,693)**	**(18,768)**	(2,013)	(8,051)
Deferred income tax assets, net	**28,205**	**112,826**	22,402	89,610

25 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

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

Group

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Fair value gains and others	Gross deferred income tax liabilities
At 1 January 2017	**19,760**	**3,089**	**2,555**	**25,404**	**(2,038)**	**(2,038)**
Recognised in profit or loss	**4,926**	**2,470**	**411**	**7,807**	**(2,793)**	**(2,793)**
Recognised in other comprehensive income	**—**	**698**	**—**	**698**	**19**	**19**
At 31 December 2017	**24,686**	**6,257**	**2,966**	**33,909**	**(4,812)**	**(4,812)**
At 1 January 2016	14,219	1,300	2,561	18,080	(2,217)	(2,217)
Recognised in profit or loss	5,541	1,308	(6)	6,843	(633)	(633)
Recognised in other comprehensive income	—	481	—	481	812	812
At 31 December 2016	19,760	3,089	2,555	25,404	(2,038)	(2,038)

Bank

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Fair value gains and others	Gross deferred income tax liabilities
At 1 January 2017	**18,905**	**3,089**	**2,421**	**24,415**	**(2,013)**	**(2,013)**
Recognised in profit or loss	**4,914**	**2,470**	**401**	**7,785**	**(2,728)**	**(2,728)**
Recognised in other comprehensive income	**—**	**698**	**—**	**698**	**48**	**48**
At 31 December 2017	**23,819**	**6,257**	**2,822**	**32,898**	**(4,693)**	**(4,693)**
At 1 January 2016	13,491	1,290	2,261	17,042	(2,164)	(2,164)
Recognised in profit or loss	5,414	1,318	160	6,892	(633)	(633)
Recognised in other comprehensive income	—	481	—	481	784	784
At 31 December 2016	18,905	3,089	2,421	24,415	(2,013)	(2,013)

25 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

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

	Group		Bank	
	2017	2016	**2017**	2016
Deferred income tax assets	**—**	—	**—**	—
Deferred income tax liabilities	**(4,747)**	(2,038)	**(4,693)**	(2,013)

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

Group

	2017		2016	
	Net deferred income tax assets/ (liabilities)	**Deductible/ (taxable) temporary differences after offsetting**	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting
Deferred income tax assets	**29,162**	**116,652**	23,366	93,466
Deferred income tax liabilities	**(65)**	**(260)**	—	—

Bank

	2017		2016	
	Net deferred income tax assets/ (liabilities)	**Deductible/ (taxable) temporary differences after offsetting**	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting
Deferred income tax assets	**28,205**	**112,826**	22,402	89,610
Deferred income tax liabilities	**—**	**—**	—	—

26 INVESTMENT IN SUBSIDIARIES

	2017	2016
Minsheng Financial Leasing	**2,600**	2,600
CMBC International	**1,614**	1,614
Minsheng Royal Fund	**190**	190
Pengzhou Rural Bank	**20**	20
Cixi Rural Bank	**35**	35
Songjiang Rural Bank	**70**	70
Qijiang Rural Bank	**30**	30
Tongnan Rural Bank	**25**	25
Meihekou Rural Bank	**26**	26
Ziyang Rural Bank	**41**	41
Jiangxia Rural Bank	**41**	41
Changyuan Rural Bank	**26**	26
Yidu Rural Bank	**26**	26
Jiading Rural Bank	**102**	102
Zhongxiang Rural Bank	**36**	36
Penglai Rural Bank	**51**	51
Anxi Rural Bank	**51**	51
Funing Rural Bank	**52**	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	**5,385**	5,385

26 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing	Tianjin China	Leasing	RMB5,095 million	Joint stock limited	51.03	51.03
CMBC International	Hongkong China	Investment banking	HKD2,000 million	Limited liability	100.00	100.00
Minsheng Royal Fund	Guangdong China	Fund management	RMB300 million	Limited liability	63.33	63.33
Pengzhou Rural Bank	Sichuan China	Commercial bank	RMB55 million	Limited liability	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	RMB100 million	Joint stock limited	35	35
Songjiang Rural Bank	Shanghai China	Commercial bank	RMB150 million	Joint stock limited	35	35
Qijiang Rural Bank	Chongqing China	Commercial bank	RMB60 million	Joint stock limited	50	50
Tongnan Rural Bank	Chongqing China	Commercial bank	RMB50 million	Joint stock limited	50	50
Meihekou Rural Bank	Jilin China	Commercial bank	RMB50 million	Joint stock limited	51	51
Ziyang Rural Bank	Sichuan China	Commercial bank	RMB80 million	Joint stock limited	51	51
Jiangxia Rural Bank	Hubei China	Commercial bank	RMB86 million	Joint stock limited	51	51
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Joint stock limited	51	51
Yidu Rural Bank	Hubei China	Commercial bank	RMB52.4 million	Joint stock limited	51	51
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Joint stock limited	51	51
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Joint stock limited	51	51
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Joint stock limited	51	51
Anxi Rural Bank	Fujian China	Commercial bank	RMB100 million	Joint stock limited	51	51
Funing Rural Bank	Jiangsu China	Commercial bank	RMB85 million	Joint stock limited	51	51
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	Joint stock limited	51	51

26 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Joint stock limited	51	51
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Joint stock limited	51	51
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Joint stock limited	51	51
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB30 million	Joint stock limited	51	51
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	Joint stock limited	51	51
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Joint stock limited	51	51
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB50 million	Joint stock limited	51	51
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Joint stock limited	51	51
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Joint stock limited	51	51
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Joint stock limited	51	51
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB40 million	Joint stock limited	51	51
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Joint stock limited	51	51
Linzhi Rural Bank	Tibet China	Commercial bank	RMB25 million	Joint stock limited	51	51

All interests in subsidiaries are directly held by the Bank.

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

27 OTHER ASSETS

Group

	Note	2017 Gross balance	2017 Allowance for impairment losses (Note (i))	2017 Carrying amount	2016 Gross balance	2016 Allowance for impairment losses (Note (i))	2016 Carrying amount
Interest receivable	(1)	**39,664**	**—**	**39,664**	31,516	—	31,516
Items in the process of clearance and settlement		**13,436**	**(65)**	**13,371**	28,871	—	28,871
Repossessed assets	(2)	**11,099**	**(85)**	**11,014**	12,114	(81)	12,033
Prepayments for leased assets	(3)	**10,646**	**(173)**	**10,473**	14,254	(178)	14,076
Investment properties		**7,008**	**—**	**7,008**	6,523	—	6,523
Commission receivable		**4,797**	**(9)**	**4,788**	3,474	—	3,474
Land use right		**3,958**	**—**	**3,958**	4,164	—	4,164
Claims and legal fees recoverable		**2,624**	**(863)**	**1,761**	1,312	(603)	709
Intangible assets	(4)	**957**	**—**	**957**	948	—	948
Margin accounts receivable		**908**	**—**	**908**	—	—	—
Prepayment		**795**	**—**	**795**	1,883	—	1,883
Goodwill		**198**	**(6)**	**192**	6	—	6
Long-term deferred expenses		**137**	**—**	**137**	168	—	168
Others		**8,768**	**—**	**8,768**	6,241	(7)	6,234
Total		**104,995**	**(1,201)**	**103,794**	111,474	(869)	110,605

Bank

	Note	2017 Gross balance	2017 Allowance for impairment losses (Note (i))	2017 Carrying amount	2016 Gross balance	2016 Allowance for impairment losses (Note (i))	2016 Carrying amount
Interest receivable	(1)	**39,096**	**—**	**39,096**	31,047	—	31,047
Items in the process of clearance and settlement		**12,358**	**(46)**	**12,312**	27,945	—	27,945
Repossessed assets	(2)	**10,431**	**(61)**	**10,370**	11,484	(57)	11,427
Commission receivable		**4,788**	**—**	**4,788**	3,282	—	3,282
Land use right		**2,807**	**—**	**2,807**	2,891	—	2,891
Claims and legal fees recoverable		**2,618**	**(862)**	**1,756**	1,304	(603)	701
Intangible assets	(4)	**897**	**—**	**897**	912	—	912
Prepayment		**762**	**—**	**762**	1,853	—	1,853
Long-term deferred expenses		**95**	**—**	**95**	126	—	126
Others		**4,479**	**—**	**4,479**	3,054	—	3,054
Total		**78,331**	**(969)**	**77,362**	83,898	(660)	83,238

27 OTHER ASSETS (CONTINUED)

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

	Group		Bank	
	2017	2016	**2017**	2016
At 1 January	**(869)**	(578)	**(660)**	(402)
Charge for the year	**(602)**	(336)	**(579)**	(303)
Transfer out	**270**	45	**270**	45
At 31 December	**(1,201)**	(869)	**(969)**	(660)

(1) Interest receivable

	Group		Bank	
	2017	2016	**2017**	2016
Loans and advances to customers	**21,391**	13,518	**21,344**	13,482
Debt and other securities	**16,901**	15,444	**16,852**	15,419
Others	**1,372**	2,554	**900**	2,146
Total	**39,664**	31,516	**39,096**	31,047

(2) Repossessed assets

Repossessed assets include buildings and land use right. The Group disposed repossessed assets with a total cost of RMB1,176 million during the year of 2017 (2016: RMB2,560 million).

(3) Prepayments for leased assets

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

27 OTHER ASSETS (CONTINUED)

(4) Intangible assets

Group

	2017	2016
Cost		
Balance at 1 January	**3,215**	2,899
Increase	**389**	318
Decrease	**(10)**	(2)
Balance at 31 December	**3,594**	3,215
Accumulated amortisation		
Balance at 1 January	**(2,267)**	(1,921)
Increase	**(377)**	(346)
Decrease	**7**	—
Balance at 31 December	**(2,637)**	(2,267)
Net value		
Balance at 1 January	**948**	978
Balance at 31 December	**957**	948

27 OTHER ASSETS (CONTINUED)

(4) Intangible assets (continued)

Bank

	2017	2016
Cost		
Balance at 1 January	**3,136**	2,829
Increase	**352**	309
Decrease	**(10)**	(2)
Balance at 31 December	**3,478**	3,136
Accumulated amortisation		
Balance at 1 January	**(2,224)**	(1,886)
Increase	**(363)**	(338)
Decrease	**6**	—
Balance at 31 December	**(2,581)**	(2,224)
Net value		
Balance at 1 January	**912**	943
Balance at 31 December	**897**	912

(5) Goodwill

	2017	2016
At 1 January	**6**	—
Acquisition of susidiaries	**192**	6
Gross amount	**198**	6
Impairment	**(6)**	—
Net amount	**192**	6

Goodwill arising from business combinations has been allocated to the Group's Cash Generating Unit, which is not larger than the reportable segment of the Group, for impairment testing.

The allowance appropriated for the impairment of goodwill was RMB6 million as at 31 December 2017 (31 December 2016: nil).

28 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2017	2016	**2017**	2016
Demand deposits				
— Corporate deposits	**1,187,367**	1,141,097	**1,172,480**	1,129,063
— Personal deposits	**182,652**	167,686	**181,070**	166,125
Time deposits (including call and notice deposits)				
— Corporate deposits	**1,267,880**	1,381,135	**1,262,267**	1,373,977
— Personal deposits	**309,356**	372,862	**301,168**	362,072
Certificates of deposit	**12,069**	12,792	**12,069**	12,792
Outward remittance and remittance payables	**6,987**	6,670	**6,967**	6,640
Total	**2,966,311**	3,082,242	**2,936,021**	3,050,669

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

	Group		Bank	
	2017	2016	**2017**	2016
Pledged deposits for bank acceptances	**122,253**	177,867	**122,148**	177,433
Pledged deposits for letters of credit and guarantees	**23,596**	28,793	**23,582**	28,783
Other pledged deposits	**82,008**	84,125	**81,920**	83,832
Total	**227,857**	290,785	**227,650**	290,048

29 DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2017	2016	**2017**	2016
Mainland China				
— Banks	**322,893**	516,434	**328,602**	522,244
— Other financial institutions	**887,264**	848,768	**889,694**	848,768
Overseas				
— Banks	**88,502**	29,639	**88,502**	29,639
— Other financial institutions	**17,334**	13,178	**17,834**	13,651
Total	**1,315,993**	1,408,019	**1,324,632**	1,414,302

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	Group		Bank	
	2017	2016	**2017**	2016
Discounted bills	**46,930**	72,201	**46,851**	71,695
Investment securities	**60,539**	40,789	**60,539**	40,789
Long-term receivables	**53**	265	**—**	—
Total	**107,522**	113,255	**107,390**	112,484

As at 31 December 2017, the Group's balances under repurchase agreements included bills transactions with the PBOC amounting to RMB16,273 million (31 December 2016: RMB5,247 million).

31 BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2017	2016
Credit borrowings	**123,419**	105,743
Secured borrowings		
— by tangible assets other than monetary assets	**23,580**	16,731
Total	**146,999**	122,474

As at 31 December 2017, the secured borrowings of RMB23,580 million (31 December 2016: RMB16,731 million) were secured by equipment of RMB10,701 million (31 December 2016: RMB8,838 million) and the assets under financial lease of RMB14,364 million (31 December 2016: RMB12,976 million). As at 31 December 2017, there was no unused borrowing limit under secured borrowings (31 December 2016: None).

32 DEBT SECURITIES ISSUED

		Group		Bank	
	Note	**2017**	2016	**2017**	2016
Certificates of interbank deposit		**335,131**	255,345	**335,131**	255,345
Tier-two capital bonds	(1)	**89,899**	59,930	**89,899**	59,930
Financial bonds	(2)	**50,951**	69,969	**49,953**	69,969
Medium-term notes	(3)	**16,958**	4,146	**16,958**	4,146
Hybrid capital bonds	(4)	**4,993**	4,992	**4,993**	4,992
Subordinated bonds	(5)	**3,995**	3,994	**3,995**	3,994
Total		**501,927**	398,376	**500,929**	398,376

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

32 DEBT SECURITIES ISSUED (CONTINUED)

(1) Tier-two capital bonds

	Note	Group and Bank 2017	Group and Bank 2016
RMB20.0 billion — 10-year fixed rate tier-two capital bonds 2014	(i)	**19,982**	19,979
RMB20.0 billion — 10-year fixed rate tier-two capital bonds 2015	(ii)	**19,981**	19,979
RMB20.0 billion — 10-year fixed rate tier-two capital bonds 2016	(iii)	**19,974**	19,972
RMB15.0 billion — 10-year fixed rate tier-two capital bonds 2017 1st tranche	(iv)	**14,981**	—
RMB15.0 billion — 10-year fixed rate tier-two capital bonds 2017 2nd tranche	(v)	**14,981**	—
Total		**89,899**	59,930

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

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

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

(iv) Tier-two capital bonds with a nominal value of RMB15.0 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued in 2017 as the 1st tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(v) Tier-two capital bonds with a nominal value of RMB15.0 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued in 2017 as the 2nd tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

32 DEBT SECURITIES ISSUED (CONTINUED)

(2) Financial bonds

	Note	Group		Bank	
		2017	2016	**2017**	2016
RMB30.0 billion — 3-year fixed rate financial bonds 2017	(i)	**29,971**	—	**29,971**	—
RMB20.0 billion — 3-year fixed rate financial bonds 2016	(ii)	**19,982**	19,972	**19,982**	19,972
RMB1.0 billion — 3-year fixed rate financial bonds 2017	(iii)	**998**	—	**—**	—
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(iv)	**—**	29,999	**—**	29,999
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(v)	**—**	19,998	**—**	19,998
Total		**50,951**	69,969	**49,953**	69,969

(i) RMB30.0 billion worth of fixed-rate financial bonds were issued in 2017, with a term of three years, and a fixed coupon rate of 4.00% per annum.

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

(iii) RMB1.0 billion worth of fixed-rate financial bonds were issued in 2017, with a term of three years, and a fixed coupon rate of 4.50% per annum.

(iv) RMB30.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.30% per annum. The bank has redeemed all the bonds as at 14 February 2017.

(v) RMB20.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.39% per annum. The bank has redeemed all the bonds as at 10 May 2017.

32 DEBT SECURITIES ISSUED (CONTINUED)

(3) Medium-term notes

	Note	Group and Bank 2017	2016
USD 0.6 billion — 3-year medium-term notes 2015	(i)	**3,916**	4,146
USD 0.5 billion — 3-year medium-term notes 2017	(ii)	**3,259**	—
USD 0.45 billion — 3-year medium-term notes 2017	(iii)	**2,935**	—
USD 0.45 billion — 3-year medium-term notes 2017	(iv)	**2,935**	—
USD 0.35 billion — 5-year medium-term notes 2017	(v)	**2,282**	—
USD 0.25 billion — 3-year medium-term notes 2017	(vi)	**1,631**	—
Total		**16,958**	4,146

(i) Medium-term notes with a nominal value of USD 0.6 billion of medium-term notes were issued in 2015, with a term of 3 years. The coupon rate is 2.25%.

(ii) Medium-term notes with a nominal value of USD 0.5 billion of medium-term notes were issued in 2017, with a term of 3 years. The coupon rate is 2.50%.

(iii) Medium-term notes with a nominal value of USD 0.45 billion of medium-term notes were issued in 2017, with a term of 3 years. The coupon rate is 2.34%.

(iv) Medium-term notes with a nominal value of USD 0.45 billion of medium-term notes were issued in 2017, with a term of 3 years. The coupon rate is 2.44%.

(v) Medium-term notes with a nominal value of USD 0.35 billion of medium-term notes were issued in 2017, with a term of 5 years. The coupon rate is 2.54%.

(vi) Medium-term notes with a nominal value of USD 0.25 billion of medium-term notes were issued in 2017, with a term of 3 years. The coupon rate is 2.88%.

32 DEBT SECURITIES ISSUED (CONTINUED)

(4) Hybrid capital bonds

		Group and Bank	
	Note	**2017**	2016
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	**3,320**	3,320
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	**1,673**	1,672
Total		**4,993**	4,992

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

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

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

32 DEBT SECURITIES ISSUED (CONTINUED)

(5) Subordinated bonds

	Note	Group and Bank 2017	Group and Bank 2016
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(i)	**3,995**	3,994

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

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

33 OTHER LIABILITIES

	Note	Group 2017	Group 2016	Bank 2017	Bank 2016
Interest payable	(1)	**42,276**	36,494	**40,925**	35,654
Items in the process of clearance and settlement		**22,235**	14,487	**22,221**	14,481
Employee benefits payable	(2)	**11,638**	10,107	**11,288**	9,686
Receipt in advance		**11,289**	10,257	**—**	—
Other tax payable	(3)	**3,588**	3,087	**3,404**	3,044
Payable for long-term assets		**583**	400	**385**	348
Accrued expenses		**472**	561	**421**	496
Deferred fee and commission income		**381**	348	**381**	348
Guarantee deposits for finance lease		**318**	319	**—**	—
Others		**11,439**	7,453	**5,569**	4,692
Total		**104,219**	83,513	**84,594**	68,749

(1) Interest payable

	Group 2017	Group 2016	Bank 2017	Bank 2016
Deposits from customers	**24,905**	25,800	**24,613**	25,409
Deposits from banks and other financial institutions	**6,087**	2,751	**6,106**	2,754
Debt securities issued	**3,789**	4,190	**3,771**	4,190
Borrowings from banks and other financial institutions	**1,058**	450	**—**	—
Others	**6,437**	3,303	**6,435**	3,301
Total	**42,276**	36,494	**40,925**	35,654

33 OTHER LIABILITIES (CONTINUED)

(2) Employee benefits payable

Group

	At 1 January 2017	**Increase**	**Decrease**	**At 31 December 2017**
Short-term employee benefits				
Salaries, bonuses and allowances	**9,784**	**17,771**	**(16,258)**	**11,297**
Staff welfare fees	**—**	**2,243**	**(2,243)**	**—**
Social insurance and supplementary insurance	**47**	**1,317**	**(1,307)**	**57**
Housing fund	**117**	**1,077**	**(1,068)**	**126**
Labour union fee, staff and workers' education fee	**38**	**544**	**(558)**	**24**
Subtotal	**9,986**	**22,952**	**(21,434)**	**11,504**
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	**89**	**1,199**	**(1,196)**	**92**
Unemployment insurance	**12**	**48**	**(43)**	**17**
Annuity scheme	**20**	**920**	**(915)**	**25**
Subtotal	**121**	**2,167**	**(2,154)**	**134**
Total	**10,107**	**25,119**	**(23,588)**	**11,638**

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

33 OTHER LIABILITIES (CONTINUED)

(2) Employee benefits payable (continued)

Bank

	At 1 January 2017	Increase	Decrease	At 31 December 2017
Short-term employee benefits				
Salaries, bonuses and allowances	**9,383**	**16,917**	**(15,325)**	**10,975**
Staff welfare fees	**—**	**2,189**	**(2,189)**	**—**
Social insurance and supplementary insurance	**47**	**1,290**	**(1,282)**	**55**
Housing fund	**117**	**1,039**	**(1,030)**	**126**
Labour union fee, staff and workers' education fee	**20**	**516**	**(533)**	**3**
Subtotal	**9,567**	**21,951**	**(20,359)**	**11,159**
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	**88**	**1,152**	**(1,148)**	**92**
Unemployment insurance	**12**	**45**	**(40)**	**17**
Annuity scheme	**19**	**891**	**(890)**	**20**
Subtotal	**119**	**2,088**	**(2,078)**	**129**
Total	**9,686**	**24,039**	**(22,437)**	**11,288**

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

33 OTHER LIABILITIES (CONTINUED)

(3) Other tax payable

	Group		Bank	
	2017	2016	**2017**	2016
Value added tax	**2,467**	2,144	**2,453**	2,128
Others	**1,121**	943	**951**	916
Total	**3,588**	3,087	**3,404**	3,044

34 SHARE CAPITAL AND CAPITAL RESERVE

	Group and Bank	
	2017	2016
Ordinary shares listed in Mainland China (A share)	**29,551**	29,551
Ordinary shares listed in Hong Kong (H share)	**6,934**	6,934
Total shares	**36,485**	36,485

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

The Group's capital reserve was RMB64,753 million as at 31 December 2017 (31 December 2016: RMB64,744 million), which mainly comprised capital premium.

35 PREFERENCE SHARES

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

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

(2) Main Clauses

a Dividend

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

35 PREFERENCE SHARES (CONTINUED)

(2) Main Clauses (continued)

b Conditions to distribution of dividends

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

c Dividend stopper

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

d Order of distribution and liquidation method

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

e Mandatory conversion trigger events

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

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

f Redemption

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

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

g Dividend setting mechanism

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

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

36 SURPLUS RESERVE, GENERAL RESERVE AND RETAINED EARNINGS

(1) Surplus reserve

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

Pursuant to the resolution of the Meeting of Board of Directors on 28 August 2017, the Bank appropriated the statutory surplus reserve of RMB2,753 million for the first half of 2017.

Pursuant to the resolution of the Meeting of Board of Directors on 29 March 2018, the Board proposed the Bank to appropriate RMB2,109 million to statutory reserve for the second half of 2017, which is subject to shareholders' approval.

The Bank appropriated the statutory surplus reserve of RMB4,691 million for the year 2016.

The Bank did not make any appropriations to discretionary surplus reserve in 2017 and 2016.

(2) General reserve

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

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

Pursuant to the resolution of the Meeting of Board of Directors on 28 August 2017, the Bank appropriated RMB109 million of profits to the general reserve for the first half of 2017.

Pursuant to the resolution of the Meeting of Board of Directors held on 29 March 2018, the Bank appropriated RMB1,038 million of profits to the general reserve for the second half of 2017, which is subject to shareholders' approval.

The Bank appropriated RMB16,515 million of profits to the general reserve in 2016.

(3) Retained earnings

As at 31 December 2017, retained earnings of the group included the statutory surplus reserve of RMB549 million appropriated by the subsidiaries and attributable to the Bank (31 December 2016: RMB498 million).

37 NON-CONTROLLING INTERESTS

As at 31 December 2017, the non-controlling interests of the subsidiaries were RMB10,842 million (31 December 2016: RMB9,437 million).

38 DIVIDENDS

Dividends for Ordinary Shares

The Board of Directors approved the profit distribution plan for the second half of 2017 in the Meeting held on 29 March 2018. The cash dividends declared was RMB0.30 (before tax) for every 10 shares and the stock dividends declared was 2 shares for every 10 existing shares. Both cash dividends, totalling RMB1,095 million and stock dividends, totalling 7,297 million shares are calculated based on the total number of shares in issue of 36,485 million as at 31 December 2017, while it is still subject to shareholders' approval.

The Board of Directors approved the profit distribution plan for the first half of 2017 in the Meeting held on 28 August 2017. The cash dividends declared was RMB1.20 (before tax) for every 10 shares, amounting to a total dividend of RMB4,378 million.

The shareholders approved the cash dividend distribution plan for the second half of 2016 at the Annual General Meeting on 16 June 2017. The cash dividend declared was RMB1.65 (before tax) for every 10 shares, amounting to a total dividend of RMB6,020 million.

The Board of Directors approved the profit distribution plan for the first half of 2016 in the Meeting held on 29 August 2016. The cash dividends declared was RMB1.15 (before tax) for every 10 shares, amounting to a total dividend of RMB4,196 million.

The shareholders approved the cash dividend distribution plan for the second half of 2015 during the 2015 annual general meeting held on 7 June 2016. The cash dividend declared was RMB1.60 (before tax) for every 10 shares, amounting to a total dividend of RMB5,838 million.

The shareholders approved the cash dividend distribution plan for the first half of 2015 during the first extraordinary general meeting held on 1 February 2016. The cash dividend declared was RMB0.75 (before tax) for every 10 shares, amounting to a total dividend of RMB2,736 million.

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 4 December 2017, dividend to be distributed amounts to RMB523 million (including tax), calculated at the initial annual payout ratio of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 14 December 2017.

39 INVESTMENT REVALUATION RESERVE AND CASH FLOW HEDGING RESERVE

Group

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

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2016	1,291	—	1,291
Changes in amount for the year	(3,125)	(721)	(3,846)
As at 1 January 2017	**(1,834)**	**(721)**	**(2,555)**
Changes in amount for the year	**(2,923)**	**718**	**(2,205)**
As at 31 December 2017	**(4,757)**	**(3)**	**(4,760)**

Bank

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

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2016	1,207	—	1,207
Changes in amount for the year	(3,073)	(721)	(3,794)
As at 1 January 2017	**(1,866)**	**(721)**	**(2,587)**
Changes in amount for the year	**(2,965)**	**718**	**(2,247)**
As at 31 December 2017	**(4,831)**	**(3)**	**(4,834)**

	Share capital	Other equity instrument	Reserves: Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Subtotal	Retained earnings	Total
At 1 January 2016	36,485	—	64,447	25,361	55,467	1,207	44	—	146,526	113,566	296,577
Net profit	—	—	—	—	—	—	—	—	—	46,910	46,910
Other comprehensive income, net of tax	—	—	—	—	—	(3,073)	5	(721)	(3,789)	—	(3,789)
Total comprehensive income	—	—	—	—	—	(3,073)	5	(721)	(3,789)	46,910	43,121
Capital injection by other equity holders	—	9,892	—	—	—	—	—	—	—	—	9,892
Appropriation to surplus reserve	—	—	—	4,691	—	—	—	—	4,691	(4,691)	—
Appropriation to general reserve	—	—	—	—	16,515	—	—	—	16,515	(16,515)	—
Cash dividends	—	—	—	—	—	—	—	—	—	(12,770)	(12,770)
At 31 December 2016 and 1 January 2017	36,485	9,892	64,447	30,052	71,982	(1,866)	49	(721)	163,943	126,500	336,820
Net profit	—	—	—	—	—	—	—	—	—	48,619	48,619
Other comprehensive income, net of tax	—	—	—	—	—	(2,965)	(81)	718	(2,328)	—	(2,328)
Total comprehensive income	—	—	—	—	—	(2,965)	(81)	718	(2,328)	48,619	46,291
Appropriation to surplus reserve	—	—	—	4,862	—	—	—	—	4,862	(4,862)	—
Appropriation to general reserve	—	—	—	—	1,147	—	—	—	1,147	(1,147)	—
Cash dividends	—	—	—	—	—	—	—	—	—	(10,921)	(10,921)
At 31 December 2017	36,485	9,892	64,447	34,914	73,129	(4,831)	(32)	(3)	167,624	158,189	372,190

41 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(1) Cash and cash equivalents

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

	Group	
	2017	2016
Cash (Note 15)	**8,080**	8,986
Surplus deposit reserve with central bank (Note 15)	**25,893**	84,335
Original maturity within 3 months:		
— Balances with banks and other financial institutions	**63,116**	42,953
— Placements with banks and other financial institutions	**12,010**	35,029
Total	**109,099**	171,303

(2) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Group				
	Liabilites		Equity		
	Debt securities issued	**Interest payable on debt securities issued**	**Retained profits**	**Non-controlling interests**	**Total**
Notes	**32**	**33(1)**	**36**	**37**	
Balance as at 1 January 2017	**398,376**	**4,190**	**130,630**	**9,437**	**542,633**
Cash flows from financing activities					
Proceeds from issue of debt securities	**885,225**	**—**	**—**	**—**	**885,225**
Interests paid on debt securities issued	**—**	**(12,282)**	**—**	**—**	**(12,282)**
Repayments of debt securities issued	**(788,740)**	**—**	**—**	**—**	**(788,740)**
Dividends paid	**—**	**—**	**(10,921)**	**(13)**	**(10,934)**
Net cash flows from financing activities	**96,485**	**(12,282)**	**(10,921)**	**(13)**	**73,269**
Total liability-related other change	**7,066**	**11,881**	**—**	**—**	**18,947**
Total equity-related other change	**—**	**—**	**43,711**	**1,418**	**45,129**
Balance as at 31 December 2017	**501,927**	**3,789**	**163,420**	**10,842**	**679,978**

42 TRANSFER OF FINANCIAL ASSETS

Asset-backed securities

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

Credit asset-backed securities

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

Certain securitisations undertaken by the Group result in the Group derecongnising transferred assets in their entirety. This is the case when the Group transfers substantially all of the risks and rewards of ownership of financial assets to an unconsolidated securitisation vehicle and retains a relatively small interest in the vehicle or a servicing arrangement in respect of the transferred financial assets. In 2017, loans with an original carrying amount of RMB27,361 million (2016: RMB56,607 million) have been securitized by the Group, and meanwhile, the Group purchased a certain ratio of the asset-backed securities issued by structured entities. As at 31 December 2017, the carrying amount of prime grade assets that the Group held were RMB23 million (31 December 2016: RMB585 million), and the subordinated grade assets were RMB155 million (31 December 2016: RMB235 million). These assets were classified as loans and receivables.

Besides the securitisation transaction above, in 2017, loans with an original carrying amount of RMB9,869 million (2016: RMB9,869 million) have been transferred to securitisation vehicles in which the Group does not retain or transfer substantially all of the risks and rewards. As at 31 December 2017, the carrying amount of assets that the Group continued to recognise was RMB1,038 million (31 December 2016: RMB1,038 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB1,038 million as at 31 December 2017 (31 December 2016: RMB1,038 million).

43 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Credit commitments

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

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

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

	Group		Bank	
	2017	2016	**2017**	2016
Bank acceptances	**461,630**	612,583	**461,419**	611,705
Guarantees	**141,929**	196,566	**141,925**	196,554
Letters of credit	**107,523**	110,330	**107,523**	110,330
Unused credit card commitments	**100,714**	63,335	**100,714**	63,335
Finance lease commitments	**3,160**	6,821	**—**	—
Irrevocable loan commitments				
— original maturity date within 1 year	**680**	138	**680**	138
— original maturity date over 1 year (inclusive)	**3,606**	8,497	**3,606**	8,497
Total	**819,242**	998,270	**815,867**	990,559

	Group		Bank	
	2017	2016	**2017**	2016
Credit risk weighted amounts of credit commitments	**323,252**	326,966	**322,462**	324,648

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

(2) Capital commitments

	Group		Bank	
	2017	2016	**2017**	2016
Contracted but not paid for	**19,097**	13,784	**616**	384
Authorised but not contracted for	**19**	7	**13**	7
Total	**19,116**	13,791	**629**	391

(3) Operating lease commitments

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

	Group		Bank	
	2017	2016	**2017**	2016
Within 1 year	**3,441**	5,199	**3,342**	5,140
After 1 year but within 5 years	**8,219**	8,602	**8,082**	8,486
After 5 years	**2,343**	2,770	**2,315**	2,722
Total	**14,003**	16,571	**13,739**	16,348

(4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments as at 31 December 2017, in material respects, as specified in the contracts.

43 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(5) Assets pledged

	Group		Bank	
	2017	2016	**2017**	2016
Discounted bills	**46,930**	72,201	**46,851**	71,695
Investment securities	**60,100**	40,365	**60,100**	40,365
Finance lease receivables	**16,067**	12,991	**—**	—
Property and equipment	**15,428**	8,838	**—**	—
Other assets	**—**	12	**—**	—
Total	**138,525**	134,407	**106,951**	112,060

As at 31 December 2017, the Group's pledged assets included discounted bills under repurchase agreements that can be sold or repledged. The fair value of such pledged assets was RMB704 million as at 31 December 2017 (31 December 2016: RMB40,674 million). As at 31 December 2017, there were no pledged assets sold or repledged by the Group (31 December 2016: RMB1,854 million). The Group has an obligation to repurchase these pledged assets on due dates.

(6) Underwriting of securities

	Group and Bank	
	2017	2016
Medium- and short-term finance bills	**465,529**	224,561

(7) Redemption commitments

As an underwriting agent of certificated PRC government bonds, the Bank has the obligation to buy back those bonds sold by it should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2017 was RMB4,082 million (31 December 2016: RMB3,924 million). The original maturities of the bonds vary from one to five years.

(8) Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2017. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

44 CONSOLIDATED STRUCTURED ENTITIES

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

As at 31 December 2017, the asset management plans managed and consolidated by the Group amounted to RMB4 million. The financial impact of any individual asset management plan on the Group's financial performance is not significant.

45 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

	2017	
	Carrying amount	**Maximum exposure**
Specialised asset management plans	**668,706**	**668,706**
Trust beneficiary plans	**76,339**	**76,339**
Asset-backed financings	**39,491**	**39,491**
Total	**784,536**	**784,536**

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

45 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

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

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

	2017		
	Loans and receivables	**Available-for-sale financial assets**	**Financial assets held under resale agreements**
Specialised asset management plans	**668,706**	**—**	**—**
Trust beneficiary plans	**75,939**	**—**	**400**
Asset-backed financings	**20,620**	**18,871**	**—**
Total	**765,265**	**18,871**	**400**

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

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

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

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2017, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognised were not material in the consolidated statement of financial positions.

As at 31 December 2017, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, was RMB813,838 million and RMB371,326 million respectively (31 December 2016: RMB1,177,113 million and RMB668,926 million).

45 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

(3) Structured entities sponsored by the Group during the year which the Group does not consolidate and holds an interest at 31 December 2017.

During the year of 2017, the amount of fee and commission income received from the above mentioned structured entities by the Group was RMB10,327 million (for the year ended 31 December 2016: RMB11,581 million).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2017 but matured before 31 December 2017 was RMB1,487,827 million (for the year ended 31 December 2016: RMB1,246,412 million).

46 FIDUCIARY ACTIVITIES

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

The Group's balances of investment fund custodian operations were RMB344,111 million as at 31 December 2017 (31 December 2016: RMB293,286 million). The Group's balances of pensions custodian operations were RMB85,034 million as at 31 December 2017 (31 December 2016: RMB57,279 million). The Group's balances of credit assets entrusted management were RMB26,106 million as at 31 December 2017 (31 December 2016: RMB33,606 million). And the Group's balances of entrusted loans were RMB384,592 million as at 31 December 2017 (31 December 2016: RMB428,277 million).

47 RELATED PARTY TRANSACTIONS

(1) Related parties

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

47 RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Related parties (continued)

(ii) The Bank's main shareholders are as follows:

Company name	Registered location	Registered capital	No. of Shares of the Bank held by the Company	Proportion of the Bank held by the Company(%)	Business	Legal form	Legal representative
			(share)	(Note a)	(Note b)		
Anbang Life Insurance Inc.	Beijing	RMB30,790 million	2,371,416,274	6.50	Insurance business	Joint stock limited company	Yao Dafeng
Anbang Property Insurance Inc.	Shenzhen	RMB37,000 million	2,046,834,132	5.61	Insurance business	Joint stock limited company	Ye Jing
Anbang Insurance Group Co., Ltd.	Beijing	RMB61,900 million	1,673,502,001	4.59	Insurance business	Joint stock limited company	He Xiaofeng
Hexie Health Insurance Co., Ltd.	Sichuan	RMB8,900 million	416,760,000	1.14	Insurance business	Joint stock limited company	Gu Hongmei
Huaxia Life Insurance Co., Ltd.	Tianjin	RMB15,300 million	1,602,831,145	4.39	Insurance business	Joint stock limited company	Li Fei
Orient Group Incorporation	Heilongjiang	RMB3,715 million	1,066,764,269	2.92	Financial	Joint stock limited company	Sun Mingtao
China Oceanwide Holdings Group Co., Ltd.	Beijing	RMB20,000 million	1,682,652,182	4.61	Investment management	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	USD0.05 million	503,584,125	1.38	Investment holding	Limited company	(Note c)
China Oceanwide International Investment Company Limited	Hong Kong	HKD1,548 million	6,864,600	0.02	Investment holding	Limited company	(Note c)
New Hope Liuhe Investment Co., Ltd.	Lhasa	RMB577 million	1,523,606,135	4.18	Investment management	Limited company	Mou Qinghua
South Hope Industrial Co., Ltd.	Lhasa	RMB884 million	85,323,189	0.23	Wholesale and retail	Limited company	Li Jianxiong
Shanghai Giant Lifetech Co., Ltd.	Shanghai	RMB245 million	1,149,732,989	3.15	Food industry	Limited company	Wei Wei
China Shipowners Mutual Assurance Association	Beijing	RMB0.10 million	1,086,917,406	2.98	Insurance business	National social groups	Song Chunfeng
Tongfang Guoxin Investment Co., Ltd.	Chongqing	RMB2,574 million	500,000,000	1.37	Investment	Limited company	He Yubai
Chongqing Guotou Equity Investment Management Co., Ltd.	Chongqing	RMB500 million	385,117,716	1.06	Investment management	Limited company	Yu Xiaohua
Chongqing International Trust Company Limited	Chongqing	RMB15,000 million	216,599,598	0.59	Trust business	Joint stock limited company	Weng Zhenjie
Good First Group Co., Ltd.	Shanghai	RMB133 million	536,700,022	1.47	R&D and investment	Limited company	Wu Di

47 RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Related parties (continued)

a As at 31 December 2017, proportion of ownership interest held by Huaxia Life Insurance Co., Ltd. was 4.39% (31 December 2016: 3.74%), Oceanwide International Equity Investment Limited and Chongqing International Trust Company Limited respectively held 1.38% and 0.59% of the ownership interest (31 December 2016: 1.11% and 0.60% respectively), other proportions of ownership interest held by the above major shareholders remain the same as proportions on 31 December 2016.

b Particulars of principal operations:

Anbang Life Insurance Inc.: Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance business of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the CIRC.

Anbang Property Insurance Inc.: Property and casualty insurance, liability insurance, credit and guarantee insurance, short-term health insurance and accidental injury insurance, reinsurance in connection with the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations and other businesses approved by the CIRC.

Anbang Insurance Group Co., Ltd.: Establishment of insurance enterprises, supervision and management of various domestic and international businesses of the companies invested and controlled by Anbang Insurance, investment businesses permitted under the PRC laws and regulations, insurance businesses permitted under the PRC laws and regulations, and other businesses approved by CIRC.

Hexie Health Insurance Co., Ltd.: Various Renminbi and foreign currencies-denominated health insurance businesses, accidental injury insurance businesses, health insurance business ancillary to the national health care policies and entrusted by the governments, health insurance related consulting service and agency businesses, health insurance related reinsurance businesses, funds application businesses permitted under the PRC laws and regulations, and other businesses approved by the CIRC.

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 CIRC.

Orient Group Incorporation: Investments in modern agriculture, new urbanization and development, financial industry and ports.

China Oceanwide Holdings Group Co., Ltd.: Finance, real property and investment management.

New Hope Liuhe Investment Co., Ltd.: Venture capital, investment management and wealth management investment.

South Hope Industrial Co., Ltd.: Research and development, wholesale and retail of feeds, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services).

Shanghai Giant Lifetech Co., Ltd.: Manufacturing and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technical development, consultancy, services and transfer in healthcare food aspect, back-to-back wholesale of prepackaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy.

China Shipowners Mutual Assurance Association: Marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service.

(1) Related parties (continued)

b Particulars of principal operations: (continued)

Tongfang Guoxin Investment Co., Ltd.: Making investments within the scope encouraged and permitted by the government in accordance with the laws; assisting its invested enterprises or acting as agent in purchasing any raw materials, parts and components required in respect of its owned machines and equipment and office equipment from foreign countries and providing related after-sale services; providing technical supporting, staff training and internal human resources management services in respect of production, sales and marketing to its invested enterprises; providing assistances and guarantees to its invested enterprises in applying loans; providing consultancy services to its investors and providing its associated companies with consultancy services, including market information, in respect of markets in which they invested; acting as import and export agent or commission agent (excluding bidding agent) in respect of products manufactured by its parent company or its related companies or subsidiaries and providing related ancillary services. (Any business scope requiring licensing or approval is subject to the completion of licensing or approval procedures.)

Good First Group Co., Ltd.: Research, development and sale of high-tech products; industrial investment; investments in the education, agriculture, secondary industry and entertainment industry and healthcare products; sale of photographic equipment and new construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products as approved by the country.

c The Oceanwide International Equity Investment Limited and China Oceanwide International Investment Company Limited are registered overseas, both the above companies are ultimately controlled by Lu Zhiqiang.

The information of registered capital of the related parties as at 31 December is as below:

Company name	**2017**	2016
Anbang Life Insurance Inc.	**RMB30,790 million**	RMB30,790 million
Anbang Property Insurance Inc.	**RMB37,000 million**	RMB37,000 million
Anbang Insurance Group Co., Ltd.	**RMB61,900 million**	RMB61,900 million
Hexie Health Insurance Co., Ltd.	**RMB8,900 million**	RMB8,900 million
Huaxia Life Insurance Co., Ltd.	**RMB15,300 million**	RMB15,300 million
Orient Group Incorporation	**RMB3,715 million**	RMB2,857 million
China Oceanwide Holdings Group Co., Ltd.	**RMB20,000 million**	RMB20,000 million
Oceanwide International Equity Investment Limited	**USD0.05 million**	USD0.05 million
China Oceanwide International Investment Company Limited	**HKD1,548 million**	HKD1,548 million
New Hope Liuhe Investment Co., Ltd.	**RMB577 million**	RMB577 million
South Hope Industrial Co., Ltd.	**RMB884 million**	RMB884 million
Shanghai Giant Lifetech Co., Ltd.	**RMB245 million**	RMB245 million
China Shipowners Mutual Assurance Association	**RMB0.10 million**	RMB0.10 million
Tongfang Guoxin Investment Co., Ltd.	**RMB2,574 million**	RMB2,574 million
Chongqing Guotou Equity Investment Management Co., Ltd.	**RMB500 million**	RMB500 million
Chongqing International Trust Company Limited	**RMB15,000 million**	RMB12,800 million
Good First Group Co., Ltd.	**RMB133 million**	RMB133 million

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

(2) Related party transactions

(i) Pricing policy

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

47 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions (continued)

(ii) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	**2017**	2016
Sinopharm Group Co., Ltd. and its subsidiaries	Guaranteed	**5,730**	5,344
Legend Holdings Ltd.	Guaranteed	**1,500**	1,500
AUSPICIOUS SUCCESS LIMITED	Guaranteed	**784**	—
Orient Group Incorporation Company and its subsidiaries	Pledged	**723**	1,440
Good First Group Co., Ltd.	Collateralised	**668**	408
	Guaranteed	**177**	325
SHR FSST,LLC	Collateralised	**653**	—
Xiamen Oita Sports Culture Development Co., Ltd.	Collateralised	**650**	—
Minsheng Yanglao Co., Ltd.	Guaranteed	**346**	347
Bybo Dental Group and its subsidiaries	Guaranteed	**250**	250
Hebei Sulong Photovoltaic Power Generation Co., Ltd.	Collateralised	**104**	—
Sichuan Hope Senlan Energy and Chemical Co., Ltd.	Guaranteed	**100**	80
Nanjing Iron and Steel Unite Co., Ltd.	Pledged	**97**	—
Shanghai Songjiang Water Company	Guaranteed	**90**	54
CUDECO LIMITED	Guaranteed	**65**	416
Sichuan Hope Senlan Air Conditioning Manufacturing Co., Ltd.	Guaranteed	**50**	—
Shanxi New Hope Energy Investment Development Co., Ltd.	Pledged	**50**	—
Sichuan Meihao Estate Enterprise Marketing & Planning Co., Ltd.	Pledged	**43**	—
HopeSenlan Science & Technology Co., Ltd.	Guaranteed	**30**	60
Chongqing Yufu Highway Co., Ltd.	Pledged	**27**	—
Sichuan Hope West Construction Co., Ltd.	Guaranteed	**20**	20
Xiamen Rongyin Co., Ltd.	Pledged	**11**	14
East Hope Group Co., Ltd.	Guaranteed	**—**	400
Chengdu Lvke Co., Ltd.	Collateralised	**—**	40
Gemdale Corporation	Guaranteed	**—**	20
Shanghai Fosun High Technology (Group) Co., Ltd.	Guaranteed	**—**	500
Individuals	Collateralised	**26**	30
Total		**12,194**	11,248
Ratio to similar transactions (%)		**0.45**	0.47

Amount of transactions:

	2017	2016
Interest income from loans	**258**	223
Ratio to similar transactions (%)	**0.11**	0.11

As at 31 December 2017, none of the above loans were found to be impaired individually (31 December 2016: nil).

47 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions (continued)

(iii) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	2017		2016	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Financial assets at fair value through the profit or loss	**70**	**0.09**	50	0.06
Investment securities:				
— available-for-sale securities	**1,235**	**0.33**	200	0.07
— loans and receivables	**—**	**—**	2,024	0.18
Long-term receivables	**416**	**0.41**	95	0.10
Other assets	**42**	**0.04**	242	0.22
Deposits from customers	**17,668**	**0.60**	50,783	1.65
Deposits and placements from banks and other financial institutions	**212**	**0.02**	513	0.04
Other liabilities	**48**	**0.05**	1,853	2.22

Amount of transactions for the reporting period:

	2017		2016	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Interest income	**32**	**0.01**	84	0.04
Interest expense	**591**	**0.41**	3,077	2.82
Fee and commission income	**352**	**0.65**	1,372	2.44
Operating expenses	**373**	**0.79**	380	0.72

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

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

	2017		2016	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Bank acceptances	**3,849**	**0.83**	4,788	0.78
Guarantees	**3,421**	**2.41**	5,238	2.57
Letters of credit	**375**	**0.35**	1,480	1.34

(2) Related party transactions (continued)

(iii) Other transactions with related parties (continued)

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

	2017		2016	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	**11,851**	**0.43**	13,106	0.55
Discounted bills under resale agreements, issued by related parties	**—**	—	17	0.04

The Group acquired finance lease assets from Sinopharm Holding China (Finance) Leasing Co., Ltd. in 2017 which was RMB115 million (2016: Nil).

None of the above related party transactions have a material impact on the Group's profit or loss for the years ended 31 December 2017 and 31 December 2016, and the Group's financial position as at 31 December 2017 and 31 December 2016.

(iv) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2017 and 31 December 2016.

(v) Transactions with key management personnel

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

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management amounted to RMB6 million as at 31 December 2017 (31 December 2016: RMB12 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB106 million for the year ended 31 December 2017 (2016: RMB132 million, the related salaries and benefits were restated in accordance with the *Supplementary Announcement Regarding the Senior Management's Emoluments 2016 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 RMB47 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2016: RMB58 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. In addition to the above disclosed projects, no post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel for the years ended 31 December 2017 and 31 December 2016.

The 2017 emoluments before tax of Executive Directors, the Chairman of the Supervisory Board, the Vice Chairman of the Supervisory Board and senior management are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2017 financial statements.

47 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions (continued)

(vi) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	2017	2016
Balances with banks and other financial institutions	**51**	70
Placements with banks and other financial institutions	**2,500**	1,942
Loans and advances to customers	**2,504**	411
Other assets	**376**	439
Deposits and placements from banks and other financial institutions	**8,638**	6,584
Deposits from customers	**497**	89
Other liabilities	**47**	31

Amount of transactions for the reporting period:

	2017	2016
Interest income	**251**	30
Interest expense	**182**	112
Fee and commission income	**286**	398
Operating expenses	**327**	273

For the year ended 31 December 2017, the transactions between subsidiaries of the Group were mainly inter-bank deposits. As at 31 December 2017, the balance of the above transactions was RMB275 million (31 December 2016: RMB534 million).

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

48 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

As at 31 December 2017, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably alternative unobservable assumptions were also immaterial.

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

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) Financial instruments recorded at fair value

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

Group

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading purpose				
Debt securities	**23,076**	**39,213**	**—**	**62,289**
Equity investments	**532**	**—**	**531**	**1,063**
Investment funds	**1,314**	**—**	**—**	**1,314**
Financial assets designated at fair value through profit or loss				
Debt securities	**251**	**6,952**	**72**	**7,275**
Investment funds	**2,432**	**—**	**228**	**2,660**
Derivative financial assets				
Interest rate contracts	**—**	**1,050**	**—**	**1,050**
Exchange rate contracts	**—**	**11,298**	**—**	**11,298**
Others	**26**	**6,333**	**27**	**6,386**
Available-for-sale financial assets				
Debt securities	**59,740**	**262,203**	**56**	**321,999**
Equity investments	**1,067**	**358**	**4,061**	**5,486**
Investment funds	**51,252**	**—**	**—**	**51,252**
Total	**139,690**	**327,407**	**4,975**	**472,072**
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	**—**	**(315)**	**—**	**(315)**
Exchange rate contracts	**—**	**(16,321)**	**—**	**(16,321)**
Others	**(18)**	**(1,422)**	**—**	**(1,440)**
Financial liabilities at fair value through profit or loss	**(777)**	**(2,596)**	**—**	**(3,373)**
Total	**(795)**	**(20,654)**	**—**	**(21,449)**

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Group (continued)

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

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

Bank

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading purpose				
Debt securities	**22,579**	**39,213**	**—**	**61,792**
Equity investments	**529**	**—**	**—**	**529**
Investment funds	**—**	**—**	**—**	**—**
Financial assets designated at fair value through profit or loss				
Debt securities	**251**	**6,953**	**—**	**7,204**
Investment funds	**2,432**	**—**	**—**	**2,432**
Derivative financial assets				
Interest rate contracts	**—**	**1,039**	**—**	**1,039**
Exchange rate contracts	**—**	**11,298**	**—**	**11,298**
Others	**26**	**6,333**	**—**	**6,359**
Available-for-sale financial assets				
Debt securities	**58,828**	**262,080**	**56**	**320,964**
Equity investments	**611**	**358**	**4,061**	**5,030**
Investment funds	**51,196**	**—**	**—**	**51,196**
Total	**136,452**	**327,274**	**4,117**	**467,843**
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	**—**	**(296)**	**—**	**(296)**
Exchange rate contracts	**—**	**(16,321)**	**—**	**(16,321)**
Others	**(18)**	**(1,422)**	**—**	**(1,440)**
Financial liabilities at fair value through profit or loss	**(777)**	**(2,596)**	**—**	**(3,373)**
Total	**(795)**	**(20,635)**	**—**	**(21,430)**

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Bank (continued)

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

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

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

Group

	2017					
	Derivative financial assets	Financial assets held for trading purpose	Financial assets designated at fair value through profit or loss	Available-for-sale securities		
				Debt securities	Equity securities	Total assets
At 1 January	84	472	—	14	3,911	4,481
— in profit or loss	—	(28)	20	19	—	11
— in other comprehensive income	—	—	—	(22)	(16)	(38)
Purchase	27	87	71	—	769	954
Addition	—	—	209	45	—	254
Settlement	(84)	—	—	—	(603)	(687)
At 31 December	27	531	300	56	4,061	4,975
Total gains for the year included in profit or loss for assets and liabilities held at end of the reporting period	—	(28)	20	27	—	19

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

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

Bank

2017

	Derivative financial assets	Financial assets held for trading purpose	Financial assets designated at fair value through profit or loss	Available-for-sale securities: Debt securities	Available-for-sale securities: Equity securities	Total assets
At 1 January	—	—	—	14	3,308	3,322
— in profit or loss	—	—	—	19	—	19
— in other comprehensive income	—	—	—	(22)	(16)	(38)
Purchase	—	—	—	—	769	769
Addition	—	—	—	45	—	45
At 31 December	—	—	—	56	4,061	4,117
Total gains for the year included in profit or loss for assets and liabilities held at end of the reporting period	—	—	—	27	—	27

2016

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

(3) Transfers among levels

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

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

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

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

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

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

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

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

d Deposits from customers

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

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

e Debt securities issued

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

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

	2017					2016				
Group	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets										
Available-for-sale equity investments	**152**	**152**	**—**	**—**	**152**	151	151	—	—	151
Loans and receivables	**974,163**	**971,020**	**—**	**971,020**	**—**	1,148,729	1,148,072	—	1,148,072	—
Loans and advances to customers	**2,729,788**	**3,144,570**	**—**	**3,144,570**	**—**	2,397,192	2,713,617	—	2,713,617	—
Held-to-maturity investments	**708,244**	**679,333**	**—**	**679,333**	**—**	661,362	658,558	—	658,558	—
Total	**4,412,347**	**4,795,075**	**—**	**4,794,923**	**152**	4,207,434	4,520,398	—	4,520,247	151
Financial liabilities										
Deposits from customers	**2,966,311**	**2,982,404**	**—**	**2,982,404**	**—**	3,082,242	3,196,776	—	3,196,776	—
Debt securities issued	**501,927**	**497,864**	**—**	**497,864**	**—**	398,376	396,437	—	396,437	—
Total	**3,468,238**	**3,480,268**	**—**	**3,480,268**	**—**	3,480,618	3,593,213	—	3,593,213	—

	2017					2016				
Bank	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets										
Available-for-sale equity investments	**125**	**125**	**—**	**—**	**125**	125	125	—	—	125
Loans and receivables	**967,600**	**964,457**	**—**	**964,457**	**—**	1,146,340	1,145,683	—	1,145,683	—
Loans and advances to customers	**2,714,957**	**3,126,373**	**—**	**3,126,373**	**—**	2,381,879	2,697,174	—	2,697,174	—
Held-to-maturity investments	**708,244**	**679,333**	**—**	**679,333**	**—**	661,362	658,558	—	658,558	—
Total	**4,390,926**	**4,770,288**	**—**	**4,770,163**	**125**	4,189,706	4,501,540	—	4,501,415	125
Financial liabilities										
Deposits from customers	**2,936,021**	**2,954,654**	**—**	**2,954,654**	**—**	3,050,669	3,164,903	—	3,164,903	—
Debt securities issued	**500,929**	**496,867**	**—**	**496,867**	**—**	398,376	396,437	—	396,437	—
Total	**3,436,950**	**3,451,521**	**—**	**3,451,521**	**—**	3,449,045	3,561,340	—	3,561,340	—

49 BANK STATEMENT OF FINANCIAL POSITION

	2017	2016
ASSETS		
Cash and balances with central bank	**438,071**	520,471
Balances with banks and other financial institutions	**50,149**	178,072
Precious metals	**20,836**	22,880
Financial assets at fair value through profit or loss	**71,957**	86,288
Positive fair value of derivatives	**18,696**	7,759
Placements with banks and other financial institutions	**145,705**	184,819
Financial assets held under resale agreements	**47,855**	90,046
Loans and advances to customers	**2,714,957**	2,381,879
Investment securities:		
— available-for-sale securities	**377,315**	303,528
— held-to-maturity securities	**708,244**	661,362
— loans and receivables	**967,600**	1,146,340
Property and equipment	**21,559**	22,110
Deferred income tax assets	**28,205**	22,402
Investment in subsidiaries	**5,385**	5,385
Other assets	**77,362**	83,238
Total assets	**5,693,896**	5,716,579
LIABILITIES		
Borrowings from central bank	**334,500**	315,000
Deposits from customers	**2,936,021**	3,050,669
Deposits and placements from banks and other financial institutions	**1,324,632**	1,414,302
Financial liabilities at fair value through profit or loss	**3,373**	868
Negative fair value of derivatives	**18,057**	10,250
Financial assets sold under repurchase agreements	**107,390**	112,484
Provisions	**808**	1,075
Debt securities issued	**500,929**	398,376
Current income tax liabilities	**11,402**	7,986
Other liabilities	**84,594**	68,749
Total liabilities	**5,321,706**	5,379,759

49 BANK STATEMENT OF FINANCIAL POSITION (CONTINUED)

	2017	2016
EQUITY		
Share capital	**36,485**	36,485
Other equity instrument		
Including: Preference shares	**9,892**	9,892
Reserves:		
Capital reserve	**64,447**	64,447
Surplus reserve	**34,914**	30,052
General reserve	**73,129**	71,982
Other reserves	**(4,866)**	(2,538)
Retained earnings	**158,189**	126,500
Total equity	**372,190**	336,820
Total liabilities and equity	**5,693,896**	5,716,579

50 SUBSEQUENT EVENTS

Up to the approval date of the financial statements, other than the dividends distribution plan set out in Note 38, the Group had no material subsequent events for disclosure.

51 COMPARATIVE FIGURES

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

1 Liquidity coverage ratio (%)

	As at 31 December 2017	**Average for the year of 2017**	As at 31 December 2016	Average for the year of 2016
Liquidity coverage ratio (RMB and foreign currency)	**95.46%**	**87.17%**	88.42%	87.98%

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

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

2 Currency concentrations

	2017			
	USD	**HKD**	**Others**	**Total**
Spot assets	**386,901**	**55,112**	**63,665**	**505,678**
Spot liabilities	**(395,750)**	**(33,673)**	**(24,651)**	**(454,074)**
Forward purchases	**668,925**	**13,354**	**62,194**	**744,473**
Forward sales	**(586,963)**	**(26,937)**	**(113,783)**	**(727,683)**
Net long/(short) position*	**73,113**	**7,856**	**(12,575)**	**68,394**

2 Currency concentrations (continued)

	2016			
	USD	HKD	Others	Total
Spot assets	491,474	35,630	49,538	576,642
Spot liabilities	(253,651)	(23,220)	(49,858)	(326,729)
Forward purchases	216,120	23,302	145,393	384,815
Forward sales	(290,900)	(16,136)	(115,470)	(422,506)
Net long position*	163,043	19,576	29,603	212,222

* 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.

3 Loans and advances to customers

(1) Impaired loans by geographical area

Group

	2017				
	Northern China	**Eastern China**	**Southern China**	**Other Locations**	**Total**
Impaired loans	**19,843**	**11,053**	**4,433**	**12,560**	**47,889**
Allowance for impairment losses					
— Individual assessment	**5,615**	**3,582**	**1,295**	**3,183**	**13,675**
— Collective assessment	**7,010**	**2,828**	**1,364**	**3,535**	**14,737**

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

3 Loans and advances to customers (continued)

(1) Impaired loans by geographical area (continued)

Bank

	2017				
	Northern China	**Eastern China**	**Southern China**	**Other Locations**	**Total**
Impaired loans	**19,830**	**10,815**	**4,365**	**12,348**	**47,358**
Allowance for impairment losses					
— Individual assessment	**5,615**	**3,582**	**1,295**	**3,183**	**13,675**
— Collective assessment	**7,005**	**2,670**	**1,331**	**3,397**	**14,403**

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

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

Group

	2017				
	Northern China	**Eastern China**	**Southern China**	**Other Locations**	**Total**
Overdue loans	**27,702**	**15,002**	**5,560**	**16,798**	**65,062**
Allowance for impairment losses					
— Individual assessment	**1,470**	**1,634**	**620**	**1,164**	**4,888**
— Collective assessment	**7,876**	**3,315**	**1,664**	**4,363**	**17,218**

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

3 Loans and advances to customers (continued)

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

Bank

	2017				
	Northern China	**Eastern China**	**Southern China**	**Other Locations**	**Total**
Overdue loans	**27,688**	**14,757**	**5,508**	**16,384**	**64,337**
Allowance for impairment losses					
— Individual assessment	**1,470**	**1,473**	**620**	**1,164**	**4,727**
— Collective assessment	**7,871**	**3,154**	**1,629**	**4,178**	**16,832**

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

4 International claims

	2017				
	Asia pacific excluding mainland China	**North America**	**Europe**	**Other Locations**	**Total**
Banks and other financial institutions	**34,794**	**9,624**	**4,924**	**5,182**	**54,524**
Public sector entities	**826**	**130**	**—**	**—**	**956**
Others	**117,807**	**29,043**	**6,148**	**19,715**	**172,713**
Total	**153,427**	**38,797**	**11,072**	**24,897**	**228,193**

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