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 Shares Stock Code: 04609)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020. This announcement, containing the full text of the 2020 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**SEHK**") in relation to information to accompany preliminary announcements of annual results.

Publication of Annual Results Announcement and Annual Report

This results announcement will be published on the HKEXnews website of SEHK (www.hkexnews.hk) and the Company's website (www.cmbc.com.cn). This results announcement is prepared in Chinese and English, respectively. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

The 2020 Annual Report of the Company will be dispatched to holders of H shares of the Company and published on the websites of the Company and SEHK in due course.

Profit Distribution

On 30 March 2021, the 7th meeting of the eighth session of the Board of the Company approved the profit distribution plan to declare to holders of A shares and H shares whose names appear on the registers as at the record dates as indicated in the notice of 2020 annual general meeting of the Company to be published by the Company in due course, a cash dividend of RMB2.13 (tax inclusive) for every 10 shares being held. The above profit distribution plan is subject to the approval of the 2020 annual general meeting of the Company. The cash dividend is expected to be paid to holders of H shares on 12 July 2021. Notice of 2020 annual general meeting of the Company will announce the date of the 2020 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.
Gao Yingxin
Chairman

Beijing, PRC
30 March 2021

As at the date of this announcement, the Executive Directors of the Company are Mr. Gao Yingxin, Mr. Zheng Wanchun and Mr. Yuan Guijun; the Non-Executive Directors are Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Shi Yuzhu, Mr. Wu Di, Mr. Song Chunfeng and Mr. Yang Xiaoling; and the Independent Non-Executive Directors are Mr. Liu Jipeng, Mr. Li Hancheng, Mr. Xie Zhichun, Mr. Peng Xuefeng, Mr. Liu Ningyu and Mr. Qu Xinjiu.

IMPORTANT NOTICE

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

This Annual Report was considered and approved on 30 March 2021 at the 7th meeting of the eighth session of the Board of the Company. Of the 18 Directors who were entitled to attend the meeting, 10 Directors attended the meeting in person. 8 Directors, being the Vice Chairmen Zhang Hongwei, Lu Zhiqiang and Liu Yonghao, and Directors Shi Yuzhu, Wu Di, Xie Zhichun, Peng Xuefeng, and Liu Ningyu, participated in the meeting by teleconference or video conference. Of the 9 Supervisors who were entitled to attend the meeting as non-voting delegates, 9 Supervisors attended the meeting as non-voting delegates.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, auditors of the Company, have audited the financial reports of 2020 prepared in accordance with the Chinese Accounting Standards ("**CAS**") and the International Financial Reporting Standards ("**IFRSs**"), respectively, and issued standard and unqualified auditors' reports, respectively.

Gao Yingxin (Chairman), Zheng Wanchun (President), Li Bin (Senior Management responsible for finance and accounting and acting person in charge of the accounting department), and Bai Dan (Chief Financial Officer) warrant the truthfulness, accuracy and completeness of the financial reports included in this Annual Report.

The profit distribution plan for 2020 was approved by the Board, pursuant to which, a cash dividend of RMB2.13 (tax inclusive) will be distributed to all shareholders of the Company for every 10 shares held on the record dates. The above profit distribution plan is subject to approval by the shareholders' general meeting of the Company.

Unless otherwise specified, all amounts in this Annual Report are denominated in RMB.

The forward-looking statements about matters like future plans in this Annual Report do not constitute substantive commitments of the Company to the investors, and the investors and related persons shall maintain sufficient risk awareness in this regard, and shall understand the difference among plans, forecasts and commitments.

Material Risk Warning: the Company has no foreseeable material risks. For potential risks, please refer to the section headed "XIV. Prospects and Measures – (III) Potential risks" under "Chapter 3 Discussion and Analysis on Business Operation" of this report.

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DEFINITIONS

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

Bank, Company, China Minsheng Bank, Minsheng Bank	China Minsheng Banking Corp., Ltd.
Group	The Bank and its subsidiaries
Minsheng Financial Leasing	Minsheng Financial Leasing Co., Ltd.
Minsheng Royal Fund	Minsheng Royal Fund Management Co., Ltd.
Minsheng Royal Asset Management	Minsheng Royal Asset Management Co., Ltd.
CMBC International	CMBC International Holdings Limited
CPPCC	The Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會)
ACFIC	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
former CBRC	former China Banking Regulatory Commission
former CIRC	former China Insurance Regulatory Commission
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on SEHK
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Articles of Association	the Articles of Association of China Minsheng Banking Corp., Ltd.
Reporting Period	the period from 1 January 2020 to 31 December 2020

MESSAGE FROM THE CHAIRMAN

Another year has passed. Everything takes on a new look. However, looking back on 2020, the unprecedented COVID-19 pandemic led to crumbled global governance system a sharp contraction of international trade and violent turbulence in the financial market, dragging the world economy into a deep recession. In the face of such complex and challenging situations at home and abroad, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping as the core, the whole nation made concerted efforts to push forward the prevention and control of the pandemic as well as economic and social development, making China the first country in the world to rein in the COVID-19 pandemic, to resume work and production, and to achieve a positive economic growth. Total economic volume topped RMB100 trillion, symbolising a successful conclusion of China's 13th Five-Year Plan, and an exciting prospect of establishing a moderately prosperous society in all aspects.

In 2020, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics, China Minsheng Bank implemented the decisions and deployments of the CPC Central Committee and the State Council and the requirements of the regulatory authorities. Concentrating on the requirements of ensuring "stability on the six fronts" (i.e. employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations) and "security in six areas" (i.e. employment, basic livelihoods, the development of market entities, food and energy security, stable operation of the industrial and supply chains, and smooth functioning at community level), staying customer-centric and taking integrity as the basis, the Company focused on serving the real economy, preventing and resolving risks and deepening reform and innovation, promoted development with reform, sought breakthroughs with practical work, plowed its way ahead through difficulties, and achieved steady development of all businesses and operations.

In accordance with the IFRSs, in 2020, the Group recorded an operating income of RMB181,807 million, representing an increase of 2.29% as compared with the corresponding period of the previous year. Net profit attributable to equity shareholders of the Company amounted to RMB34,309 million, representing a decrease of 36.25% as compared with the corresponding period of the previous year. Return on average assets and return on weighted average equity were 0.51% and 6.81%, respectively. NPL ratio was 1.82%, up by 0.26 percentage points from the end of the previous year. Allowance to NPLs and allowance to total loans were 139.38% and 2.53%, respectively. The main reasons for the year-on-year decline in profit in 2020 were the accelerated disposal of problem assets and increased in provision of allowances, of which, provision of allowance for loans, increased by 26.52% as compared with the corresponding period of the previous year, write-offs and transfer out increased by 31.77% as compared with the corresponding period of the previous year.

On 30 June 2020, Mr. Hong Qi resigned from Chairman of the seventh session of the Board of Directors for age reason. I was then elected Chairman of the Board. On 16 October 2020, Minsheng Bank successfully completed the re-election of the Board of Directors and the Board of Supervisors as well as the appointment of new senior management team, improving and optimising its management system and setting off for a new journey. The Company delved into "deep-rooted problems" in business development, risk compliance and management mechanisms, gave full play to the ice-breaking and pioneering role of reforms, and vigorously carried out a series of fundamental reforms that were based on the present circumstances and targeting at long term development, so as to reinforce foundation, address inadequacies, strengthen areas of weakness, and reshape the market competitiveness of China Minsheng Bank.

Holding firm to strategic direction and maintaining strategic determination. The Company kept abreast of the development of the situation and pandered to the needs of customers while correctly positioning itself, building up strengths and averting weakness with further review and improvements, so as to further clarify and consolidate its development direction. It aims to leverage on advantages of system and mechanism as a non-state-owned bank to provide all-around comprehensive financial services to quality large NSOEs, while focusing on the medium, small and micro enterprises along the upstream and downstream of supply chains of quality core enterprises and those with distinctive characters in key regions, striving to become the bank of choice of NSOEs, and build up the golden brand of the Bank in providing financial services to medium, small and micro enterprises. It aims to build into an agile and efficient digital bank with the ultimate customer experience by carrying out all-round digital innovation and transformation with retail business as the focus. It aims to provide integrated and comprehensive services to customers by establishing a "One Minsheng" business synergy system. It also aims to strengthen all-round refined management to steadily follow the path of sound and sustainable development.

Innovating systems and mechanisms to boost vitality and passion. The Company endeavours to keep pace with the ever changing times, environment and market to break down the deep-rooted institutional obstacles with greater courage and more practical measures, deepen reforms in major areas and key links, so as to boost the vitality and passion of all employees. Insisted on the customer-centric concept, the Company broke down the department-based management philosophy, optimised institutional structure and employee allocation, and established a customer-centric organisation structure, which highlighted strategic businesses and management in key areas and procedures, so as to improve market responsiveness and service quality and efficiency. In line with employee-oriented concept, the Company launched the reform on performance appraisal and remuneration system and built a professional and technical job sequence system to improve the development and incentive system for young talents, and to strengthen standardised management of personnel, so as to establish market-oriented and flexible mechanisms for talent promotion, remuneration and selection.

Returning to business origins and consolidating customer base. Currently, a new round of technological revolution is rapidly advancing, leading to iterative innovation of business models, with customer demand and eco-system undergoing diversified changes. For a bank, no matter how the market environment evolves, the origin remains to consolidate principal business and upgrade basic products and services to satisfy the basic needs of diversified customers. Only by maintaining stable liabilities, operating wholeheartedly and serving customers with earnestness to earn their trust, can a bank steadily go further. The Company prioritised retail banking as the long-term and strategic business, and consolidated retail customer base by improving professional and standard services, as well as basic products and services. The Company takes serving small and medium-sized enterprises (SMEs) as the original aspiration and mission, and continued to expand SME finance, explore and innovate SME business models, in order to build distinctive features and brands of SME business. The Company reformed the service model for strategic customers by establishing an integrated marketing system covering the Head Office, branches and sub-branches, in order to improve customer experience, optimise business procedures, thus to become a "strategic bank" of strategic customers.

Insisting on technology empowerment and embracing digital finance. In view of the increasing integration between new technologies, such as big data, AI, blockchain, 5G, etc. and finance, the Company is determined to make digital finance the key direction of strategic transformation. Great efforts have been made in improving systems and mechanisms, increasing investment in capital and talents and speeding up the pace of digital transformation so as to to strengthen capabilities in eco-scenario-based operation, big data-based risk management and enterprises-level IT development and application. The Company emphasised on the unified construction of eco-scenarios, centralised integration with the third-party cooperation platforms and coordinated integration of IT needs, so as to realise integrated customer management, standardised management and intensive resource allocation. The Company focused on key business areas of digital finance, expanded in-depth integration of business operation with risk management and IT application, strengthened the efficient coordination among customer group management, scenario-based operation and platform support and established an agile and coordinated organisation system, so as to establish a diversified product system of full chain and full coverage, as well as service capability of swift response.

Strengthening internal control and compliance and building up strong risk defense. Law-bidding and complaint operation is the foundation of sustainable development of an enterprise and is the core competitiveness of a commercial bank. The Company stepped up efforts in refining systems and mechanisms of internal control and compliance, continuously optimised policy system of the Head Office and branches, and improved case prevention management mechanism. The Company established and promoted off-site inspection system and launched a compliance information system. Comprehensive inspections were carried out on all business lines, compliance appraisal indicators for Head Office departments were set up, and accountability tracking mechanism for business units was implemented. Furthermore, the Company enhanced the cultivation of compliance culture and improved the management of employees' behaviours to continuously improve the awareness of law-bidding and compliant operation and capability of risk prevention of all employees. The responsibilities of the first, second and third line of defense were clearly defined and their joint forces were fully mobilised. The first line assumed the primary responsibility of risk defense, the second line performed due diligence and the third line worked independently, to enhance coordinated management, promotion and cooperation of overall risk management, in furtherance of a safe and steady operation of Minsheng Bank.

Enhancing corporate culture and reshaping the good image of the Bank. The corporate culture of a bank is the key to rebuilding public trust. Actively adapting to the changing environment, the Bank improved its culture from philosophy to practice, striving to build a corporate culture featuring with "Simplicity, Pragmatism, and Efficiency" which served as strong spiritual driving forces for the reform and development of the Bank. It stayed on top of business and management processes and incorporated the "customer-centric" concept into service culture, marketing culture, credit culture, risk culture and compliance culture, thinking from the perspective of customers and creating value for them. The Company put every effort in making corporate image and customer trust the core elements of its value, and attached greater importance to its commitment to social responsibility and sustainable development. It actively fulfilled its corporate social responsibilities by establishing the environment, social and governance (ESG) management framework, supporting the development of inclusive finance, green environmental protection and public welfare such as alleviating poverty and helping the disadvantaged, and integrating the consolidation and expansion of achievements of poverty eradication and rural revitalisation. All these efforts have contributed to the sustainable development of the economy and society, and continuously enhanced the "warm power" of China Minsheng Bank.

Looking into 2021, the world economic situation will remain complex and challenging, with unstable and uneven recovery and various pandemic-inflicted risks that cannot be ignored. The rising tide of protectionism and unilateralism, prolonged ultra-low interest rates in the US and in Europe, and fluctuation of international commodity prices, all are pointing to a more volatile capital market. Despite such an increasingly complex international environment, the fundamentals sustaining China's steady, long-term and quality economic growth remain unchanged. 2021 marks the beginning of the 14th Five-Year Plan and is a year of special importance in the process of modernisation of our nation. With China's economy gradually recovers, it is expected to see a more prudent monetary policy, a slowdown in total social financing and credit growth, more stable macro leverage ratio, more reasonably ample liquidity, stable market projection and more positive factors in the economic operation, which will bring more new opportunities to the banking industry.

A good wind is the time to set sail. In response to the new situation and requirements of the new era, China Minsheng Bank will adhere to the strategic goal of "building a first-class commercial bank with distinctive features, increasing value, continuous innovation and stable operation". As entering the new development stage, the Company will continue to implement the new development philosophy, deepen institutional reform and strengthen corporate culture. It is determined to follow a sound and sustainable development path through innovation and solid work, and will make greater contributions to the start of the 14th Five-Year Plan!

MESSAGE FROM THE PRESIDENT

In 2020, in the face of the impact brought by the COVID-19 pandemic, Minsheng Bank has actively implemented the national policies and requirements to financially supporting fight against the pandemic, maintained is strategic goal to serve NSOEs, and worked closely with customers to resist risks. As a result, sound business development has been achieved. In 2020, operating income of the Group amounted to RMB181,807 million, representing an increase of 2.29% as compared with the previous year. Profit before allowance amounted to RMB131,322 million, representing an increase of 2.81%. With lowering fees and surcharges and increasing provision of allowance for loans, net profit attributable to equity shareholders of the Bank amounted to RMB34,309 million, representing a decrease of 36.25%. As at the end of the year, total assets of the Group amounted to RMB6.95 trillion, representing an increase of 4.02% as compared with the end of the previous year. Of which, total loans amounted to RMB3.85 trillion, representing an increase of 10.50%. Overall asset quality remained stable and capital adequacy ratios, liquidity, and interest rate risks were in full compliance with regulatory requirements.

In the past year, we joined hands with customers to make through difficulties. Facing the pandemic, Minsheng Bank responded without delay and acted on the frontlines. We spared no efforts to support customers and facilitate the recovery of the real economy by taking benefiting measures such as opening green channels, renewing loans, increasing credit supply, deferring repayment of principal and interest, reducing and exempting interest penalty and protecting credit record. The Bank implemented policies in relation to fights against the pandemic and reduced RMB7.3 billion of fees and surcharges for customers, and provided free special insurance for pandemic prevention to more than 300 thousand small business customers. We deferred repayment for 226.8 thousand credit card customers stricken by the pandemic with RMB 1,291 million interests and fees reduced and exempted, and protected credit records of 50.7 thousand credit card customers. During the pandemic, we never stop providing financial services but responded to customers' new demands by introducing new services which were healthier, safer, more efficient and more convenient. The Bank was the first to launch 5G-based mobile banking, continued to improve remote banking, and rolled out zero-contact emergency functions including "cloud witness (雲見證)" and "cloud key (雲鑰匙)" so as to address issues of collateral registration, loan extension and capital management during the special period.

In the past year, we optimised services and maintained steady operation. We proactively responded to the new changes and challenges in the market and the regulatory environment, sped up to resolve difficulties in business development, and promoted sustainable and healthy operations. **To continuously optimise corporate business,** we adhered to the "customer-centric" philosophy, refined the segmented and classified customer service system provided "1+3" services and adopted the "five-in-one" service approach for strategic customers. We carried out the "Minsheng SME Project" to provide SME customers with digitalised, standardised, and process-based services. We also implemented four projects, namely "Joint Hands, Rooting, Win-win and Ying Huo (攜手、生根、共贏、螢火)", and innovated supply chain finance, so as to provide comprehensive and professional financial solutions to strategic NSOEs, niche NSOEs, SMEs and small business customers. As at the end of the year, total corporate loans and total corporate deposits of the Bank amounted to RMB2,240,938 million and RMB2,945,302 million respectively, and total domestic corporate customers with deposits increased by 6.99% to 1,388.1 thousand as compared with the end of the previous year. The number of domestic corporate customers with outstanding general loan balances of the Bank was 9,706, representing an increase of 7.53% as compared with the end of the previous year. **To accelerate the development of retail business,** we continued to expand retail wealth management and asset business, strengthen the classified and vertical management of customer groups, optimise product and service systems, enhance professional capabilities, cultivate distinctive brands and carry out differentiated competition. During the year, operating income from retail business amounted to RMB71,133 million, representing an increase of 5.76%. Of which, net non-interest income amounted to RMB16,621 million, accounting for 23.37%. Total inclusive small business loans amounted to RMB553,899 million, the interest rate of which decreased by 63BP as compared with the previous year. **To promoted the transformation of financial institutions business**, we pushed forward the transformation towards customer group-based operations, and optimised special operation and management mechanism as well as business structure. As at the end of the year, total assets of financial institutions business amounted to RMB305,942 million, representing a decrease of 18.12% as compared with the end of the previous year while total liabilities of financial institutions business (including IBNCD) amounted to RMB1,839,533 million, representing a decrease of 0.15% as compared with the end of the previous year. **To actively adjust the structure of liabilities,** we continued to enhance the allocation of capital-intensive assets, stabilise liabilities while reducing costs. As at the end of the year, the proportion of active liabilities of the Bank decreased by 9.1 percentage points, and the average cost of corporate liabilities decreased by 15BP (excluding Hong Kong).

In the past year, we accelerated the establishment of a digital bank. We weighed up the changing environment, industry rules and the trend of customers' needs, focused on restructuring IT systems to build a digital bank, and significantly enhanced efficiency in business development, management, risk control and operations. The distributed core system was fully put into operation, the cloud-based IT platforms were established in some branches for trial, and the featured businesses were launched smoothly. We improved the new supply chain products including "Receivable e (應收e)", "Procurement e (採購e)" and "Credit Sale e (賒銷e)", created new customer service scenarios, product offerings and a standard model for intelligent risk control, and further enhanced the service capabilities of the "three banks (三個銀行)", namely mobile banking, online banking and WeChat banking as well as the "four platforms (四個平台)", namely open banking platform (開放銀行平台), overall operation platform (大運營平台), unified payment platform (統一支付平台) and digital operation platform (數字化運營平台). The remote bank has covered 95% of personal business and 75% of corporate business. The open banking portal released more than 220 new application programming interfaces (APIs), acquiring nearly 4 million customers. We also launched the first smart banking experience store, actively engaged in research and development of digital currency, and set up a "joint innovation laboratory of smart finance (智慧金融聯合創新實驗室)" to explore new customer service models such as home banking.

In the past year, we emphasised risk governance and promoted compliant development. We adhered to the philosophy of "compliant operation is the core competitiveness" and balanced passive rectification and active reform. We rectified issues discovered in regulatory inspections and made in-depth analysis on the reasons, and thus significantly enhanced the effectiveness of internal control management. We also improved the internal control management system and mechanism, built a well-organised internal control and compliance management structure with clearly defined responsibilities, as well as an inter-connected operation mechanism with effective synergy. Comprehensive and dynamic self-examination and self-correction were carried out to enhance the capabilities of risk screening, prevention and control. Compliance culture was strengthened to promote refined management and improvement in service quality and efficiency. To win the "tough battle" of collection and disposal of problem assets, we formulated a special collection and disposal plan for non-performing assets, and overfulfilled the target of the year. The proportion of the Bank's outstanding loan balances of industries subject to be optimised (controlled) declined by 1.98 percentage points, while that of industries subject to be supported increased by 1.65 percentage points. Outstanding corporate loans for real estate decreased by over RMB50,000 million from the peak of the year.

Looking forward into 2021, the 14th Five-year Plan will enter a new development phase. The banking industry will have to continue alleviating the impacts of the pandemic, while shouldering new missions and new tasks of forging a new development paradigm. Against the headwinds, the prospect is promising with good momentum. Standing on the new starting point of the year marking the 25th anniversary of the Bank, we are confident to overcome difficulties and forge ahead to success.

In the coming year, we will emphasise "expanding customer base, seeking innovation, focusing on key points, adjusting structure, accelerating transformation, controlling risk, optimising appraisal and strengthening coordination" and continue to leverage the advantages of a market-oriented systems and mechanisms so as to unceasingly provide customers with all-round and comprehensive financial services. In addition, we aim to build up a golden brand in the field of financial services to micro, small and medium customers, optimise service experience under the "customer-centric" philosophy, and strive to foster new business growth drivers.

We will implement all-around digital innovation and transformation with retail business as the focus, and build an agile and efficient digital bank. By vigorously "promoting transformation and controlling risks", we will further improve intelligent banking and make new breakthroughs in ecosystem-oriented banking, and reinforce the three lines of defense to counter risks to safeguard steady development.

We will adjust the income-based approaches for appraisals and incentives and resource allocation, and promote coordination among different departments and business lines of the Head Office. We will establish an all-round and coordinated strategic customer development system with synergy between the Head Office and all branches, and accelerate the effective application of integrated development model of micro, small, medium and large enterprises along the supply chains. We will also leverage on strength of the Group to achieve efficient synergy between the Bank and the subsidiaries, and between domestic and overseas institutions, to give full play to coordination.

We will strengthen refined management in all aspects to further integrate and optimise business procedures of the front office, middle office and back office to comprehensively improve service quality and efficiency. We will establish agile response mechanism to speed up the construction of an agile organisation. We will also further refine project development and business management marketing and channel management, refined management as well as use of capital, so as to continuously support the stable and sustainable development.

Starlight will illuminate the path of a wayfarer; enduring efforts will pay off over time. In the Year of the Ox, embracing the good virtues it symbolises, we will courageously drive our efforts against adversity, hone the skills to overcome difficulties, and strive to build into a commercial bank with "distinctive features, increasing value, continuous innovation and steady operation".

DEVELOPMENT VISION AND REFORM AND TRANSFORMATION

I. Mission

The world is witnessing major changes unseen in a century. In view of the complex domestic and international economic and financial regulatory landscape, based on the accelerated formation of a new development paradigm "with domestic circulation as the mainstay and domestic and international circulations reinforcing each other and in response to the challenges brought by complicated and changing international situation, greater downward pressure of the macro-economy, shifts in domestic growth drivers and the tightening financial regulation and extensive application of fintech, the Company has further improved corporate governance, optimised systems and mechanisms, enhanced organisational efficiency, accelerated business model reform, continuously promoted the integration of and innovation in technology and business operation and focused on development strategies, so as to further improved its development quality and competitiveness.

II. Development Vision and Target

The Company firmly adheres to the customer-centric philosophy, endeavours to create value for customers, continuously strengthens service capability for the quality development of real economy, and strives to develop into a first-class commercial bank with distinctive features, continuous innovation, increasing value and stable operation.

Adhering to the mission of "From the People, For the People (因民而生，與民共生)", the Company leverages its advantages of non-state-owned bank in systems and mechanisms, supports the healthy development of the non-state-owned economies, in an aim to become the top choice of NSOE customers, and build up the gold brand in providing financial services to medium, small and micro enterprises.

The Company will implement the all-round digital innovation and transformation to achieve comprehensive digital transformation in customer service, marketing, risk control, internal management, etc.. Taking retail business as the focus, the Company will bring it to leap-forward development.

Establishing a "One Minsheng" business synergy system on customer-centric basis, the Company will take the needs of customers as the source of power of its development. It will integrate with customers and create value for customers, so as to realise mutual development.

The Company will push forward all-round refined management, continuously enhance organisational efficiency, create core competitiveness for quality development. It will also comprehensively reshape risk compliance culture and steadily forge ahead on the path of sound and sustainable development.

III. Reform and Transformation

During the Reporting Period, the Board and the management further optimised and improved the strategic positioning to be in line with the external changes and development needs, successfully led the Bank to focus on the transformation of business philosophy, system and mechanism enhancement and the promotion of key reform projects, which laid a solid foundation for the Bank's reform in the next stage.

(I) Returning to business origins

Firstly, the Company strengthened basic services and expanded basic customer groups. Focusing on customers' basic financial needs, the Company enhanced its capability in providing basic products, and optimised customers experience both online and offline. Through reforming the service model of strategic customers, advancing integrated acquisition of medium, small and micro customers along supply chains and innovating the scenario-based consumer credit model, the Company created a multi-level, comprehensive and scenario-based customer service system. The Company strengthened customer base and increased incentives for the development of basic customer groups for further expansion.

Secondly, the Company aligned itself with national strategies to focus on key regions. The Company strengthened the development planning and strategic layout in four key regions, namely Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei region and Chengdu-Chongqing region. The Company carried out in-depth research and analysis to explore key business opportunities in the regional markets, established differentiated management systems and allocated more resources to the key regions. The Company actively responded to national policies, increased support for the real economy and directed bank-wide concerted operation to key sectors by distributing more new credit resources to the manufacturing industry and inclusive enterprises.

Thirdly, the Company returned to its business origins and abandoned short-term operations. The Company adjusted the operation model of financial markets business, focused on the improvement of trading capabilities and the operation of inter-bank customer groups, and continued to improve the internal coordination mechanism for agency transactions and the classified marketing system for inter-bank customers. The Company resolutely scaled back inter-bank investment business for short-term arbitrage purposes, and refocused its bills business on payment and settlement for corporate customers and provision of financing facilities. The Company further strengthened and coordinated its overall asset and liability to channel funds to serve the real economy more directly.

Fourthly, the Company optimised its business structure to reduce cost of liabilities. The Company accelerated the innovation in and development of payment and settlement, transaction banking, supply chain, wealth management and other businesses and improved the capabilities to obtain general deposits. The Company reduced new active liabilities, increased the proportion of demand deposits, thus the cost of liabilities continued to reduce.

(II) Comprehensively strengthening risk compliance

Firstly, the Company persisted in separated operation of problem assets. The Company optimised the centralised management mechanism of problem assets, innovated the methods for collecting and disposing non-performing assets, and enhanced the professionalism and effectiveness of valuation models, categorised disposal and collection, as well as vertical management and control, which have shown significant progress.

Secondly, the Company kept on strengthening internal control and compliance construction. The Company advanced the internal control and compliance culture, promoted governance ruled by law, improved the construction of internal control and compliance system and the whole-process management mechanism. Also, the Company tightened the accountability of violating regulations and disciplines, adhered to the principle of "no restricted areas, full coverage and zero tolerance", and created a discipline and rule-based environment.

Thirdly, the Company enhanced overall risk management capability. The Company vigorously promoted the integrated and whole-process management of credit risks, strengthened the guiding role of credit policies, and enhanced forward-looking early warning capability, so as to improve management from the beginning and throughout the process and strictly control new credit risks. In reviewing the eight major risk factors of commercial banks, the Company focused on improving management of weak points such as market risk, operational risk and liquidity risk, by strengthening risk management responsibility of the first line of defense, so as to improve overall risk management capabilities.

(III) Achieving breakthrough in internal institutions

Firstly, the Company streamlined its organisation structure and clarified the scopes of responsibilities. In accordance with the regulatory policies by adjusting business structure and screening management relationship, the Company further clarified functions and scopes of responsibility of all departments, completed the restructuring of inter-city non-licensed institutions, while taking it as an opportunity to build a multi-layered marketing management system for strategic customers.

Secondly, the Company broke down the barriers between departments and sped up exploration of agile management. The Company kept pace with the trends and need of digital transformation, improved innovation capability of organisations, accelerated agile exploration of major innovation projects across business segments and lines, optimised resource allocation and strengthened incentives and restraints, thus realised quick response to market needs and highly efficient decision-making.

Thirdly, the Company promoted the reform of human resources to enhance vitality of the organisation. Major breakthroughs have been made in the reform of human resource management system by steadily pushing forward the building of a professional and technical job sequence system and the reform of position pricing and remuneration, which improved the development and incentive system for young talents, stimulated the organisational vitality and encouraged the development of teams.

Fourthly, the Company optimised allocation of resources and supplemented performance-based incentives. The Company strengthened trend prediction and business supervision of the Asset and Liability Management Committee, accelerated capital replenishment, optimised capital management, and enhanced capital efficiency. Value and strategy-oriented, the Company allocated more resources to key customers, key regions, and key products. To increase value throughout the whole Bank, the Company improved the standardised performance management system in line with resource allocation.

Fifthly, the Company strengthened technology empowerment by carrying out digital transformation. The Company continued to optimise technology governance and data governance, deepen the integration of internet finance and business models, speed up the construction of open bank and eco-systems, so as to drive forward digital transformation in an orderly manner.

ANNUAL AWARDS

The Bank was ranked No. 23 in the "Top 1000 World Banks" ranking published by The Banker (UK) in 2020, up by 5 places;

The Bank was ranked No. 21 in the "Banking 500 2021" published by Brand Finance (UK), up by 8 places;

The Bank was ranked No. 90 in the "2020 Global 2000" published by Forbes (USA), up by 24 places;

The Bank was awarded the "Best Bank for Asset Custody Innovation of the Year (年度最具資產託管創新力銀行)" and the "Best Bank for Fintech Innovation of the Year (年度最佳金融科技創新銀行)" by Financial Times in its "Gold Medal Awards of Chinese Financial Institutions (中國金融機構金牌榜)";

The Bank was awarded the "2020 Outstanding Case of Services for Micro, Small and Medium Enterprises (2020年金融服務中小微企業優秀案例)" in the 8th China SME Investment & Finance Expo and Financial Services Expo (中國中小企業投融資交易會暨金融服務博覽會);

The Bank was awarded the "Golden Bull Wealth Management Bank (金牛理財銀行)" in the first "Wealth Management Golden Bull Awards of the Banking Industry in China (中國銀行業理財金牛獎)" by China Securities Journal;

The Bank was awarded the "Best Smart Bank (最佳智能銀行獎)"and the "Best Bank for Mobile Banking Innovation (最佳手機銀行創新獎)" in the "2020 Electronic Banking Golden Awards of China (中國電子銀行金榜)" by China Financial Certification Authority;

The Bank was awarded the "Outstanding Retail Bank for 2020 (2020年度傑出零售銀行)" and "2020 Fintech Innovation Award (2020年度金融科技創新獎)" in the 18th "China's Financial Annual Champion Awards (第十八屆中國財經風雲榜)" by Hexun.com;

The Bank was awarded the "Best Financial Service Innovation Award (最佳金融創新獎)" in the "2020 China's Financial Service Innovation Awards (中國金融創新獎)" by the Chinese Banker;

The Bank was granted the "Gold Award of Banking Industry", "Top 50 Chinese Annual Reports (最佳50強中文年報)" and "Technical Achievement Award (技術成就獎)" in the "2019 International ARC Awards (2019年國際年報大賽)" by League of American Communications Professionals LLC (LACP);

The Bank was awarded the "Bank of Brand Culture Construction for 2020 (2020年度品牌文化建設銀行)" in the Financial Industry Selection (金融業評選) by Caijing.com.cn;

The poverty alleviation case of the Bank was published in the "50 Outstanding Cases of Poverty Alleviation by Enterprises (企業扶貧案例50佳)" by the Leading Group Office of Poverty Alleviation and Development of the State Council.

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:	Gao Yingxin
3.	Authorised Representatives of the Company:	Xie Zhichun, Wong Wai Yee, Ella
4.	Board Secretary:	Bai Dan
	Joint Company Secretaries:	Bai Dan, Wong Wai Yee, Ella
	Representative of Securities Affairs:	Wang Honggang
5.	Mailing Address:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
	Postal Code:	100031
	Telephone:	86-10-58560975
	Facsimile:	86-10-58560720
	Email:	cmbc@cmbc.com.cn
6.	Registered and Office Address:	No. 2, Fuxingmennei Avenue, Xicheng District, Beijing
	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 Room 06-08, 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:	PricewaterhouseCoopers Zhong Tian LLP
	Office Address:	11/F, PricewaterhouseCoopers Centre, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai
	Signing Accountants:	Yan Lin, Zhang Honglei
	International Accounting Firm:	PricewaterhouseCoopers
	Office Address:	22/F, Prince's Building, 10 Chater Road, Central, Hong Kong

11. Domestic Preference Share Sponsor for Continuous Supervision and Guidance

1. CITIC Securities Co., Ltd.

Office Address:	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Sponsor Representatives:	Cheng Yue, Ma Xiaolong
Duration of Continuous Supervision and Guidance:	the period from 28 July 2020 to 31 December 2020

2. China International Capital Corporation Limited

Office Address:	27/F and 28/F, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
Sponsor Representatives:	Tong Heyang, Xu Jia
Duration of Continuous Supervision and Guidance:	the period from 28 July 2020 to 31 December 2020

3. Haitong Securities Co., Ltd.

Office Address:	Room 1101, Taikang International Tower, No. 2 Wudinghou Street, Xicheng District, Beijing
Sponsor Representatives:	An Ximei, Zhou Wei
Duration of Continuous Supervision and Guidance:	the period from 8 November 2019 to 27 July 2020

On 28 July 2020, the Company changed the sponsors for continuous supervision and guidance and the sponsor representatives, to CITIC Securities Co., Ltd. and China International Capital Corporation Limited, which are now the Company's domestic preference share sponsors for continuous supervision and guidance. For details, please refer to the "Announcement on Changing Sponsors for Continuous Supervision and Guidance and Sponsor Representatives published by the Company on 29 July 2020.

12.

A Share Registrar:	China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
Office address:	No. 188 Yanggaonan Road, New Pudong District, Shanghai
H Share Registrar:	Computershare Hong Kong Investor Services Limited
Office Address:	Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Domestic Preference Share Registrar:	China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
Offshore Preference Share Registrar and Transfer Agent:	The Bank of New York Mellon SA/NV (Luxembourg Branch).

13. Places of Listing, Stock Names and Stock Codes:

A shares:	SSE; Stock Name: MINSHENG BANK; Stock Code: 600016
H Share:	SEHK; Stock Name: MINSHENG BANK; Stock Code: 01988
Domestic Preference Share:	SSE; Stock Name: Minsheng Preference 1; Stock Code: 360037
Offshore Preference Share:	SEHK; Stock Name: CMBC 16USDPREF; Stock Code: 04609

14. Initial Date of Registration:	7 February 1996
Initial Place of Registration:	No. 4 Zhengyi Road, Dongcheng District, Beijing, China

15. Date of Registration for Subsequent Change:	20 November 2007
Place of Registration:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China

16. Changes in Registered Capital

On 16 November 2020, the Company received the Approval of the CBIRC on Changing Registered Capital of Minsheng Bank (Yin Bao Jian Fu [2020] No. 796) (《中國銀保監會關於民生銀行變更註冊資本的批覆》) (銀保監覆[2020]796號), in which the CBIRC approved the Company to increase registered capital from RMB28,365,585,227 to RMB43,782,418,502.

17. Unified Social Credit Code: 91110000100018988F

18. Business Summary of the Company

Formally established in Beijing in 1996, the Company is the first national joint-stock commercial bank in the PRC primarily founded by non-state-owned enterprises.

Upon the approval of relevant regulatory authorities, the Company operates the following commercial banking businesses: taking in deposits from the general public, granting short, medium- and long-term loans, handling domestic and foreign settlements; handling the acceptance and discounting of negotiable instruments; issuing financial bonds; issuing, redeeming and underwriting government bonds acting as an agent; buying and selling government bonds and financial bonds; engaging in interbank lending; buying and selling foreign exchange and acting as an agent for the purchase and sale of foreign exchange; engaging in the business of bank cards; providing letter of credit services and guaranty; acting as an agent for the receipt and payment of money and acting as an insurance agent; providing safe deposit box service; and other businesses approved by relevant regulatory authorities.

For the changes of the Company's business philosophy during the Reporting Period, please refer to "Development Vision and Reform and Transformation".

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. Major Accounting Data and Financial Indicators

	2020	2019	Changes of the Reporting Period over the corresponding period of the previous year	2018	2017	2016
Operating results (RMB million)			Increase/ decrease (%)			
Operating income	**181,807**	177,745	2.29	154,161	141,947	154,051
Net interest income	**135,224**	122,034	10.81	96,276	101,221	106,623
Net non-interest income	**46,583**	55,711	-16.38	57,885	40,726	47,428
Operating expenses	**50,485**	50,016	0.94	49,056	47,245	52,424
Impairment losses on credit	**92,988**	62,807	48.05	46,274	N/A	N/A
Profit before income tax	**36,706**	64,738	-43.30	58,785	60,562	60,249
Net profit attributable to equity shareholders of the Bank	**34,309**	53,819	-36.25	50,327	49,813	47,843
Net cash flow from operating activities	**-82,402**	-84,927	Negative for both periods	-395,498	-257,059	1,028,855
Data per share (RMB)						
Basic earnings per share	**0.71**	1.22	-41.80	1.14	1.13	1.09
Diluted earnings per share	**0.71**	1.22	-41.80	1.14	1.13	1.09
Net cash flow per share from operating activities	**-1.88**	-1.94	Negative for both periods	-9.03	-5.87	23.50
Profitability indicators (%)			Changes in percentage points			
Return on average assets	**0.51**	0.87	-0.36	0.85	0.86	0.94
Return on weighted average equity	**6.81**	12.40	-5.59	12.94	14.03	15.13
Cost-to-income ratio	**26.64**	27.14	-0.50	30.58	32.24	31.21
Net fee and commission income to operating income ratio	**15.22**	15.87	-0.65	18.51	23.30	26.17
Net interest spread	**2.12**	2.14	-0.02	1.81	1.61	1.98
Net interest margin	**2.14**	2.14	—	1.77	1.76	2.10

	31 December 2020	31 December 2019	Changes from the end of the previous year to the end of the Reporting Period	31 December 2018	31 December 2017	31 December 2016
Scale indicators (RMB million)			Increase/ decrease (%)			
Total assets	**6,950,233**	6,681,841	4.02	5,994,822	5,902,086	5,895,877
Total loans and advances to customers	**3,853,931**	3,487,601	10.50	3,056,746	2,804,307	2,461,586
Of which: Corporate loans and advances	**2,244,856**	2,074,677	8.20	1,826,201	1,698,480	1,560,664
Personal loans and advances	**1,609,075**	1,412,924	13.88	1,230,545	1,105,827	900,922
Allowance for impairment losses on loans	**97,637**	84,647	15.35	72,208	74,519	64,394
Total liabilities	**6,408,985**	6,151,012	4.19	5,563,821	5,512,274	5,543,850
Total deposits from customers	**3,728,174**	3,604,088	3.44	3,167,292	2,966,311	3,082,242
Of which: Corporate deposits	**2,961,617**	2,878,931	2.87	2,578,613	2,455,247	2,522,232
Personal deposits	**758,712**	718,363	5.62	575,289	492,008	540,548
Other deposits	**7,845**	6,794	15.47	13,390	19,056	19,462
Share capital	**43,782**	43,782	—	43,782	36,485	36,485
Total equity attributable to equity shareholders of the Bank	**529,537**	518,845	2.06	420,074	378,970	342,590
Total equity attributable to ordinary shareholders of the Bank	**459,677**	448,985	2.38	410,182	369,078	332,698
Net assets per share attributable to ordinary shareholders of the Bank (RMB)	**10.50**	10.26	2.34	9.37	8.43	7.60
Asset quality indicators (%)			Changes in percentage points			
NPL ratio	**1.82**	1.56	0.26	1.76	1.71	1.68
Allowance to NPLs	**139.38**	155.50	-16.12	134.05	155.61	155.41
Allowance to total loans	**2.53**	2.43	0.10	2.36	2.66	2.62
Capital adequacy ratio indicators (RMB million)			Increase/ decrease (%)			
Net capital base	**707,472**	673,741	5.01	547,281	514,401	444,030
Of which: Net core tier-one capital	**461,921**	455,088	1.50	415,726	374,624	338,674
Net other tier-one capital	**70,427**	70,871	-0.63	10,824	10,790	10,589
Net tier-two capital	**175,124**	147,782	18.50	120,731	128,987	94,767
Risk-weighted assets	**5,425,856**	5,117,026	6.04	4,656,286	4,340,262	3,786,073
			Changes in percentage points			
Core tier-one capital adequacy ratio (%)	**8.51**	8.89	-0.38	8.93	8.63	8.95
Tier-one capital adequacy ratio (%)	**9.81**	10.28	-0.47	9.16	8.88	9.22
Capital adequacy ratio (%)	**13.04**	13.17	-0.13	11.75	11.85	11.73
Total equity to total assets ratio (%)	**7.79**	7.94	-0.15	7.19	6.60	5.97

Notes:

1. For year 2017 and 2016, earnings per share, net cash flow per share from operating activities and net assets per share attributable to ordinary shareholders of the Bank were restated based on the number of shares upon the completion of the capitalisation of the capital reserve in 2017.

2. According to the requirements in the Notice on the Strict Implementation of Accounting Standards for Enterprises and Effective Enhancement regarding Enterprises' Work on the 2020 Annual Reports (Cai Kuai [2021] No. 2) (《關於嚴格執行企業會計準則切實加強企業2020年年報工作的通知》) (財會[2021]2號), the Group reclassified credit card installment income from fee and commission income to interest income. The relevant financial indicators of the comparative periods have been restated.

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

4. Earnings per share and return on weighted average equity: calculated according to regulations including the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號–淨資產收益率和每股收益的計算及披露》(2010年修訂)) promulgated by the CSRC, etc. The effect of the distribution of dividends for preference shares and perpetual bond interest was taken into account in calculating the above indicators.

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

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

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

8. Total loans and advances to customers, total deposits from customers and the compositions of which did not include accrued interests.

9. Allowance for impairment losses on loans includes allowance for impairment losses on loans measured at amortised cost, and allowance for impairment losses on loans at fair value through other comprehensive income.

10. Other deposits include issuing certificates of deposit, outward remittance and remittance payables.

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

12. Allowance to NPLs and allowance to total loans were calculated according to Notice on the Regulatory Requirement on Adjustment to Allowance for Impairment Losses on Loans of Commercial Banks (Yin Jian Fa [2018] No.7) (《關於調整商業銀行貸款損失準備監管要求的通知》) (銀監發[2018]7號) promulgated by the CBIRC. As at the end of the Reporting Period, the allowance to NPLs and allowance to total loans applicable to the Group and the Bank is 130% and 1.8%, respectively. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

II. Supplementary Accounting Data and Financial Indicators

Major indicators (%)	Benchmark	**31 December 2020**	31 December 2019	31 December 2018
Liquidity ratio (consolidated in RMB)	≥25	**49.72**	54.06	51.64
Liquidity coverage ratio	≥100	**128.37**	133.66	121.13
Net stable funding ratio	≥100	**104.57**	104.30	106.06
Leverage ratio	≥4	**6.93**	6.87	6.04
Percentage of loans to the single largest loan customer	≤10	**1.63**	2.67	1.78
Percentage of loans to the top ten loan customers	≤50	**9.73**	12.31	12.53

Notes:

1. The above data were calculated based on the relevant regulations of the Chinese banking regulators. Except for the liquidity ratio, which is information of the Bank, all other indicators are information of the Group.

2. Percentage of loans to the single largest loan customer = total loans to the single largest loan customer/ net capital base.

3. Percentage of loans to the top ten loan customers = total loans to the top ten loan customers/net capital base.

Migration ratio of loans (%)	**31 December 2020**	31 December 2019	31 December 2018
Pass	**4.94**	3.19	3.40
Special-mentioned	**30.60**	14.12	21.83
Substandard	**89.49**	46.56	38.51
Doubtful	**56.75**	38.93	29.14

CHAPTER 3 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

I. Review of Economic and Financial Conditions and Government Policies

In 2020, affected by the COVID-19 pandemic, the world economy experienced a deep recession. The global industrial chain and supply chain circulation was blocked. International trade and investment shrank significantly. The international financial market became more volatile, uncertainties and unstable factors increased substantially. To alleviate the impact of the pandemic, most countries adopted unprecedented fiscal and monetary easing policies and actively pushed forward the process of resuming work and production. Since the second half of the year, economic growth has gradually bottomed out and rebounded.

In the face of rare shocks in history, the Chinese government actively coordinated efforts to promote pandemic prevention and control and economic and social development. On the basis of the work of "stability on the six fronts (六保)", it specifically proposed the task of "security in the six areas (六穩)". Maintaining security would deliver the stability needed to pursue progress. Macroeconomic policies centering on the urgent needs of market entities were formulated and implemented, which stabilised the fundamentals of the economy. The GDP growth rate of China picked up quarter by quarter in 2020, with an annual economic growth rate of 2.3%, making it the only major economy in the world achieving positive economic growth.

Based on its national realities, China refrained from adopting strong stimulus policies, thus scientifically maintaining a desired balance between various macro policies. Using approaches of reform and innovation, the government eased the difficulties of enterprises and vitalised them. And the government helped micro, small, and medium enterprises and self-employed individuals, which were large in number, extensive in scope and took the most direct hit from COVID-19, tide over difficulties. With proactive fiscal policies, it appropriately increased the deficit ratio, launched special anti-pandemic treasury bonds, and increased the size of special local government bonds. Significant tax and fee reductions were implemented in a phase manner. Combined with institutional arrangements, this reduced the burden of market entities by more than RMB2.6 trillion during the year. A direct access mechanism for fiscal funds was creatively established to promptly supplement financial resources for the implementation of policies benefiting enterprises and the people by community-level governments. With prudent monetary policies becoming more flexible and moderate, the government comprehensively used means such as RRR and interest rate cuts and refinancing to innovate monetary policy tools that directly reached the real economy, and supported banks to increase targeted loans extension, reduce interest rates, and defer the repayment of principal and interest for loans to micro, small and medium enterprises. The real economy received a benefit of RMB1.5 trillion from financial institutions. Regulatory authorities actively guided banks to implement asset classification, expose non-performing assets, make full provisions of allowance for impairment, strengthen the disposal of non-performing assets, support small and medium-sized banks to replenish capital through multiple channels and improve corporate governance, and enhance the stability of financial institutions. The macro-prudential policy framework was further improved, and important periodical results were achieved in the battle to prevent and resolve financial risks.

In response to the impact of the pandemic, financial institutions in the banking industry focused on improving the quality and efficiency of serving the real economy, continued to increase credit support for the manufacturing industry and micro, small and medium enterprises, and actively supported major national strategies and key projects. The credit increase of the banking industry was at a high level, with accelerated scale expansion. Loans denominated in RMB extended by financial institutions in the banking industry increased by RMB19.6 trillion during the year. Total assets as at the end of the year were RMB319.7 trillion, representing an increase of 10.1% as compared with the end of the previous year. Commercial banks recorded a cumulative net profit of RMB1.94 trillion in 2020, a net interest margin of 2.10%, and a NPL ratio of 1.84% as at the end of the year. With the gradual recovery of the economy and the accelerated clearing of risks, the development of the banking industry showed an obvious trend of stabilisation and recovery.

II. Goals and Strategies

2020 was the final year for building a moderately prosperous society in all aspects. It was also the year of gaining a decisive victory for the Bank's reform and transformation and three-year development plan. Adhering to customer-centric philosophy, and with the goal of improving development quality and competitiveness, the Bank comprehensively deployed, coordinated and advanced the work in relation to pandemic prevention and control and business development, increased support for the real economy, actively innovated operation and management methods, led the consolidation of basic customer base, basic business and basic management, and coordinated the prevention of various financial risks, with its overall operations developing steadily.

1. The Bank supported the real economy and implemented regulatory requirements. It actively enhanced financial service capabilities for micro, small and medium enterprises and further strengthened financial services for them. In strict compliance with the relevant regulatory requirements, it further increased credit supply to the manufacturing industry. The Bank further increased the granting of poverty alleviation loans to ensure the orderly implementation of targeted poverty alleviation by finance. The Bank actively supported the development of new trade forms, and better served customers engaged in cross-border e-commerce, market procurement, and comprehensive foreign trade services. The Bank promoted the conversion of loan pricing benchmark and the decline of loan interest rate bp, and implemented the policy of lowering fees and surcharges to ensure the implementation and effectiveness of the LPR reform.

2. The Bank promoted reform and transformation, and strengthened the implementation of relative measures. The Bank comprehensively implemented the key tasks of reform and transformation, improved the incentive and restraint mechanism for transformation, and stepped up efforts in promoting reform and transformation. Various measures were taken to comprehensively increase values of corporate, retail and financial institutions customers, and continuously optimise liability structure. Actions were centralised throughout the Bank to speed up the implementation of NSOE strategy. The Bank also enhanced the coordination among information technology, internet finance and business to coordinate the development of fintech. Efforts were made to improve the development of cross-selling system to further promote comprehensive operation. Coordination of risk and business was strengthened to improve the overall risk management system. Value and strategy-oriented resource allocation and performance appraisal were adopted, and the organisational structure and staff composition were optimised.

3. The Bank implemented its NSOE strategy, and closely followed the national layout for different regions. According to its NSOE strategy, the Bank deepened the reform of management system and mechanism of corporate business, established a segmented and classified customer group management system, optimised the marketing model of strategic customers, and accelerated the systematic and comprehensive implementation of strategic NSOEs, small and medium-sized NSOEs, small and micro-sized NSOEs and niche NSOEs. The Bank promoted the integrated development of large, medium, small and micro enterprises along the supply chains with supporting measures. The Bank integrated itself into national strategies to create regional features and advantages. It studied and formulated business strategies and implementation plans for the four key regions of Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei region, and Chengdu-Chongqing region, actively seized regional development opportunities, specified differentiated positioning and development strategies, enhanced regional integrated coordination, strengthened supporting policies and institutional mechanisms, created an efficient and convenient service system, and carried out pilot project of key mechanism reforms in key areas.

4. The Bank promoted the in-depth integration of finance with technology and accelerated digital transformation. In more open-minded and active response to the opportunities and challenges arising from fintech development, the Bank accelerated the pace of digital transformation. The Bank strengthened the synergy between technology and business, and provided technology "momentum", data "empowerment" and resource support for the implementation of strategies and reform and transformation with distributed architecture transformation as the driving force and data governance as the key approach. The Bank vigorously developed the B-side, C-side and F-side transaction scenarios, improved products and services such as new supply chain, settlement and cash management, customer group services, product offerings, intelligent risk control and remote banking, created a unified payment brand, and further leveraged the important role of production factors such as technology and data to enhance the capability to serve the real economy. The Bank took the lead in launching 5G-based mobile banking in the industry to enhance intelligent services and continuously improve customer experience. By gradually starting with the in-depth reform of systems and mechanisms, the Bank sped up the digital transformation, and promoted ecological and value chain reconstruction with an aim to accomplish its strategic mission of "becoming a digital bank empowered by technologies (科技引領，數字民生)".

5. The Bank strengthened internal coordination, and deepened integrated operations. The Bank established a "customer-centric" integrated service system, vigorously promoted the establishment of cross-selling and business synergy systems, formulated and refined cross-selling mechanism for strategic NSOE customers and entrepreneur customer groups. All these contributed to improving the quality and efficiency of cooperate business, promoting business development of retail banking, financial markets and subsidiaries as well as establishing an integrated and comprehensive service system of "capital+intelligence+commerce". The scope of cross-selling had been expanded to cover businesses such as real estate development loan and personal mortgage loan, personal consumer loan of employees of corporate customers and financial institutions business, etc. The Bank established mechanisms for marketing, pricing and profit distribution, appraisal and evaluation and incentives of cross-selling of key businesses. The Bank increased resource allocation, improved team building and enhanced the support of system and data platforms to promote coordinated development of all business lines.

6. The Bank strengthened basic management, and enhanced refined management capabilities. The Bank reinforced basic management, guided and consolidated basic customer base, basic products and services. The Bank fortified the management of assets and liabilities, and promoted steady growth of the scale of assets and liabilities and the continuous optimisation of structure. The Bank increased credit support for pandemic prevention and control, and optimised the regional structure of asset distribution. The Bank implemented the reform of interest rate liberalisation, and the net interest margin remained stable. The Bank strengthened the management of inefficient assets, and increased the return on assets and capital efficiency. The Bank regulated the management of service prices, and promoted the regulated, healthy and sustainable development of intermediate business. The Bank enhanced capital management, and accelerated the transformation of light-capital operation. Financial management was emphasised to continuously improve the input-output efficiency of financial resources. The Bank tightened the risk management of assets and liabilities, and moderately promoted longer liability duration of the Bank.

7. The Bank tightened risk management and control and shaped compliance culture. The Bank optimised the risk management system and structure and established an overall risk management system to enhance risk management. It revised and refined risk policy management rules to regulate the centralised management of risk policies. The internal control system was improved to promote the normalised operation of the coordinated mechanism among departments in relation to audit management, risk management and internal control management. Management of key legal risks was strengthened to improve the safe operating environment of the Bank's businesses. In order to lay a sound foundation for reform and transformation and business development, the Bank strengthened the construction of its money laundering risk management system. It continued to advance professional operation and management mechanism of problem assets to improve the efficiency and effectiveness of collection and disposal. It improved the compliance system construction, shaped the concept of "compliant operation is the core competitiveness", and firmly followed the path of steady and sustainable development.

III. Overview of Operations

During the Reporting Period, the Bank thoroughly implemented the decisions and deployments of the CPC Central Committee and the State Council and regulatory requirements, and actively responded to changes in the internal and external operating environments. It insisted on customer-centric philosophy, solidly served the real economy, accelerated the disposal of non-performing assets, and coordinated pandemic prevention and control and business development. As such, business operation remained generally stable and healthy with steadily expanded business scale and enhanced prevention and control of financial risks.

Operating income increased while net profit declined as compared with the corresponding period of the previous year. During the Reporting Period, the Group recorded operating income of RMB181,807 million, representing an increase of RMB4,062 million, or 2.29%, as compared with the corresponding period of the previous year. Profit before allowance amounted to RMB131,322 million, representing an increase of RMB3,593 million, or 2.81%, as compared with the corresponding period of the previous year. Net profit attributable to equity shareholders of the Bank amounted to RMB34,309 million, representing a decrease of RMB19,510 million, or 36.25%, as compared with the corresponding period of the previous year. Return on average assets and return on weighted average equity attributable to ordinary equity shareholders of the Bank were 0.51% and 6.81%, respectively, representing decreases of 0.36 percentage points and 5.59 percentage points as compared with the corresponding period of the previous year, respectively.

The asset and liability business grew steadily with continuously optimised structure. As at the end of the Reporting Period, total assets of the Group amounted to RMB6,950,233 million, representing an increase of RMB268,392 million, or 4.02%, as compared with the end of the previous year. Total loans and advances to customers amounted to RMB3,853,931 million, representing an increase of RMB366,330 million, or 10.50%, as compared with the end of the previous year, accounting for 55.45% of total assets, representing an increase of 3.25 percentage points, as compared with the end of the previous year. Total liabilities amounted to RMB6,408,985 million, representing an increase of RMB257,973 million, or 4.19%, as compared with the end of the previous year. Total deposits amounted to RMB3,728,174 million, representing an increase of RMB124,086 million, or 3.44%, as compared with the end of the previous year. Personal deposits and demand deposits accounted for 20.35% and 41.08% of total deposits, respectively, representing increases of 0.42 percentage points and 1.74 percentage points as compared with the end of the previous year, respectively.

Risk prevention and control capabilities were continuously improved, and asset quality was constantly consolidated. During the Reporting Period, the Group constantly strengthened credit risk management, enhanced asset quality control, improved risk measurement and early-warning capabilities, and took multiple measures to intensify the disposal of non-performing assets, so as to improve the overall risk management. Affected by both the macro economy and the pandemic, the Group's NPLs increased as compared with the end of the previous year. As at the end of the Reporting Period, total NPLs of the Group amounted to RMB70,049 million, representing an increase of RMB15,615 million, or 28.69%, as compared with the end of the previous year. The NPL ratio was 1.82%, representing an increase of 0.26 percentage points as compared with the end of the previous year. Loans overdue for more than 90 days amounted to RMB51,750 million, accounting for 1.35%, representing a decrease of 0.02 percentage points as compared with the end of the previous year. The ratio of loans overdue for more than 90 days to NPLs was 73.88%, representing a decrease of 14.12 percentage points as compared with the end of the previous year, reaching the best level in the recent three years. The allowance to NPLs and the allowance to total loans were 139.38% and 2.53%, respectively, representing a decrease of 16.12 percentage points and an increase of 0.10 percentage points, respectively, as compared with the end of the previous year.

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

(I) Changes of major items of statement of profit or loss

During the Reporting Period, in the face of the shock of the COVID-19 pandemic and the impacts from external market environment, the Group proactively responded to government's call for supporting enterprises to resume operation and production. It also increased capital investment, reduced financing costs, and lowered fees and surcharges, while simultaneously initiating measures to restructure business and accelerate the disposal of non-performing assets, resulting in the decrease in net profit as compared with the corresponding period of the previous year. Changes of major items of the Group's statement of profit or loss are as follows:

Item (RMB million)	**2020**	2019	Change (%)
Operating income	**181,807**	177,745	2.29
Of which: Net interest income	**135,224**	122,034	10.81
Net non-interest income	**46,583**	55,711	-16.38
Operating expenses	**50,485**	50,016	0.94
Impairment losses on credit	**92,988**	62,807	48.05
Impairment losses on the other assets	**1,628**	184	784.78
Profit before income tax	**36,706**	64,738	-43.30
Less: Income tax expense	**1,604**	9,814	-83.66
Net profit	**35,102**	54,924	-36.09
Of which: Net profit attributable to equity shareholders of the Bank	**34,309**	53,819	-36.25
Profit or loss attributable to non-controlling interests	**793**	1,105	-28.24

(II) Operating income

During the Reporting Period, operating income of the Group amounted to RMB181,807 million, representing an increase of RMB4,062 million, or 2.29%, as compared with the corresponding period of the previous year. The amounts, percentages and changes of major items of the Group's operating income are as follows:

Item (RMB million)	2020 Amount	2020 % of total	2019 Amount	2019 % of total	Change (%)
Net interest income	**135,224**	**74.38**	122,034	68.66	10.81
Interest income	**286,593**	**157.64**	274,815	154.61	4.29
Of which: Interest income from loans and advances to customers	**200,351**	**110.21**	186,145	104.73	7.63
Interest income from financial investments	**64,402**	**35.42**	64,259	36.15	0.22
Interest income from placements with banks and other financial institutions	**8,402**	**4.62**	10,711	6.03	-21.56
Interest income from long-term receivables	**6,840**	**3.76**	6,411	3.61	6.69
Interest income from balances with central bank	**5,306**	**2.92**	5,195	2.92	2.14
Interest income from financial assets held under resale agreements	**788**	**0.43**	1,430	0.80	-44.90
Interest income from balances with banks and other financial institutions	**504**	**0.28**	664	0.37	-24.10
Interest expense	**-151,369**	**-83.26**	-152,781	-85.95	-0.92
Net non-interest income	**46,583**	**25.62**	55,711	31.34	-16.38
Net fee and commission income	**27,664**	**15.22**	28,204	15.87	-1.91
Other net non-interest income	**18,919**	**10.40**	27,507	15.47	-31.22
Total	**181,807**	**100.00**	177,745	100.00	2.29

(III) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group amounted to RMB135,224 million, representing an increase of RMB13,190 million, or 10.81%, as compared with the corresponding period of the previous year. The net interest margin of the Group was 2.14%, which was the same as compared with the corresponding period of the previous year.

	2020			2019		
Item (RMB million)	**Average balance**	**Interest income**	**Average return (%)**	Average balance	Interest income	Average return (%)
Interest-earning assets						
Total loans and advances to customers	**3,741,875**	**200,351**	**5.35**	3,223,641	186,145	5.77
Of which: Corporate loans and advances	**2,233,120**	**107,978**	**4.84**	1,930,845	101,637	5.26
Personal loans and advances	**1,508,755**	**92,373**	**6.12**	1,292,796	84,508	6.54
Financial investments	**1,758,145**	**64,402**	**3.66**	1,649,398	64,259	3.90
Balances with central bank	**339,846**	**5,306**	**1.56**	331,892	5,195	1.57
Placements with banks and other financial institutions	**263,722**	**8,402**	**3.19**	266,011	10,711	4.03
Long-term receivables	**127,703**	**6,840**	**5.36**	119,976	6,411	5.34
Balances with banks and other financial institutions	**59,838**	**504**	**0.84**	53,120	664	1.25
Financial assets held under resale agreements	**36,938**	**788**	**2.13**	51,035	1,430	2.80
Total	**6,328,067**	**286,593**	**4.53**	5,695,073	274,815	4.83

Item (RMB million)	2020 Average balance	2020 Interest expenses	2020 Average cost (%)	2019 Average balance	2019 Interest expenses	2019 Average cost (%)
Interest-bearing liabilities						
Deposits from customers	**3,749,789**	**84,767**	**2.26**	3,369,064	79,525	2.36
Of which: Corporate deposits	**2,991,830**	**66,984**	**2.24**	2,721,398	64,966	2.39
Demand	**1,199,629**	**13,653**	**1.14**	1,032,427	9,617	0.93
Time	**1,792,201**	**53,331**	**2.98**	1,688,971	55,349	3.28
Personal deposits	**757,959**	**17,783**	**2.35**	647,666	14,559	2.25
Demand	**222,211**	**805**	**0.36**	198,709	834	0.42
Time	**535,748**	**16,978**	**3.17**	448,957	13,725	3.06
Deposits from banks and other financial institutions	**1,088,259**	**25,321**	**2.33**	982,421	28,162	2.87
Debt securities issued	**806,261**	**24,330**	**3.02**	715,429	25,131	3.51
Borrowings from central bank and other financial institutions and others	**387,079**	**12,589**	**3.25**	362,001	13,267	3.66
Placements from banks and other financial institutions	**135,776**	**2,147**	**1.58**	134,409	3,763	2.80
Financial assets sold under repurchase agreements	**114,739**	**2,215**	**1.93**	116,607	2,933	2.52
Total	**6,281,903**	**151,369**	**2.41**	5,679,931	152,781	2.69
Net interest income		**135,224**			122,034	
Net interest spread			**2.12**			2.14
Net interest margin			**2.14**			2.14

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:

Item (RMB million)	**Changes in scale from the corresponding period of the previous year to 2020**	**Changes in interest rate from the corresponding period of the previous year to 2020**	**Net increase/ decrease**
Changes in interest income:			
Total loans and advances to customers	29,925	-15,719	14,206
Financial investments	4,237	-4,094	143
Balances with central bank	125	-14	111
Placements with banks and other financial institutions	-92	-2,217	-2,309
Long-term receivables	413	16	429
Balances with banks and other financial institutions	84	-244	-160
Financial assets held under resale agreements	-395	-247	-642
Subtotal	34,297	-22,519	11,778
Changes in interest expenses:			
Deposits from customers	8,987	-3,745	5,242
Deposits from banks and other financial institutions	3,034	-5,875	-2,841
Debt securities issued	3,191	-3,992	-801
Borrowings from central bank and other financial institutions and others	919	-1,597	-678
Placements from banks and other financial institutions	38	-1,654	-1,616
Financial assets sold under repurchase agreements	-47	-671	-718
Subtotal	16,122	-17,534	-1,412
Changes in net interest income	**18,175**	**-4,985**	**13,190**

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 amounted to RMB286,593 million, representing an increase of RMB11,778 million, or 4.29%, as compared with the corresponding period of the previous year, mainly due to the increases of interest income from loans and advances to customers of the Group.

(1) Interest income from loans and advances to customers

During the Reporting Period, interest income from loans and advances to customers of the Group amounted to RMB200,351 million, representing an increase of RMB14,206 million, or 7.63%, as compared with the corresponding period of the previous year, mainly due to the increases in loans and advances to customers. In regards to business types, interest income from corporate loans and advances amounted to RMB107,978 million, representing an increase of RMB6,341 million, or 6.24%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances amounted to RMB92,373 million, representing an increase of RMB7,865 million, or 9.31%, as compared with the corresponding period of the previous year. In regards to changing factors, the increase in the daily average scale of loans and advances led to an increase of RMB29,925 million in interest income, as compared with the corresponding period of the previous year, and the decrease in the average ratio return led to a decrease of RMB15,719 million in interest income, as compared with the corresponding period of the previous year.

(2) Interest income from financial investments

During the Reporting Period, interest income from financial investment of the Group amounted to RMB64,402 million, representing an increase of RMB143 million, or 0.22%, as compared with the corresponding period of the previous year.

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

During the Reporting Period, interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB9,694 million, representing a decrease of RMB3,111 million, or 24.30%, as compared with the corresponding period of the previous year. The decrease was mainly due to the reduction of the interest rate in the money market. The average return ratio fell by 0.77 percentage points, as compared with the corresponding period of the previous year, which led to a decrease of RMB2,708 million in interest income, as compared with the corresponding period of the previous year.

(4) Interest income from long-term receivables

During the Reporting Period, interest income from long-term receivables of the Group amounted to RMB6,840 million, representing an increase of RMB429 million, or 6.69%, as compared with the corresponding period of the previous year, mainly due to the increase in the scale of long-term receivables.

(5) Interest income from balances with central bank

During the Reporting Period, interest income from balances with central bank of the Group was RMB5,306 million, representing an increase of RMB111 million, or 2.14%, as compared with the corresponding period of the previous year.

2. Interest expenses

During the Reporting Period, interest expenses of the Group amounted to RMB151,369 million, representing a decrease of RMB1,412 million, or 0.92%, as compared with the corresponding period of the previous year.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB84,767 million, representing an increase of RMB5,242 million, or 6.59%, as compared with the corresponding period of the previous year, mainly due to the increase in the scale of deposits. In regards to business types, interest expenses on corporate deposits amounted to RMB66,984 million, representing an increase of RMB2,018 million, or 3.11%, as compared with the corresponding period of the previous year. Interest expenses on personal deposits amounted to RMB17,783 million, representing an increase of RMB3,224 million, or 22.14%, as compared with the corresponding period of the previous year. In regards to changing factors, the increase in the daily average scale of deposits from customers led to an increase of RMB8,987 million in interest expenses, as compared with the corresponding period of the previous year, and the decrease in the average cost ratio resulted in a decrease of RMB3,745 million in interest expenses, 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 RMB29,683 million, representing a decrease of RMB5,175 million, or 14.85%, as compared with the corresponding period of the previous year. The decrease was mainly due to the reduction of the interest rate in the money market; the average cost ratio fell by 0.61 percentage points, as compared with the corresponding period of the previous year, which led to a decrease of RMB8,200 million in interest expenses, as compared with the corresponding period of the previous year.

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses on debt securities issued of the Group amounted to RMB24,330 million, representing a decrease of RMB801 million, or 3.19%, as compared with the corresponding period of the previous year, mainly due to the decrease in the average cost ratio. The increase in the daily average scale of debt securities issued led to an increase of RMB3,191 million in interest expenses, as compared with the corresponding period of the previous year, and the decline in the average cost ratio resulted in a decrease of RMB3,992 million in interest expenses, as compared with the corresponding period of the previous year.

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

During the Reporting Period, interest expenses on borrowings from central bank and other financial institutions and others of the Group amounted to RMB12,589 million, representing a decrease of RMB678 million, or 5.11%, as compared with the corresponding period of the previous year, mainly due to the decrease in cost ratio. The increase in the daily average scale of borrowings from central bank and other financial institutions and that of other businesses led to an increase of RMB919 million in interest expenses, as compared with the corresponding period of the previous year, and the decline in the average cost ratio resulted in a decrease of RMB1,597 million in interest expenses, as compared with the corresponding period of the previous year.

(IV) Net non-interest income

During the Reporting Period, net non-interest income of the Group amounted to RMB46,583 million, representing a decrease of RMB9,128 million, or 16.38%, as compared with the corresponding period of the previous year.

Item (RMB million)	2020	2019	Change (%)
Net fee and commission income	**27,664**	28,204	-1.91
Other net non-interest income	**18,919**	27,507	-31.22
Total	**46,583**	55,711	-16.38

1. Net fee and commission income

During the Reporting Period, net fee and commission income of the Group amounted to RMB27,664 million, representing a decrease of RMB540 million, or 1.91%, as compared with the corresponding period of the previous year. This was mainly because fee income from settlement and clearance services amounted to RMB2,881 million, representing a decrease of RMB815 million, or 22.05%, as compared with the corresponding period of the previous year, and fee and commission income from credit commitments amounted to RMB2,104 million, representing a decrease of RMB370 million, or 14.96%, as compared with the corresponding period of the previous year.

Item (RMB million)	2020	2019	Change (%)
Fee and commission income	**33,113**	32,933	0.55
Of which: Bank card services	**11,469**	10,945	4.79
Agency services	**8,434**	7,669	9.98
Trust and other fiduciary services	**6,213**	6,205	0.13
Settlement services	**2,881**	3,696	-22.05
Credit commitments	**2,104**	2,474	-14.96
Others	**2,012**	1,944	3.50
Fee and commission expense	**5,449**	4,729	15.23
Net fee and commission income	**27,664**	28,204	-1.91

2. *Other net non-interest income*

During the Reporting Period, other net non-interest income of the Group amounted to RMB18,919 million, representing a decrease of RMB8,588 million, or 31.22%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in the scale of financial assets at fair value through profit or loss and fluctuations of market price and exchange rate.

Item (RMB million)	**2020**	2019	Change (%)
Net trading gain	**4,212**	9,067	-53.55
Net gain from investment securities	**13,394**	15,895	-15.73
Other operating income	**1,313**	2,545	-48.41
Total	**18,919**	27,507	-31.22

(V) Operating expenses

During the Reporting Period, the Group continued to thoroughly refine cost management, vigorously promoted resource integration, allocate more resources to strategic and key areas, and continuously improved its input-output efficiency. Operating expenses amounted to RMB50,485 million, representing an increase of RMB469 million, or 0.94%, as compared with the corresponding period of the previous year; the cost-to-income ratio was 26.64%, representing a decrease of 0.50 percentage points, as compared with the corresponding period of the previous year.

Item (RMB million)	**2020**	2019	Change (%)
Staff costs (including directors' remunerations)	**28,242**	27,751	1.77
Depreciation and amortisation	**5,823**	5,703	2.10
Tax and surcharges	**2,051**	1,772	15.74
Office expenses	**1,921**	1,622	18.43
Short-term and low-value rental and property management expenses	**735**	1,060	-30.66
Business expenses and others	**11,713**	12,108	-3.26
Total	**50,485**	50,016	0.94

(VI) Impairment losses on credit

During the Reporting Period, the Group increased the allowance for impairment on loans, investment (including existing assets of non-principal-guaranteed wealth management products that were brought back to the balance sheet) and other businesses, actively promoted the disposal of non-performing assets, and proactively mitigated risks. Impairment losses on credit amounted to RMB92,988 million, representing an increase of RMB30,181 million, or 48.05%, as compared with the corresponding period of the previous year. Of which, impairment losses on loans amounted to RMB76,990 million, representing an increase of 16,140 million, as compared with the corresponding period of the previous year; impairment losses on financial investments amounted to RMB10,884 million, representing an increase of RMB10,250 million, as compared with the corresponding period of the previous year.

Item (RMB million)	**2020**	2019	Change (%)
Loans and advances to customers	**76,990**	60,850	26.52
Financial assets measured at amortised cost	**9,684**	1,048	824.05
Financial assets at fair value through other comprehensive income	**1,200**	-414	Negative for the previous period
Long-term receivables	**1,083**	510	112.35
Others	**4,031**	813	395.82
Total	**92,988**	62,807	48.05

(VII) Income tax expense

During the Reporting Period, income tax expenses of the Group amounted to RMB1,604 million, representing a decrease of RMB8,210 million, or 83.66%, as compared with the corresponding period of the previous year, mainly due to the dual impact of the decline in profit before income tax and the increase in non-taxable income.

V. Analysis of Major Items of Statement of Financial Position

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB6,950,233 million, representing an increase of RMB268,392 million, or 4.02%, as compared with the end of the previous year. With stable growth of total assets, business structure continuing to be optimised and the proportion of total loans and advances to customers continuing to rise, the operation further returned to business origins.

Item (RMB million)	**31 December 2020** Amount	**31 December 2020** % of total	31 December 2019 Amount	31 December 2019 % of total
Total loans and advances to customers	**3,853,931**	**55.45**	3,487,601	52.20
Add: Accrued interests on loans	**24,908**	**0.36**	25,301	0.38
Less: Allowance for impairment losses on loans at amortised cost	**96,542**	**1.39**	82,475	1.23
Net loans and advances to customers	**3,782,297**	**54.42**	3,430,427	51.35
Net financial investments	**2,120,650**	**30.51**	2,184,305	32.69
Cash and balances with central bank	**401,525**	**5.78**	371,155	5.55
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	**295,456**	**4.25**	367,544	5.50
Long-term receivables	**127,853**	**1.84**	116,593	1.74
Property and equipment	**51,129**	**0.74**	51,365	0.77
Others	**171,323**	**2.46**	160,452	2.40
Total	**6,950,233**	**100.00**	6,681,841	100.00

1. Loans and advances to customers

During the Reporting Period, the Group resolutely implemented the decisions and deployments of the CPC Central Committee and the State Council by increasing credit support for pandemic prevention and control, and actively implementing policies for financially supporting small and micro enterprises. As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB3,853,931 million, representing an increase of RMB366,330 million, or 10.50%, as compared with the end of the previous year. Total loans and advances to customers accounted for 55.45% of total assets, representing an increase of 3.25 percentage points as compared with the end of the previous year.

2. Financial investments

As at the end of the Reporting Period, total financial investments of the Group amounted to RMB2,108,559 million, representing a decrease of RMB61,783 million, or 2.85%, as compared with the end of the previous year, and accounted for 30.34% of the total assets, representing a decrease of 2.14 percentage points as compared with the end of the previous year. It was mainly due to the proactive adjustment to business structure, reduction of the scale of non-standardised investment, and appropriate increase in the allocation of high-liquidity standardised investments.

	31 December 2020		31 December 2019	
Item (RMB million)	**Amount**	**% of total**	Amount	% of total
Financial assets measured at amortised cost	**1,321,923**	**62.70**	1,134,430	52.27
Of which: Debt securities	**1,179,567**	**55.94**	925,110	42.63
Trust beneficial rights and asset management plans	**139,747**	**6.63**	205,997	9.49
Other investments	**2,609**	**0.13**	3,323	0.15
Financial assets at fair value through profit or loss	**322,480**	**15.29**	528,338	24.34
Of which: Debt securities	**74,851**	**3.55**	115,787	5.33
Asset management plans	**10,168**	**0.48**	84,001	3.87
Other investments	**237,461**	**11.26**	328,550	15.14
Financial assets at fair value through other comprehensive income	**464,156**	**22.01**	507,574	23.39
Of which: Debt securities	**460,126**	**21.82**	505,488	23.29
Other investments	**4,030**	**0.19**	2,086	0.10
Total	**2,108,559**	**100.00**	2,170,342	100.00

Note: Other investments include equity instruments, investment funds, wealth management and others.

The bonds held by the Group in terms of issuers are as follows:

Item (RMB million)	**31 December 2020** Amount	% of total	31 December 2019 Amount	% of total
Government	**964,047**	**56.23**	836,611	54.10
Policy banks	**90,682**	**5.29**	97,757	6.32
Banking and non-banking financial institutions	**245,339**	**14.31**	285,412	18.46
Corporates	**414,476**	**24.17**	326,605	21.12
Total	**1,714,544**	**100.00**	1,546,385	100.00

Financial bonds held by the Group were mainly policy financial bonds and debt securities of commercial banks. The top ten financial bonds in terms of par value are as follows:

Item (RMB million)	Par value	Annual interest rate (%)	Maturity	Allowance for impairment losses
2020 financial bonds	7,190	3.23	2025/1/10	2.06
2019 financial bonds	5,310	3.45	2029/9/20	1.21
2020 financial bonds	4,240	2.20	2023/4/1	0.95
2019 financial bonds	4,100	3.45	2022/7/9	1.54
2020 financial bonds	3,870	1.86	2023/4/9	0.78
2019 financial bonds	3,700	3.24	2024/8/14	0.88
2019 financial bonds	3,680	3.74	2029/7/12	0.98
2020 financial bonds	3,650	3.34	2025/7/14	0.85
2020 financial bonds	3,540	3.43	2027/1/14	1.10
2020 financial bonds	3,530	3.07	2030/3/10	1.01
Total	42,810			11.36

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 RMB295,456 million, representing a decrease of RMB72,088 million, or 19.61%, as compared with the end of the previous year, and accounted for 4.25% of the total assets, representing a decrease of 1.25 percentage points as compared with the end of the previous year. This was mainly due to the higher efficiency of liquidity management and improved inefficient asset management.

4. *Derivative financial instruments*

Item (RMB million)	31 December 2020 Nominal amount	31 December 2020 Fair value Assets	31 December 2020 Fair value Liabilities	31 December 2019 Nominal amount	31 December 2019 Fair value Assets	31 December 2019 Fair value Liabilities
Currency derivatives	**1,940,939**	**39,988**	**37,279**	1,920,392	13,782	13,521
Interest rate derivatives	**1,399,900**	**1,193**	**1,497**	1,807,599	794	1,078
Precious metal derivatives	**47,559**	**869**	**3,673**	134,309	16,471	3,066
Others	**1,666**	**235**	**226**	2,760	53	128
Total		**42,285**	**42,675**		31,100	17,793

(II) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB6,408,985 million, representing an increase of RMB257,973 million, or 4.19%, as compared with the end of the previous year.

Item (RMB million)	31 December 2020 Amount	31 December 2020 % of total	31 December 2019 Amount	31 December 2019 % of total
Deposits from customers	**3,768,151**	**58.79**	3,637,034	59.13
Of which: Total deposits from customers (excluding accrued interest)	**3,728,174**	**58.17**	3,604,088	58.59
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	**1,135,039**	**17.71**	1,264,759	20.56
Debt securities issued	**957,880**	**14.95**	817,225	13.29
Borrowings from central bank and other financial institutions	**423,370**	**6.61**	331,138	5.38
Others	**124,545**	**1.94**	100,856	1.64
Total	**6,408,985**	**100.00**	6,151,012	100.00

1. Deposits from customers

As at the end of the Reporting Period, total deposits from customers of the Group amounted to RMB3,728,174 million, representing an increase of RMB124,086 million, or 3.44%, as compared with the end of the previous year. In respect of customer structure, the proportions of corporate deposits, personal deposits and other deposits in total deposits were 79.44%, 20.35% and 0.21%, respectively. In respect of maturity structure, the proportions of demand deposits, time deposits and other deposits in total deposits were 41.08%, 58.71% and 0.21%, respectively.

	31 December 2020		31 December 2019	
Item (RMB million)	**Amount**	**% of total**	Amount	% of total
Corporate deposits	**2,961,617**	**79.44**	2,878,931	79.88
Of which: Demand deposits	**1,287,743**	**34.54**	1,201,626	33.34
Time deposits	**1,673,874**	**44.90**	1,677,305	46.54
Personal deposits	**758,712**	**20.35**	718,363	19.93
Of which: Demand deposits	**243,780**	**6.54**	216,424	6.00
Time deposits	**514,932**	**13.81**	501,939	13.93
Certificates of deposit	**2,929**	**0.08**	4,446	0.12
Outward remittance and remittance payables	**4,916**	**0.13**	2,348	0.07
Total	**3,728,174**	**100.00**	3,604,088	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 RMB1,135,039 million, representing a decrease of RMB129,720 million, or 10.26%, as compared with the end of the previous year.

3. Debt securities issued

As at the end of the Reporting Period, total debt securities issued by the Group amounted to RMB957,880 million, representing an increase of RMB140,655 million, or 17.21%, as compared with the end of the previous year, mainly due to the increased issuance of interbank negotiable certificates of deposit.

(III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB541,248 million, representing an increase of RMB10,419 million, or 1.96%, as compared with the end of the previous year. Among which, total equity attributable to equity shareholders of the Bank amounted to RMB529,537 million, representing an increase of RMB10,692 million, or 2.06%, as compared with the end of the previous year.

Item (RMB million)	**31 December 2020**	31 December 2019	Change (%)
Share capital	**43,782**	43,782	—
Other equity instrument	**69,860**	69,860	—
Of which: Preference shares	**29,867**	29,867	—
Perpetual bonds	**39,993**	39,993	—
Reserves	**190,648**	186,457	2.25
Of which: Capital reserve	**57,419**	57,411	0.01
Surplus reserve	**48,479**	45,162	7.34
General reserve	**86,599**	81,657	6.05
Other reserves	**-1,849**	2,227	Negative for the current period
Retained earnings	**225,247**	218,746	2.97
Total equity attributable to equity shareholders of the Bank	**529,537**	518,845	2.06
Non-controlling interests	**11,711**	11,984	-2.28
Total	**541,248**	530,829	1.96

(IV) Off-balance sheet items

Item (RMB million)	**31 December 2020**	31 December 2019	Change (%)
Unused credit card commitments	**478,980**	440,038	8.85
Bank acceptances	**403,532**	542,571	-25.63
Guarantees	**158,889**	159,266	-0.24
Letters of credit	**116,333**	136,952	-15.06
Irrevocable loan commitments	**13,016**	46,599	-72.07
Capital commitments	**15,775**	30,463	-48.22

(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 2020, 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 Bank was 11.54%. Among nine national joint-stock commercial banks in China, the market share of total loans of the Bank amounted to 12.72%. (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 Bank. All data above are based on the statistics of domestic institutions of the Bank. According to the Notice on Adjusting the Statistical Standards of Loans and Deposits for Financial Institutions (Yin Fa [2015] No. 14) (《中國人民銀行關於調整金融機構存貸款統計口徑的通知》(銀發[2015]14號)) released by the PBOC, with effect from 2015, the deposit-taking financial institutions shall include deposits from and placements with non-deposit-taking financial institutions in "Total Deposits" and "Total Loans", respectively, for statistical purpose.)

VI. Qualitative Analysis of Loans

(I) Loan distribution by five-category classification

As at the end of the Reporting Period, total special-mentioned loans of the Group amounted to RMB114,676 million, representing an increase of RMB11,391 million, or 11.03%, as compared with the end of the previous year. Special-mentioned loans accounted for 2.98%, representing an increase of 0.02 percentage points as compared with the end of the previous year. Total NPLs amounted to RMB70,049 million, representing an increase of RMB15,615 million, or 28.69%, as compared with the end of the previous year. The NPL ratio was 1.82%, representing an increase of 0.26 percentage points as compared with the end of the previous year.

Item (RMB million)	**31 December 2020** Amount	**31 December 2020** % of total	31 December 2019 Amount	31 December 2019 % of total	Change (%)
Performing loans	**3,783,882**	**98.18**	3,433,167	98.44	10.22
Of which: Pass	**3,669,206**	**95.20**	3,329,882	95.48	10.19
Special-mentioned	**114,676**	**2.98**	103,285	2.96	11.03
NPLs	**70,049**	**1.82**	54,434	1.56	28.69
Of which: Substandard	**25,023**	**0.65**	22,181	0.63	12.81
Doubtful	**24,477**	**0.64**	19,441	0.56	25.90
Loss	**20,549**	**0.53**	12,812	0.37	60.39
Total	**3,853,931**	**100.00**	3,487,601	100.00	10.50

(II) Loan distribution by product types

As at the end of the Reporting Period, total corporate loans (including discounted bills) of the Group amounted to RMB2,244,856 million, representing an increase of RMB170,179 million as compared with the end of the previous year, accounting for 58.25% of total loans, representing a decrease of 1.24 percentage points as compared with the end of the previous year. Total personal loans amounted to RMB1,609,075 million, representing an increase of RMB196,151 million as compared with the end of the previous year, accounting for 41.75% of total loans, representing an increase of 1.24 percentage points as compared with the end of the previous year.

As at the end of the Reporting Period, total corporate NPLs (including discounted bills) of the Group amounted to RMB38,585 million, representing an increase of RMB10,302 million, as compared with the end of the previous year and the NPL ratio was 1.72%, representing an increase of 0.36 percentage points, as compared with the end of the previous year. Total personal NPLs amounted to RMB31,464 million, representing an increase of RMB5,313 million and the NPL ratio was 1.96%, representing an increase of 0.11 percentage points, as compared with the end of the previous year.

	31 December 2020				31 December 2019			
Item (RMB million)	**Total loans**	**% of total**	**Total NPLs**	**NPL ratio (%)**	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances	**2,244,856**	**58.25**	**38,585**	**1.72**	2,074,677	59.49	28,283	1.36
Of which: Discounted bills	**227,859**	**5.91**	**977**	**0.43**	166,372	4.77	555	0.33
Personal loans and advances	**1,609,075**	**41.75**	**31,464**	**1.96**	1,412,924	40.51	26,151	1.85
Of which: Loans to small and micro enterprises	**523,799**	**13.59**	**14,532**	**2.77**	455,358	13.06	13,664	3.00
Credit card overdrafts	**462,309**	**12.00**	**15,180**	**3.28**	445,881	12.78	11,057	2.48
Residential mortgage	**515,296**	**13.37**	**1,108**	**0.22**	419,907	12.04	881	0.21
Others	**107,671**	**2.79**	**644**	**0.60**	91,778	2.63	549	0.60
Total	**3,853,931**	**100.00**	**70,049**	**1.82**	3,487,601	100.00	54,434	1.56

(III) Loan distribution by industries

The Group closely followed the government's various macro, industrial, and regional policy guidelines, actively implemented various regulatory requirements including macro and prudent management, and firmly served the real economy. It continued to optimise the structure of credit assets with focus on national advanced manufacturing, strategic emerging industries and infrastructure construction projects. As at the end of the Reporting Period, loans of the Group were mainly concentrated on leasing and commercial services, manufacturing, and real estate. Of which, total loans to leasing and commercial services amounted to RMB485,982 million, representing an increase of RMB43,099 million as compared with the end of the previous year, as compared with the end of the previous year. The total loans to manufacturing amounted to RMB300,323 million, representing an increase of RMB16,268 million, as compared with the end of the previous year. Total loans to real estate amounted to RMB439,032 million, representing a decrease of RMB37,167 million, and a its proportion of total loans declined by 2.27 percentage points, as compared with the end of the previous year.

As at the end of the Reporting Period, the NPLs of the Group were mainly concentrated on the manufacturing and mining industries. Total NPLs of the two major industries totalled RMB18,938 million, representing 27.04% of total NPLs. Total NPLs of the manufacturing and mining industries decreased by RMB2,005 million and increased by RMB4,982 million, respectively, as compared with the end of the previous year. The NPL ratios decreased by 0.90 percentage points and increased by 4.96 percentage points, respectively, as compared with the end of the previous year. In terms of NPL ratio, affected by the macroeconomic changes and the pandemic, the assets of certain corporate customers were downgraded to NPL, and the NPL ratios of industries such as mining, transportation, storage and postal service, wholesale and retail increased as compared with the end of the previous year.

	31 December 2020				31 December 2019			
Item (RMB million)	**Total loans**	**% of total**	**Total NPLs**	**NPL ratio (%)**	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances								
Leasing and commercial services	**485,982**	**12.61**	**3,034**	**0.62**	442,883	12.70	2,877	0.65
Real estate	**439,032**	**11.39**	**3,040**	**0.69**	476,199	13.66	1,325	0.28
Manufacturing	**300,323**	**7.79**	**10,246**	**3.41**	284,055	8.14	12,251	4.31
Financial services	**204,644**	**5.31**	**515**	**0.25**	138,039	3.96	555	0.40
Wholesale and retail	**170,477**	**4.42**	**6,036**	**3.54**	177,685	5.09	3,757	2.11
Water, environment and public utilities management	**149,509**	**3.88**	**73**	**0.05**	122,282	3.51	3	—
Construction	**108,440**	**2.81**	**1,316**	**1.21**	106,783	3.06	1,077	1.01
Transportation, storage and postal service	**107,441**	**2.79**	**4,411**	**4.11**	77,031	2.21	1,066	1.38
Mining	**104,329**	**2.71**	**8,692**	**8.33**	110,152	3.16	3,710	3.37
Production and supply of electric power, heat, gas and water	**69,354**	**1.80**	**363**	**0.52**	55,151	1.58	664	1.20
Accommodation and catering	**15,863**	**0.41**	**236**	**1.49**	11,858	0.34	222	1.87
Agriculture, forestry, animal husbandry and fishery	**12,769**	**0.33**	**180**	**1.41**	10,225	0.29	495	4.84
Public administration, social security and social organisations	**6,840**	**0.18**	**—**	**—**	8,376	0.24	—	—
Others	**69,853**	**1.82**	**443**	**0.63**	53,958	1.55	281	0.52
Subtotal	**2,244,856**	**58.25**	**38,585**	**1.72**	2,074,677	59.49	28,283	1.36
Personal loans and advances	**1,609,075**	**41.75**	**31,464**	**1.96**	1,412,924	40.51	26,151	1.85
Total	**3,853,931**	**100.00**	**70,049**	**1.82**	3,487,601	100.00	54,434	1.56

(IV) Loan distribution by geographic region

In accordance with the national macro policy, regulatory guidance requirements and policy changes, the Group implemented the government's coordinated regional development strategy, actively supported the development of Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei region and other national key strategic regions, adopted differentiated risk monitoring and management, dynamically adjusted business authorisations, and firmly guarded against regional systemic risks. As at the end of the Reporting Period, total loans of the Group to the Yangtze River Delta, Bohai Rim and Western China ranked top three, being RMB928,337 million, RMB618,101 million and RMB570,998 million, respectively, accounting for 24.09%, 16.04% and 14.81%, respectively.

As at the end of the Reporting Period, the NPLs of the Group were mainly concentrated on the Head Office, Central China, and Bohai Rim, the total NPLs of which amounted to RMB20,796 million, RMB12,455 million, and RMB10,009 million, respectively, accounting for 61.76% of total NPLs. In terms of the increase of NPLs, the Head Office had the highest increased amount of RMB5,167 million, as compared with the end of the previous year, and the NPL ratio increased by 0.50 percentage points, mainly due to the rapid exposure of credit card risks. The Yangtze River Delta had the second highest increased amount of RMB4,605 million, and the NPL ratio increased by 0.44 percentage points, mainly due to the downgrading of certain individual customers in the region.

	31 December 2020				31 December 2019			
Item (RMB million)	**Total loans**	**% of total**	**Total NPLs**	**NPL ratio (%)**	Total loans	% of total	Total NPLs	NPL ratio (%)
Head Office	**548,060**	**14.22**	**20,796**	**3.79**	474,512	13.61	15,629	3.29
Yangtze River Delta	**928,337**	**24.09**	**9,220**	**0.99**	841,123	24.12	4,615	0.55
Pearl River Delta	**523,433**	**13.58**	**5,264**	**1.01**	465,618	13.35	4,068	0.87
Bohai Rim	**618,101**	**16.04**	**10,009**	**1.62**	564,343	16.18	6,539	1.16
Northeast China	**90,034**	**2.34**	**2,428**	**2.70**	89,488	2.57	4,233	4.73
Central China	**481,042**	**12.48**	**12,455**	**2.59**	451,441	12.94	13,466	2.98
Western China	**570,998**	**14.81**	**9,122**	**1.60**	519,713	14.90	4,724	0.91
Overseas and subsidiaries	**93,926**	**2.44**	**755**	**0.80**	81,363	2.33	1,160	1.43
Total	**3,853,931**	**100.00**	**70,049**	**1.82**	3,487,601	100.00	54,434	1.56

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

(V) Loan distribution by types of collateral

As at the end of the Reporting Period, the loan guarantee structure of the Group continued to be optimised. Total secured loans amounted to RMB2,244,736 million, representing an increase of RMB182,962 million as compared with the end of the previous year, accounting for 58.25% of the total loans, a decrease of 0.87 percentage points as compared with the end of the previous year. Total unsecured loans amounted to RMB947,468 million, representing an increase of RMB154,104 million as compared with the end of the previous year, accounting for 24.58% of the total loans, an increase of 1.83 percentage points as compared with the end of the previous year. Total guaranteed loans amounted to RMB661,727 million, representing an increase of RMB29,264 million as compared with the end of the previous year, accounting for 17.17% of the total loans, a decrease of 0.96 percentage points as compared with the end of the previous year.

	31 December 2020		31 December 2019	
Item (RMB million)	**Amount**	**% of total**	Amount	% of total
Unsecured loans	**947,468**	**24.58**	793,364	22.75
Guaranteed loans	**661,727**	**17.17**	632,463	18.13
Loans secured by	**2,244,736**	**58.25**	2,061,774	59.12
Of which: Tangible assets other than monetary assets	**1,686,307**	**43.76**	1,555,472	44.60
Monetary assets	**558,429**	**14.49**	506,302	14.52
Total	**3,853,931**	**100.00**	3,487,601	100.00

(VI) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the top ten loan customers of the Group were RMB68,846 million, accounting for 1.79% of total loans and advances to customers. The top ten loan customers were as follows:

Item (RMB million)	**Amount**	**% of total loans**
Customer A	11,500	0.30
Customer B	9,200	0.24
Customer C	7,948	0.21
Customer D	7,514	0.19
Customer E	6,617	0.17
Customer F	6,420	0.17
Customer G	5,013	0.13
Customer H	5,005	0.13
Customer I	4,894	0.13
Customer J	4,735	0.12

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, total restructured loans of the Group amounted to RMB18,729 million, representing an increase of RMB1,869 million as compared with the end of the previous year. The percentage of restructured loans to total loans and advances to customers was 0.49%, representing an increase of 0.01 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB78,088 million, representing an increase of RMB7,541 million as compared with the end of the previous year. The percentage of overdue loans to total loans and advances to customers was 2.03%, representing an increase of 0.01 percentage points as compared with the end of the previous year.

Item (RMB million)	**31 December 2020**		31 December 2019	
	Amount	**% of total**	Amount	% of total
Restructured loans	**18,729**	**0.49**	16,860	0.48
Overdue loans	**78,088**	**2.03**	70,547	2.02

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

Item (RMB million)	**31 December 2020**	31 December 2019
Repossessed assets	**6,180**	9,978
Of which: Real estate and land use right	**5,940**	7,191
Motor vehicles	**40**	13
Others	**200**	2,774
Allowance for impairment	**131**	112

(IX) Changes in allowance for impairment losses on loans

Item (RMB million)	**31 December 2020**	31 December 2019
Opening balance	**84,647**	72,208
Charge for the period, net	**76,990**	60,850
Write-offs and transfer out during the period	**-67,110**	-50,930
Recoveries	**4,388**	3,618
Others	**-1,278**	-1,099
Ending balance	**97,637**	84,647

Method for assessing allowance for impairment losses on loans:

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

VII. Analysis of Capital Adequacy Ratio

(I) Capital adequacy ratio

The Group calculated its capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (the "**New Rules**") and other relevant regulatory provisions. The calculation of capital adequacy ratio covers the Bank and the financial institutions directly or indirectly invested by the Bank in accordance with the requirements of the New Rules. As at the end of the Reporting Period, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Group satisfied the requirements of the New Rules. Among the investees in which the Group holds a majority equity interest or control, there are two rural banks with regulatory capital shortfall of RMB92 million in aggregate.

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

Item (RMB million)	**31 December 2020** The Group	**31 December 2020** The Bank	31 December 2019 The Group	31 December 2019 The Bank
Net core tier-one capital	**461,921**	**437,830**	455,088	432,933
Net tier-one capital	**532,348**	**507,682**	525,959	502,785
Total net capital base	**707,472**	**678,609**	673,741	646,424
Core tier-one capital	**466,960**	**450,670**	456,565	440,788
Core tier-one capital deductions	**-5,039**	**-12,840**	-1,477	-7,855
Other tier-one capital	**70,831**	**69,860**	70,871	69,860
Other tier-one capital deductions	**-404**	**-8**	—	-8
Tier-two capital	**175,124**	**170,935**	147,782	143,652
Tier-Two capital deductions	—	**-8**	—	-13
Total risk-weighted assets	**5,425,856**	**5,136,410**	5,117,026	4,871,884
Of which: Credit risk-weighted assets	**5,019,411**	**4,738,017**	4,733,503	4,487,939
Market risk-weighted assets	**93,101**	**89,277**	88,596	100,022
Operational risk-weighted assets	**313,344**	**309,116**	294,927	283,923
Core tier-one capital adequacy ratio (%)	**8.51**	**8.52**	8.89	8.89
Tier-one capital adequacy ratio (%)	**9.81**	**9.88**	10.28	10.32
Capital adequacy ratio (%)	**13.04**	**13.21**	13.17	13.27

Capital instruments entitled for the preferential policy during the transitional period: According to the applicable requirements under the New Rules, non-qualified tier-two capital instruments issued by commercial banks before 12 September 2010 may be entitled to preferential policy of a progressive deduction of book value by 10% per annum starting from 1 January 2013. As at the end of the Reporting Period, the balance of non-qualified tier-two capital instruments of the Bank which can be put into the calculation was RMB4.0 billion.

As at the end of the Reporting Period, net tier-one capital of the Group decreased by RMB7,593 million, on- and off-balance sheet assets after adjustment decreased by RMB184,819 million, while the leverage ratio increased by 0.07 percentage points as compared with the end of September 2020. The leverage ratio of the Group is as follows:

Item (RMB million)	**31 December 2020**	30 September 2020	30 June 2020	31 March 2020
Leverage ratio (%)	**6.93**	6.86	6.50	6.81
Net tier-one capital	**532,348**	539,941	534,026	544,650
On- and off-balance sheet assets after adjustment	**7,684,206**	7,869,025	8,211,267	7,996,624

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

(II) Evaluation of internal capital adequacy ratio

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

(III) Capital plan and capital adequacy ratio management plan

To cope with the complicated economic and financial situation of domestic and international markets, as well as to conform to the deepening financial reform and further enhance its capital management to take advantage of the leading role of capital and to facilitate sustainable and healthy business growth, the Bank formulated 2021–2023 Capital Management Plan of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司2021–2023年資本管理規劃》) (hereinafter referred to as the "**Plan**"), which was considered and approved by the Board. In formulating the Plan, the Bank considered factors including domestic and foreign economic and financial situations, capital regulatory trends and continuous promotion of strategic transformation, and the targets for capital management was clarified in the Plan. Adhering to the principle of creating values for its shareholders and the society and on the basis of capital management, the Bank shall enhance its capital budget and deployment management, and strengthen the capital appraisal and constraints, so as to support business development with high quality and efficiency as well as improve the capital utilisation efficiency. In addition, the Bank shall further improve its evaluation system for internal capital adequacy and capital contingency plan so as to further improve the capital management level.

(IV) Credit risk exposure

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

Item (RMB million)	31 December 2020	31 December 2019
On-balance sheet credit risk exposure	**6,846,439**	6,516,703
Of which: asset-backed securitisation risk exposure	**304,232**	246,051
Off-balance sheet credit risk exposure	**717,676**	931,572
Counterparty credit risk exposure	**26,861**	40,023
Total	**7,590,976**	7,488,298

(V) Market risk capital requirements

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

Item (RMB million)	31 December 2020	31 December 2019
Interest rate risk	**4,227**	5,697
Stock risk	**1,163**	977
Exchange risk	**1,937**	327
Commodity risk	**68**	79
Option risk	**7**	8
Specific risk of asset-backed securitisation risk exposure in the trading books	**46**	—
Total	**7,448**	7,088

(VI) Operational risk capital requirements

As at the end of the Reporting Period, the operational risk capital requirements of the Group measured according to basic indicator approach was RMB25,068 million.

VIII. Liquidity Indicators

(I) Liquidity coverage ratio

As at the end of the Reporting Period, the liquidity coverage ratio of the Group disclosed in accordance with the "Rules for Disclosure of Liquidity Coverage Ratio for Commercial Banks (《商業銀行流動性覆蓋率信息披露辦法》) is as follows:

Item (RMB million)	31 December 2020	31 December 2019
Liquidity coverage ratio (%)	**128.37**	133.66
Qualified current assets	**959,398**	976,679
Net cash outflow in 30 days	**747,370**	730,722

(II) Net stable funding ratio

As at the end of the Reporting Period, the net stable funding ratio of the Group disclosed in accordance with the Rules for Disclosure of Net Stable Funding Ratio for Commercial Banks (《商業銀行淨穩定資金比例信念披露辦法》) is as follows:

Item (RMB million)	31 December 2020	30 September 2020	30 June 2020
Net stable funding ratio (%)	**104.57**	103.76	104.08
Stable funding available	**3,750,279**	3,920,629	4,017,962
Stable funding required	**3,586,301**	3,778,573	3,860,463

IX. Segment Report

The business segments of the Group are categorised as corporate banking, retail banking and others for the purposes of management, reporting and evaluation. The geographical segments are categorised into eight including Head Office, Yangtze River Delta, Pearl River Delta, Bohai Rim, Northeastern China, Central China, Western China, and overseas and subsidiaries for the purposes of management, reporting and evaluation.

(I) Segment operating results by business line

Item (RMB million)	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate banking	4,724,060	101,956	22,361
Retail banking	1,596,277	71,133	21,805
Others	579,863	8,718	-7,460
Total	6,900,200	181,807	36,706

(II) Segment operating results by geographical region

Item (RMB million)	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Head Office	3,268,512	65,355	8,516
Yangtze River Delta	1,231,814	28,566	12,330
Pearl River Delta	623,945	19,721	9,339
Bohai Rim	1,172,780	22,501	3,152
Northeastern China	141,960	2,701	-190
Central China	478,232	15,533	-1,756
Western China	570,617	18,363	936
Overseas and subsidiaries	377,884	9,067	4,379
Inter-region adjustment	-965,544	—	—
Total	6,900,200	181,807	36,706

X. Other Financial Information

(I) Items relating to fair value measurement

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

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk management and protect the legitimate interests of investors and all relevant parties, the Bank has formulated the Administrative Measures Regarding Fair Value (《公允價值管理辦法》) based on the Accounting Standards for Business Enterprises (《企業會計準則》), which expanded the scope of fair value measurement to cover certain financial assets and financial liabilities; 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 Bank 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 Bank will also gradually optimise the valuation models, improve the valuation capabilities of derivative financial instruments, and systems and strengthen the verification of prices obtained externally. Moreover, the Bank had implemented corresponding internal control measures over the fair value measurement process, including double-checking on price enquiry and confirmation, and adopting an evaluation procedure on fair value measurement which requires the person in charge and reviewer to sign off in order to give effect to the measurement. Furthermore, by supervising and checking the range determined for fair value measurement and measurement methodology and procedure, the Internal Audit Department improved internal control within the Bank.

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

2. Financial instruments measured at fair value

The Bank's financial instruments at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instruments, and financial assets at fair value through other comprehensive income. In particular, the valuation methods of bond investment were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply; for bonds denominated in foreign currencies, market value was determined through a combination of Bloomberg quotes and enquiries. The valuation of derivative financial instruments was obtained from quotes in the open market and model valuation. In particular, the valuation of derivative financial instruments in which customers are interested was obtained from market enquiries and the valuation of foreign exchange option was obtained from system model valuation. Derivative financial instruments mainly consisted of interest rate swaps in which customers have interests and proprietary instruments in which market risks had been basically hedged, including interest rate swaps as well as forwards, swaps and options of precious metals and foreign exchanges.

(II) Overdue and outstanding liabilities

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

(III) Cash flow

During the Reporting Period, the Group's net cash flow from operating activities amounted to RMB-82,402 million, and the net outflow decreased by RMB2,525 million as compared with the corresponding period of the previous year, mainly due to the changes in cash flows from deposits from customers, held-for-trading investments, borrowings from central bank, placements from/with banks and other financial institutions and financial assets sold under repurchase agreements. Net cash flow from investing activities amounted to RMB7,575 million, and net inflow increased by RMB74,666 million as compared with the corresponding period of the previous year, mainly due to the decease in cash paid for investment. Net cash flow from financing activities amounted to RMB92,050 million, and net inflow decreased by RMB65,638 million as compared with the corresponding period of the previous year, mainly due to the increase in cash paid on maturity of financial bonds and interbank negotiable certificates of deposit.

Item (RMB million)	**2020**	2019	Change
Net cash flow from operating activities	**-82,402**	-84,927	Decreased by 2,525
Of which: Net cash flow from deposits from customers	**124,086**	436,796	Decreased by 312,710
Net cash flow from financial assets held for trading purposes	**115,683**	-72,461	Increased by 188,144
Net cash flow from borrowings from central bank	**92,085**	-103,051	Increased by 195,136
Net cash flow from deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	**-129,075**	84,768	Decreased by 213,843
Net cash flow from loans and advances to customers	**-431,147**	-486,081	Decreased by 54,934
Net cash flow from investing activities	**7,575**	-67,091	Increased by 74,666
Of which: Cash inflow from sales and redemption of investments and investment income	**1,288,984**	1,315,602	Decreased by 26,618
Cash outflow from payment for investments	**-1,276,243**	-1,374,973	Decreased by 98,730
Net cash flows from financing activities	**92,050**	157,688	Decreased by 65,638
Of which: Cash inflow from issuance of debt securities and other equity instruments	**1,040,440**	995,401	Increased by 45,039
Cash outflow from repayment of debt securities issued	**-914,743**	-805,232	Increased by 109,511

XI. Performance of Key Business Lines

(I) Deposits and loans

Facing the severe impact of COVID-19 pandemic on China's economic and social development, the Bank was committed to implementing the decisions and deployments of the CPC Central Committee and the State Council to fight against the pandemic by supporting the resumption of work and production and reducing fees and surcharges. The Bank intensively introduced a series of innovative concepts, reforms and measures to optimise the asset and liability structure and strengthen the foundation for reform and development, which enabled the Bank to fight the pandemic and manage the businesses simultaneously. All lines of business were carried out steadily with good momentum.

1. Deposit business

As at the end of the Reporting Period, total deposits of the Bank amounted to RMB3,697,260 million, representing an increase of RMB122,282 million, or 3.42%, as compared with the end of the previous year. In particular, the balance of structural deposits dropped sharply by RMB328,507 million, achieving a desirable situation of stable growth of total deposits, continuous optimisation of deposit structure and effective reduction of cost ratio of deposits. The Bank adhered to the customer-centric philosophy, accelerated product and service innovation in transaction banking, supply chain finance, small business finance and other fields, strengthened technology empowerment and promoted the growth of low-cost basic liability business. Firstly, the scale of institutional deposits was expanded. The Bank strengthened the chain development of special local government bonds, accelerated the construction of local financing platforms and strengthened the treasury cash management. Secondly, corporate settlement and cash management were deepened. The Bank focused on quality customers and actively promoted inter-bank cash management. It accelerated the scenario-oriented financial transformation and innovation based on transaction process and improved cash management products such as "Express (通)", "Pool (聚)", and "Earnings (盈)". The Bank focused on customers' capital chains, industry chains and management service chains and utilised the supply chain financial model to facilitate the chain development of settlement deposits. Thirdly, savings deposits were expanded. Savings deposits were effectively increased through products such as payroll agency, third-party custodian, cash sweep, credit card repayments and agency payment, etc. Fourthly, settlement deposits of small business customers were further developed. On the basis of merchant acceptance scenario, industry application scenario and key market scenario, the Bank improved the cooperation with the third-party platforms and adopted the "scenario+settlement+wealth+credit" approach to increase settlement deposits of small and micro customers. Fifthly, the Bank steadily expanded deposits by promoting efficient coordination, enhancing synergy between businesses, such as bond underwriting and custody, as well as acquiring deposits from cross-border business.

2. *Loan business*

As at the end of the Reporting Period, total loans of the Bank amounted to RMB3,833,130 million, representing an increase of RMB363,979 million, or 10.49%, as compared with the end of the previous year. The Bank increased credit granting and continuously optimised the credit structure. Firstly, the Bank encouraged credit facilities to key aspects and areas of weakness including small and micro enterprises, manufacturing industry and enterprises engaged in pandemic prevention and control, etc., and strictly complied with the macro-prudential management requirements for the real estate industry. As at the end of the Reporting Period, total inclusive small business loans amounted to RMB452,762 million, representing an increase of RMB48,527 million, or 12.00%, as compared with the end of the previous year. Total loans to the manufacturing industry amounted to RMB298,457 million, representing an increase of RMB16,183 million, or 5.73%, as compared with the end of the previous year. Total loans to real estate industry amounted to RMB438,959 million, representing a decrease of RMB37,197 million, and its proportion in total loans also decreased by 2.27 percentage points, as compared with the end of the previous year. Secondly, the Bank implemented the national strategy to promote coordinated regional development, and actively supported national key strategic regions such as Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei region and Chengdu-Chongqing region. As at the end of the Reporting Period, the four key regions accounted for 68.70% of total new loans. Thirdly, the Bank actively responded the call for financial institutions to benefit the real economy and further alleviated the burden on enterprises by cutting loan interest rates and reducing and exempting fees and surcharges on intermediary business.

(II) Corporate banking business

During the Reporting Period, the Bank proactively responded to new changes and challenges in the market and regulatory environment, adhered to the customer group-based operation and the customer-centric philosophy, and persisted on chain development, technology integration, comprehensive services and successful solutions, and facilitated the transformation from an extensive style to a capital-saving business model. As a result, the corporate banking business was continuously expanded with enhancing competitiveness.

During the Reporting Period, the Bank's customer group-based business philosophy has taken root, and the operation model adapted to various customer groups has been continuously optimised. The customer-centric and customer group-based sales model has been gradually improved, and customer service capability continued to improve. The product system adapted to the classified customer groups has become increasingly perfect, and continuous product innovation, upgrading and optimisation have been carried out to better meet customer needs. Led by the Bank's "fintech" strategy, the business system was reshaped by technology empowerment and an intelligent corporate banking business was formed, playing a more and more important role in facilitating business development.

1. *Corporate customers*

By persisting on its "customer-centric" philosophy, the Bank refined the segmented and classified customer service system, innovated customer service models, and provided integrated, intelligent and one-stop services to its customers, continuously improving customers' experiences. As at the end of the Reporting Period, domestic corporate customers with outstanding deposits of the Bank increased by 90.7 thousand, or 6.99%, to 1,388.1 thousand as compared with the end of the previous year. The number of domestic corporate customers with outstanding general loan balances of the Bank increased by 7.53% to 9,706, as compared with the end of the previous year.

Accelerated development of strategic NSOEs. In accordance with the overall deployments of the "14th Five-Year" Plan and focusing on the "customer-centric" strategy, the Bank improved marketing management of customer groups and continuously enhanced comprehensive service capabilities to satisfy the comprehensive and personalised demands of strategic customer groups. In respect of service models, the Bank enhanced the experience of strategic customers by continuously improving professional services and innovating service methods. In respect of management mechanism, it provided strategic customer groups with exclusive service teams of cross-business coordination, customised comprehensive service plans for each customer, and provided integrated services among the Head Office, branches and sub-branches. In respect of resource allocation, it integrated resources inside and outside the Bank and implemented targeted policies to improve efficiency of resources distribution and optimise the resources allocation mechanism for strategic customers. During the Reporting Period, the Bank's daily average deposits of strategic NSOEs was RMB504,499 million, representing an increase of 40.20% as compared with the previous year. As at the end of the Reporting Period, total loans was RMB528,086 million, representing an increase of 20.99%, as compared with the end of the previous year.

Established "Minsheng SME Project (中小企業民生工程)". The Bank adhered to "customer-centric" philosophy in its financial services to SMEs and upheld the operating philosophy of "progressive development, comprehensive services, customer cultivation, long-term development (遞進開發、綜合服務、客戶培育、長期發展)". Through the four major projects of "Joint Hands, Rooting, Win-Win, and Ying Huo (攜手、生根、共贏、螢火)", it provided customised services to SMEs of different types and at different stages to promote long-term cooperation and achieve win-win development. Facing the pandemic, the Bank took approaches such as taking a series of supporting measures, carrying out customer care activities and innovating services to fully support the stable development of SMEs during the year.

2. Principle business

During the Reporting Period, the Bank strengthened the development of its settlement business platform and enhanced the chain development of strategic customers, key institutional customers and core customers of supply chains. It also stepped up its efforts for the batch acquisition of SME customers and the settlement services for the customer groups of its assets business in order to comprehensively increase the contribution of corporate customer groups to general deposits. The Bank actively improved liability structure in line with liquidity and interest rate trends to sustain continuous and steady growth of general corporate deposits. As at the end of the Reporting Period, total corporate deposits of the Bank amounted to RMB2,945,302 million, representing an increase of RMB83,429 million, or 2.92%, as compared with the end of the previous year. During the Reporting Period, in active response to national financial and industrial policies, the Bank (1) swiftly echoed key national strategies by stepping up its support for key regions such as the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei region, "One Belt One Road" and free trade zones; (2) increased investments in both traditional infrastructure, such as urban infrastructure and public services, and new infrastructure areas, such as 5G, ultra-high voltage, AI and industrial Internet; (3) continuously advanced the NSOE strategy by giving stronger support to NSOEs, especially those engaged in fighting against the pandemic and promoting the resumption of work and production; (4) actively supported the quality development of manufacturing industry by increasing credit facilities to sectors in relation to advanced manufacturing, strategic and emerging industries and transformation and upgrading of traditional industries, etc. As at the end of the Reporting Period, total corporate loans of the Bank amounted to RMB2,240,938 million. The NPL ratio of corporate loans was 1.72%.

3. Institutional business

During the Reporting Period, the Bank increased its local government debt investments to support local economic and social development, accelerated chain marketing of special local government debts and strengthened support for special projects of local governments in relation to fighting against the pandemic and construction of infrastructure. The Bank vigorously developed the platforms for institutional business, improved comprehensive services for customer groups including government, finance, public resource exchanges, housing provident funds, culture and tourism, hospitals and schools, etc., and adopted differentiated management of institutional customer groups, leading to rapid and stable development of institutional business. As at the end of the Reporting Period, the number of the Bank's institutional customers was 26.3 thousand, representing an increase of 10.97% as compared with the end of the previous year. During the Reporting Period, the Bank's daily average institutional deposits was RMB780,697 million, representing an increase of RMB142,102 million, or 22.25%, as compared with the previous year.

4. Investment banking

During the Reporting Period, the Bank improved customer group-based operation, leveraged on the light-capital strength of its investment banking business, and focused on key products, key customers, and key regions, achieving continuous and steady development of investment banking business and establishing a good image in the market for its professionalism while facilitating the development of enterprises through comprehensive and customised investment banking services.

In respect of capital market business, the Bank resolutely responded to the call of government and implemented national strategies by focusing on key customers and key regions. Through merger and acquisition and syndicated loan products, the Bank put great efforts in supporting pandemic prevention and control, and facilitating the transformation and upgrading of manufacturing industry, the optimisation and restructuring of NSOEs as well as the reform of state-owned enterprises (SOEs). At the same time, it strove to optimise the asset structure and asset quality of M&A business. As at the end of the Reporting Period, total M&A loans and M&A syndicated loans of the Bank amounted to RMB146,481 million. During the Reporting Period, the Bank completed a series of major M&A projects with high market influences, which further enhanced its brand image of the investment banking business.

In respect of bond underwriting business, the Bank achieved a steady increase in the scale of bond underwriting through process optimisation and refined management. During the Reporting Period, the Bank underwrote bonds of RMB397,015 million in the inter-bank bond market for 386 enterprises, ranking tenth among all leading underwriters of non-financial corporate debt financing instruments in the inter-bank bond market. During the Reporting Period, by product exploration and business model innovation, the Bank actively supported the national pandemic prevention and control and successfully helped 12 enterprises issue pandemic prevention and control bonds of RMB3,700 million, including the first credit risk mitigation warrants (CRMW) of NSOEs bond financing for pandemic prevention and control in the market and the first special debt financing instrument for stabilising development and promoting consumption in China, and underwriting of the first pandemic prevention and control bond for the national supply and marketing system.

In respect of the asset securitisation business, the Bank actively promoted the corporate asset securitisation investment business in response to the business needs of customers including cost reduction, leverage ratio optimisation and asset transfer. During the Reporting Period, the Bank recorded an increase in investment of RMB126,753 million on corporate asset securitisation. The Bank continuously strengthened product innovation. During the Reporting Period, the Bank successfully completed 9 asset securitisation projects including the NSOE LPR-ABN, which were all the first of its kind in China, with a total scale of RMB12,400 million.

5. Transaction banking

During the Reporting Period, the Bank upheld the development strategy of "exploring scenarios, enriching product offerings, facilitating customers and improving experience" in its transaction banking business. With continuously improved products and enhanced service capabilities, the Bank vigorously enhanced the convenience of business, and provided customers with intelligent, convenient and comprehensive financial service solutions to support the development of real economy.

The Bank refined cash management product system according to the settlement needs of corporate customers. During the Reporting Period, the Bank paid more attention to the business process of customers and formulated service optimisation plans for corporate accounts to improve customer services throughout the service chain from the starting point. The Bank responded to the cash management needs of group customers and vigorously promoted inter-bank cash management solutions to facilitate more efficient and more comprehensive funds management for enterprises. The Bank improved the scenario-based settlement products such as Housing Management Express (房管通), Tender Express (招標通), Purchase and Sales Express (購銷通), C&B Express (薪福通), Agreement-based Transaction Fund Supervision (交易資金協議監管) and Order Cashier (訂單收銀台), and introduced a new intelligent pricing model for corporate account overdraft to flexibly meet the financing needs of entities and help customers fight the pandemic and resume production. As at the end of the Reporting Period, total deposits from settlement and cash management of the Bank amounted to RMB1,326,521 million, representing an increase of RMB294,047 million, or 28.48%, as compared with the end of the previous year.

The Bank improved the convenience of services according to the financial needs of cross-border customers. During the Reporting Period, the Bank introduced "single window" financial products, successfully launched pilot projects of cross-border e-commerce and the cross-border fund pool, which further diversified services methods. The Bank provided all-round and customised cross-border financial services to satisfy customers' scenario-based and differentiated financial needs in the course of pandemic, including international trade and overseas project contracting. Procedures of cross-border corporate remittance and settlement were optimised for better customer experience. As at the end of the Reporting Period, total corporate foreign currency deposits amounted to USD27,818 million, representing an increase of USD11,892 million, or 74.67%, as compared with the end of the previous year. Total corporate foreign currency loans amounted to USD21,397 million, representing an increase of USD4,865 million, or 29.43%, as compared with the end of the previous year. The Bank expanded its secured financing scenarios and improved service capabilities for trade finance. During the Reporting period, the Bank further developed non-financing guarantees by matching product solutions to the guarantee needs of customers of various industries under different scenarios. It continued to enrich scenarios and introduced corresponding settlement products and solutions, greatly enhancing the competitiveness of e-letters of guarantee. During the Reporting Period, the Bank had 5,046 e-letter of guarantee transactions, representing an increase of 2,885 transactions, or 133.50% as compared with the previous year, and accounting for 40.61% of the total number of letters of guarantee. The Bank provided in-depth services to the big infrastructure sector covering public services, railway transportation, communication and other sectors in relation to the well-being of the general public. With the pilot program for discounted supply chain bills, the Bank facilitated the launching of standardised bills, and improved service efficiency with online and automatic products such as self-service discounting and Bill Finance e (票融e).

The Bank continued to upgrade digital financial services by further upgrading online products. During the Reporting Period, focusing on customers' needs, the Bank continued to integrate existing products, channels and services and achieved the comprehensive online upgrading of trading and financing products to provide customers with more convenient payment and settlement and financing services.

6. *Supply chain finance*

During the Reporting Period, the supply chain finance business of the Bank supported customers in fighting against the pandemic and helped them resume work and production. The Bank focused on key industries and continued to upgrade and innovate products expedited the construction of IT platforms, researched and developed risk management technology, so as to comprehensively enhanced whole-process risk management capabilities.

Improved scenario-based product and service system of supply chain finance to facilitate the resumption of work and production. During the Reporting Period, the Bank promptly adopted effective measures to fight against the pandemic. In accordance with the policies and requirements of the CBIRC and other government departments to support the resumption of work and production through supply chain finance, the Bank focused on key industries such as automobile, pharmaceutical, construction, liquor and home appliance to provide convenient credit support to customers through online supply chain finance products based on their needs in business operation and development during the pandemic. In particular, the full-process online products featuring less contact and fewer procedures, such as "Credit Finance e (信融e)", demonstrated their competitive edges during the pandemic, contributing to the significant business growth and expanded service span for SMEs in the supply chains. The Bank adhered to the innovation and upgrading of the product system of supply chain finance by facilitating process optimisation and comprehensively improving the online migration and intelligence of existing products. Meanwhile, it accelerated the research and development of new products to further enrich the product system of supply chain finance and application scenarios. With the development and launch of "Bills Finance e (票融e)", the Bank provided the customers in supply chains under commercial bills settlement scenario with premium experiences of one-click discounting and express fund arrival.

Accelerated fintech innovation of supply chain finance and refined whole-process risk management capabilities. The Bank actively developed a new IT platform for supply chain finance and the first phase of which was successfully launched during the Reporting Period. Meanwhile, the Bank started the implementation of the second phase. Currently, products of "Receivables e (應收e)", "Orders e (訂單e)" and "Bill Finance e (票融e)" were successfully launched. The Bank gradually completed the systems by establishing a whole-process risk management system for supply chain finance. It actively applied new technologies to risk control and added functions of model-based early-warning of supply chain finance, in an aim to improve risk management and control, strengthen legal compliance management, guard against the bottom line of compliance, so as to realise steady and orderly business development.

(III) Retail Banking

The Bank continued to improve the retail development model driven by both retail wealth management and asset business. The Bank strengthened the classified management of customer groups and created a chain operation model that integrated customer acquisition, customer upgrading and customer retention. The Bank optimised product and service systems to enhance professional service capabilities and further took the initiative to optimising the structure and coordinated the pandemic prevention and control and the compliant and stable development of retail business.

The Bank initiated the design of the three-year plan for retail banking (2021-2023), which formed a new systematic development model for retail banking business that focused on five aspects, namely, creating advantages in segmented markets, accelerating digital transformation, strengthening standardised management, enhancing basic product and service systems and improving customer experience.

The three-year plan for retail banking (2021-2023) adhered to the main strategy of "establishing a technology-driven and distinctive retail banking finance, creating a standardised customer experience based on classified management of customer groups, and enhancing brand reputation". With enhancing customer experience as the principle, it aimed to expand customer base, strengthen professional coordination in retail banking and establish a standardised and professional supporting system of retail banking. Firstly, the Bank took customer groups engaged in education, elderly care and distinctive small business sectors as the strategic customer group. By focusing on customers' needs and continuing to explore customer value, the Bank deeply dived into retail customers' ecosystems through open bank platforms, sharing and integrating resources, in an aim to become the host bank of targeted customers. Secondly, the Bank achieved key breakthroughs in scenario-based payments on the C end, B end and G end. The Bank explored the scenario-based needs of small and micro enterprises in key industries and cooperated with leading companies to improve batch customer acquisition model, while further strengthening digital risk control and application. Thirdly, the Bank improved the standardised and professional management system of retail business, further enhanced data-based marketing and strengthened supervision on production capacity. Fourthly, the Bank improved the basic product and service system and optimised product offerings. Fifthly, the Bank implemented an all-channel strategy to enhance customer experience.

During the Reporting Period, operating income from retail business of the Bank amounted to RMB71,133 million, representing an increase of 5.76% as compared with the corresponding period of the previous year, and accounted for 40.56% of total operating income, representing an increase of 1.41 percentage points as compared with the corresponding period of the previous year. During the Reporting Period, the Bank reclassified the operating income from credit card installment repayment from fees and commission income to interest income. After the reclassification, the net non-interest income from retail business amounted to RMB16,621 million, representing an increase of 2.52% as compared with the corresponding period of the previous year, and accounted for 23.37% of total operating income from retail business and 37.86% of total net non-interest income of the Bank.

1. *Retail banking customers: Breakthroughs made in both new customer acquisition and existing customers management by "Outreach+Internal Growth"*

"Outreach" promoted acquisition of customers in batch and through traffic. The Bank strengthened the development of scenarios and platforms under open bank and business integration. The Bank focused on core customer groups and proactively carried out cross-industry cooperation by issuing a variety of key co-branded debit cards with non-financial benefits, including JD Gold Card (京東小金卡), Minsheng Farm Card (民生農場卡), Tuhu Car-Care Card (途虎養車卡), Minsheng Kids Card (民生童行卡) and Walmart Exclusive Card (沃爾瑪專享卡). The Bank continued to deepen the comprehensive development of small business customer groups and actively worked on batch acquisition of customers of key industries and key groups.

"Internal Growth" facilitated the fission growth effect of existing customers and further promoted the classified management of customer groups. During the year, the Bank acquired 3,554.0 thousand new customers (Type-I account), in which 310.6 thousand accounts were valid, representing a valid rate of 8.74%. Through the internal fission growth of the existing MGM customer groups, the Bank recorded 23.4 thousand referrals of new VIP customers, and financial assets increased by RMB10,215 million. The Bank actively innovated wealth management products and upgraded service channels for wealth management customer groups for better customer experience. The Bank enhanced professional services to classified customer groups through product mix and multiple scenario-based payments. The Bank further improved the professional integrated services for the customer groups of private banking entrepreneurs, optimised the structure of credit card customer groups and explored light-capital operation of classified customer groups.

Payment system was improved to enhance comprehensive values. "Daily Assistant (全民管家)", the public utilities payment function module, was launched on the Daily Life APP (全民生活APP) of credit card business, supporting payment for over 1,000 public utility items. It was the first of its kind to realise mutual recognition of QR code with AliPay for payment. As at the end of the Reporting Period, total number of registered users of the Daily Life APP reached 25,355.0 thousand, and total transaction volume of electronic payments (including fast payment, mobile payment and gateway payment) increased by 13.46% as compared with the corresponding period of the previous year. The Bank achieved batch acquisition of targeted quality customer groups by deepening the transformation towards scenario-based customer acquisitions of credit card business, constructing a mapping system of customer tags and providing customised product and interests and benefits. The Bank refined management of existing quality customer groups, optimised cross-selling mechanism and increased the acquisition of local customers to further enhance the penetration rate of customers of different business lines. Adhering to the customer value-oriented philosophy, during the year, 85.3% of new credit card customers were "consumption-stable" customers, representing an increase of 2.4 percentage points as compared with the corresponding period of the previous year.

The Bank optimised basic products and services that were frequently used, such as account opening procedures, account management, payments and settlements and agency payments. The closed-loop system of retail customer experience was initially established, and the overall design of all-channel management system of retail customer experience was completed. The Bank also set up a customer survey system and a monitoring system of customer experience to strengthen the collection of customer feedbacks and monitoring of quantitative indicators to facilitate analysis of multi-dimensional data, including customer behaviours and business operation. The Bank sorted out the mapping of retail banking customers' business process and 37 key business process of customers, and carried out diagnosis and optimised design for first three processes including whole process of fund sales, mortgage and cross-selling as well as credit card application and activation, and implemented the relevant improvement measures in an orderly manner. As at the end of the Reporting Period, a total of 40 business units of the Bank were shortlisted in China's Top 1,000 Outlets (千佳網點) through the recommendations of banking associations across China, representing an increase of 15 units as compared with the previous period, reaching a record high.

Risk prevention responsibility of business departments as the first line of defense was strengthened. Based on the retail banking KYC requirements and the principles of "Setting up rules (**有規可依**)", "Following rules (**有規必依**)", and "Enforcing rules (**執規必嚴**)" of compliant sales management, the Bank has preliminarily formed a closed-loop whole-procedure management system, with integration among the Head Office, branches and sub-branches, after nearly two years of development and improvement.

To carry out in-depth value management of existing customers, the Bank launched comprehensive ratings based on dimensions such as value contribution, transaction frequency and potential of customers to introduce refined operation. The number, structure and retention rate of the Bank's high-rating customers all showed a promising growing trend, contributing to the upgrading of customer groups.

As at the end of the Reporting Period, the number of retail customers of the Bank was 79,942.3 thousand, representing an increase of 5,493.3 thousand as compared with the end of the previous year. Of which, the number of wealth management customers (excluding small and micro enterprise legal person accounts and retail customers who only hold credit cards) amounted to 57,991.9 thousand, representing an increase of 5,308.7 thousand as compared with the end of the previous year; the number of Gold customers and customers of higher levels amounted to 1,216.9 thousand, representing an increase of 58.0 thousand as compared with the end of the previous year, of which the number of eligible private banking customers reached 34,948, representing an increase of 3,610 as compared with the end of the previous year, and the retention rate was 72.72%, representing an increase of 1.69 percentage points as compared with the corresponding period of the previous year. The number of credit card customers was 43,097.9 thousand, representing an increase of 2,230.8 thousand as compared with the end of the previous year. The number of customers of both credit cards and debit cards was 18,571.1 thousand, representing an increase of 873.2 thousand as compared with the end of the previous year.

The number of high-rating retail banking customers was 2,226.9 thousand, representing an increase of 240.0 thousand as compared with the end of the previous year, of which the retention rate of existing high-rating customers was 77.11%. Among the newly added high-rating customers during the year, total number of new customers amounted to 101.0 thousand, which accounted for 42.09%, and representing an increase of 5.75 percentage points as compared with the corresponding period of the previous year.

As at the end of the Reporting Period, the number of small business customers of the Bank amounted to 13,778.3 thousand, representing an increase of 2,204.9 thousand as compared with the end of the previous year. Of which, the number of small and micro legal person customers amounted to 1,452.1 thousand, representing an increase of 117.1 thousand as compared with the end of the previous year. The number of settlement accounts of small business was 559.4 thousand. The number of small business customers with credit line granted amounted to 791.5 thousand and the number of small business customers with outstanding loans amounted to 508.7 thousand.

2. *Wealth management and private banking: Strengthened layout of key products and standardised management*

The Bank strove to make the product series of Minsheng Bedrock (民生磐石) and Minsheng Preference (民生優選) competitive and promoted the initial sales of customised quality products designed by leading fund companies for the Bank. It created the "Minsheng Bedrock" brand, the first brand of alternative products in the industry, to replace wealth management products at their maturities and continue with net-worth products. With focus on insurance paid by installments, the Bank continued to maintain competitive edges and ranked in the first group among joint-stock banks.

Product portfolio of private banking was transformed based on principles of diversity and full-coverage of asset allocations. In terms of professional service capability of private banking products, the Bank developed an agency sales management system by virtue of new investment research and strove to formulate the selection system and supporting rules for private banking products of Minsheng Bank. Product portfolio was fully integrated with focus on net worth and customisation. A new model of family wealth management was created to explore customised services for ultra high-net-worth customers. In terms of asset allocation, the Bank established a comprehensive service model driven by customer needs and optimised asset allocation over product portfolio, comprehensive solutions and comprehensive service system.

In terms of deposit products, the Bank achieved stable growth in all savings deposit products in the first half of 2020, overcoming the adverse influences of the pandemic. In order to comply with regulatory requirements, the Bank took the initiative since August 2020 to drastically reduce structural deposits to facilitate a healthier deposit structure.

The Bank promoted the wealth management renovation project and introduced the standardised version 3.0 with four core modules, namely "management governance, standardised management, standardised sales, and capability enhancement", continuously increasing the production capacity of teams. By pushing forward the standardised operation and team management of private banking centres, the Bank achieved better performance and efficiency in terms of customer group management. Through the implementation of a standardised process for asset allocation, the Bank improved the professional asset allocation service for private banking customers. The Bank focused on the management over the entire life cycle and carried out works including improving after-sale services, customer behaviour management and information disclosure, to improve the comprehensive service system for entrepreneur customers and precisely meet their demands for integrated services in asset allocation and coordinated management of personal and corporate accounts.

As at the end of the Reporting Period, financial assets of individual customers of the Bank amounted to RMB1,910,216 million, representing an increase of RMB73,241 million as compared with the end of the previous year, of which the financial assets of Gold customers and customers of higher levels amounted to RMB1,560,164 million, representing an increase of RMB66,591 million, as compared with the end of the previous year. Total retail deposits (including the deposits of small and micro enterprises) amounted to RMB880,615 million, representing an increase of RMB53,558 million, or 6.48%, as compared with the end of the previous year. In particular, savings deposits amounted to RMB744,121 million, representing an increase of RMB37,767 million as compared with the end of the previous year. The sales of personal wealth management products amounted to RMB3,517,824 million, representing a decrease of RMB4,311 million as compared with the corresponding period of the previous year. The agency sales of funds amounted to RMB182,567 million, representing an increase of RMB36,601 million as compared with the corresponding period of the previous year. Fee and commission income from wealth management business amounted to RMB6,258 million, representing an increase of 12.42% as compared with the corresponding period of the previous year.

As at the end of the Reporting Period, the financial assets of eligible private banking customers with financial assets of more than RMB6 million of the Bank was RMB491,454 million, representing an increase of 4.86% as compared with the end of the previous year. The average financial assets of private banking customers was RMB140,624 million.

3. *Retail loans: closely followed the guidance of financial policies and achieved rapid growth in scale*

During the Reporting Period, the Bank resolutely implemented the requirements of the CPC Central Committee and the State Council and strengthened duty performance by supporting the fight against the pandemic, upgrading products and services, assisting customers in difficulties and promoting inclusive finance. As at the end of the Reporting Period, total retail loans of the Bank amounted to RMB1,592,192 million, representing an increase of RMB194,976 million as compared with the end of the previous year. The number of customers of retail loans amounted to 2,383.7 thousand, representing an increase of 299.1 thousand as compared with the end of the previous year. Total non-performing retail loans (credit card inclusive) amounted to RMB31,256 million, representing an increase of RMB5,422 million as compared with the end of the previous year. The ratio of non-performing retail loan was 1.96%. Special-mentioned retail loans amounted to RMB21,596 million, representing an increase of RMB9,091 million as compared with the end of the previous year, accounting for 1.36% of total retail loans.

Small business loans: credit supply reached a new high with improved quality and efficiency. In terms of small business loans, the Bank increased credit extension, expanded business scope, enhanced quality and reduced cost and achieved fruitful results in supporting the development of the real economy. The Bank stepped up efforts and allocated more resources in the face of the pandemic to increase provision of loans to small and micro enterprises and promote renewed loans without principal repayment, with an aim to ensure stable credit services to small and micro enterprises. The Bank also proactively responded to the financing needs of small and micro enterprises in industries in relation to fighting the pandemic, made arrangements for renewing existing loans in advance and actively provided special supports including loan renewals, deferred repayment and credit record protection for eligible pandemic-stricken customers. The Bank reduced fees and surcharges through lowering interest rates of small business loans and many other measures for the purpose of reducing the comprehensive financing costs of small and micro enterprises to support their resumption of work and production and restoration of operation.

The Bank actively leveraged the productivity of fintech to strengthen product innovation and service support based on customer needs, technological advancement and small and micro enterprise ecosystem development, and expanded customers of unsecured loans and first loans. It also actively utilised the advantages of government platforms and supply chain services to explore the scenarios of online operation and payment and settlement of small and micro merchants, thus significantly expanding its service coverage. The Bank actively promoted the development of zero-contact and online services and realised online handling of the full process of small business loans. The Bank actively launched the "Internet + Real Estate Registration" model and realised one-stop processing for mortgage and registration, and promoted online handling, so as to enhance the processing efficiency of loans to small business customers.

The Bank carried out the campaign of "Connected to Each Other－Special Service Year for Small Business Finance (彼此相連－小微金融特別服務年)", and launched "Minsheng Small Business School (民生小微商學院)" to provide the owners of small and micro enterprises with free training courses on operation improvement. Small and micro enterprises were invited to livestream their products in the "Minsheng Farm (民生農場)" and promoted "One-Click Shop Opening (一鍵開店)", an online service to broaden the selling channels for customers. Through giving out anti-pandemic supplies and special insurances etc., the insurance awareness and risk resilience of small business customers were enhanced, which further empowered their development.

As at the end of the Reporting Period, total retail loans to small and micro enterprises of the Bank amounted to RMB511,865 million, and total small business loans for the year amounted to RMB616,850 million. Total small business inclusive loans amounted to RMB452,762 million, representing an increase of RMB48,527 million, or 12.00%, as compared with the end of the previous year. The number of customers with outstanding loans was 338.9 thousand. During the Reporting Period, total inclusive small business loans granted amounted to RMB553,899 million at average interest rate of 5.92%, representing a decrease of 0.63 percentage points as compared with 2019. Total balance of non-performing inclusive small business loans amounted to RMB13,886 million and the non-performing loan ratio was 3.07%, representing a decrease of 0.14 percentage points as compared with the end of the previous year.

All of the Bank's business units of 878 sub-branches (including business departments) and 138 small business sub-branches provided stable financial services to small business customers.

Steady development in mortgage business with tightened credit limits control. Mortgage business of the Bank was operated in strict compliance with the government policies and regulatory requirements. Under such premise, the Bank optimised the procedures, refined management and pushed forward the conversion of LPR. As at the end of the Reporting Period, total mortgage loan of the Bank amounted to RMB511,574 million, representing an increase of RMB94,942 million as compared with the end of the previous year. Non-performing loan ratio was 0.22%, representing an increase of 0.01 percentage points as compared with the end of the previous year.

Continuous innovation in consumer finance with optimised business models. The Bank sped up the introduction of the third-party data and the upgrading and optimisation of products to vigorously improve the customer experience of Easy Loan. By continuously optimising and adjusting business model, the Bank accelerated the development of automobile finance business. As at the end of the Reporting Period, total consumer loans (excluding mortgage loans) of the Bank amounted to RMB106,444 million, representing an increase of RMB16,301 million as compared with the end of the previous year. Non-performing loan ratio was 0.59%, which remained at the same level as compared with the end of the previous year.

Stable operation of credit card business with strengthened risk management. Since the outbreak of the COVID-19 pandemic in 2020, the economic environment has been greatly impacted, which caused the decline in repayment capability of customers in certain industries, and the risk exposures of credit card loans increased in a fast pace, leading to rising risk of credit card loans in the general banking industry. As at the end of the Reporting Period, total number of credit cards issued by the Bank amounted to 61,671.4 thousand, representing an increase of 4,215.3 thousand during the Reporting Period. Transaction volume was RMB2,598,449 million, representing an increase of 4.75% as compared with the corresponding period of the previous year. Total loans amounted to RMB462,309 million, representing and increase of 3.68% as compared with the corresponding period of the previous year. Non-performing loan ratio was 3.28%, representing an increase of 0.80 percentage points as compared with the end of the previous year.

As the pandemic prevention and control becoming regular, the Bank has taken various measures to enhance the quality of new credit card customers and improve the efficiency of recovery and disposal.

Firstly, the Bank focused on the customer groups featuring "low-risk with medium-to-high yield and stable consumption", provided guidance on customer group planning, optimised and restructured risk classification model for customer groups to realise differentiated entry approval and further increase the asset proportion of quality customer groups. During the year, the overdue rate of new customers was 0.5%, representing a decrease of 0.38 percentage points as compared with the corresponding period of previous year.

Secondly, the Bank established a "customer-centric" risk monitoring system, took differentiated risk management and control measures, built an early-warning model in the primary stage and improved the risk exit mechanism. The Bank further classified existing special-mentioned loans, adopted differentiated collection methods, upgraded the collection system and built a "Cloud Recovery (雲修復)" platform for customers that couldn't be contacted to enhance recovery efficiency, reduce the proportion of special-mentioned loans downgrading to NPLs and mitigate risks in advance. New NPLs generated in the second half of 2020 dropped by 25.88 percentage points as compared with the first half.

The NPL ratio of credit card business of the Bank was relatively high among peers. One of the main reasons was that write-offs and securitisation of non-performing assets of credit card business needed to be improved. After recovering disposals of non-performing assets for the year, NPL ratio of credit card business of the Bank was at an average level among peers. In the future, the Bank will increase its efforts to dispose credit card NPLs.

During the Reporting Period, the Bank was awarded the "2020 UnionPay Business Rapid Growth Award (2020年銀聯業務快速成長獎)" and the "2020 Token2.0 Cooperation Excellence Award (2020年Token2.0合作卓越獎)" from China UnionPay, the "Best Marketing Service Award for Digital Transformation of Banks for 2020 (2020年銀行數字化轉型最佳營銷服務獎)" from China e-Finance Union (中國網絡金融聯盟). The credit card service center was awarded the "2020 China's Best Customer Contact Center (2020中國最佳客戶聯絡中心獎)" from the organiser of the "Golden Sound Award (金音獎)". The "Caring Bank" project launched by the "Daily Life APP (全民生活APP)" was awarded the honour of "Outstanding Contribution (傑出貢獻)" from the China Foundation for Poverty Alleviation. Minsheng's ICH Protection credit card was selected as one of the "2020 ICH Cross-Border Innovation of Glamorous China of the Great World City Stage (2020大世界城市舞臺中國魅力榜非遺跨界創新榜)".

4. *Service for small and micro enterprises and consumer rights protection: steadily consolidated its position to improve effectiveness*

Based on the portraits of small business customers and their diverse service needs, the Bank preliminarily established a classified and differentiated service system for small business customer groups, clarified the development path for small business settlement services with a "light-capital, scenario-based, comprehensive and professional" nature. The Bank then continued to enrich the exclusive products and services for small business customers and fully satisfied the financial and non-financial needs, including financing, wealth management, payment and settlement, of individual small business customers and their companies, employees and families, enhancing comprehensive capabilities to serve small and micro enterprises.

As at the end of the Reporting Period, financial assets of small business under the management of the Bank amounted to RMB418,957 million, representing an increase of RMB54,553 million as compared with the end of the previous year, of which personal deposits of small business customers amounted to RMB175,478 million, representing an increase of RMB16,298 million as compared with the end of the previous year. Corporate deposits of small and micro enterprises amounted to RMB136,494 million, representing an increase of RMB15,791 million as compared with the end of the previous year.

During the Reporting Period, the Bank performed its duty in consumer rights protection in full compliance with the regulatory requirements. The Bank implemented the "customer-centric" philosophy and continuously refined management to enhance the effectiveness and efficiency of consumer rights protection.

Firstly, in respect of policy making, the Bank revised and published special management rules, such as the Administrative Measures on Consumer Rights Protection of China Minsheng Bank (《中國民生銀行消費者權益保護管理辦法》), forming a strong guidance for consumer rights protection. Secondly, in respect of systems and mechanisms, it optimised the organisation and management system for consumer rights protection, transferred the function of consumer rights protection to retail banking and further strengthened the internal driving forces to actively fulfill consumer rights protection obligations and protecting the 8 major rights of financial consumers through product design and services. Thirdly, in respect of the whole-process control of products and services, the Bank continued to comply with the regulatory requirements, supervised and guided product and customer group departments to actively meet the requirements in relation to consumer rights protection, including early examination on consumer rights protection, fee and surcharges reduction, information disclosure, marketing and promotion, satisfaction survey, etc., to enhance the quality of customer service. Fourthly, the Bank improved the management standards of consumer rights protection of all channels and effectively strengthen the management of consumer rights protection of outlet channels. The Bank comprehensively enhanced the operating management of outlets during the pandemic to ensure the safe operation of the outlets. Fifthly, in respect of complaint handling, the Bank optimised the process of complaint handling and improved the contingency management for major complaints by putting more emphasis on source tracing and rectification of repeated complaints and major complaints. A multi-level and stereoscopic complaint handling mechanism was established and improved to enhance the quality, efficiency and management of complaint handling. Sixthly, in respect of promoting financial knowledge education, the Bank successively organised four bank-wide campaigns, such as "15 March" Promotion Week, "Protect Your Wealth (守住錢袋子)" and "Financial Knowledge Promotion Tour (金融知識萬里行)", etc. Against the unusual backdrop of pandemic prevention and control in the year, the Bank integrated various "zero-contact" promotion channels and created a series of "consumer rights protection IPs", which were well recognised by financial consumers and the regulatory authorities. The Bank was accredited as the Outstanding Organiser in the events of "15 March" and in the "2020 Joint Promotion Activities (2020 年聯合宣教活動)".

5. Comprehensive retail banking management: fully strengthened and upgraded coordination system

The Bank gave full play to the role of the retail business management committee in integrating and coordinating development strategy and management mechanisms of retail business, further expanded the whole-process and collaborated system covering plans and objectives, resource allocation, management of data-based marketing, appraisal and evaluation and retail branding. The Bank organised planning and research and for retail business development model, explored its innovation and management transformation, and created a new momentum for intensive, professional and standardised retail development. Aiming at optimal allocation of resources, the Bank coordinated resources including expense budget and credit lines, took multiple measures to improve the effectiveness of resource allocation, upgraded appraisal and evaluation management of retail banking, and strengthened the implementation of standardised and professional management and control of the Head Office.

The Bank cultivated professional talents of retail business with the concept of "professionalism and value creation". Under the Bank's professional and technical job sequence system of human resources, the design of a sub-sequence system for the retail banking teams of the Bank was completed to provide support and guarantee for the improvement of professional capabilities and layered management of retail teams, and for the compatibility management between the teams, customers and products.

The Bank focused on the building of mechanisms for continuous cultivation of core retail professionals and their careers, and provided multi-layered, advanced and practical trainings to motivate their growth. During the year, 34 training programmes were organised for more than 2,500 participants of core retail teams. Outstanding members of "Pioneers" event were organised to complete the development of 61 courses within 46 session hours. The Bank carried out a promotion campaign for best retail employees of the year, to spread positive energy of the retail teams' professionalism and devotion.

6. *Digitalised management of retail business: significantly enhanced the depth and breadth of application*

Digital marketing. The Bank enriched the data-based marketing strategy through the continuous development of business models and data governance. With the application of deep learning technology, the Bank developed more than 80 models to apply in various scenarios such as new customer acquisition, customer improvement, customer recovery and sales of key products. According to customer groups classified into small business, elderly care and education and other groups, the Bank developed 983 customer tags, initiated 13 thousand targeted marketing activities, and achieved 2.3 billion times of targeted customer contacts. With established remote banking that providing online standardised and centralised banking services for the general public, the Bank deployed 452 customer group management activities, formulated 1,025 management strategies, and achieved 2.4 times of average marketing contacts per account during the year. The Bank completed the building of a tank of retail data-based marketing strategies and established a management system for all channels. By conducting retail sales funnel analysis, the Bank continued to upgrade and optimise its marketing strategies, realising a 30% increase in the success rate of key strategy implementation.

Digital channel management. The establishment of an all-channel management system was completed and a retail sales funnel analysis model for all channels was established to carry out indicator monitoring and reason analysis and improvements of all channels in respect of traffic acquisition, user activation, retention enhancement and loyal customers. The Bank promoted cross-channel penetration of customers and strengthened the mutual referral of customers from online to offline, which facilitated the frequency of contacts and value exploration.

Digital risk management. Capability building in regards to digital risk control and online services of small businesses. In accordance with big data in relation to supply chain transaction scenarios and taxation and credit record, the Bank improved the risk measurement model. By integrating innovative technologies including identity authentication and biometrics, the Bank established a full-process comprehensive data-based risk control system of small business finance. Under the premise of effective prevention of external fraud risk, credit risk and operational risk, the Bank promoted the transformation and upgrading of small business finance towards digitalised and intelligent end. It also set up a full-process online service system of customer acquisition, review and approval, as well as withdrawal and renewal of loans. During the year, the proportion of automatically approved business volume increased by 12 percentage points as compared with the previous year.

Development of intelligent self-risk-control capability for consumer finance. The Bank conducted review and approval based on "Data + Model" to facilitate the development of the new Easy Loan and the cooperative loan business. By expanding and integrating compliant and effective external data from multiple channels, the Bank established a self-risk-control model and strategy system, achieving a breakthrough by improving and launching the decision-making framework for the new Minsheng Easy Loan. The Bank also developed online marketing model for consumer loans and established a differentiated marketing system for classified customer groups. The Bank strengthened its self risk control in scenario-based consumer finance. The monthly number of new consumer credit customers increased by 4.7 times and the monthly number of new customers signing contracts increased by 6.2 times. The scale of online non-mortgage consumer loans increased by 213.63% as compared with the corresponding period of the previous year while the NPL ratio decreased to 0.52% from 0.92%, and the scale of scenario-based consumer finance under self-risk control increased by 21.17% as compared with the corresponding period of the previous year.

Development of the whole life circle risk control system of the credit card business. Regarding pre-loan admittance and review and approval, the Bank attached great importance to the guidance of customer groups, strictly prevented the admittance of customers with joint debts, while strengthened differentiation in admittance control and credit line granted. The automatic approval rate was enhanced with the auto-approval rate of approximately 75% in 2020. Regarding data measurement, the Bank upgraded the model system and established specific models for credit risk, fraud risk, strategy pooling and internal evaluation and measurement. Regarding anti-fraud, technologies such as DATAFLUX, fingerprint recognition device and SNA were introduced to realise multi-dimensional risk identification. Regarding post-loan management, the Bank formulated a repayment collection guiding system for all scenarios, introduced intelligent AI voice robots and conducted customer group mapping analysis through an intelligent voice system to improve the repayment collection efficiency.

(IV) Treasury business

1. Investment business

During the Reporting Period, the Bank continuously optimised its asset structure and improved investment efficiency. As at the end of the Reporting Period, net investments of the Bank amounted to RMB2,097.367 billion, representing a decrease of RMB63.181 billion, or 2.92%, as compared with the end of the previous year. The proportion of net investments in total assets of the Bank decreased by 2.24 percentage points as compared with the end of the previous year.

2. Financial institutions business

During the Reporting Period, the Bank strengthened compliant operation, established the "customer-centric" concept and propelled the transformation of financial institution customer group management. The Bank improved the base of basic customer data in line with the comprehensive contribution of financial institution customer group. Guided by the "panoramic view" of financial institution customers, the Bank focused on integrated marketing, optimised the unified credit line management and admittance management of financial institution customers, with an aim to continuously enhancing the marketing management of the financial institution customer group and profit-making capability of the financial institutions business.

During the Reporting Period, the Bank continued to optimise the asset structure of financial institutions business, stabilise liabilities and reduce liability cost to achieve stable development of financial institutions business. As at the end of the Reporting Period, assets of financial institutions business of the Bank amounted to RMB305.942 billion, representing a decrease of 18.12% as compared with the end of the previous year. Liabilities (including IBNCD) of financial institutions business amounted to RMB1,839.533 billion, representing a decrease of 0.15% as compared with the end of the previous year. During the Reporting Period, a total of 577 tranches of IBNCD were issued with an accumulated amount of RMB903.410 billion. As at the end of the Reporting Period, total balance of IBNCD issued by the Bank amounted to RMB713.953 billion, representing an increase of 130.848 billion as compared with the end of the previous year.

During the Reporting Period, the Bank focused on building the internet platform of "Minsheng Financial Institutions Business e+", to integrate competitive products of financial institution customers of the Bank, open up product output channels, and provide online digital, integrated and comprehensive marketing services for financial institution customers.

3. Custody business

Following the policy guidance, the Bank took multiple measures to overcome the external influences and further achieved stable development of custody business. At the beginning of the Reporting Period, the Bank proactively promoted products concerning pandemic prevention and control, and opened green channels for custody products in relation to pandemic prevention and control. Custody fee was voluntarily reduced or exempted to allow the entrusted funds to be fully used at the front line of pandemic prevention on a timely basis. With in-depth analysis of capital market throughout the year, the Bank actively responded to market changes by optimising business structure and strictly controlling business risks. Adhering to the customer-centric philosophy and the development principle of "expanding scale, increasing revenue, promoting coordination and building brand (創規模、增收入、促協同、樹品牌)", while focusing on the development of basic custody business, the Bank also promoted business innovation to enrich the connotation of the brand of "iCustody" (愛託管). With a focus on the online custody service process, the "on-site + remote (現場+遠程)" dual-line service mechanism was introduced for better customer experience. As at the end of the Reporting Period, total assets under the custody of the Bank (including various types of funds under supervision) was RMB10.65 trillion. Total revenue from custody business was RMB6,087 million.

In respect of pension business, in line with the government policies on improvement and development of multi-pillared pension schemes, the Bank expanded its product portfolio covering corporate annuity, occupational annuity, pension products and pension management products under its qualifications of annuity custody and account management. The Bank continued to improve operation management and customer services to provide quality pension fund management services for corporate and individual customers. As at the end of the Reporting Period, the Bank had RMB603.339 billion pension funds under custody, and managed 208.0 thousand personal accounts of corporate annuity.

4. Wealth management business

During the Reporting Period, despite the impact of the pandemic and the significant market fluctuations, the Bank deepened the reform and transformation of wealth management business, and saw a positive outcome. On the one hand, under the premise of consolidated compliance and effective risk control, the Bank proactively followed regulatory guidance to promote the net-worth transformation of wealth management products, by which the product offerings were gradually enriched with product lines covering multiple customer groups, leading to rapid growth in net-worth product scale. On the other hand, the Bank closely followed major national strategies and promoted financial services for the public welfare and supported the real economy through direct or indirect involvement of wealth management funds in various financial tools. As at the end of the Reporting Period, the scale of existing non-principal-guaranteed wealth management products of the Bank amounted to RMB861.132 billion, of which, the scale of net-worth products in compliance with new asset management regulations amounted to RMB528.574 billion, representing a 258.06% increase as compared with the end of the previous year, accounting for 61.38% of the total non-principal-guaranteed wealth management products.

The Bank focused on improving its core capability on asset management and further improved operating capability. Firstly, the Bank built an investment and research system with fixed income as the basis and with asset portfolio as the core. The investment portfolio structure was further improved to cover major targets such as the currency market, bond market, equity market and commodity market. Secondly, in accordance with the standards for independent operation of wealth management subsidiaries, the Bank improved the governance structure and the functions of core teams, and ensured a sufficient number of necessary operational staff. Thirdly, the Bank continued to develop the IT system, and built a new core system for asset management based on its experience of the original system, and added various system components that adapted to the management and operation of net-worth products. The Bank utilised information technology to support investment research and analysis, market risk monitoring, credit risk management and post-investment management, and further enhanced business capabilities.

Actively responding to policy guidance, the Bank pushed forward the transformation and continuous development of products in a scientific, practical, innovative and progressive manner. The Bank continued to improve the layout of net-worth products based on product series including "Fuzhu Fixed Income (富竹固收)", "Guizhu Fixed Income + (貴竹固收+)", "Ronhzhu Mix (榮竹混合)", "Yuzhu Private Placement Single Issuance (玉竹私募單發)", etc., to constantly improve product offerings of the "Minsheng Zhu (民生竹)" wealth management product series, thereby forming well-established market reputation. In respect of product features, the Bank gradually shifted from short-to-medium term products to medium-to-long term and multi-asset mix with stable yield and low volatility. In terms of product mix, the Bank introduced products with various maturities including 1-day products, periodic-end products, closed-end products, and products withholding periods to better match the liquidity requirements of all types of investors. In terms of product themes, by accurately grasping hotspots in the market, the Bank launched themed products such as "Yinzhu Refinancing (銀竹再融資)", "Rongzhu Macro-finance (榮竹大金融)", and "Rongzhu Capital Market Reform Opportunity (榮竹資本市場改革機遇)", which further enriched the product connotation. In the face of market fluctuations in 2020, net-worth products of the Bank not only maintained profitable, but also achieved outstanding overall results, generating relatively high investment returns to investors. During the Reporting Period, the Bank was awarded Golden Bull Wealth Management Bank of the Year, Golden Bull Banking Wealth Management Product of the Year, etc., continuously enhancing market recognition of Minsheng Wealth Management.

On 9 December 2020, the Bank received the Reply of the CBIRC on Establishing Minsheng Wealth Management Co., Ltd. (民生理財有限責任公司). Currently, the Bank is dedicated to progressing the establishment of the wealth management subsidiary, and strives to achieve an early opening.

5. *Precious metals and foreign exchange trading*

During the Reporting Period, the on-floor trading volumes of gold and silver (including agency sales for legal persons and individuals) of the Bank in the precious metals markets (i.e., the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 2,673.41 tons and 18,218.41 tons, respectively. Total trading value amounted to RMB1,126.782 billion. The Bank is the eighth largest trader of Shanghai Gold Exchange in terms of on-floor trading value and is one of the most active proprietary dealers in Shanghai Futures Exchange. The Bank is also one of the most important importers of block gold in China. The Bank actively participated in the market making of precious metals and continuously strengthened the development of algorithmic market making system. During the Reporting Period, the Bank newly obtained the qualification as a market maker for gold futures on Shanghai Futures Exchange.

During the Reporting Period, the volume of gold lease to corporate customers of the Bank was 9.91 tons, ranked fifth in the market. The volume of physical gold of the Bank's own brand sold to individual customers was 1,005.52 kg. The Bank effectively satisfied the demands of customers with diversified products. The Bank tightened cooperation with internet platforms and launched a series of innovative online gold products, contributing new momentum to the business growth.

During the Reporting Period, the transaction volume of domestic spot settlement of foreign currencies of the Bank amounted to USD679.957 billion. The transaction volume of forward settlement and sale of foreign currencies and RMB foreign exchange swap of the Bank amounted to USD935.485 billion. The transaction volume of RMB foreign exchange options amounted to USD99.967 billion. The Bank was actively involved in product innovation in the foreign exchange market, of which the trading volume of emerging market currencies amounted to USD3,539 million, representing an increase of 233.87% as compared with the corresponding period of the previous year. The Bank strove to provide customers with quality foreign exchange transaction services to effectively help them reduce financial costs and avoid exchange rate risks, so as to achieve a win-win situation in international business.

(V) Distribution channels

1. Internet finance

During the Reporting Period, the Bank strictly followed the trends of digital transformation, actively explored and applied cutting-edge technologies and upgraded its online service platforms. Continuous innovations were made in the "three banking systems (三個銀行)", namely online banking, mobile banking and WeChat banking, and the "four platforms (四個平台)", namely bank-enterprise direct connect platform (銀企直聯平台), online payment platform, digital operation platform and open bank service platform (開放銀行服務平台), which enhanced the support offered by online finance platforms, optimised the online product and service system, and greatly improved the differentiated and refined zero-contact services. The finance for eco-systems of industries was innovated and developed, market share was expanded and brand influence was enhanced. During the pandemic, the Bank leveraged its strong online platform, promptly responded to customers' needs in zero-contact services and innovated online financial and daily life services to ensure smooth financial services and facilitate pandemic prevention and control.

(1) Retail online services

During the Reporting Period, the Bank continued to improve the service capabilities of platforms such as personal mobile banking, online banking and WeChat banking. The Bank innovated and applied advanced technologies including 5G, AR/VR, AI, big data, and Internet-of-Things (IoT), and took the lead to launch 5G-based mobile banking in the industry. Focusing on interaction experience and intelligent services, the Bank strove to improve services with six highlights, including brand new dynamic visual experience, rich video services, seamless voice interaction portal, professional, caring and specialised remote banking services, personalised and considerate AI services and reliable security protection. In the special section for smart banking on the mobile banking interface, users could try out the "Smart Banking Experience Store" through online & offline synergies. The Bank developed the most simplified version of mobile banking, which was characterised by extra-large fonts, customisation of frequently-used services and personalised wealth management recommendations, to meet the special needs of elderly customers. The Bank also launched featured and value-added financial services, such as special section for payroll agency, video service of "Minsheng Live Streaming Room" (民生播客廳) and special section for fighting the pandemic on the mobile banking interface, to further improve online services. By upgrading "Minsheng Pass (民生通行證)", an open-ended customer system, the Bank introduced the WeChat mini program of "China Minsheng Bank +" (中國民生銀行+) and opened platform services and technology capacity of mobile banking, to help more users experience the online services of the Bank. The Bank also launched the U-key for mobile phones, which may implant digital certificates into phones to support transfers of up to RMB5 million without physical U-key, making funds transactions through the Bank's mobile banking more convenient and secure.

As at the end of the Reporting Period, the number of retail online platform users was 82,384.7 thousand, representing an increase of 11,972.9 thousand, or 17.00%, as compared with the end of the previous year. The retail online platform substitution rate was 98.88% and the number of monthly active users on retail online platform was 21,620.8 thousand. In terms of customer transaction activity, the Bank maintained its leading position in the banking industry.

(2) Corporate online services

During the Reporting Period, adhering to the concept of "consideration, convenience, efficiency and unity", the Bank continued to optimise online corporate service system to better serve the real economy and support the rapid growth of enterprises. Under the customer-centric philosophy and in order to fulfill the differentiated and distinctive needs of customers, the Bank launched the corporate version, agency version and inter-bank e+ version of mobile banking to provide specialised corporate mobile banking services to SME customers, customers along the upstream and downstream of supply chains and industry customers through mobile devices. The Bank optimised the online procedures of account opening and improved the usability of online services. By improving the bank-enterprise direct connect platform, the Bank provided customised service solutions to customers. Based on business scenarios of strategic customers and by way of open bank, the Bank jointly worked with enterprises to build service eco-system, and proactively extended the reach of service so as to better serve the production and operation of enterprises and achieve mutual benefit and win-win situation.

As at the end of the Reporting Period, the number of users of corporate online platform of the Bank reached 2,636.8 thousand, representing an increase of 326.5 thousand, or 14.13%, as compared with the end of the previous year. During the Reporting Period, transaction volume of corporate online banking platform amounted to RMB58.46 trillion, representing an increase of 18.68% as compared with the corresponding period of the previous year. The number of bank-enterprise direct connect customers was 2,514, with annual daily average deposits of RMB580,239 million.

(3) Online payment business

During the Reporting Period, grasping the opportunities arising from digitalisation of payment industry, the Bank established the comprehensive service system of online payment, and strengthened basic services and innovation capability of payment products, and greatly enhanced the brand influence of "Minsheng Pay® (民生付®)". To boost mobile payment from the C-end customers, the Bank launched the mobile banking function of one-click binding of bank cards with eight partner institutions and was among the first group of banks to connect payment with UnionPay QR code. The Bank also introduced services such as facial-recognition payment and Token payment, and diversified the scenarios of services, so as to provide customers with more convenient and favourable mobile payment services. For the B-end customers, the Bank improved the cashier function of Minsheng Pay to support all mainstream payment methods and achieved multi-channel coverage from PC to mobile devices. The Bank focused on key industries and provided solutions, which attracted a batch of new typical merchants for non-tax payment and member wallet payment, and added new functions of bill split and guaranteed settlement to Easy Collection and Payment (收付易), which satisfied different settlement requirements of merchants. The Bank also launched online platform for submission of application materials for merchants, payment risk control platform and payment marketing platform, realising the full-process online management of online acceptance merchants and further improving the payment risk monitoring, prevention and control.

During the Reporting Period, the number of mobile payment transactions via debit cards amounted to 68,343.1 thousand, representing an increase of 8.05% as compared with the corresponding period of the previous year. Total transaction volume was RMB32,377 million, representing an increase of 50.09% as compared with the corresponding period of the previous year. Transaction volume of online acceptance was RMB267,377 million, representing an increase of 24.44% as compared with the corresponding period of the previous year.

2. Direct bank

Capitalising on the new opportunity arising from China's internet finance development and leveraging advantages of innovative system and mechanism, the Bank is devoted to developing an online ecosystem platform of "zero-contact finance and inclusive finance (零接觸金融、普惠金融)" of direct bank and providing the public with smooth and convenient financial services. In 2020, the Bank continuously deepened the featured BBC service model of "finance cloud + industry cloud (金融雲+行業雲)", launched the "cloud bank ecosystem platform (雲銀行生態平台)" innovatively. Giving full play to digital transformation to align with operation scenarios of enterprises, the Bank offered a series of standardised, scenario-based and open-ended professional financial services, such as "cloud wallet and chained wallet (雲錢包、鏈式錢包)", to the core corporate customers and their upstream and downstream customers. The Bank developed more than 600 standardised APIs, providing scenario-based financial solutions for over 1,000 merchants ranging from infrastructure construction, transportation, logistics, industrial, education, health care and other sectors, serving 33,273 thousand customers. Financial assets under management amounted to RMB115.752 billion. During the year, the Bank has won eight major awards, including the "2019 Banking Technology Development Award (2019年度銀行科技發展獎)" by the PBOC and "2020 Fintech Innovation Award (2020年度金融科技創新獎)" by hexun.com, becoming a benchmark bank in the industry.

3. Physical distribution channels

The Bank has established an effective domestic distribution network that covered all provinces in the Chinese mainland with focus on the Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Bank covered 132 cities in the Chinese mainland, including 140 branch-level institutions (including 41 tier-one branches, 90 tier-two branches and nine remote sub-branches), 1,178 business outlets of sub-branches (including business departments), 1,106 community sub-branches, and 138 small business sub-branches.

The planning and design of business outlet transformation were completed and the first outlet with new space design commenced operation. The Bank completed the planning and design of offline physical outlet transformation, initiated the pilot projects in key branches, and implemented "1+N" outlet management model at Tianjin Branch. The Bank also established standards for new space design of business outlets. The first sub-branch with new space design was open for trial operation in Jinan, providing a replicable model for the upgrading of the Bank's outlets' image to a digital, smart, young and innovative one in the future.

Featured services were upgraded and extraordinary value contribution was made to inclusive finance. Transformation for integrated operation of "wealth+asset" was initiated in community finance. During the reporting period, the Bank insisted on implementing the national strategy of "inclusive finance", overcame the impact of the pandemic, deepened the transformation of scenario-based operation, fully exploited the advantages of community sub-branches in terms of personal and geographical network, and kept providing customers with considerate services with "community" features. Total financial assets of the community (small business) sub-branches continued to increase, with its total amount reaching RMB314,852 million, and the average financial assets of the community network amounted to RMB253 million. Total savings deposits amounted to RMB114,176 million. The number of customers was 7,432.0 thousand, of which 876.5 thousand were at or above active level. The customer base was further fortified.

The operation ecosystem of both online and offline stores was successfully launched. The "Minsheng Bank Online Store" (民生銀行線上店) with focus on marketing activities was officially in operation, establishing the operation ecosystem of both online and offline stores of the Bank. As at the end of the Reporting Period, 1,157 standard outlets and 637 convenience outlets had been launched, with a total of 117,000 visitors and over 450,000 clicks in 25 days.

4. *Operational services*

In 2020, the Bank comprehensively implemented national policies and regulatory requirements, coordinated the pandemic prevention and control and financial services, and returned to business origins of serving the real economy. The Bank continued to provide quality, highly efficient and competitive operational services to customers inside and outside the Bank. In response to the pandemic, leveraging the advantage of centralised operation and multi-location data backup, the Bank secured stable and uninterrupted customer services. For customers in areas badly hit by the pandemic, the Bank introduced innovative operation service models, such as "green channel", "remote banking", "cloud operation" with prioritised services, to vigorously support the pandemic prevention and control as well as the resumption of work and production. The Bank implemented the development strategy of "becoming a fintech-based bank", built and launched the Bank's first "Smart Bank Experience Store", and innovated the integration of emerging technologies such as 5G network, big data, IoT, blockchain, AI and others with financial service scenarios and ecosystems. As such, customers were provided with a new intelligent service experience that "can be seen, touched and carried away".

(VI) Fintech

During the reporting period, with the aim to build an enterprise-level architecture, the Bank established open bank, unified product pool, unified the applications at middle office, completed the transformation of distributed technology architecture, and built up the three-layer architecture featuring a front office of unified channels, a middle office of scenario-based applications and a back office of cloud-based technologies. On the basis of consolidating technological capabilities, the Bank carried out "ten major events" of fintech to support the digital transformation. During the Reporting Period, the Bank invested RMB3,702 million in IT projects, accounting for 2.10% of total operating incomes. As at the end of the Reporting Period, the number of IT personnel of the Bank was 2,625.

The Bank strengthened enterprise-level technological capabilities to build a digital bank. The Bank completed the transformation of the distributed technology architecture bankwide and launched the "Distributed Banking Core System", realising the full self-operation and control of the core system. Imperceptive online dynamic data migration method was adopted and the overall architecture was highly reliable with high performance and high resilience, which laid a solid foundation for the digital transformation of the Bank. Moreover, **the Bank built a middle office of unified applications**, which worked together with the middle offices of business and data, to promote the transformation of customer service model towards scenario-based financial ecosystem. **The Bank built a bank-wide unified product pool** comprising 17 customised product shelves, developed an intelligent push model to send intelligent and customised push notifications, and provided intelligent and integrated services to address customers' needs in different scenarios. **The Bank also deepened data governance, innovated data applications**, created a middle office of real-time data, and innovated and developed big data-based risk control and marketing models such as "Lingxi Willingness Score (靈犀意願分)", "Xinzhu Credit Score (新竹信用分)" and "Baichuan Credit Score (百川信用分)", to improve data-based risk control and marketing capabilities, and to release the value of data as a production factor.

The industry's first remote banking service was launched by the Bank, creating a bank of zero-contact services. By applying technologies such as audio and video transmission and decoding, data interaction and encrypted transmission, online handling of personal and corporate businesses in multiple scenarios was realised by remote tellers through mobile banking, **providing** customers with **real-time and zero-contact services anytime and anywhere. During the pandemic, remote banking totally provided** 406 thousand times of services, exceeding the total number of customers served by offline business outlets of the Bank.

The Bank was also the first in the industry to provide 5G-based mobile banking to create a humanised bank. Applying 5G, AI, edge computing, natural language processing and other technologies, the Bank launched **5G-based mobile banking** with six highlighted features including new dynamic visuals, rich video services and high security, conducted trial runs of "5G RCS" (5G消息) and introduced Minsheng Mobile Banking (Simplified Version) to enable elderly customers to enjoy fast and convenient mobile financial services. Also, RPA, OCR, intelligent voice and other technologies have been applied to build an **integrated operation platform** to provide unified verification and standardised services for customers from different service channels. The Bank applied intelligent technologies to upgrade the operation factory to provide one-stop "cloud witnessing" services for customers, thus improving customer service efficiency and experience.

The Bank enhanced "open bank" capabilities to create a bank without borders. To build an open bank, the Bank reorganised financial services and encapsulated modules, and opened up its products and services, transactions and processes, data and algorithms through various methods including API services, H5, mini programs, financial clouds for ecosystems and others, to link up with industry's ecosystems. At the same time, comprehensive industry solutions have been launched, including "Minsheng Cloud – Human Resource", "Minsheng Cloud – Agency Book Keeping", "Minsheng Cloud – Government Services", "Minsheng Cloud – Travel" and "Minsheng Cloud – Payroll", and the number of registered merchants on platforms to which open bank was connected has reached 8.2 million. The Bank **built a direct bank ecosystem platform** and launched various products including "Group Wallet", "Member Wallet", "Employee Wallet", "Cloud Wallet", "Chain Wallet" and "Fixed Income+", providing scenario-based financial solutions to 1,096 partner institutions.

The Bank innovated and applied various technologies to create an intelligent bank. It released the "Smart Banking Experience Store", which applied 8 emerging mainstream technologies such as 5G, biometrics, knowledge graph and edge computing to achieve high-degree integration of online and offline, financial and non-financial, sales and services, and lobby and home scenes, providing customers with services that "can be seen, touched and carried away". The first experience store in Zhongguancun in Beijing has been officially opened to the public. While the Bank continued to **improve digital operation capability**, accumulate multi-dimensional data such as users' behaviours and transactions, 986 standardised tags have been formed, enabling intelligent selection of targeted customer groups and targeted marketing to improve the capability to activate existing customers.

The Bank focused on technology empowerment on business and created rich product portfolios and comprehensive service capabilities based on scenario ecosystem. On the B-end, taking the Corporate Financial Platform (CFP) as the core, the Bank built up "six product systems + six middle office systems + six risk systems" to support online services for corporate customers including account opening, global fast payment and financing. The Bank also promoted the embedding of financial services, including new supply chain finance, settlement and cash management of "Express, Pool and Earnings (通、聚、盈)", into transaction scenarios. **On the C-end**, focusing on key business areas such as scenario-based finance, intelligent marketing, intelligent risk management, intelligent acceptance and mobile finance, the Bank continued to build a retail strategy application and scenario-based finance system with the Personal Financial Platform (PFP) as the basis and the core, to support the coordinated implementation of strategies between the Head Office and branches. **On the F-end**, the Bank has built a comprehensive financial service platform for financial markets business, enhanced fund management and trading capabilities of financial markets business. It has also built the "Interbank e+" PC-end version to provide interbank customers with integrated three-in-one online services of "products, trading and services" through unified online portal and trading platform. In addition, the Bank has gone live eight major IT systems of the wealth management subsidiary to prepare for its business opening.

(VII) Comprehensive services

During the Reporting Period, the Bank strove for group-oriented, diversified and integrated development and established the "customer-centric" comprehensive service model within the Bank and between the Bank and its subsidiaries. Focused on key business and key customer groups, it optimised the mechanism for cross-market, cross-segment and cross-institution selling. The Bank enriched the scenarios of coordinated applications, strengthened the layout of competitive products, and expanded the scope of cross and coordinated selling, and the depth and breadth of coordinated operations. The Bank also devoted efforts to referral and two-way diversion of customers and further promoted license complementarity between the Bank and its subsidiaries so as to create a comprehensive and customer-oriented financial service system.

Based on the "One Minsheng" development concept, the Bank continuously improved the group-oriented management system and unified the strategic directions of the Bank and its subsidiaries It has introduced a series of group-oriented management policies and measures, enhanced group-oriented risk management system, optimised resource allocation and management mechanism of performance appraisal of subsidiaries, strengthened the development of system platforms of subsidiaries, and deepened the depth of coordinated operations, so as to continuously enhance the capability to provide comprehensive financial services to customers.

(VIII) Overseas business

During the Reporting Period, the Hong Kong Branch actively followed the Bank's development strategy, focused on building differentiated competitive edges and continued to strengthen the three major businesses, namely corporate banking, financial markets, and private banking and wealth management, to give full play of its role as an overseas business platform of the Bank.

Capitalising on the cross-border synergy with the Head Office and grasping the strategic opportunities arising from the "Guangdong-Hong Kong-Macau Greater Bay Area" and others, Hong Kong Branch focused on providing professional cross-border financial solutions for quality corporate customers. In the capital market, Hong Kong Branch expanded featured businesses by successfully promoting the landing of projects of strategic customers, such as Wumart Group and Golden Eagle Group, and recorded remarkable returns from investment banking businesses, such as syndicated loans, M&A loans and structured financing. Hong Kong Branch was among the members of the board of directors of APLMA for the fifth consecutive year. In terms of size of syndicated loan projects in which it played as the book runner and the leading bank, it ranked 12th in both Hong Kong and Macau, demonstrating the Bank's professionalism and market position in the syndicated loan sector.

Capitalising on the strategic position of Hong Kong as an international financial centre, Hong Kong Branch actively expanded its financial markets business. During the Reporting Period, Hong Kong Branch actively developed bond investment and trading, agency business of foreign exchanges and derivatives, and achieved higher returns. As at the end of the Reporting Period, total bond investments and agency trading volume of Hong Kong Branch were HKD64,329 million and USD7,569 million, respectively. The bond issuance business of Hong Kong Branch continued to grow. As at the end of the Reporting Period, the number of Chinese-issued USD bonds underwritten by the Bank ranked first among Chinese joint stock commercial banks[1], reflecting the Bank's significant brand influence and market position in the overseas bond market. The custody business of Hong Kong Branch developed rapidly due to its efforts put in cultivating local custody customer base and improving comprehensive service capabilities. As at the end of the Reporting Period, assets under the custody of Hong Kong Branch amounted to HKD71,256 million, representing an increase of 104.10% as compared with the end of the previous year, and ranked 2nd among Chinese joint stock banks in terms of size of assets under custody.

During the Reporting Period, the personal banking business of Hong Kong Branch saw stable growth. The personal wealth management operation of Hong Kong Branch was positioned as a light-capital internet bank offering services through online banking and mobile banking. Focusing on cross-border wealth management business, Hong Kong Branch aimed to expand its market shares among mid- to high-end individual customer groups and develop itself into a platform of the Bank to acquire and manage mid- to high-end customers. With enhanced cross-border comprehensive financial service capabilities, it has become one of the few Chinese joint-stock commercial banks with online funds management platform in the Hong Kong market.

[1] Source: Bloomberg

In the face of downward trend of interest rates, Hong Kong Branch strengthened liability cost control and achieved a steady growth in net interest margin. As at the end of the Reporting Period, total assets of Hong Kong Branch recorded HKD204,025 million, with net income amounting to HKD2,327 million, representing an increase of 0.95% as compared with the corresponding period of the previous year. Of which, net interest income was HKD1,976 million, representing an increase of 33.78% as compared with the corresponding period of the previous year. Profit before income tax was HKD1,812 million, representing an increase of 21.12% as compared with the corresponding period of the previous year.

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

As at the end of the Reporting Period, the Bank had investments in subsidiaries of RMB7,381 million. For details, please refer to the notes to the financial statements.

1. Minsheng Financial Leasing

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the former CBRC, was established in April 2008 with a registered capital of RMB5,095 million. 54.96% equity interest of Minsheng Financial Leasing was held by the Bank. Minsheng Financial Leasing mainly engages in financial leasing of vessels, commercial aircraft, business jets, vehicles, large-scale equipment, etc., transfer and acquisition of lease assets, and investment of fixed income securities.

During the Reporting Period, Minsheng Financial Leasing maintained growth in a prudent way and achieved good results while fighting against COVID-19 pandemic. As at the end of the Reporting Period, Minsheng Financial Leasing had total assets of RMB196,571 million and net assets of RMB19,729 million. During the Reporting Period, it recorded operating income of RMB6,486 million, profit before allowance of RMB3,430 million and net profit of RMB1,052 million.

During the Reporting Period, by actively implementing the strategy of the Group and capitalising on the Group's advantages, Minsheng Financial Leasing served the development of the Group and provided comprehensive financial services to customers. Facing the negative impacts of the pandemic, Minsheng Financial Leasing actively followed the national policy to support the development of small and micro enterprises and provided professional and distinctive financial leasing services for over 138 thousand small and medium car owners, making active contribution to securing employment, protecting livelihoods and benefiting enterprises and the people. In active response to the new development paradigm with domestic and international circulations reinforcing each other, it expanded the scale of domestic leasing assets, and assisted manufacturers to resume work and production. It further strengthened its comprehensive risk management, optimised risk management and control system and improved relevant capabilities in order to enhance its asset quality, improve risk resilience and maintain stable and sustainable development.

2. Minsheng Royal Fund

Minsheng Royal Fund is a Sino-Foreign fund management joint venture established in November 2008 under the approval of the CSRC, with a registered capital of RMB300 million. 63.33% equity interest of Minsheng Royal Fund was held by the Bank. Minsheng Royal Fund mainly engages in fund raising, fund sales, asset management and other businesses approved by the CSRC.

As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB2,471 million and net assets of RMB1,311 million. During the Reporting Period, it recorded net profit of RMB222 million. A total of 80 public funds were managed by Minsheng Royal Fund with total funds of RMB172,136 million under its management, representing an increase of 15.65% as compared with the end of the previous year. Of which, non-monetary public funds under its management reached RMB150,880 million, representing an increase of 44.99% as compared with the end of the previous year. Minsheng Royal Fund also managed 63 private equity management plans with a management scale of RMB29,349 million.

The performance of medium- and long-term investments of Minsheng Royal Fund was remarkable. As at the end of the Reporting Period, Minsheng Royal Fund ranked 7th out of 93 funds in terms of the active management capacity for three-year-term stock investment and ranked 22nd out of 88 funds in terms of the active management capacity for three-year-term bond investment. It also ranked 4th out of 80 funds in terms of the active management capacity for five-year-term stock investment and ranked 13th out of 63 funds in terms of the active management capacity for five-year-term bond investment[2]. With such outstanding results, Minsheng Royal Fund has won 20 "Golden Bull Awards (金牛獎)" in recent eight years, gaining high recognition by the investors and the industry on its investment capacities and overall strengths.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 51.00% equity interest in it. Minsheng Royal Asset Management's registered capital is RMB668 million, and the scope of business includes specific customer asset management and other businesses permitted by the CSRC. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB36,111 million.

2 Source: Galaxy Securities Fund Research Centre

3. CMBC International

CMBC International is a wholly-owned subsidiary of the Bank established on 11 February 2015 in Hong Kong under the approval of the former CBRC, with a registered capital of HKD3 billion. The principal business of CMBC International includes sponsorship of listing in Hong Kong, financial advisory on merger, acquisition and restructuring, underwriting and issuance of bonds, asset management and wealth management, stock brokerage, direct investment and structured finance. CMBC International is an important and strategic platform for the integrated development and international expansion of the Bank.

As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD27,076 million and HKD22,229 million, respectively. Net assets amounted to HKD4,846 million, of which equity attributable to equity shareholders of the Bank was HKD3,887 million. During the Reporting Period, net profit of CMBC International amounted to HKD573 million, of which net profit attributable to the Bank was HKD418 million, representing an increase of 12.67% as compared with the corresponding period of the previous year.

During the Reporting Period, through adhering to the "One Minsheng" (一個民生) strategy and strengthening business synergy, CMBC International further optimised the structures of products and customers of investment and financing business to overcome the impacts of the pandemic and fluctuations in the capital market. Great efforts were made to consolidate and increase revenues and market positions in terms of investment banking and asset management businesses in a comprehensive manner. During the Reporting Period, CMBC International completed two IPO sponsorship projects and participated in 17 new share underwriting projects on the Main Board of the SEHK and completed 121 Chinese-issued USD bond underwriting projects, maintaining a comparative advantage among peers. CMBC International increased the investment in and application of fintech and developed "Min Yin Tong" (民銀通) and "Min Yin Niu" (民銀牛) APPs, to provide brand new experience of one-stop online services to institutional customers and individual customers.

4. Minsheng rural banks

Minsheng rural banks (collectively referred to as "**rural banks**") are the rural banks initiated and established by the Bank as a major promoter. As at the end of the Reporting Period, the Bank established a total of 29 rural banks with 85 business outlets. Total assets, total loans and total deposits of the rural banks amounted to RMB37,766 million, RMB22,613 million and RMB31,185 million, respectively, representing an increase of RMB2,456 million, RMB2,385 million and RMB1,817 million as compared with the end of the previous year, respectively. Net profit amounted to RMB139 million during the Reporting Period.

During the Reporting Period, the Bank adopted measures in compliance with the relevant requirements of the Board to maintain "effective risk control, steady business development and orderly internal management" to encourage the rural banks to focus on their original functions and positioning in strict compliance with regulations and laws, support the rural revitalisation strategy, and sincerely serve the "rural areas, agriculture and farmers", small business finance as well as residents in communities. All rural banks were committed to exploring local markets and improving service quality to constantly explore a business model of sustainable development. The rural banks have become important platforms of the Bank to perform social responsibilities and effectively expand brand and service coverage to county areas, and have received satisfactory response from customers, peers, the governments and the public.

During the Reporting Period, strictly in compliance with the regulatory requirements, the Bank performed its duties as the major promoter to further optimise the management system and mechanism of rural banks and improve functions of their IT systems, so as to strengthen management assistance and service guarantee. The Bank also promoted the rural banks to improve party building, corporate governance, business development, risk management, compliant operations, and team building. Furthermore, the Bank urged and assisted key rural banks to accelerate disposal of problem assets, replenished capital of relevant rural banks and helped enhance their profitability, so as to facilitate healthy and sustainable development of rural banks.

In order to fight against the COVID-19 pandemic, all rural banks, while ensuring the safety of the personnel and business outlets, actively responded to the requirements of the government and the regulatory authorities by taking measures to increase credit granting, renew loans, defer repayments and reduce and exempt interests. During the year, total loans to micro, small and medium enterprises and customers of "rural areas, agriculture and farmers" amounted to nearly RMB10 billion, and funds and goods were donated to help customers resume work and production and overcome difficulties. The rural banks performed their social responsibilities through practical actions and lived out their long aspired mission.

5. Consolidated structured entities

Consolidated structured entities are mainly principal guaranteed wealth management products sponsored and managed by the Group. The Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in financial assets at fair value through profit or loss and deposits from customers, respectively.

6. Consolidated management

During the Reporting Period, the Bank focused on its strategic position as "a bank of comprehensive services" and adhered to its "One Minsheng" strategy. Through further strengthening the consolidated management of the Group, the synergy effect of the Group was gradually enhanced.

The Board strengthened the normalised supervision mechanism of consolidated management, conducted the full-process management of the annual work plan of relevant consolidated management, and focused on strengthening the quarterly supervision and notification on the implementation of the plan, urging the related departments of the Head Office to comply with the regulatory requirements and improve the performance of consolidated management. The Board also optimised the consolidated management system of the Group by improving the functions of risk management and liquidity risk management, so as to further strengthen the system supports for consolidated management regarding business segments and lines. Based on the regulatory requirements and actual situation of the Bank, the Bank further enhanced the corporate governance and management of subsidiaries in terms of risk, capital, business synergy, internal transactions and other matters. The Bank also formulated and refined relevant rules and regulations, conducted special audits and on-site inspections and researches, and strengthened professional guidance and training, so as to enrich intensive management model for subsidiaries. The width and depth of consolidated management were expanded to improve the efficiency of group-oriented management.

XII. Impact of the COVID-19 Pandemic and Major Countermeasures

During the Reporting Period, in the face of the impact brought by the COVID-19 pandemic, the Bank resolutely implemented the decisions and deployments by the CPC Central Committee and the State Council and complied with the related regulatory requirements. In strict accordance with the national policies on ensuring stability on the six fronts and security in six areas, the Bank coordinated tasks of pandemic prevention and control with financial services, supported the resumption of work and production, reduced and exempted interest charges, and enhanced capability to serve the real economy, so as to fulfill its social responsibilities.

Various measures were taken to secure financial services. The Bank formulated regulations for the prevention and control of the pandemic at business units and carried out sterilisation and disinfection measures to ensure the safety of customers, the security of operation and the orderly resumption of work. The Bank enhanced the coordination of channel services, improved mobile banking APPs and enriched online products, optimised zero-contact business procedures and strengthened the integrated operation of online and offline services. The Bank also enhanced online business and upgraded the online service platform of "Fortune e Store (財富e棧)". More online service functions were introduced, including remote services for transfer and remittance, wealth management enquiry and referral, authorisation of payment, change of password, change of information and online loan application, to satisfy customers' demands.

More credit supports have been given to the sectors of pandemic prevention and treatment. The Bank continued to improve the approval services by improving approval efficiency through remote due diligence and online approval, and rapidly supported the companies on the front line of combating the pandemic through green channels, so as to strongly support customers to resume work and production. The Bank increased credit support for key enterprises involved in prevention and control of the pandemic, ranging from health care, pharmaceutical manufacturing and procurement, public health infrastructure, public utilities, supermarkets and logistics. The Bank also introduced special assistance solutions targeting key areas and key industries that were significantly affected by the pandemic, including financing support to the seriously affected strategic customers at head office level and special credit support to the enterprises participating in the prevention and control of the pandemic. Favourable loan pricing policies for enterprises in the white namelist for pandemic prevention was formulated to fully support the production and operation of key enterprises for pandemic prevention, to whom the Bank has granted a total of RMB68.2 billion new loans. RMB3,790 million inter-bank negotiable certificates of deposit (IBNCD) specifically for pandemic prevention was issued, which strongly supported loan extension to regions hit hard by the pandemic.

Inclusive financial services were improved to support the pandemic prevention and control. Targeted products and exclusive services were introduced, including adjusting maturities of certain personal time deposits. In cooperation with insurance companies, the Bank launched customer care campaigns. For customers engaged in medicare, the Bank introduced exclusive wealth management solutions and Minsheng Medicare Credit Cards with various privileges. For medicare workers, soldiers and government officers participating in the pandemic prevention and control, the Bank introduced new consumer loans with favourable interest rates. For small and micro business owners and self-employed business owners, the Bank provided diversified installment plans for Minsheng Inclusive Small Business Credit Card as well as differentiated preferable interest rates. The Bank actively reached out to the small and micro enterprises in key sectors including medicare and pandemic prevention, healthcare protection, protection of people's livelihood, and manufacturing, and opened green channels to satisfy their credit needs, in an effort to alleviate their financial burden and assist them in fighting against the pandemic. In response to the national policies to boost consumption, the Bank launched a credit card promotion campaign of "616 Dining Coupon (全民616千家美食千萬禮券)" to give out discounts and subsidies of thousands of well-known food and drink merchants on fresh food e-commerce platforms.

The Bank helped customers in difficulties and benefited the real economy. For the customers in temporary difficulties due to the pandemic, the Bank assisted the pandemic-stricken enterprises and individuals to overcome difficulties through different measures, including deferring repayment, reducing or exempting interests and overdue penalty, cutting loan interest rates and protecting credit record. The Bank formulated and executed the action plan known as "Fight against pandemic, Safeguard Growth—Nine Measures to Support the SMEs" to increase credit facilities to the manufacturing industry and SMEs. The Bank actively deferred repayment of principal and interest for enterprises in temporary difficulties in production and operation but with development potential, and took a host of measures to help enterprises resume work and production. More resources of inclusive finance were allocated to help small and micro enterprises in difficulties. The Bank also launched a customer care campaign of "Joined Hands to Overcome Difficulty (守望相助共克時艱)", and carried out online re-visits to over 300 thousand small and micro business owners. Differentiated services under the policy of "One account one policy" were introduced as well.

The Bank actively made donations to facilitate the fight against the pandemic. At the beginning of the pandemic, the Bank donated RMB50 million for medical supplies purchasing and relevant assistance to Wuhan and other regions. At the same time, the Bank also initiated various donation drives nationwide. During the Reporting Period, the Bank donated a total of RMB61,493,200 for supporting pandemic prevention and control.

XIII. Risk Management

During the Reporting Period, the Bank adhered to its core risk management principle of "Tallying with strategies and development, ensuring compliance and stable growth, and carrying out proactive and overall risk management". The Bank comprehensively followed the spirits and key requirements of CPC Central Committee meetings, aligned itself with the national policies on industries, regions and finance, and met the macro-prudent regulatory requirements, so as to further consolidate the risk management basis and uphold risk management duties of three lines of defense. While embracing the goals to support the real economy, prevent systemic risks, enhance capital efficiency and create value, the Bank built up a compliant, sound and efficient risk management system which ensured stable asset quality, healthy asset structure and zero systemic and regional risks, so as to assist the quality development of the Bank. During the Reporting Period, the Bank won the "Achievement in Enterprise Risk Management Award (全面風險管理成就獎)" by *The Asian Banker*.

(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. A platform consisting of credit policies, portfolio management and risk measurement tools has been established by the Bank to control risks and support the strategic business transformation. The risk management system covers the whole process including pre-approval investigation, approval review, post-loan management, collection and preservation of assets. Credit risks of loans extension and non-credit business are also strictly controlled.

Firstly, the Bank strengthened the coordinated credit risk management by establishing Credit Management Department as the leading department for credit risk management of the Bank. Secondly, the Bank enhanced the leading role of credit policies. By strictly following the policy direction of the government and economic and financial policies regarding the pandemic prevention and control, the Bank carried out multi-dimension studies on macro-economy, industries and regions and optimised policy-based access standards to industries through risk analysis and pre-judgement, so as to strongly support the customer groups such as NSOEs, SMEs and small and micro enterprises. Thirdly, the Bank refined its portfolio management and actively supported the real economy. The Bank continued to optimise its asset structure through strengthening support to quality industries such as the advanced manufacturing industry, restricting concentration of financing provided to high-risk industries, allocating more resources to quality and high-potential customers, adjusting credit limit management and reducing numbers of low-efficient customers, as well as consolidating risk measurement and system basis for the formulation, monitoring and adjustment of portfolio management indicators. Fourthly, the Bank took various measures to support business expansion of key customer groups. Since the outbreak of the pandemic, the Bank duly performed its social responsibilities by supporting companies on the frontline of combating the pandemic through increasing credit extension, renewing loans, conducting remote due diligence and online approval as well as protecting credit record. Fifthly, the Bank strictly controlled risk of new credit facilities and ensured continuous decline in the risk of existing problem assets and the good quality of new credit assets. By innovating and optimising the credit supporting means for SME customers in the manufacturing industry, the Bank consolidated the integration between the credit system of the Bank and the ERP system of enterprises and information exchange. By virtue of trading scenarios, big data analysis and system management and control, the Bank provided unsecured loans to SMEs along the supply chains. The digital and intelligent transformation of assessment and approval witnessed preliminary achievements. With supply chain finance as the breakthrough, the Bank actively carried out digital assessment, and made preliminary achievements in further application of big data in automobile, pharmaceutical and home appliances and 3C industries by establishing a big data analysis platform with real-time monitoring. The Bank also established the "Digital Assessment Innovation Lab" to widen the scope of the application to more fields such as energy, real estate and inter-bank business. Sixthly, the Bank further optimised post-loan and post-investment management rules, refined the management system and mechanism, examining risk exposures of key industries, institutions, customers and products, and took effective response measures accordingly. The Bank further refined the post-loan and post-investment management of existing credit and promoted the implementation of post-loan and post-investment management mechanism. Seventhly, the Bank continued to improve the efficiency and effectiveness of early-warning management. The "Sky Eye (天眼)" system, a proactive risk monitoring and early-warning system for retail business, continued to be operated and improved based on the principle of "model-driven, classified management, early-warning, active exit and effective transmission. The Bank accelerated the promotion of monitoring and early-warning system for corporate business based on the big data-driven model, which was featured with centralised management by the Head Office and synergy between the Head Office and branches. The effectiveness of risk early-warning management within the Bank was improved, which was reflected by the continuous improvement on the timeliness, effectiveness and accuracy of risk early-warning. Eighthly, the collection of non-performing assets made notable progress. By further optimising the management mechanism of collection and disposal, innovating disposal methods, adopting centralised disposal and strengthening supervision and execution, the management was further enhanced with application of various approaches, such as repayment collection, transfer, repossession, litigation and writing-off, in the process of collection and disposal. Ninthly, the risk management tools were further upgraded. The Bank continued to optimise its big data-based and machine learning-based internal rating system and continued to widely apply the customer-side RAROC in the management of customer classification, risk policies, pricing of loans and performance appraisal, so as to further improve the customer-centric mechanism for balancing risks and returns. By promoting the system construction of management process on inter-bank credit risk and optimising the management rules and function modules of corporate business system, the Bank established a unified credit management mechanism and system function for the retail sector. In addition, stress testing and model verification were conducted continuously to assist the management in making decision. Tenthly, the Bank implemented the fintech strategy and accelerated the digital transformation of risk management by initiating the development plan of the intelligent risk control system.

(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 Bank manages its interest rate risk, exchange rate risk, stock price risk and commodity price risk in accordance with the regulatory requirements and the rules of the Basel accords. The Bank continuously improves its market risk management system in the areas of limit management, measurement, middle office supervision, stress test and contingency management to cope with the increasingly volatile environment of banking industry.

During the Reporting Period, the Bank steadily elevated our management efforts as follows to further enhance the professional management of market risk. Firstly, the Bank constantly improved market risk management system, strengthened management of on-balance sheet investments, off-balance sheet wealth management and valuation and consolidated statement management, and optimised market risk management mechanism for bonds investment. Secondly, the Bank strove to perfect market risk limit management system to ensure proper transmission of risk appetite throughout the year, while optimising and strengthening daily monitoring to improve risk management. Thirdly, the Bank established an emergency management mechanism for market risk to ensure timely response and orderly management in a turbulent market and instant activation when the escalation of the COVID-19 pandemic, intertwined with the fall of oil prices, triggered international financial market turmoil. Fourthly, the Bank made remarkable efforts to facilitate the implementation of the new FRTB regulatory rules so as to satisfy the regulatory compliance requirements for the measurement of market risk capital while continuously optimising system functions. Fifthly, the Bank reinforced the management of regulatory statistics for market risks and capital monitoring, and realised the methodological integration of external regulatory reporting and internal capital assessment, and quantified and distributed market risk capital to the operating units so as to strengthen capital restraint. Sixthly, the Bank consolidated the foundation of market risk management and upgraded the data marts and management systems for market risks, which were successfully applied in measurement, monitoring, statistics and management. Seventhly, the Bank established a risk research and judgment mechanism to continuously improve research and analysis capabilities, and conduct in-depth and forward-looking researches on foreign currency denominated debts, local government debts, exchange rate risks, structured deposits, etc.

(III) Operational risk

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

During the Reporting Period, the Bank escalated targeted efforts in operational risk management as follows to continuously improve operational risk management capability. Firstly, the Bank constantly improved operational risk management system, increased monitoring and alerting efforts, improved the effectiveness of applying the three major tools, and compiled the operational risk management manual. Secondly, the Bank further optimised special contingency planning system and organised emergency drills for important business, and compiled business continuity management manual to improve the integrity, effectiveness and enforceability of business continuity management system. Thirdly, the Bank continuously strengthened outsourcing risk management by standardising the risk management process, and conducting inspections and trainings and exchanges of outsourcing risk on a regular basis.

(IV) Liquidity risk

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds in a timely manner or to cope with increase in assets or fulfill debt obligations at reasonable costs. The Bank continued to improve its capability of identifying, measuring, monitoring, controlling and mitigating liquidity risks by establishing a scientific organisational structure for liquidity risk management, delineating liquidity risk management responsibilities and formulating effective liquidity management systems, processes, strategies and policies.

During the Reporting Period, in the face of unfavorable factors such as the COVID-19 pandemic, the Bank closely monitored the changes in economic and financial situation, monetary regulatory policies and market liquidity, proactively strengthened analysis and judgment and risk early-warning, continuously advanced forward-looking and refined management, vigorously promoted the optimisation of and adjustment to asset and liability structure, and continuously improved the efficiency of capital allocation, as such, liquidity risks was kept generally under control and major regulatory indexes for liquidity risks moved within reasonable range. Specifically, first off, the Bank improved liquidity risk management system, enhanced the institutional and system support, dynamically adjusted liquidity management strategies, and strengthened market forecast and forward-looking liquidity arrangements. Secondly, it facilitated the monitoring and management of the core elements of liquidity risks with effective dynamic monitoring and forecasting, so as to ensure that the regulatory indicators meet the standards and remained at a reasonably sound level. Thirdly, it strove to optimise asset and liability products and maturity structure, reinforced the management of short, medium and long-term cash flow gaps, strictly limited the scale of short-term liabilities and actively attracted medium- and long-term stable funds, so as to stabilise liability structure. Fourthly, it improved the management of the scale and structure of quality liquidity assets and increased the reserves of quality liquidity assets, in order to enhance liquidity emergency security under pressure. Fifthly, it strengthened the early-warning management of liquidity risks, organised stress testing and emergency drills on a quarterly and irregular basis, and increased support for the liquidity risk-related decision-making of the Bank.

(V) Country risk

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to banking financial institutions, or banking financial institutions suffering from commercial losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region. The Bank managed and controlled country risk through a series of management tools, including evaluation and rating of country risk, setting country risk limit for the Bank and compiling statistics, carrying out analysis and monitoring regarding country risk exposure.

During the Reporting Period, the Bank further improved country risk management system and refined management. Firstly, the Management Plan for the Rating and Limit of Country Risk of China Minsheng Bank for 2020 (《中國民生銀行2020年度國別風險評級與限額管理方案》) was formulated and published, according to which, the Bank carried out country risk rating and annual risk limit management for 202 countries and regions in line with regulatory requirements, and adjusted the country risk ratings and limits for certain countries or regions based on the daily monitoring results. Secondly, the Bank constantly monitored the impact of the COVID-19 pandemic on the politics and economy of those countries, measured, supervised and prepared reports on country risk in a timely manner, and monitored the limit control, the distribution of country risk exposures and public sentiment to major country risks. Thirdly, the Bank completed the annual country risk stress test to measure the country risk losses incurred under changes of ratings of different countries. Fourthly, the Bank prepared country risk analysis report on the U.S. obligatory rights and long-arm jurisdiction according to the regulatory requirements, and completed the country risk assessment for cross-border institutions. Fifthly, the Bank strengthen the management of country risk reserves, promoted the application of such reserves in management accounting, and made monthly provision for country risks. Sixthly, the Bank vigorously promoted the establishment of a country risk management system. The country risk exposures of the Bank are mainly in countries and regions with "low" and "relatively low" country risk ratings, staying at a relatively low level.

(VI) Interest rate risk in banking book

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

During the Reporting Period, firstly, the Bank optimised the governance structure of interest rate risk in banking book and continued to improve internal management system, mechanism and procedures. Secondly, the Bank strengthened daily monitoring of interest rate-sensitive financial assets, repricing gaps of liabilities as well as repricing term. Gap analysis, duration analysis, scenario analysis, stress testing and other approaches were comprehensively adopted to analyse and monitor the interest rate risk in banking book. Thirdly, the Bank managed structural factors of interest rate risk in banking book and continued to strengthen the management and control of maturity mismatch, investment accounts, duration, valuation and other aspects, so as to improve refined risk management capability and to ensure regulatory indicators and risk level of interest rate risk in banking book at a steady level. Fourthly, the Bank promoted the establishment of asset and liability management system to dynamically evaluate, verify and update relevant management tools and models and thus effectively improve system support in respect of interest rate risks in banking book.

(VII) Reputation risk

Reputation risk management refers to the establishment and improvement of reputation risk management mechanisms, proactive prevention and control of risk and elimination of adverse impacts through daily management of reputation risk and proper handling of incidents of reputation risk and adoption of various methods, so as to minimise the losses and negative public perceptions and achieve the overall objectives of reputation risk management. The Bank has regarded reputation risk management as one of its major tasks for ensuring normal operation, promoting favourable public opinion, maintaining good image in the industry and performing the responsibilities of a corporate citizen.

During the Reporting Period, the Bank put great emphasis on reputation risk management to fully implement the Guidelines for the Management of Reputation Risk of Commercial Banks (《商業銀行聲譽風險管理指引》) and the Administrative Measures on Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險管理辦法》). The Bank refined management mechanism, improved handling efficiency, promoted community-level training and enhanced its reputation to create a favourable public environment for the business development of the Bank. Firstly, the Bank promptly evaluated potential threat of risk contagion to predict potential public opinion risks, deploy special monitoring, and formulate plans in advance. Secondly, the Bank enhanced multi-level trainings on reputation risk management to consolidate the foundation of management. Thirdly, the Bank actively publicised its contribution to and achievements in innovating business development, supporting the real economy and NSOEs, assisting the fight against the pandemic and work resumption, lowering fees and surcharges, providing financial services, fulfilling social responsibilities and other aspects.

(VIII) Information technology risk

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

During the Reporting Period, the Bank implemented IT risk management in all areas, including IT governance, information system development and maintenance and information security, and continued to improve IT risk management and promote business development. **Firstly**, based on the arrangements of Strategic Development Plan for Fintech of China Minsheng Bank (2019-2022) (《中國民生銀行科技金融戰略發展規劃(2019-2022)》), the Bank promoted its digital transformation and continued to optimise the systems and mechanisms of IT governance and make improvements on them. **Secondly**, the Bank promoted the grading of system structure to facilitate the successful development and stable operation of distributed core system and enhance risk management and control in the process of system research and development, so as to provide customers with ultimate experience. **Thirdly**, the Bank consolidated the development of data center infrastructure, improved the disaster recovery system and optimised response procedures of changes and events, so as to reduce service interruption risk of IT system. **Fourthly**, the Bank strengthened the development of information security defense system, improved cyber-security protection and refined the protection mechanism of customer information security. **Fifthly**, the Bank intensified the scope and depth of assessing IT risks, put more efforts to rectify and supervise the problems in relation to technology risks, and continued to improve the identification, monitoring and control of IT risks. **Sixthly**, with the focus on risks of key areas, the Bank conducted screenings of customer information security, the data quality of off-site reporting of IT risks to the CBIRC, IT outsourcing, etc.

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

During the Reporting Period, according to reform and development deployments, the Bank continued to consolidate the management foundation and optimise management mechanism of the internal control and compliance work. Special activities of "Rectification Year in Compliance with Laws and Regulations (依法合規整改年)" were launched to comprehensively improve the effectiveness of anti-money laundering and reshape the culture of internal control and compliance. All these actions achieved remarkable results. Firstly, the Bank continued to conduct special tasks to improve regulatory assessment, and fruitful results have been achieved. In 2019, CBIRC's assessment, PBOC's comprehensive rating, and ratings on anti-money laundering and foreign currency have all improved. Secondly, the Bank reshaped the culture of internal control and compliance and conducted educational activities including mandatory compliance trainings for all employees to firmly establish the concept of "compliant operation is the core competitiveness" among employees. Thirdly, the Bank formulated and implemented the policy making plan for 2020. Aligning internal practice with external regulations, the Bank improved policies of Head Office that had been issued for over 5 years and on trial run for over 2 years, and refined policy systems to promote compliant operation and management. Fourthly, with an aim to highlight the management and control of compliance risk from the origin, the Bank standardised and strengthened compliance inspection, published guidance for policy inspection and optimised and post-supervised the compliance management mechanism of system development. Fifthly, the Bank improved the mechanism of related party transactions management. It established and implemented the procedures of reporting to directors, supervisors and senior management and regulators, carried out compliance supervision of related party transactions, and launched related party transaction management system, so as to further refine the professional management of related party transactions. Sixthly, the Bank improved the mechanism of case prevention. It publicised the prevention of illegal fund-raising, strengthened the prevention and control of case risks of tier-two branches and standardised the management and reporting of cases, and improved handling and supervision of major cases, so as to steadily advance the prevention and control of case (risks). Seventhly, the Bank strengthened the regulation of its employees' behaviours by implementing the code of conduct for employees and crime prevention guidelines, completing behaviour assessment of employees and large-scale misconduct screening. A behaviour monitoring system has been developed and launched for employees, and a regular misconduct monitoring mechanism has been established. Eighthly, the Bank improved the standardisation and professionalism of compliance inspections. It carried out compliance inspections in areas of highlighted regulatory concerns and key internal control issues and implemented special regulatory governance, to continuously improve and strengthen compliance supervision. Ninthly, the Bank launched special activities of "Rectification Year in Compliance with Laws and Regulations (依法合規整改年)" to clarify rectification standards, improve rectification mechanism, and advance effective rectifications of problems identified in internal and external inspections, so as to enhance internal control and compliance management. Tenthly, the Bank adjusted and optimised the compliance and accountability mechanism, improved the mechanism of responsibility determination, implemented the accountability tracking mechanism for business units, and promoted the establishment of the management mechanism of duty performance and accountability exemption, so as to standardise accountability management, strengthen accountability, and enhance and consolidate compliance management awareness. Eleventhly, the Bank strengthened appraisal and evaluation by setting up appraisal indicators of the Head Office and revising rules for compliance appraisal of business units and promoting business units to refine appraisal system, giving full play to the role of appraisal and evaluation in enhancing internal control and compliance management. Twelfthly, the Bank strengthened technology empowerment and advance development of internal control and compliance system, which contributed to a higher level of informatisation in internal control and compliance management. Thirteenthly, the Bank took active measures to effectively communicate regulatory policies of the pandemic prevention and control and implement the regulatory requirements, so as to ensure compliant operations in financially assisting the prevention and control of the pandemic.

In respect of anti-money laundering management, with the implementation of anti-money laundering regulatory requirements of "give priority to risks (風險為本)", the Bank fulfilled its legal obligations and social responsibilities in respect of anti-money laundering. During the Reporting Period, the Bank carried out key tasks including comprehensively improving the effectiveness of anti-money laundering, and further improved the management system for money laundering risk, so as to enhance the quality and effectiveness of anti-money laundering. Firstly, regulatory rating on anti-money laundering of the Bank as a legal person and its branches witnessed comprehensive improvements. Several tier-one branches ranked top in ratings on anti-money laundering by local regulators. Secondly, the Board of Directors, the Board of Supervisors and the Senior Management of the Bank continued to strengthen duty performance in anti-money laundering, and strengthened duty performance in anti-money laundering from chief executives. Thirdly, the Bank improved the allocation of resources for anti-money laundering and the Anti-money Laundering Management Department (a tier-two department) of the Head Office expanded its manpower. The Bank set up positions specialised for anti-money laundering at business departments and established anti-money laundering centres at all tier-one branches. The number of employees specialised for anti-money laundering in the Bank increased significantly. Fourthly, the Bank pushed forward the effectiveness advancement project for anti-money laundering. By carrying out five special tasks respectively to enhance inspection and rectification, improve internal control system, strengthen the responsibility performance, enhance technology capability and establish a professional anti-money laundering team, the Bank managed to further improve the performance of anti-money laundering management. Fifthly, the Bank optimised the system and standards of money laundering risk assessment, carried out the trial assessment and intensified the application of assessment results. Sixthly, the Bank comprehensively intensified anti-money laundering inspection and the audit management. There were three lines of defense for anti-money laundering management: the first line was being responsible for proactive self-inspection on anti-money laundering, the second line was being responsible for on-site inspections and regular off-site inspections on anti-money laundering, and the third line was being responsible for special audits of anti-money laundering bankwide. Seventhly, the Bank extensively strengthened the identification management of customers, achieved the goal of data governance of existing customers and comprehensively improved and emphasised the rating system for money laundering risk of customers. Eighthly, the Bank further enhanced professional management of anti-money laundering monitoring, and established the quality inspection and control and management mechanism of suspicious transaction report in respect of anti-money laundering. It strengthened the application of analysis results of anti-money laundering monitoring. With focus on key areas in relation to gambling, fraud and tax, the Bank assisted competent authorities in uncovering crimes in several major cases. Ninthly, the Bank pushed forward in-depth screenings on money laundering risk of employees' accounts to enhance employees' compliance awareness in using their accounts. Tenthly, the Bank further promoted the publicity and education activities of anti-money laundering and organised qualification authentication of anti-money laundering for the banking industry and the Bank. Accordingly, qualified anti-money laundering talent pool had been further expanded. In addition, the Bank launched the "Competition for Publicising Anti-money Laundering via Tik Tok by Minsheng Bank (民生銀行反洗錢抖音宣傳大賽)", achieving effective social publicity. Eleventhly, the Bank accelerated the pace of fintech empowerment by further promoting major projects including AI development, optimisation of the function of customer risk rating and rules for suspicious transactions as well as relocation of operation data base, with an aim to effectively improve the capability and technical level of anti-money laundering system. Lastly, the Bank made every effort to improve anti-money laundering during the pandemic. The contingency plan for anti-money laundering during the pandemic prevention and control was formulated and implemented. The Bank actively reported the progress of anti-money laundering during the pandemic, and conducted screenings to identify risks in relation to transactions of wild animals and pandemic-related frauds.

XIV. Prospects and Measures

(I) Competition and development trend of the banking industry

As the opening year of the 14th Five-Year Plan period, 2021 is of particular importance to China in the process of modernisation. Globally, as the world economy continues to be complex and the prospects of recovery is unstable and unbalanced, various risks derived from the pandemic should not be neglected. In China, although the foundation for economic recovery needs to be further consolidated and there are still many risks and challenges standing in the way of development, the economic fundamentals that will sustain long-term growth remain unchanged. China will act on the general principle of pursuing progress while ensuring stability, adapt to the new development stage, implement the new development philosophy and create a new development paradigm. It will pursue quality development, advance supply-side structural reform and harness reform and innovation. China will continue to expand domestic demand, strengthen science and technology to provide strategic support for development and pursue higher-level opening up. China will roll out its macro policies in a scientific and targeted approach and strive to keep economic activities within appropriate range of levels. These efforts will ensure a good start in the 14th Five-Year Plan period.

China will maintain continuity, stability and sustainability in its macro policies to alleviate difficulties of market entities. It will maintain necessary policy support and avoid sharp turns, while strengthening targeted, well-timed, and precise control on the basis of range-based control. China will enhance the quality, efficiency and sustainability of its proactive fiscal policy, lower the government deficits and deficit-to-GDP ratio. Government expenditures will be moderately increased and tax reduction policies will be refined and implemented to expand effective investment. Prudent monetary policy will be more flexible, targeted, reasonable and appropriate. Serving the real economy will be underscored as a national strategy while liquidity will remain moderately ample. The financing difficulties of micro and small enterprises will be further addressed. Financial support to key areas and weak points, such as IT innovation, green development, rural revitalisation, etc., will be increased. China will optimise regulation over deposit interest rates, further lower actual loan interest rate, and continue to guide the financial sector in benefiting the real economy. China will strike a balance between promoting economic recovery and preventing risks, maintain vigorous in disposals of non-performing assets in the banking industry, replenish capital for small and medium-sized banks through multiple channels. Also, regulators will tighten efforts against business monopolies, guard against unregulated expansion of capital, regulate financial innovation, further urge all the stakeholders to take up duties and address drawbacks in the regulatory system.

In 2021, under the environment of tightening credit policy and stabilising currency, credit scale of the banking industry is expected to maintain steady growth. Focusing on the credit policy direction of "supporting innovation, increasing credit supply to small and micro enterprises, promoting green finance, boosting retail, stabilising infrastructure and reining in credit supply to real estate", the banking industry will put every effort to contribute to a new development paradigm. Net interest margin in the industry is estimated to maintain stable in general. Competitive edges of banks with leading businesses, strong capability to price asset risks and stable core liabilities will be further demonstrated. Under the domestic environment with economic recovery, non-performing assets of the banking industry will see significant improvements in general and business growth will be expanded. At the same time, under the background of deepening financial supply-side structural reform and differentiated regulation which is expected to persist, all institutions will identify the common ground between its own strategic planning and that of the state. Based on their distinctive positionings, professional operation and differentiated development, a multi-layer system of banking institutions will be established gradually. In the face of rapid scientific and technological changes and fierce cross-sector competitions, the banking industry will hold on to IT empowerment and value creation to further foster driving forces in serving the new development pattern and promoting high-quality development. They will also endeavour to build powerful banks of science and technology and digital banks to cultivate new competitive advantages in the future. In addition, in order to achieve quality development, in 2021, banks will tend to enhance operation efficiency and performance, refine internal mechanisms, innovate organisational structure and accumulate growth potential. Through "establishing mechanism, strengthening management, improving driving forces and optimising talent selection", banks will improve their systems, stimulate vitality, refine management and conduct healthy competition.

(II) Development strategy of the Bank

In such a complex domestic and international economic and financial regulatory situation, adhering to the mission of "From the People, For the People", the Bank draws on its institutional and organisational advantages as a non-state-owned bank to provide all-around comprehensive financial services for quality large-sized NSOEs to bolster the healthy development of non-state-owned economies, aiming to become the bank of choice of NSOE customers, especially to establish a golden brand in financial services for micro, small and medium enterprises. The Bank implements all-round digital innovation and remodeling to realise comprehensive digital transformation in the fields of customer service, marketing, risk control and internal management, aiming to create an agile and efficient digital bank with ultimate customer experience. Taking retail business as the key to the digital transformation, it strives to provide diversified services covering all scenarios and enhance intelligent financial services, thus to realise a leap-forward development of retail business. The Bank endeavours to establish a business synergy system featuring "One Minsheng" under customer-centric philosophy. It gives full play to the function of subsidiaries as product platforms to form integrated and comprehensive services throughout the Group. By taking customers' needs as the source power of its development, it further integrates with customers and create value for them to achieve mutual growth. The Bank comprehensively refines management, optimises procedures, improves management mechanism to enhance organisational efficiency and build core competitiveness for quality development. It also comprehensively reshapes risk compliance culture and enhances risk management capabilities to resolutely followed the path of sound and sustainable development.

In 2021, in the face of multiple challenges, such as the downward pressure of the macro-economy, the complex and ever-changing international situation and the intensifying market competition, the Bank will continue to deepen implementation of strategies to focus on the key areas of financial services and address the functions of financial service. Shouldering the mission to serve the real economy and people's livelihood, the Bank will improve basic products and services to satisfy the basic needs of customers. Under the major task of serving national strategies, the Bank will further increase financial support for NSOEs, small and micro enterprises, advanced manufacturing, agriculture-related sectors and green credit. At the same time, firmly adhering to the belief that "compliant operation is the core competitiveness", the Bank will strictly guard against the bottom line of compliance, continuously improve internal control and compliance system and mechanism, and strengthen compliance culture. Through multiple approaches such as expanding customer base, seeking innovation, focusing on key issues, adjusting structure, promoting transformation, controlling risks, optimising appraisal and strengthening synergy, the Bank will continue to improve its capability to serve the real economy, and fuel its transformation towards organic development featuring high quality, high efficiency and high dynamics, and strive to become a first-class commercial bank with distinctive features, continuous innovation, increased value and stable operation.

(III) Potential risks

Currently, the development of the COVID-19 pandemic and the external environment are clouded by uncertainty, and the global economic situation remains complex and challenging, with various types of risks deriving from the impact of the pandemic and the changes in international political and economic situation which should not be ignored.

First, there are risks arising from the uncertainty in the external environment. The global spread of the pandemic is still accelerating, the developed economies are troubled with the second wave of the pandemic, which is detrimental to the overall recovery of the global macro-economy. Although there have been some breakthroughs in vaccine research and development, there are still uncertainies about the pace and scope of vaccination, in which some of the emerging economies may lag behind, which will in turn increase country risks. Uncertainty about external demand and recovery of supply will increase the risks in foreign trade. **Second**, there are risks arising from the uncertainty in the domestic environment. China's macroeconomic recovery is still hindered by unsynchronised and unbalanced development, with slower recovery in sectors such as wholesale and retail, transportation, warehousing and postal service, accommodation and catering, leasing and commercial services, whereby the recovery of consumption is slower than that of investment and exports, recovery of offline consumption is slower than online consumption, as some enterprises still face significant operating pressure, which will bring potential pressure on the asset quality of commercial banks. **Third**, there are risks arising from the uncertainty in the financial markets. As the domestic economy gradually recovers, the special macro policies introduced during the pandemic are expected to be withdrawn in an orderly manner, which will have a broad impact on interbank market liquidity and market interest rate movements, thus bringing pressure on market risk management. **Fourth**, management of operational and compliance risks is facing challenges. With the continuous integration of technology and finance and rapid development of online banking business, fraudulent behaviours have become swifter and more hidden, which will increase the difficulty in banks' identification and management of operational risks. The international situation of anti-money laundering and anti-terrorist financing remains challenging, and with the tightening regulatory standards for anti-money laundering at home and abroad, commercial banks' anti-money laundering efforts also face many challenges. **Fifth**, IT risk management is also facing challenges. As the digital transformation of banks accelerates with their business processes going online and becoming more intelligent, more stringent requirements for IT security and personal information protection are expected.

In the face of the new situation, the Bank will resolutely carry out the decision and deployments of the CPC Central Committee, the State Council and the regulatory authorities, insist on pursuing progress while ensuring stability, put risk prevention and control in a more important position, and continue to support the development of the real economy. It will also adhere to the risk culture with the belief that "compliant operation is the core competitiveness" and continuously improve management capabilities of all risks, so as to ensure the sound and orderly business development.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Ordinary Shares

(I) Changes in ordinary shares

(Unit: Share)

	31 December 2020		Changes over the Reporting Period	31 December 2019	
	Number of shares	**Percentage (%)**	Number of shares	Number of shares	Percentage (%)
I. Shares subject to restriction on sales	—	—	—	—	—
1. State-owned shares	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—
Of which: Held by domestic legal person	—	—	—	—	—
Held by domestic natural person	—	—	—	—	—
4. Foreign investor shares	—	—	—	—	—
Of which: Held by overseas legal person	—	—	—	—	—
Held by overseas natural person	—	—	—	—	—
II. Shares not subject to restriction on sales	**43,782,418,502**	**100.00**	—	43,782,418,502	100.00
1. Ordinary shares in RMB	**35,462,123,213**	**81.00**	—	35,462,123,213	81.00
2. Domestic listed foreign invested shares	—	—	—	—	—
3. Overseas listed foreign invested shares	**8,320,295,289**	**19.00**	—	8,320,295,289	19.00
4. Others	—	—	—	—	—
III. Total number of ordinary shares	**43,782,418,502**	**100.00**	—	43,782,418,502	100.00

(II) Shares subject to restriction on sales and restrictions

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

II. Sufficiency of Public Float

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

III. Issuance of Ordinary Shares

During the Reporting Period, the Company did not issue new ordinary shares, and there were no changes in the total number and structure of the ordinary shares.

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

IV. Information on Preference Shares

(I) Issuance and listing of preference shares in the past three years

For the purpose of improving capital structure of the Company, providing capital support to the implementation of all strategies, improving capital adequacy ratio and promoting continuous development, pursuant to the approval by the former CBRC (Yin Jian Fu [2016] No. 168) (銀監覆[2016]168號) and the approval by the CSRC (Zheng Jian Xu Ke [2019] No. 1158) (證監許可[2019]1158 號), the Company issued preference shares (preference shares name: Minsheng Preference 1; code: 360037) in the amount of 200,000,000 shares to qualified investors on 15 October 2019 through a private offering in the domestic market. The nominal value of the preference shares was RMB100 per share and the preference shares were issued at par with a coupon rate of 4.38%, and the proceeds amounted at RMB20,000 million in total. The net proceeds raised from the domestic preference shares issuance were approximately RMB19,970 million, after deduction of issuance expenses, all of which will be used for replenishment of the other tier 1 capital of the Company. The use of proceeds was as stated in the prospectus, details of which are set out in the Special Report on Deposit and Actual Use of Proceeds from 2019 Domestic Non-public Issuance of Preference Shares of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司2019年度境內非公開發行優先股募集資金存放與實際使用情況專項報告》) issued by the Company on 31 March 2020. On 24 October 2019, the Company completed the procedures for registration and depository with China Securities Depository and Clearing Corporation Limited (Shanghai Branch) for the domestic non-public issuance of 200,000,000 preference shares, and shares were listed for sale on the SSE on 8 November 2019.

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

(II) Number of holders of preference shares and particulars of shareholding

1. *Offshore preference shares*

As at the end of the Reporting Period, the number of holders of offshore preference shares (or nominees) was 1. As at the end of the month prior to the disclosure date of this Annual Report (i.e. 28 February 2021), the number of holders (or nominees) of the Company's offshore preference shares was 1.

As at the end of the Reporting Period, particulars of shareholding of the top 10 holder(s) (or nominees) of the Company's offshore preference shares are set out as follows:

(Unit: Share)

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Number of shares held	Number of shares subject to restriction on sales held	Number of shares pledged or locked-up
The Bank of New York Depository (Nominees) Limited	Overseas legal person	Offshore preference shares	—	100.00	71,950,000	—	Unknown

Notes: 1. The number of shares held by the offshore preference shareholder was recorded in accordance with the register of holders of offshore preference shares of the Company;

2. As the preference shares were issued through private offering in offshore market, information of nominees of the allotted investors was recorded on the register of holders of the preference shares;

3. The Company does not know if there is any related relationship or concerted action among the above holder of offshore preference shares and the top 10 shareholders of ordinary shares.

2. *Domestic preference shares*

As at the end of the Reporting Period, the number of holders of domestic preference shares (or nominees) was 22. As at the end of the month prior to the disclosure date of this Annual Report (i.e. 28 February 2021), the number of holders (or nominees) of the Company's domestic preference shares was 24.

As at the end of the Reporting Period, particulars of shareholding of holder(s) of domestic preference shares of the Company with shareholding of 5% or more are set out as follows:

(Unit: Share)

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Number of shares held	Number of shares subject to restriction on sales held	Number of shares pledged or locked-up
Bosera Fund – ABC – Agricultural Bank of China Limited	Others	Domestic preference shares	-2,900,000	13.55	27,100,000	—	Nil
CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" Open-Ended Wealth Management Single Fund Trust	Others	Domestic preference shares	—	10.00	20,000,000	—	Nil
Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Assets Management Plan	Others	Domestic preference shares	—	10.00	20,000,000	—	Nil
China Post & Capital Fund – Huaxia Bank – Huaxia Bank Co., Ltd.	Others	Domestic preference shares	—	9.00	18,000,000	—	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product	Others	Domestic preference shares	—	7.00	14,000,000	—	Nil
China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH	Others	Domestic preference shares	—	5.00	10,000,000	—	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds	Others	Domestic preference shares	—	5.00	10,000,000	—	Nil
Taiping Life Insurance Co., Ltd. – Traditional – General Insurance Product – 022L – CT001SH	Others	Domestic preference shares	—	5.00	10,000,000	—	Nil

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Number of shares held	Number of shares subject to restriction on sales held	Number of shares pledged or locked-up
China Resources SZITIC Trust Co., Ltd. – China Resources Trust·Hui Cui No. 1 Single Fund Trust	Others	Domestic preference shares	—	5.00	10,000,000	—	Nil
Guotai Junan Securities Asset Management – Futong·Rixin H14001 RMB Wealth Management Product – Guojun Asset Management 0638 Targeted Asset Management Contract	Others	Domestic preference shares	10,000,000	5.00	10,000,000	—	Nil
BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	Others	Domestic preference shares	4,400,000	5.00	10,000,000	—	Nil

Notes:

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

2. There was related relationship between “Bosera Fund – ABC – Agricultural Bank of China Limited” and “Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Assets Management Plan”; there was related relationship between “Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product” and “Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds”. Save as disclosed above, the Company does not know if there is any related relationship or concerted action among the above holders of domestic preference shares or among the above holders of domestic preference shares and the top 10 shareholders of ordinary shares;

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

(III) Distribution of dividends of preference shares

The dividend of the preference shares of the Company was payable in cash on an annual basis. Any fraction of dividends not paid to holders of preference shares will not be accumulated to the following dividend year. The holders of preference shares will receive dividends at the agreed coupon rate, and they shall not be entitled to participate in the distribution of remaining profit with ordinary shareholders.

1. *Offshore preference shares*

   Pursuant to the resolution and authorisation passed at the first extraordinary general meeting for 2016, the first A share class meeting for 2016 and the first H share class meeting for 2016, the profit distribution plan for the offshore preference shares was considered and approved at the third meeting of the eighth session of the Board on 30 November 2020. According to the relevant terms of offshore preference shares, the annual dividend rate of offshore preference shares shall be 4.95%. According to relevant PRC laws and regulations, when the Company distributes dividends of the offshore preference shares, it shall withhold and pay income tax at the rate of 10%. According to the relevant requirements of the terms and conditions of the Company's offshore preference shares, the Company shall bear such tax as a component of the dividends of the offshore preference shares. The Company distributed dividends of USD79,145,000 (tax inclusive) to the holders of the Company's offshore preference shares whose names appeared on the register of members on the record date on 14 December 2020. The aforementioned dividends of the offshore preference shares amount to approximately RMB520,631,639 (tax inclusive) based on the exchange rate on the date of declaration of such dividend distribution.

2. *Domestic preference shares*

   Pursuant to the resolution and authorisation passed at the first extraordinary general meeting for 2016, the first A share class meeting for 2016 and the first H share class meeting for 2016, and the relevant resolutions on extending the validity period and authorisation period in 2017-2019, the profit distribution plan for the domestic preference shares was considered and approved at the 22nd meeting of the seventh session of the Board on 28 August 2020. According to the relevant terms of domestic preference shares and calculated at the coupon rate of 4.38%, a cash dividend of RMB4.38 (tax inclusive) per domestic preference share shall be distributed. On the basis of the 200 million domestic preference shares issued, the Company distributed dividends of RMB876 million (tax inclusive) in total on 19 October 2020 to holders of domestic preference shares whose names appeared on the register of members as at the record date.

3. *Distribution of dividends of preference shares in the past three years*

(Unit: RMB million, except for percentage)

	2020		2019		2018	
	Dividend rate	**Amount of dividend distributed**	Dividend rate	Amount of dividend distributed	Dividend rate	Amount of dividend distributed
Offshore preference shares	**4.95%**	**521**	4.95%	558	4.95%	551
Domestic preference shares	**4.38%**	**876**	—	—	—	—

Note: Amount of dividend distributed includes tax.

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

(IV) Repurchase or conversion of preference shares

During the Reporting Period, no preference shares of the Company have been repurchased or converted into ordinary shares.

(V) Recovery of voting rights of preference shares

During the Reporting Period, no voting rights of preference shares of the Company have been restored.

(VI) Accounting policies for preference shares and the underlying reasons

According to the requirements promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (《企業會計準則第37號－金融工具列報》), there was no need for the issued and existing domestic preference shares of the Company to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Company will have no obligation to deliver a variable quantity of its equity instruments as other equity instruments for accounting purpose.

V. Issuance of Bonds

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

(I) Subordinated Bonds in 2011

Pursuant to the approval by the former CBRC (Yin Jian Fu [2010] No. 625) (銀監覆[2010]第625號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Zhun Yu Zi [2011] No. 64) (銀市場准予字[2011]第64號), the Company issued a total of RMB10,000 million subordinated bonds through public offering in the national interbank bond market on 18 March 2011. As assessed by Dagong Global Credit Rating Co., Ltd., the credit rating of the subordinated bonds was AAA. Two types of subordinated bonds were issued for terms of 10 years and 15 years, respectively. Type I Bonds (bond name: 11 Minsheng 01; bond code: 1108001), having a term of 10 years and amounting to RMB6,000 million, were issued at the coupon rate of 5.50% and were early redeemed on 18 March 2016, while Type II Bonds (bond name: 11 Minsheng 02; bond code: 1108002), having a term of 15 years and amounting to RMB4,000 million, were issued at the coupon rate of 5.70%. These subordinated bonds granted the issuer a one-off early redemption option, that is, subject to the approval by the regulatory authorities of the banking industry, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of Type I Bonds or after the expiry of the tenth year but before the maturity date of Type II Bonds. The exercise of the early redemption option by the issuer is not subject to the consent of bond holders.

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

On 18 March 2020, the prevailing interest of RMB228,000,000 was distributed to the bond investors by the Company.

As at the end of the Reporting Period, the balance of the 15-year subordinated bonds of China Minsheng Banking Corp., Ltd. of 2011 was RMB4,000 million. During the Reporting Period, Dagong Global Credit Rating Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 15 May 2020 with the bond rating of AAA, which was the same as the report of previous year. (For details, please refer to www.chinabond.com.cn)

(II) Tier-Two Capital Bonds in 2015

Pursuant to the approval by the former CBRC (Yin Jian Fu [2015] No. 136) (銀監覆[2015]136號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2015] No. 54) (銀市場許准予字[2015]第54號), the Company issued tier-two capital bonds (bond name: 15 Minsheng Tier-Two; bond code: 1528002) with a total amount of RMB20,000 million through public offering in the national interbank bond market on 28 April 2015. As assessed by Dagong Global Credit Rating Co., Ltd., the credit rating of the tier-two capital bonds was AAA. These tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 5.40%. The interest was payable on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the former CBRC upon the exercise of redemption option, the Company may, subject to the approval by the regulatory authorities of the banking industry, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements at that time and approval of the regulatory authorities of the banking industry. The exercise of early redemption option by the Company is not subject to the consent of bond holders.

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

On 26 March 2020, the Company received the Opinion on the Early Redemption of Tier-Two Capital Bonds (《關於提前贖回二級資本債券意見的函》) issued by the CBIRC, pursuant to which the exercise of early redemption of tier-two capital bonds by the Company was approved. In accordance with the requirement, the Company published the Announcement on Exercising the Redemption Option of the Issuer of the Tier-Two Capital Bonds of China Minsheng Banking Corp., Ltd. in 2015 (《2015年中國民生銀行股份有限公司二級資本債券發行人贖回選擇權行使公告》) on www.chinabond.com.cn. The redemption of tier-two capital bonds of China Minsheng Bank in 2015 in the amount of RMB20,000 million was completed on 29 April 2020, and the interest for the year concerned amounting to RMB1,080,000,000 was distributed to the bond investors.

(III) Tier-Two Capital Bonds in 2016

Pursuant to the approval by the former CBRC (Yin Jian Fu [2016] No. 119) (銀監覆[2016]119號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2016] No. 116) (銀市場許准予字[2016]第116號), the Company issued tier-two capital bonds (bond name: 16 Minsheng Tier-Two; bond code: 1628014) with a total amount of RMB20,000 million through public offering in the national interbank bond market on 30 August 2016. As assessed by Dagong Global Credit Rating Co., Ltd., the credit rating of the tier-two capital bonds was AAA. These tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 3.50%. The interest was payable on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the former CBRC upon the exercise of redemption option, the Company may, subject to the approval by the regulatory authorities of the banking industry, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements at that time and approval of the regulatory authorities of the banking industry. The exercise of early redemption option by the Company is not subject to the consent of bond holders.

According to applicable rules, the proceeds from the 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 2020, interest for the year concerned amounting to RMB700,000,000 was distributed to the bond investors by the Company.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Banking Corp., Ltd. of 2016 was RMB20,000 million. During the Reporting Period, Dagong Global Credit Rating Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 15 May 2020 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn)

(IV) Financial Bonds in 2017

Pursuant to the approval by the former CBRC (Yin Jian Fu [2015] No. 683) (銀監覆[2015]683號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2016] No. 161) (銀市場許准予字[2016]第161號), the Company issued the financial bonds (bond name: 17 Minsheng Bank 01; bond code: 1728004) with a total amount of RMB30,000 million through public offering in the national interbank bond market on 7 March 2017. As assessed by Dagong Global Credit Rating Co., Ltd., the credit rating of the financial bonds was AAA. These financial bonds were issued for a term of three years with fixed coupon rate of 4.00%. The interest was payable on an annual basis.

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

On 9 March 2020, interest for the year concerned amounting to RMB1,200,000,000 was distributed and the principal of RMB30,000 million was paid to the bond investors by the Company.

(V) Tier-Two Capital Bonds in 2017

Pursuant to the approval by the former CBRC (Yin Jian Fu [2017] No. 178) (銀監覆[2017]178號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2017] No. 140) (銀市場許准予字[2017]第140號), the Company issued the first tranche of tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2017 (bond name: 17 Minsheng Tier-Two 01; bond code: 1728016) with a total amount of RMB15,000 million and the second tranche of tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2017 (bond name: 17 Minsheng Tier-Two 02; bond code: 1728023) with a total amount of RMB15,000 million through public offering in the national interbank bond market on 12 September 2017 and 27 November 2017, respectively. As assessed by Dagong Global Credit Rating Co., Ltd., the credit ratings of the two tranches of tier-two capital bonds were both AAA. The two tranches of tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 4.70%, respectively. The interest was payable on an annual basis. The two tranches of tier-two capital bonds both granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the former CBRC upon the exercise of redemption option, the Company may, subject to the approval by the regulatory authorities of the banking industry, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the former CBRC. The exercise of early redemption option by the Company is not subject to the consent of bond holders.

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

On 14 September 2020, interest for the year concerned amounting to RMB705,000,000 was distributed to the investors of the first tranche of bonds by the Company. On 30 November 2020, interest for the year concerned amounting to RMB705,000,000 was distributed to the investors of the second tranche of bonds by the Company.

As at the end of the Reporting Period, the balance of the first tranche and second tranche of tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2017 was RMB30,000 million. During the Reporting Period, Dagong Global Credit Rating Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 15 May 2020 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn)

(VI) Special Financial Bonds for Small and Micro Enterprises in 2018

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2018] No. 189) (銀保監覆[2018]189號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2018] No. 211) (銀市場許准予字[2018]第211號), the Company issued the first and second tranches of special financial bonds for small and micro enterprises with a total amount of RMB60,000 million through public offering in the national interbank bond market on 19 November 2018 and 12 December 2018, respectively. As assessed by Dagong Global Credit Rating Co., Ltd., the credit ratings of the two tranches of financial bonds were AAA. The first tranche of the financial bonds of China Minsheng Bank of 2018 (bond name: 18 Minsheng Bank 01; bond code: 1828016), amounting to RMB40,000 million, was issued on 19 November 2018 for a term of three years with fixed coupon rate of 3.83%. The interest was payable on an annual basis. The second tranche of the financial bonds of China Minsheng Bank of 2018 (bond name: 18 Minsheng Bank 02; bond code: 1828020), amounting to RMB20,000 million, was issued on 12 December 2018 for a term of three years with fixed coupon rate of 3.76%. The interest was payable on an annual basis.

In accordance with the applicable laws and approvals of the regulatory authorities, the proceeds from the issuance will be specifically used for extending loans to small and micro enterprises. The use of the proceeds was as stated in the prospectus.

On 23 November 2020, interest for the year concerned amounting to RMB1,532,000,000 was distributed to the investors of the first tranche of bonds by the Company. On 14 December 2020, interest for the year concerned amounting to RMB752,000,000 was distributed to the investors of the second tranche of bonds by the Company.

As at the end of the Reporting Period, the balance of the first tranche and second tranche of the financial bonds of China Minsheng Banking Corp., Ltd. in 2018 was RMB60,000 million. During the Reporting Period, Dagong Global Credit Rating Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 15 May 2020 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn)

(VII) Tier-Two Capital Bonds in 2019

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

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

On 1 March 2020, interest for the year concerned amounting to RMB1,792,000,000 was distributed to the bond investors by the Company.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2019 was RMB40,000 million. During the Reporting Period, Golden Credit Rating International Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 19 June 2020 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn)

(VIII) Undated Capital Bonds in 2019

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

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

On 4 June 2020, interest for the year concerned amounting to RMB1,940,000,000 was distributed to the bond investors by the Company.

As at the end of the Reporting Period, the balance of the undated capital bonds of China Minsheng Banking Corp., Ltd. in 2019 was RMB40,000 million. During the Reporting Period, Golden Credit Rating International Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 19 June 2020 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn)

(IX) *First Tranche of Special Financial Bonds for Loans to Small and Micro Enterprises in 2020*

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2018] No. 189) (銀保監覆[2018]189號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2018] No. 211) (銀市場許准予字[2018]第211號), the Company issued the first tranche of special financial bonds for loans to small and micro enterprises of China Minsheng Banking Corp., Ltd. in 2020 with a total amount of RMB20,000 million (bond name: 20 Minsheng Small and Micro Enterprises Bond 01; bond code: 2028008) through public offering in the national interbank bond market on 18 March 2020. As assessed by Dagong Global Credit Rating Co., Ltd., the credit rating of the financial bonds was AAA (please refer to www.chinabond.com.cn for details). This tranche of financial bonds were issued for a term of three years with fixed coupon rate of 2.75%. The interest was payable on an annual basis. Please refer to the announcements of the Company dated 21 March 2020 published on the website of the Company and the website of the SSE, and the announcement of the Company dated 20 March 2020 published on the HKEXnews website of the SEHK for details of issuance.

In accordance with the applicable laws and approvals of the regulatory authorities, the proceeds from the issuance will be specifically used for extending loans to small and micro enterprises. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the first tranche of the financial bonds of China Minsheng Banking Corp., Ltd. in 2020 was RMB20,000 million.

(X) Tier-Two Capital Bonds in 2020

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2020] No. 348) (銀保監覆[2020]348號) and the approval by the PBOC in the administrative permit (Yin Xu Zhun Yu Jue Zi [2020] No. 18) (銀許准予決字[2020]第18號), the Company issued the tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2020 with a total amount of RMB50,000 million (bond name: 20 Minsheng Tier-Two; bond code: 2028022) through public offering in the national interbank bond market on 24 June 2020. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of the tier-two capital bonds was AAA (please refer to www.chinabond.com.cn for details). The tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 3.75%. The interest shall be paid on an annual basis. The issuer shall have a conditional redemption option at the end of the fifth year. As long as the capital level of the Company is in compliance with the regulatory capital requirements under the CBIRC upon the exercise of redemption option, the Company may, subject to the approval by the CBIRC, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements at that time and approval of the CBIRC. The exercise of early redemption option by the Company is not subject to the consent of bond holders. Please refer to the announcements of the Company dated 30 June 2020 published on the website of the Company and the website of the SSE, and the announcement of the Company dated 29 June 2020 published on the HKEXnews website of the SEHK for details of issuance.

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

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2020 was RMB50,000 million.

VI. Shareholders

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

Total number of ordinary shareholders at the end of the Reporting Period	421,463
Total number of holders of preference shares whose voting rights had been restored at the end of the Reporting Period	0
Total number of ordinary shareholders at the end of the month immediately prior to the disclosure of the Annual Report	417,163
Total number of holders of preference shares whose voting rights had been restored at the end of the month immediately prior to the disclosure of the Annual Report	0

Particulars of shareholding of the top 10 ordinary shareholders

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period (share)	Changes over the Reporting Period (share)	Number of shares held subject to restriction on sales (share)	Shares pledged or locked-up Status	Number (share)
HKSCC Nominees Limited	Others	18.92	8,283,957,204	8,216,090	–	Unknown	
Dajia Life Insurance Co., Ltd. – Universal Product	Domestic legal person	10.30	4,508,984,567	–	–	Nil	
Dajia Life Insurance Co., Ltd. – Traditional Product	Domestic legal person	6.49	2,843,300,122	–	–	Nil	
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.61	2,019,182,618	–	–	Pledged	2,015,582,618
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	Domestic non-state-owned legal person	4.31	1,888,530,701	22,972,365	–	Pledged	1,865,422,321
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,828,327,362	–	–	Nil	
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,379,679,587	–	–	Pledged	1,379,678,400
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	Domestic non-state-owned legal person	3.14	1,375,763,341	–	–	Nil	
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	3.02	1,324,284,453	–	–	Nil	
Orient Group Incorporation	Domestic non-state-owned legal person	2.92	1,280,117,123	–	–	Pledged	1,270,709,488

Shareholding of top 10 holders of ordinary shares not subject to restriction on sales

Name of shareholder	Number of shares held not subject to restriction on sales	Class of shares
HKSCC Nominees Limited	8,283,957,204	H Shares
Dajia Life Insurance Co., Ltd. – Universal Product	4,508,984,567	A Shares
Dajia Life Insurance Co., Ltd. – Traditional Product	2,843,300,122	A Shares
China Oceanwide Holdings Group Co., Ltd.	2,019,182,618	A Shares
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	1,888,530,701	A Shares
New Hope Liuhe Investment Co., Ltd.	1,828,327,362	A Shares
Shanghai Giant Lifetech Co., Ltd.	1,379,679,587	A Shares
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	1,375,763,341	A Shares
China Shipowners Mutual Assurance Association	1,324,284,453	A Shares
Orient Group Incorporation	1,280,117,123	A Shares
Statement on the related relationship or concerted actions among the aforesaid shareholders	Orient Group Incorporation and Huaxia Life Insurance Co., Ltd. had entered into an agreement on concerted actions. The Company is not aware of any other related relationship among shareholders save as mentioned above.	

Notes: 1. The number of shares held by holders of H shares was recorded in the register of members as kept by the H Share registrar of the Company;

2. HKSCC Nominees Limited acted as an agent representing the total amount of H shares held by all institutional and individual investors that registered in the account of such investors as at 31 December 2020.

(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 2020, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests or short position in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and as the Company is aware of:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Dajia Life Insurance Co., Ltd.	A	Long	Beneficial owner	7,352,284,689	1	20.73	16.79
	H	Long	Beneficial owner	457,930,200	1	5.50	1.05
Dajia Insurance Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	7,352,284,689	1	20.73	16.79
	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	457,930,200	1	5.50	1.05
Orient Group Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959	2	8.60	6.96
Orient Group Incorporation	A	Long	Party to the acting in concert agreement	3,048,721,959*	2	8.60	6.96
Huaxia Life Insurance Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959*	2	8.60	6.96
China Oceanwide Holdings Group Co., Ltd.	A	Long	Beneficial owner	2,019,182,618	3 and 4	5.69	4.61
Oceanwide Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,019,182,618	3 and 4	5.69	4.61
Tohigh Holdings Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,019,182,618	3 and 4	5.69	4.61
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	5 and 8	5.44	4.41
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,828,327,362*	5	5.16	4.18

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	1,828,327,362*	5	5.16	4.18
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,930,715,189*	6 and 8	5.44	4.41
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	7 and 8	5.44	4.41
Oceanwide International Equity Investment Limited	H	Long	Beneficial owner	604,300,950			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	408,000,000			
				1,012,300,950	9	12.17	2.31
		Short	Beneficial owner	604,300,950	9	7.26	1.38
Alpha Frontier Limited	H	Long	Beneficial owner	713,501,653	10 and 11	8.58	1.63
Chongqing Cibi Business Information Consulting Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	10 and 11	8.58	1.63
Giant Investment Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	10 and 11	8.58	1.63

* 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 2020. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Notes:

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

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

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

3. The 2,019,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang (a Non-Executive Director of the Company) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

   According to the SFO, Mr. Lu Zhiqiang, Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd. were deemed to have interests in the 2,019,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. Lu Zhiqiang's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").

4. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 2,019,182,618 A shares, as set out in the above table, were from the same block of shares.

5. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Liuhe Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd., respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively.

   According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd.

6. Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-Executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,930,715,189 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").

7. Ms. Liu Chang held 9.41% of the issued share capital of New Hope Group Co., Ltd. (see note 5 above). According to the SFO, Ms. Liu was deemed to have interests in the 1,930,715,189 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-Executive Director of the Company).

8. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang held in the 1,930,715,189 A shares, as set out in the above table, were from the same block of shares.

9. The 1,012,300,950 H shares (Long position) comprised 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 408,000,000 H shares directly held by Long Prosper Capital Company Limited, while the 604,300,950 H shares (Short position) (all of which were held through other unlisted derivatives) are directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 89.80% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd. 68.49% of the issued share capital of Oceanwide Holdings Co., Ltd. was held by China Oceanwide Holdings Group Co., Ltd. 98% of the issued share capital of China Oceanwide Holdings Group Co., Ltd. was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang (a Non-Executive Director of the Company) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

10. The 713,501,653 H shares (Long position) were held by Alpha Frontier Limited. 42.04% of the issued share capital of Alpha Frontier Limited was held by Chongqing Cibi Business Information Consulting Co., Ltd. (重慶賜比商務信息諮詢有限公司), which was wholly-owned by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu (a Non-Executive Director of the Company).

    According to the SFO, Mr. Shi Yuzhu, Giant Investment Co., Ltd. and Chongqing Cibi Business Information Consulting Co., Ltd. were deemed to have interests in the 713,501,653 H shares held by Alpha Frontier Limited (Mr. Shi Yuzhu's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").

11. The interests that Mr. Shi Yuzhu, Giant Investment Co., Ltd., Chongqing Cibi Business Information Consulting Co., Ltd. and Alpha Frontier Limited held in the 713,501,653 H shares, as set out in the above table, were from the same block of shares.

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 2020 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

(III) Controlling shareholder and ultimate controller

The Company does not have any controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top 10 single shareholders of the Company held an aggregate of 45.00% of the Company's shares. Dajia Life Insurance Co., Ltd. – Universal Insurance Product is the single largest shareholder who held 10.30% of the total shares of the Company. There was no shareholder who could control not less than half of the voting rights of the Board or at general meetings in accordance with the shareholding, the Articles of Association or any agreements.

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

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

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

(V) Substantial shareholders

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

(1) Dajia Life Insurance Co., Ltd.: It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its unified social credit code is 91110000556828452N; its legal representative is He Xiaofeng; its controlling shareholder is Dajia Insurance Group Co., Ltd.; the controlling shareholder and the ultimate controller of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd.; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, no shares of the Company held by Dajia Life Insurance Co., Ltd. were pledged.

(2) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital was RMB3,714,576,124; its unified social credit code is 91230199126965908A; its legal representative is Sun Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is Zhang Hongwei; its ultimate beneficiary is Zhang Hongwei; its parties acting in concert are Orient Group Co., Ltd. and Huaxia Life Insurance Co., Ltd.; its principal business includes: food procurement, import and export of goods (or technologies) (except prohibited items and items restricted to state-owned enterprises and other restricted items unless authorised or approved by the relevant authorities), economic and technical cooperation with foreign entities, international project contracting, employment agency, property management, sales and distribution of building materials, furniture and decoration materials, construction machines, hardware and electrical appliances, sanitary wares, production and sales of electrical contact materials, development of silver-free electrical contacts, sales of food, plantation of paddy rice as well as cultivation and development of premium seeds. As at the end of the Reporting Period, Orient Group Incorporation had pledged over 50% of the ordinary shares of the Company it held, being 1,270,709,488 ordinary shares, representing 2.90% of the total share capital of the Company.

Orient Group Co., Ltd (former Orient Group Investment Holding Co., Ltd.): It was incorporated on 26 August 2003; its registered capital was RMB1,000 million; its unified social credit code is 911100007541964840; its legal representative is Zhang Xianfeng while its ultimate controller is Zhang Hongwei; its parties acting in concert are Orient Group Incorporation and Huaxia Life Insurance Co., Ltd.; its principal business includes: project investment, investment management, real estate development, agent import and export, import and export of goods, economic and trade consultation, etc. As at the end of the Reporting Period, Orient Group Co., Ltd. had pledged over 50% of the ordinary shares of the Company it held, being 35,000,000 ordinary shares, representing 0.08% of the total share capital of the Company.

Huaxia Life Insurance Co., Ltd.: It was incorporated on 30 December 2006; its registered capital was RMB15,300 million; its unified social credit code is 91120118791698440W; its legal representative is Wang Yi; its parties acting in concert are Orient Group Incorporation and Orient Group Co., Ltd.; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance businesses, related reinsurance of the above businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, the shares of the Company held by Huaxia Life Insurance Co, Ltd. had not been pledged. According to the CBIRC's Announcement on the Takeover of Six Institutions Including Tianan Property Insurance Co., Ltd. in Accordance with Laws published on CBIRC's official website on 17 July 2020, Huaxia Life Insurance Co., Ltd. was taken over by the CBIRC from 17 July 2020 to 16 July 2021, which might be extended according to laws. As at the end of the Reporting Period, the shares of the Company held by Huaxia Life Insurance Co, Ltd. had not been pledged.

(3) China Oceanwide Holdings Group Co., Ltd.: It was incorporated on 7 April 1988; its registered capital was RMB20,000 million; its unified 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 and Oceanwide Foundation; 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, etc. As at the end of the Reporting Period, China Oceanwide Holdings Group Co., Ltd. had pledged over 50% of the ordinary shares of the Company it held, being 2,015,582,618 ordinary shares, representing 4.60% of the total share capital of the Company.

China Oceanwide International Investment Company Limited: It was incorporated on 15 October 2008; its registered capital was HKD1,548,058,790; its controlling shareholder is China Oceanwide Holdings Group Co., Ltd.; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang and Oceanwide Foundation; 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, etc. As at the end of the Reporting Period, China Oceanwide Holdings Group Co., Ltd. had pledged over 50% of the ordinary shares of the Company it held, being 8,237,520 ordinary shares, representing 0.02% of the total share capital of the Company.

Oceanwide International Equity Investment Limited: It was incorporated on 17 March 2016; its registered capital was USD50,000; its controlling shareholder is Wuhan CBD (Hong Kong) Company Limited; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang and Oceanwide Foundation; 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, etc. As at the end of the Reporting Period, Oceanwide International Equity Investment Limited had pledged over 50% of the ordinary shares of the Company it held, being 604,300,950 ordinary shares, representing 1.38% of the total share capital of the Company.

Long Prosper Capital Company Limited: It was incorporated on 31 August 2016; its registered capital was USD50,000; its controlling shareholder is Oceanwide International Equity Investment Limited; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang and Oceanwide Foundation; 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, etc. As at the end of the Reporting Period, Long Prosper Capital Company Limited had pledged 408,000,000 ordinary shares of the Company, representing for 0.93% of the total share capital of the Company, the pledged proportion exceeded 50%.

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

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

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

(2) Shanghai Giant Lifetech Co., Ltd.: It was incorporated on 12 July 1999; its registered capital was RMB245,400,640; its unified social credit code is 913101041346255243; its legal representative is Wei Wei; its controlling shareholder is Giant Investment Co., Ltd.; its ultimate controller is Shi Yuzhu; its ultimate beneficiary is Shi Yuzhu; it has no party acting in concert; its principal business includes: manufacturing and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technical development, consultancy services and transfer in healthcare food aspect, wholesale of non-physical goods; pre-packaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, Shanghai Giant Lifetech Co., Ltd. had pledged over 50% of the ordinary shares of the Company it held, being 1,379,678,400 ordinary shares, representing 3.15% of the total share capital of the Company.

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

(4) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133 million; its unified 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; its parties acting in concert are Tibet Heng Xun Corporate Management Co., Ltd. and Tibet Rong Jie Corporate Management Co., Ltd.; its principal business includes: research, development and sale of high-tech products; industrial investment; investments in education, agriculture, secondary industry, entertainment industry and healthcare products; sales of photographic equipment and new-type construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, general merchandise, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products as approved by the country. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged over 50% of the ordinary shares of the Company it held, being 206,340,026 ordinary shares, representing 0.47% of the total share capital of the Company.

Tibet Heng Xun Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 91540195321324233N; its legal representative is Hong Zhihua; its ultimate controller is Huang Xi; its ultimate beneficiary is Huang Xi; its party acting in concert is Good First Group Co., Ltd.; its principal business includes service of corporate image, marketing and brand planning, exhibition and display service, market research (other than those involve state secrets and personal privacy), retail of building materials and ancilliary materials, sales of feeds and raw materials, chemical fertilisers, rubber products, chemical materials (other than hazardous chemical products and precursor chemicals), and metal materials (businesses that require pre-approvals according to laws and shall operate only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Heng Xun Corporate Management Co., Ltd. had pledged over 50% of the ordinary shares of the Company it held, being 103,500,000 ordinary shares, representing 0.24% of the total share capital of the Company.

Tibet Rong Jie Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 915401953213242171; its legal representative is Chen Zhenling; its ultimate controller is Huang Xi; its ultimate beneficiary is Huang Xi; its party acting in concert is Good First Group Co., Ltd.; its principal business includes corporate management service (other than investment management and investment consulting); service of corporate image, marketing and brand planning, exhibition and display service, market research (other than those involve state secrets and personal privacy), retail of building materials and ancilliary materials, and metal materials; sales of feed, fertilisers, rubber products, chemical materials (excluding hazardous chemical products and precursor chemicals), investment on medical industry (excluding the engagement of equity investment business, excluding raising public fund, accepting public deposits, extending loans, excluding public trading of security investment products or financial derivative products and excluding businesses in relation to financial products, wealth management products and relevant derivatives) (businesses that require pre-approvals according to laws and shall operate only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Rong Jie Corporate Management Co., Ltd. had pledged over 50% of the ordinary shares of the Company it held, being 125,200,000 ordinary shares, representing 0.29% of the total share capital of the Company.

Tibet Fuju Investment Co., Ltd.: It was incorporated on 3 May 2016, its registered capital was RMB300 million; its unified social credit code is 91540195MA6T1A2K32; its legal representative is Wu Di; its ultimate controller is Huang Xi; its ultimate beneficiary is Huang Xi; it is a wholly-owned subsidiary of Good First Group Co., Ltd.; its principal business includes investments on commercial, agricultural, medical, entertainment and education industries (excluding trust, financial asset management and securities asset management business, and excluding securities, insurances, funds and financial businesses and relevant restricted businesses) (businesses that require pre-approvals according to laws and shall operate only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Fuju Investment Co., Ltd. had pledged over 50% of the ordinary shares of the Company it held, being 340,900,000 ordinary shares, representing 0.78% of the total share capital of the Company.

(5) Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its unified social credit code is 91500000660887401L; its legal representative is Liu Qinqin; its largest shareholder is Tongfang Financial Holding (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Tongfang Co., Ltd., a subsidiary controlled by CNNC Capital Holding Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its party acting in concert is Chongqing International Trust Company Limited; its business includes: transportation facilities maintenance; engineering management services; standardisation services; planning and design management; corporate headquarters management; corporate management; commercial integrated management services of commercial complex; international project contracting; property management; investments with its own fund (excluding financial businesses such as accepting public deposits or accepting public deposits in any form, extending loans or trading securities and futures); consultancy services in relation to investment information and policies for its connected companies; planning and consultancy services in relation to corporate restructuring and merger and acquisition (businesses that require pre-approvals according to laws and shall operate only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. had pledged over 50% of the ordinary shares of the Company it held, being 1,865,422,321 ordinary shares, representing 4.26% of the total share capital of the Company.

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

CHAPTER 5 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND BUSINESS NETWORK

I. Directors, Supervisors and Senior Management

(I) Basic information

Name	Gender	Year of birth	Position	Term of Office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
GAO Yingxin	M	1962	Chairman & Executive Director	July 2020 – 2023 election	–	300,000	225.46	No
ZHANG Hongwei	M	1954	Vice Chairman & Non-Executive Director	January 2001 – 2023 election	–	–	94.00	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-Executive Director	November 2006 – 2023 election	–	–	92.50	Yes
LIU Yonghao	M	1951	Vice Chairman & Non-Executive Director	June 2009 – 2023 election	–	–	93.50	Yes
ZHENG Wanchun	M	1964	Vice Chairman	December 2020 – 2023 election	–	250,000	418.89	No
			Executive Director	March 2016 – 2023 election				
			President	January 2016 – 2023 election				
SHI Yuzhu	M	1962	Non-Executive Director	March 2017 – 2023 election	–	–	82.00	No
WU Di	M	1965	Non-Executive Director	March 2013 – 2023 election	–	–	88.50	No
SONG Chunfeng	M	1969	Non-Executive Director	March 2017 – 2023 election	–	–	20.75	No
WENG Zhenjie	M	1962	Non-Executive Director	February 2017 – 2023 election	–	–	83.50	No
YANG Xiaoling	M	1958	Non-Executive Director	March 2021 – 2023 election	–	–	13.00	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 received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
ZHAO Peng	M	1973	Non-Executive Director	October 2020 – 2023 election	—	—	14.50	Yes
LIU Jipeng	M	1956	Independent Non-Executive Director	February 2017 – (Note 1)	—	—	88.50	No
LI Hancheng	M	1963	Independent Non-Executive Director	February 2017 – (Note 1)	—	—	99.00	No
XIE Zhichun	M	1958	Independent Non-Executive Director	March 2017 – (Note 1)	—	—	91.50	No
PENG Xuefeng	M	1962	Independent Non-Executive Director	March 2017 – (Note 1)	—	—	90.50	No
LIU Ningyu	M	1969	Independent Non-Executive Director	March 2017 – (Note 1)	—	—	95.00	No
QU Xinjiu	M	1964	Independent Non-Executive Director	March 2021-2023 election	—	—	15.50	No
YUAN Guijun	M	1963	Executive Director	March 2021 – 2023 election	—	—	6.92	No
			Executive Vice President	December 2020 – 2023 election				
ZHANG Juntong	M	1974	Chairman of the Board of Supervisors & Employee Supervisor	February 2017 – 2023 election	—	200,000	399.39	No
GUO Dong	M	1961	Vice Chairman of the Board of Supervisors & Employee Supervisor	March 2016 – 2023 election	—	200,000	358.26	No
LU Zhongnan	M	1955	Shareholder Supervisor	January 2007 – 2023 election	—	—	75.50	No

Name	Gender	Year of birth	Position	Term of Office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
ZHAO Huan John	M	1963	Shareholder Supervisor	October 2020 – 2023 election	–	–	12.00	No
LI Yu	M	1974	Shareholder Supervisor	October 2020 – 2023 election	–	–	14.00	No
WANG Yugui	M	1951	External Supervisor	February 2017 – 2023 election	–	–	75.50	No
ZHAO Fugao	M	1955	External Supervisor	June 2019 – 2023 election	–	–	75.00	No
ZHANG Liqing	M	1963	External Supervisor	October 2020 – 2023 election	–	–	13.00	No
LI Jian	M	1966	Employee Supervisor	March 2020 – 2023 election	–	–	355.59	No
CHEN Qiong	F	1963	Executive Vice President	August 2018 – 2023 election	–	200,000	327.53	No
SHI Jie	M	1965	Executive Vice President	January 2017-2023 election	–	200,000	327.53	No
LI Bin	F	1967	Executive Vice President	January 2017 – 2023 election	–	200,000	327.53	No
LIN Yunshan	M	1970	Executive Vice President	January 2017 – 2023 election	–	200,000	327.53	No
HU Qinghua	M	1963	Executive Vice President Chief Risk Officer	August 2018 – 2023 election August 2017 – October 2020	–	200,000	327.26	No
BAI Dan	F	1963	Chief Financial Officer Board Secretary	May 2012 – 2023 election August 2018 – 2023 election	10,000	210,000	335.25	No

Name	Gender	Year of birth	Position	Term of Office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
ZHANG Yuebo	M	1962	Chief Audit Officer	February 2017 – 2023 election	—	200,000	278.66	No
OUYANG Yong	M	1963	Assistant President	June 2018-2023 election	—	200,000	276.19	No
Resigned Directors and Supervisors								
HONG Qi	M	1957	Former Chairman & Executive Director	November 2014 – July 2020	—	—	296.50	No
TIAN Suning	M	1963	Former Independent Non-Executive Director	June 2018 – October 2020	—	—	74.50	No
WANG Jiazhi	M	1959	Former Vice Chairman of the Board of Supervisors & Employee Supervisor	April 2012 – March 2020	911,664	—	15.15	No
WANG Hang	M	1971	Former Shareholder Supervisor	February 2017 – October 2020	—	—	61.50	No
ZHANG Bo	M	1973	Former Shareholder Supervisor	February 2017 – October 2020	—	—	56.50	Yes
BAO Jiming	M	1952	Former External Supervisor	February 2017 – October 2020	—	—	56.50	No

Notes:

1. According to the Guidelines on Corporate Governance of Commercial Banks, independent directors must not serve for a term of more than six years in the same commercial bank. According to the Articles of Association of the Bank, the former directors shall perform the duties of directors in accordance with laws, administrative regulations and provisions of the Articles of Association before the newly elected director takes office. Therefore, the actual terms of office of the Independent Directors, namely Mr. Liu Jipeng, Mr. Li Hancheng, Mr. Xie Zhichun, Mr. Peng Xuefeng and Mr. Liu Ningyu will comply with the requirements above;

2. According to the regulations of the CSRC, the commencement date of the terms of office of re-elected Directors, Supervisors and Senior Management in the above table shall be the date of their first appointment and qualification approval. As the qualifications of Mr. Weng Zhenjie and Mr. Zhao Peng as Directors are subject to the approval of the CBIRC, the commence date of their terms of office is temporarily taken as the date when they are elected at the shareholders' general meeting;

3. On 23 December 2020, Senior Management of the Company purchased ordinary H shares of the Company with their own funds, and undertook that such shares purchased were subject to a lock-up period of two years from the date of purchase. For details, please refer to the announcement of the Company dated 23 December 2020 published on the HKEXnews website of the SEHK and the announcement dated 24 December 2020 on the website of SSE;

4. Since April 2020, Mr. Song Chunfeng has not been receiving the remuneration as a Director;

5. During the Reporting Period, the total pre-tax emoluments of current and resigned Directors, Supervisors and Senior Management were RMB61,798,900. The total pre-tax remuneration of the incumbent Executive Directors, Chairman of the Board of Supervisors, Vice Chairman of the Board of Supervisors and Senior Management is still under confirmation and further disclosure regarding such unconfirmed part will be made by the Company in due course;

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

(II) Appointment and Resignation of Directors, Supervisors and Senior Management

Directors

On 5 June 2020, the Resolution on Nominating Mr. Gao Yingxin as a Candidate for Executive Director of the Company was considered and approved at the 19th extraordinary meeting of the seventh session of the Board of the Company. On 29 June 2020, Mr. Gao Yingxin was elected as an Executive Director of the Company at the 2019 annual general meeting of the Company.

On 30 June 2020, the Company received the resignation letter tendered by Mr. Hong Qi, stating that due to his age, he tendered his resignation as an Executive Director and Chairman of the seventh session of the Board, Chairman of the Strategic Development and Consumer Rights Protection Committee and a member of the Nomination Committee under the Board and other positions of the Company. On 30 June 2020, the Resolution on Electing Chairman of the Seventh Session of the Board of the Company was considered and approved at the 21st extraordinary meeting of the seventh session of the Board of the Company. Mr. Gao Yingxin was elected as Chairman of the seventh session of the Board of the Company. In accordance with relevant requirements, Mr. Hong Qi continued to perform the duties of Director, Chairman of the Board, Chairman of the Strategic Development and Consumer Rights Protection Committee and a member of the Nomination Committee until 16 July 2020, when the CBIRC approved the qualifications of Mr. Gao Yingxin as Executive Director and Chairman of the Board of the Company.

On 28 August 2020, the Resolution on the List of Candidates for Directors of the Eighth Session of the Board of the Company was considered and approved at the 22nd meeting of the seventh session of the Board of the Company.

On 16 October 2020, the eighth session of the Board of the Company was elected at the second extraordinary general meeting for 2020. The eighth session of the Board consists of 17 Directors, including 9 Shareholder Directors, namely Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Shi Yuzhu, Mr. Wu Di, Mr. Song Chunfeng, Mr. Weng Zhenjie, Mr. Yang Xiaoling and Mr. Zhao Peng, and 6 Independent Directors, namely Mr. Liu Jipeng, Mr. Li Hancheng, Mr. Xie Zhichun, Mr. Peng Xuefeng, Mr. Liu Ningyu and Mr. Qu Xinjiu, and 2 Executive Directors namely Mr. Gao Yingxin and Mr. Zheng Wanchun. Mr. Tian Suning ceased to act as an Independent Director of the Company. As at the date of the disclosure of this report, the qualifications of Directors Mr. Weng Zhenjie and Mr. Zhao Peng are subject to the approval of the CBIRC.

On 16 October 2020, the Resolution on Electing Chairman and Vice Chairman of the Eighth Session of the Board of the Company was considered and approved at the first meeting of the eighth session of the Board of the Company. Mr. Gao Yingxin was elected as Chairman of the Board and Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao and Mr. Zheng Wanchun were elected as Vice Chairmen of the Board. On 21 December 2020, the CBIRC approved the qualification of Mr. Zheng Wanchun as Vice Chairman of the Board of the Company.

On 16 October 2020, the Resolution on Nominating Mr. Yuan Guijun as a Candidate for Executive Director of the Company was considered and approved at the first meeting of the eighth session of the Board of the Company. On 22 January 2021, Mr. Yuan Guijun was elected as an Executive Director at the first extraordinary general meeting of the Company for 2021. On 29 March, 2021, the CBIRC approved the qualification of Mr. Yuan Guijun as an Executive Director of the Bank.

Supervisors

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

On 28 August 2020, the Resolution on the List of Candidates for Shareholder Supervisors and External Supervisors of the Eighth Session of the Board of Supervisors was considered and approved at the 23rd meeting of the seventh session of the Board of Supervisors of the Company, and Mr. Lu Zhongnan, Mr. Zhao Huan John and Mr. Li Yu were nominated as candidates for Shareholder Supervisors, and Mr. Wang Yugui, Mr. Zhao Fugao and Mr. Zhang Liqing were nominated as candidates for External Supervisors.

On 25 September 2020, Mr. Zhang Juntong, Mr. Guo Dong and Mr. Li Jian were elected as Employee Supervisors at the employee representative meeting of the Company. On 16 October 2020, Mr. Lu Zhongnan, Mr. Zhao Huan John and Mr. Li Yu were elected as Shareholder Supervisors, Mr. Wang Yugui, Mr. Zhao Fugao and Mr. Zhang Liqing were elected as External Supervisors at the second extraordinary general meeting for 2020 of the Company. Together with the three Employee Supervisors elected at the employee representatives meeting, the eighth session of the Board of Supervisors was established consisting nine members. Mr. Wang Hang, Mr. Zhang Bo and Mr. Bao Jiming ceased to act as Supervisors of the Company.

On 16 October 2020, Mr. Zhang Juntong was elected as Chairman and Mr. Guo Dong was elected as Vice Chairman of the eighth session of the Board of Supervisors at the first meeting of the eighth session of the Board of Supervisors.

Senior Management

On 16 October 2020, the Resolution on Appointing President of China Minsheng Bank, Resolution on Appointing Executive Vice Presidents of China Minsheng Bank, Resolution on Appointing Chief Financial Officer of China Minsheng Bank, Resolution on Appointing Board Secretary of China Minsheng Bank, Resolution on Appointing Chief Audit Officer of China Minsheng Bank, and Resolution on Appointing Assistant President of China Minsheng Bank were considered and approved at the first meeting of the eighth session of the Board of the Company. Mr. Zheng Wanchun was appointed as President, Mr. Yuan Guijun, Ms. Chen Qiong, Mr. Shi Jie, Ms. Li Bin, Mr. Lin Yunshan and Mr. Hu Qinghua were appointed as Executive Vice Presidents, Ms. Bai Dan was appointed as Chief Financial Officer and Board Secretary, Mr. Zhang Yuebo was appointed as Chief Audit Officer, and Mr. Ouyang Yong was appointed as an Assistant President. On 17 December 2020, the CBIRC approved the qualification of Mr. Yuan Guijun as an Executive Vice President of the Company.

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

Name	Name of the Company's shareholder's company	Position	Term of Office
Zhang Hongwei	Orient Group Co., Ltd.	Chairman	1 March 2014 – Present
Lu Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman of the board of directors	May 1999 – Present
Liu Yonghao	New Hope Liuhe Co., Ltd.	Director	January 2003 – Present
Wu Di	Good First Group Co., Ltd.	Chairman of the board of directors and president	January 2003 – Present
Song Chunfeng	China Shipowners Mutual Assurance Association	General manager	March 2016 – Present
Weng Zhenjie	Chongqing International Trust Company Limited	Chairman of the board of directors	November 2014 – Present
Yang Xiaoling	Dajia Insurance Group Co., Ltd.	Deputy general manager and chief operating officer	November 2019 – Present
	Dajia Life Insurance Co., Ltd.	General manager	March 2019 – Present
Zhao Peng	Dajia Insurance Group Co., Ltd.	Assistant general manager and board secretary	September 2020 – Present

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

Directors

Executive Directors

Mr. Gao Yingxin, born in 1962, is Chairman and an Executive Director of the Bank and is Chairman of the Strategic Development and Consumer Rights Protection Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee under the Board. Mr. Gao is Chairman of CMBC International and a member of the 13th National Committee of the CPPCC. Before joining the Bank, he was a vice chairman of the Board and the chief executive of Bank of China Hong Kong (Holdings) Limited (listed on the SEHK (stock code: 02388)) and Bank of China (Hong Kong) Limited from January 2018 to May 2020, an executive director of Bank of China Limited (BOC) (listed on the SSE (stock code: 601988) and on the SEHK (stock code: 03988)) from December 2016 to January 2018, a non-executive director of BOC Hong Kong (Holdings) Limited from March 2015 to January 2018, a vice president of BOC from February 2015 to January 2018, an executive director and a deputy chief executive of BOC Hong Kong (Holdings) Limited and BOC (Hong Kong) Limited from February 2005 to March 2015, president and chief operating officer of BOC International Holdings Limited from July 2004 to February 2005, general manager of the corporate banking department of BOC head office from June 1999 to July 2004 and a deputy general manager of the credit department and a deputy general manager of the corporate banking department of BOC head office from September 1996 to June 1999. Mr. Gao obtained his Master's Degree in Engineering from the East China University of Science and Technology in 1986 and is a senior economist.

Mr. Zheng Wanchun, born in 1964, is a Vice Chairman, an Executive Director and President of the Bank. He is also a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee under the Board. Before joining the Bank, Mr. Zheng served as a vice president of Industrial and Commercial Bank of China Limited (ICBC) (listed on the SSE (stock code: 601398) and listed on the SEHK (stock code: 01398)) from September 2013 to October 2015. Prior to that, he was president of China Great Wall Asset Management Corporation from February 2011 to September 2013, a vice president of China Huarong Asset Management Co., Ltd., chairman of Huarong Securities and chairman of Rongde Asset Management Co., Ltd., a joint venture of China and Germany, from December 2004 to February 2011, and served concurrently as chairman of Huarong Futures from January 2009 to February 2011. He was also an assistant president of China Huarong Asset Management Co., Ltd from September 2003 to December 2004, general manager of the operation management department of China Huarong Asset Management Co., Ltd. from April 2002 to August 2004, the general manager of the creditor rights management department of China Huarong Asset Management Co., Ltd. from June 2000 to April 2002, a deputy general manager of the industrial and commercial credit department of ICBC head office from October 1999 to June 2000, general manager of the business department and an assistant president of ICBC Hainan branch from November 1998 to October 1999, president of Yangpu branch of Hainan Province of ICBC from April 1997 to November 1998, a deputy director and director of the industrial and transportation credit department of ICBC head office from July 1991 to April 1997. Mr. Zheng obtained his Ph.D. Degree in Economics from Renmin University of China in 2000 and is a senior economist.

Mr. Yuan Guijun, born in 1963, is an Executive Director and an Executive Vice President of the Bank and a member of the Risk Management Committee and Related Party Transactions Supervision Committee. Before joining the Company, Mr. Yuan was president of the Beijing branch of China Construction Bank (CCB) from 2017 to 2020; president of CCB Liaoning branch from 2013 to 2017; a deputy general manager then general manager of the corporate banking department of CCB head office from 2007 to 2013; and an assistant general manager and a deputy general manager of the risk management department of CCB head office from 2004 to 2007. He also worked in the investment department, credit management department, credit risk management department and the credit management office of the risk management department of CCB head office from 1986 to 2004. Mr. Yuan obtained his EMBA Degree from Tsinghua University and is a senior economist.

Non-Executive Directors

Mr. Zhang Hongwei, born in 1954, is a Vice Chairman and a Non-Executive Director of the Company, and also a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee under the Board. Mr. Zhang is chairman of United Energy Group Limited (listed on the SEHK (stock code: 00467)) and Orient Group Co., Ltd.. Mr. Zhang was previously the honorary chairman and a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), chairman of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)), a member of the 11th National Committee of CPPCC and a standing committee member of the 10th National Committee of CPPCC. Mr. Zhang served as a vice chairman of 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, is a Vice Chairman and a Non-Executive Director of the Bank, and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee under the Board. Mr. Lu was a Director of the Company from the establishment of the Company to June 2003, Chairman of the Board of Supervisors of the Company from June 2003 to December 2004, and a Vice Chairman of the Board of Supervisors of the Company from December 2004 to June 2006. Mr. Lu is chairman and president of Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd., and chairman of China Oceanwide Holdings Group Co., Ltd. Mr. Lu was president of China Oceanwide Holdings Group Co., Ltd. and chairman of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)). Mr. Lu was also a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)) and a director of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. Lu served successively as a standing committee member and a vice chairman of ACFIC from 1998 to 2012 and a member of the 9th and 10th National Committee of CPPCC and a standing committee member of the 11th and 12th National Committee of the CPPCC from 1998 to 2018. 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, is a Vice Chairman and a Non-Executive Director of the Company, and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee under the Board. He was previously a Vice Chairman of the Board from the establishment of the Company to 2006. Mr. Liu is currently chairman and president of New Hope Group Co., Ltd., a director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876)) and chairman of the General Association of Sichuan Entrepreneurs. Mr. Liu is a committee member of the 13th National Committee 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 chairman of the seventh and eighth sessions of ACFIC, a committee member of the 8th, 9th, 10th and 11th National Committee of CPPCC, a standing committee member of the 9th and 10th National Committee of CPPCC, a vice chairman of the 10th and 11th Committee for Economic Affairs of CPPCC National Committee, a representative of the 12th National People's Congress (NPC) and a vice president of China Society for Promotion of the Guangcai Program.

Mr. Shi Yuzhu, born in 1962, is a Non-Executive Director of the Company and is a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee under the Board. Mr. Shi was previously a Non-Executive Director of the Company from 2006 to 2014. Mr. Shi is chairman of Giant Network Group Co., Ltd. (listed on the SZSE (stock code: 002558)) (formerly known as Chongqing New Century Cruise Co., Ltd.), Giant Interactive Group Inc (formerly known as Shanghai ZhengTu Interactive Group Inc) and Giant Charity Foundation. Mr. Shi was previously a director of Shanghai ZhengTu Interactive Group Inc from 2006 to 2018, and a vice chairman of China Minsheng Investment Group Corp., Ltd. from 2014 to 2018. Mr. Shi obtained his Bachelor's Degree in Mathematics from Zhejiang University in 1984 and graduated from the postgraduate program of soft science from Shenzhen University in 1990.

Mr. Wu Di, born in 1965, is a Non-Executive Director of the Company and a member of the Compensation and Remuneration Committee, the Risk Management Committee and the Related Party Transaction Supervision Committee under the Board. Mr. Wu is chairman of the board of directors of Good First Group Co., Ltd., a director of Hangzhou United Rural Commercial Bank and chairman of the board of directors and an executive director of Datang Group Holdings Limited (listed on the SEHK (stock code: 02117)). Mr. Wu is a representative of the Fujian Provincial People's Congress, a vice chairman of Fujian Province Association of Industry and Commerce, an honorary vice chairman of Fujian Province Guangcai Promotion Society, honorary chairman of the Non-Stated-Owned Enterprise Chamber of Commerce in Fujian, a standing committee member of the CPPCC Xiamen, a vice chairman of Xiamen Municipal Committee of China National Democratic Construction Association, honorary chairman of the 1st session of Xiamen Chamber of Commerce in Shanghai, chairman of the Liaoning Chamber of Commerce in Fujian and a council member of Jimei University. Mr. Wu obtained his Ph.D. Degree in Economics from Renmin University of China in 2014 and now serves as a guest professor of Renmin University of China. Mr. Wu is a senior economist.

Mr. Song Chunfeng, born in 1969, is a Non-Executive Director of the Company and a member of the Risk Management Committee, the Audit Committee and the Related Party Transactions Supervision Committee under the Board. Mr. Song is general manager of China Shipowners Mutual Assurance Association, a vice president of China Shipowners' Association, vice chairman of COSCO Jinjiang Development Co., Ltd., Quanzhou, an executive director of China P&I Management Co., Ltd., director of China P & I Services (Hong Kong) Limited, an executive director of Shanghai Haixing Asset Management Limited, a director of CPI Services (UK) Limited. Mr. Song was a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)), a managing director of COSCO (Hong Kong) Insurance Brokers Limited, chairman of the board of directors and general manager of Shenzhen COSCO Insurance Brokers Limited, a manager of the commerce division under the transportation department of COSCO/China COSCO Holdings Co., Ltd. (listed on the SSE (stock code: 601919) and on the SEHK (stock code: 01919)), and a principal staff member, a deputy director, director and a manager of the commerce division of the department of commerce under the department of transportation of COSCO. Mr. Song obtained his Ph.D, Degree in Law from Peking University in 2006 and is a senior economist.

Mr. Weng Zhenjie, born in 1962, is a Non-Executive Director of the Company and a member of the Strategic Development and Consumer Rights Protection Committee, the Compensation and Remuneration Committee and the Audit Commitee under the Board of the Bank. Mr. Weng is chairman of Chongqing International Trust Company Limited and GuoDu Securities Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 870488)). Mr. Weng also serves as a director of Chongqing Three Gorges Bank Co., Ltd., Hefei Science & Technology Rural Commercial Bank Company Limited, China Trust Protection Fund Co., Ltd., and China Trust Registration Corporation Limited, a vice chairman of the Chongqing Committee of China National Democratic Construction Association (CNDCA), a standing committee member of the 5th Chongqing Committee of CPPCC and a deputy officer of the 11th Central Financial Committee of CNDCA. Mr. Weng worked as chairman and chief executive officer of Chongqing International Trust Company Limited, chairman of Southwest Securities Co., Ltd. (listed on the SSE (stock code: 600369)), chairman of Chongqing Three Gorges Bank Co., Ltd., a member of the 9th Central Economic Committee of CNDCA, a deputy officer of the 19th Central Financial Committee of CNDCA, a deputy to the third and fourth Chongqing Municipal People's Congress, and a standing committee member of Chongqing Municipal People's Congress, a deputy general manager of Beijing Centergate Technologies (Holding) Co., Ltd. and an instructor of the Chinese People's Liberation Army Institute of Telecommunication Engineering. Mr. Weng obtained his Master's Degree in Engineering in 1986. He is a senior economist and an expert with special allowances of the State Council.

Mr. Yang Xiaoling, born in 1958, is a Non-Executive Director of the Company and a member of the Compensation and Remuneration Committee under the Board. Mr. Yang is currently a deputy general manager and chief operating officer of Dajia Insurance Group Co., Ltd. and general manager of Dajia Life Insurance Co., Ltd. Mr. Yang served as an assistant general manager (chief digital officer) of China Pacific Insurance (Group) Co., Ltd. (listed on the SSE (stock code: 601601); on the SEHK (stock code: 02601); and on the London Stock Exchange (stock code: CPIC)), a deputy executive general manager and director of transformation and promotion of China Pacific Life Insurance Co., Ltd., general manager of strategic planning department of China Pacific Insurance (Group) Co. Ltd., general manager of the Beijing branch of China Pacific Life Insurance Co., Ltd., a deputy director of of the claim underwriting and settlement centre of China Pacific Life Insurance Co. Ltd., a department manager and a deputy general manager of the Shanghai branch of China Pacific Life Insurance Co., Ltd.. Mr. Yang obtained his MBA degree from Macau University of Science and Technology in 2002. He has the qualification for an intermediate-level insurance economist.

Mr. Zhao Peng, born in 1973, is a Non-Executive Director of the Company and a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee under the Board. Mr. Zhao is currently an assistant general manager and board secretary of Dajia Insurance Group Co., Ltd., a director of Beijing Tong Ren Tang Co., Ltd. (listed on the SSE (stock code: 600085)), and a vice chairman of Financial Street Holdings Co., Ltd. (listed on the SZSE (stock code: 000402)). Mr. Zhao served as a member of the team designated by the CBIRC to take over Anbang Insurance Group, a deputy division director and then division director of the development and reform department of the former CIRC, and an executive member of Rizhao Commercial Bank. Mr. Zhao obtained his Ph.D. Degree in Economic Law from China University of Political Science and Law in 2014. He has the qualification for an economist.

Independent Non-Executive Directors

Mr. Liu Jipeng, born in 1956, is an Independent Non-Executive Director of the Company and Chairman of the Compensation and Remuneration Committee and a member of the Nomination Committee and the Related Party Transactions Supervision Committee under the Board of the Bank. Mr. Liu is currently dean, a tier-2 professor and a doctoral supervisor of the Business School and Capital Finance Institute of China University of Political Science and Law. He is also a legal adviser of the State-Owned Assets Supervision and Administration Commission of the State Council, a deputy head of the independent non-executive director Committee of China Association for Public Companies, a vice chairman of China Enterprise Reform and Development Society and chief expert of major program of the National Social Science Fund of China, an independent non-executive director of Zhongjin Gold Corporation Limited. (listed on the SSE (stock code: 600489)), China Oceanwide Holdings Limited (listed on the SEHK (stock code: 00715)), Chongqing Changan Automobile Co., Ltd. (listed on the SZSE (stock code: 000625)), China Tonghai International Financial Limited (previously known as China Oceanwide International Financial Limited, and listed on the SEHK (stock code: 00952)), Valiant Co., Ltd. (listed on the SZSE (stock code: 002643)), and CECEP Guozhen Environmental Protection Technology Co., Ltd. (listed on the SZSE (stock code: 300388)). Mr. Liu was a dean of the Business School of China University of Political Science and Law, a professor of the Research Centre of Law and Economics of China University of Political Science and Law, a professor and director of corporate research centre of the Capital University of Economics and Business, a director and an associate professor of CITIC International Research Centre (中信國際研究所) and a research associate and academic secretary (deputy director level) of the Institute of Industrial Economics of China Academy of Social Science. He was an independent non-executive director of AVIC Capital Co., Ltd. (listed on the SSE (stock code: 600705)), an independent non-executive director of Dalian Wanda Commercial Properties Co., Ltd. (previously listed on the SEHK (stock code: 03699) (delisted)), an independent non-executive director of Wanda Hotel Development Company Limited (listed on the SEHK (stock code: 00169)), and an independent non-executive director of China-Singapore Suzhou Industrial Park Development Group Co., Ltd. (listed on the SSE (stock code: 601512)). Mr. Liu obtained his Bachelor's Degree from the Department of Industry and Economics of Beijing Institute of Economics in 1983 and his Master's Degree in Economics from the Chinese Academy of Social Sciences in 1986. Mr. Liu has the qualifications for tier-2 professor, senior professor, and senior economist and is a certified public accountant (non-practicing).

Mr. Liu has many years of experience in economic studies and management of listed companies and can diversify the composition of the Board. He will provide the Board with knowledge and experience in strategic management and corporate governance.

Mr. Li Hancheng, born in 1963, is an Independent Non-Executive Director of the Company and Chairman of the Related Party Transactions Supervision Committee and a member of the Nomination Committee, the Compensation and Remuneration Committee and the Risk Management Committee under the Board. Mr. Li is a senior partner, director, and chairman of the management and risk control committee under the board of Beijing S&P Law Firm and director of the executive committee and a lawyer of Beijing S&P Haikou Law Firm, and qualified as a lawyer in the People's Republic of China. He is also a member of China Maritime Law Association, All China Lawyers Association, and Beijing Lawyers' Association. He has been an independent non-executive director of Styland Holdings Limited (listed on the SEHK (stock code: 00211)), an external director of Beijing Electronics Holding Company Limited, and an independent director of SnowValley Agricultural Development Co., Ltd.. Mr. Li was the administration officer and manager of Beijing S&P Law Firm 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 the economic division of the Supreme People's Court of the People's Republic of China. Mr. Li 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. Li has many years of experience in commercial laws and can diversify the composition of the Board. He will contribute to compliance risk management of the Company in respect of the commercial and legal areas.

Mr. Xie Zhichun, born in 1958, is an Independent Non-Executive Director of the Company and also 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 an executive director and chairman of China Fortune Financial Group Limited (listed on the SEHK (stock code: 00290)), an independent non-executive director of China Taiping Insurance Holdings Company Limited (listed on the SEHK (stock code: 00966)), a vice chairman of the consultation committee of Qianhai & Shekou Area of Shenzhen of China (Guangdong) Pilot Free Trade Zone and Qianhai Shenzhen-Hong Kong Cooperation Zone, a distinguished professor of the Research Centre for Economic Development in China's Special Economic Zone in Shenzhen University and a postgraduate supervisor of PBC School of Finance of Tsinghua University. Mr. Xie served as an independent non-executive director of SuperRobotics Holdings Limited (listed on the SEHK (stock code: 08176)), a non-executive director of China Smartpay Group Holdings Limited (listed on the SEHK (stock code: 08325)), a deputy general manager of China Investment Corporation and an executive director and general manager of Central Huijin Investment Ltd., an executive director and a deputy general manager of China Everbright Group Limited, chairman of the board of directors of Sun Life Everbright Life Insurance Co., Ltd., chairman of the board of directors of Sun Life Everbright Asset Management Co., Ltd., a vice president of China Everbright Bank Company Limited (listed on the SSE (stock code: 601818); on the SEHK (stock code: 06818)), a director and president of Everbright Securities Company Limited, a vice chairman (unattending) of China Enterprises Association (Singapore), and a vice chairman (unattending) of Securities Association of China. Mr. Xie obtained his Bachelor's Degree in Philosophy from Heilongjiang University in 1982, Master's Degree in Economics from Harbin Institute of Technology in 1993 and Ph.D. Degree in Economics from Nankai University in 2004. Mr. Xie attended advanced management programmes in Yale School of Management in the United States from August to September 2011 and in Harvard Business School (AMP156) from April 1999 to July 1999, respectively. Mr. Xie is a senior economist.

Mr. Xie has many years of experience in the management of banks and asset management companies and can diversify the composition of the Board. He will provide the Board with experience in financial investment and management of banking business.

Mr. Peng Xuefeng, born in 1962, is an Independent Non-Executive Director of the Company and Chairman of the Nomination Committee, and a member of the Compensation and Remuneration Committee and the Audit Committee under the Board. Mr. Peng is director of Dentons China (Beijing Dacheng Law Office), and an independent non-executive director of Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (listed on the SZSE (stock code: 002713)). Mr. Peng was a lawyer of Beijing No. 4 Law Firm (北京市第四律師事務所), a lawyer and deputy director of Beijing Yanshan Law Firm (北京市燕山區律師事務所), a clerk of Cangzhou Intermediate People's Court, 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 Co., Ltd. (listed on the SZSE (stock code: 002657)), Beijing Vantone Real Estate Co., Ltd. (listed on the SSE (stock code: 600246)), Shandong Shipping Corporation (listed on National Equities Exchange and Quotations (stock code: 835589)), Huida Sanitary Ware Co., Ltd. (listed on the SSE (stock code: 603385)) and Henan Zhongfu Industrial Co., Ltd (listed on the SSE (stock code: 600595)). He was also a standing committee member of the 12th National Committee of CPPCC, a representative of the 11th NPC, a vice president of the fifth session of All China Lawyers Association, a standing council member of the fourth session of All China Lawyers Association, a vice chairman of the sixth and the seventh sessions of Beijing Lawyers Association, a standing council member of the fourth and the fifth sessions of Beijing Lawyers Association, a member of the standing committee of the 10th session of All-China Youth Federation, a member of the eighth session of All-China Youth Federation, a standing member and 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 Ph.D, Degree in International Finance 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. Peng has many years of experience in legal practice and public administration and can diversify the composition of the Board. He will provide advice on legal matters and improve the internal control system of the Company.

Mr. Liu Ningyu, born in 1969, is an Independent Non-Executive Director of the Company and Chairman of the Audit Committee and a member of the Nomination Committee, the Compensation and Remuneration Committee and the Related Party Transactions Supervision Committee under the Board. Mr. Liu serves as the managing partner of Zhongshen Zhonghuan Certified Public Accountants (special general partnership), a vice chairman of Liaoning Institute of Certified Public Accountant, a vice chairman of Liaoning Province Appraisal Society, a director of China Engineering Cost Association and an independent non-executive director of Luoyang Zhongchao New Material Co., Ltd. He was the managing partner of Ruihua Certified Public Accountants (special general partnership) (瑞華會計師事務所(特殊普通合夥)), the managing partner of Crowe Horwath China CPAs (special general partnership) (國富浩華會計師事務所(特殊普通合夥)), chief executive officer of Crowe Horwath China CPAs (國富浩華會計師事務所有限公司), the chief accountant of Liaoning Wanlong Jinhui CPA Co., Ltd. (遼寧萬隆金匯會計師事務所有限公司), a project manager of Liaoning Accounting Firm (遼寧會計師事務所) and an independent non-executive director of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)). Mr. Liu obtained his MBA Degree from Macau University of Science and Technology in 2004 and studied in an advanced course for modern corporate management (EMBA) at 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, one of the national leading talents in accounting and a senior member of the Chinese Institute of Certified Public Accountants.

Mr. Liu has many years of experience in accounting and corporate governance and can diversify the composition of the Board. He will provide valuable advice to the Board on financial management and audit.

Mr. Qu Xinjiu, born in 1964, is an Independent Non-Executive Director of the Company and a member of the Nomination Committee, the Audit Committee and the Related Party Transaction Supervision Committee under the Board. He is currently a professor of China University of Political Science and Law and a part-time lawyer of Beijing Fada Law Firm. Mr. Qu served as a deputy dean and dean of School of Criminal Justice of China University of Political Science and Law, director of Institute of Criminal Law of School of Criminal Justice of China University of Political Science and Law, and served concurrently as a deputy director of the investigation supervision department of the Supreme People's Procuratorate of the People's Republic of China, a deputy procurator-general of People's Procuratorate of Fengtai District of Beijing Municipality, a part-time associate of Beijing Dadi Law Firm. Mr. Qu obtained his Ph.D. degree in Procedural Law from China University of Political Science and Law in 2001. Mr. Qu has the qualification for university teacher and lawyer.

Mr. Qu has many years of experience in legal practice and can promote the diversification of composition of the Board. He will provide the Board valuable advice on policy making and compliant operation.

Supervisors

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

Mr. Guo Dong, born in 1961, is an Employee Supervisor and the Vice Chairman of the Board of Supervisors of the Company. He is also a member of the Supervisory Committee under the Board of Supervisors. Mr. Guo joined the Company in February 2015. Before that, Mr. Guo was previously an deputy division director, division director, an associate inspector (deputy bureau level) then inspector (bureau level) of the Bureau V of the United Front Department of CPC Central Committee, a principal staff member then a deputy division director of Beijing Municipal Economic and Technological Cooperative Office, a staff member, a deputy principal staff member than a principal staff member of the general office of the State Organs Work Committee of the CPC Beijing Municipal Committee. He also served in the PLA and worked in Changzheng Automobile Manufacturing Factory (河北省長徵汽車製造廠) in Hebei Province. Mr. Guo obtained his MBA Degree from Beijing Institute of Technology.

Mr. Lu Zhongnan, born in 1955, is a Shareholder Supervisor of the Board of Supervisors of the Bank, and is also a member of the Supervisory Committee and the Nomination and Examination Committee under the Board of Supervisors of the Bank. Mr. Lu was previously a division director of the PBOC Heilongjiang branch, a vice president of the PBOC Harbin branch, a vice president and then an executive vice president of the PBOC Heilongjiang branch, a vice president of the PBOC Shenyang Branch. He was also a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)) and New China Life Insurance Co., Ltd. (listed on the SSE (stock code: 601336) and on the SEHK (stock code: 01336)), a vice chairman and president of China Minzu Securities Co., Ltd., chairman of Shenzhen New Industries Venture Capital Co., Ltd., a director, a vice chairman, and chairman of the executive committee under the board of directors of New China Trust Co., Ltd. and an independent director of Qilu Bank Co.,Ltd. (listed on the National Equities Exchange and Quotations (stock code: 832666)). Mr. Lu graduated from the postgraduate course for advanced studies in economic management from Heilongjiang Provincial Academy of Social Sciences and is a senior economist.

Mr. Zhao Huan John, born in 1963, is a Shareholder Supervisor of the Company and a member of the Nomination and Examination Committee under the Board of Supervisors of the Company. Mr. Zhao is a chairman and president of Hony Capital, a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)), China Glass Holdings Limited (listed on the SEHK (stock code: 03300)), Lenovo Group Limited (listed on the SEHK (stock code: 00992)), Zoomlion Heavy Industry Science and Technology Co., Ltd. (listed on the SZSE (stock code: 000157) and on the SEHK (stock code: 01157), and Shanghai Jin Jiang International Hotels Co., Ltd. (listed on the SSE (stock code: 600754)). He is also an executive director and chairman of BFC Holdings Group Limited (listed on the SEHK (stock code: 01488)), a non-executive director of ENN Natural Gas Co., Ltd. (formerly known as ENN Ecological Holdings Co., Ltd.) (listed on the SSE (stock code: 600803)), an executive director and chairman of the board of directors of Goldstream Investment Limited (listed on the SEHK (stock code: 01328)), a non-executive director of Simcere Pharmaceutical Group Limited (listed on the SEHK (stock code: 02096)) and a non-executive director of Eros STX Global Corporation (listed on the NYSE (stock code: ESGC). Mr. Zhao graduated from the School of Physics of Nanjing University. He obtained his dual Master's Degrees in Electronic Engineering and Physics from Northern Illinois University, and his MBA Degree from the Kellogg School of Management of Northwestern University.

Mr. Li Yu, born in 1974, is a Shareholder Supervisor of the Company. He is also a member of the Supervisory Committee and the Nomination and Examination Committee under the Board of Supervisors. Mr. Li is a vice chairman of Shanghai Innovation Investment Limited (上海創新投資有限公司). Mr. Li was previously the executive president of Shandong Yatai Zhonghui Group Co., Ltd. (山東亞太中慧集團) and a vice president of Pacific Alliance Group. Mr. Li obtained his Master's Degree in Economics (major in Finance) from the School of Finance of Renmin University of China.

Mr. Wang Yugui, born in 1951, is an External Supervisor of the Company and a member of the Supervisory Committee and Chairman of the Nomination and Examination Committee under the Board of Supervisors. Mr. Wang is an independent non-executive director of Bank of Hebei Co., Ltd., an arbitrator of the Maritime Arbitration Commission of China Council for the Promotion of International Trade, and an independent director of Asia-Pacific Property & Casualty Insurance Co., Ltd. Mr. Wang was general manager of China Shipowners Mutual Assurance Association, an executive council member of China Maritime Law Association and the China Association of Trade in Services. He was also a non-executive director and supervisor of China Everbright Bank (listed on the SSE (stock code: 601818); on the SEHK (stock code: 06818)), a Non-Executive Director of the first to sixth sessions of the Board of the Company and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. Wang graduated from Beijing International Studies University in 1977 and is a senior economist.

Mr. Zhao Fugao, born in 1955, is an External Supervisor of the Company and a member of the Supervisory Committee and the Nomination and Examination Committee under the Board of Supervisors of the Company. Mr. Zhao served head of the preparatory team of CCB Property & Casualty Insurance Co., Ltd. and CCB Life Asset Management Company Limited, president and a vice chairman of CCB Life Insurance Company Limited (which was renamed as CCB Life Insurance Co., Ltd. in 2016), and person in charge of the preparatory team of insurance business of CCB (listed on the SSE (stock code: 601939) and on the SEHK (stock code: 00939)). He was also general manager of the personal deposit and investment department of the head office of CCB, a staff member, a deputy principal staff member, a deputy division director, a division director, a vice president and president of the CCB Sichuan branch, during which he concurrently served as president of the CCB Chengdu branch. Mr. Zhao obtained his Bachelor's Degree in Economics from Hubei University of Finance and Economics (currently known as Zhongnan University of Economics and Law). He is a senior economist and an expert with special allowances of the State Council.

Mr. Zhang Liqing, born in 1963, is an External Supervisor of the Company and a member of the Nomination and Examination Committee under the Board of Supervisors. Mr. Zhang currently works in the Central University of Finance and Economics as a professor and a doctoral supervisor of School of Finance (a tutor of doctoral students), director of the Centre for International Finance Studies, and director of Collaborative Innovation Center for Global Financial Governance. He is also an independent non-executive director of Gome Finance Technology Co., Ltd. (listed on the SEHK (stock code: 00628)), an independent non-executive director of E-Star Commercial Management Company Limited (listed on the SEHK (stock code: 06668)) and an independent director of Bank of Ruifeng. Mr. Zhang served as dean of the School of Finance, a deputy director of the finance department and a director of the international finance teaching and research office of Central University of Finance and Economics; a visiting research fellow at the Fairbank Center for Chinese Studies of Harvard University; a visiting research fellow at the Earth Institute of Columbia University; a senior visiting research fellow at the Peterson Institute for International Economics; a visiting scholar at the Economic Development Institute of the World Bank; a guest professor at the College of Asia and Pacific of Australian National University; a guest professor at the Business School of University of Birmingham; and a guest professor at the German University of Applied Sciences. He was an independent director of China Securities Co., Ltd., and an independent director of Poly Developments and Holdings Group Co., Ltd. (listed on the SSE (stock code: 600048)). Mr. Zhang obtained his Ph.D. Degree in Economics from Renmin University of China (major in global economics).

Mr. Li Jian, born in 1966, is an Employee Supervisor of the Company and a member of the Supervisory Committee under the Board of Supervisors. He currently serves as General Manager of Executive Office of the Head Office of the Company. Mr. Li joined the Company in August 1996 and successively served as a staff of Planning and Finance Department, Division Director of Property Management Division of Planning and Finance Department, an Assistant General Manager of Planning and Finance Department, a Deputy Director of Executive Office and Director of Property Management Division, General Manager of Institution Management Department, and General Manager of Property and Infrastructure Management Office of the Head Office. He also worked as chairman of the board of supervisors of Minsheng Financial Leasing, during which he concurrently served as Head of Working Team of Renovation and Construction Office of Head Office Building and Head of Preparation Team of Nanchang Branch of the Company, respectively. Prior to joining the Company, Mr. Li worked as a lecturer at the Management Cadre College of the head office of the People's Bank of China (PBOC) (中國人民銀行總行幹部管理學院) and a principal staff member at the infrastructure and finance division of the education department of the head office of the PBOC (中國人民銀行總行教育司基建財務處). Mr. Li obtained his Master's Degree in Management Science and Engineering from Hunan University in July 2003 and is an accountant.

Senior Management

Mr. Zheng Wanchun is a Vice Chairman of the Bank. Please refer to his biography in "Directors –Executive Directors".

Mr. Yuan Guijun is an Executive Director of the Bank. Please refer to his biography in "Directors – Executive Directors".

Ms. Chen Qiong, born in 1963, is an Executive Vice President of the Bank. Ms. Chen joined the Bank in April 2018. Before joining the Company, she was a deputy head of the discipline inspection group at the CBRC designated by the CPC Central Commission for Discipline Inspection from 2016 to 2018, a deputy secretary of the disciplinary inspection committee and director-general of the staff compliance and disciplinary bureau of the CBRC from 2014 to 2016, director-general of the CBRC Anhui office from 2011 to 2014, a deputy director-general of the non-bank financial institutions supervision department of the CBRC from 2006 to 2011, and a deputy director-general of the CBRC Fujian office from 2005 to 2006. She also worked as a principal staff member, a deputy division director, a researcher (division director level) and a division director in the law and regulation department of the CBRC as well as in the banking management department, the Tianjin branch, the banking supervision department I, the audit supervision bureau and the education department of the PBOC. Ms. Chen is a deputy to the 12th NPC. Ms. Chen Qiong obtained her Master's Degree in Public Administration from Columbia University in the United States and Ph.D. Degree in Finance from Hunan University.

Mr. Shi Jie, born in 1965, is an Executive Vice President of the Company. Mr. Shi joined the Company in October 1998, serving as General Manager of Planning and Finance Department of Shijiazhuang Sub-Branch of the Company. He successively served as General Manager of Business Department of Shijiazhuang Branch since March 2001, Deputy Division Director (in charge) of Risk Management Department of Head Office of the Bank since July 2001, an Assistant General Manager and a Deputy General Manager of Credit Assessment Department of Head Office since February 2004, Head of the Preparatory Team and President of Changchun Branch since June 2008, General Manager of Credit Assessment Department of Head Office since August 2009 and an Assistant President of the Company since 2012. Prior to joining the Company, Mr. Shi served as a section chief of the finance division of Hebei University of Economics and Business from 1995 to 1998 and an executive member of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995. Mr. Shi obtained his Master's Degree in Management from Tianjin Institute of Finance and Economics.

Ms. Li Bin, born in 1967, is an Executive Vice President of the Company. Ms. Li joined the Company in 1995 and served as Division Director (in charge) of Capital Division of International Business Department of the Company. She successively served as Deputy General Manager of Financial Institutions Department since October 2000, General Manager of Derivatives Products Department since May 2007, President of Financial Markets Department since May 2009 and an Assistant President of the Company since 2012. Prior to joining the Company, Ms. Li worked in the international department of the Beijing branch of Agricultural Bank of China from August 1990 to July 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, is an Executive Vice President of the Company. Mr. Lin joined the Company in 2001, and successively served as the Division Director of Bills Business Division of Corporate Business Department from 2002 to 2003, an Assistant General Manager of Corporate Business Department from 2003 to 2005, a Vice President of Shenzhen Branch from 2005 to 2007, Director of the Office of Corporate Banking Management committee and then General Manager of Corporate Banking Department from 2007 to 2012, and an Assistant President of the Company since 2012. Prior to joining the Company, Mr. Lin worked for the PBOC as a deputy principal staff member and a principal staff member of the payment and settlement division of the accounting department from 1993 to 1998, a principal staff member of the Payment system division of the payment technology department from 1998 to 1999 and a principal staff member of the CCB supervisory division of the supervisory department I from 1999 to 2001. Mr. Lin obtained his Master's Degree in Finance from Renmin University of China.

Mr. Hu Qinghua, born in 1963, is an Executive Vice President of the Company since February 2017 and June 2018, respectively. Mr. Hu joined the Company in November 1999, and served as a Vice President of Nanjing Branch, a Deputy Head of the Preparatory Team of Fuzhou Branch then a Vice President of Fuzhou Branch from November 1999 to March 2002, President of Chengdu Branch from March 2002 to January 2007, President of Nanjing Branch from January 2007 to March 2015, President of Shanghai Branch from March 2015 to February 2017 and concurrently President of Shanghai Pilot Free Trade Zone Branch and Chief Risk Officer from February 2017 to October 2020. Prior to joining the Company, Mr. Hu used to work in the PBOC Jiangsu branch as a staff member, a deputy principal staff member of the gold and silver management division, a manager of the financing centre and an assistant general manager of financial centre. He served as a deputy director (in charge) of the Chengnan office under the Nanjing branch of Huaxia Bank from 1995 to 1997 and president of the Chengnan sub-branch of the Nanjing branch of Huaxia Bank from 1997 to 1999. Mr. Hu obtained his EMBA Degree from Nanjing University.

Ms. Bai Dan, born in 1963, is Chief Financial Officer and Board Secretary of the Bank. Ms. Bai joined the Company in 2000 as a Deputy General Manager of Planning and Finance Department. She also served as a Deputy General Manager and General Manager of Accounting and Settlement Department and General Manager of the Accounting and Finance Department of the Company since January 2002 and December 2008 respectively. Prior to joining the Company, Ms. Bai worked for the Bank of Communications as an assistant general manager, a deputy general manager then general manager of the accounting department of the Dalian branch from 1993 to 2000, and an accountant, a section chief then section chief of the Dalian development area sub-branch from 1988 to 1993. Ms. Bai obtained her MBA Degree from Beijing Jiaotong University and is an accountant.

Mr. Zhang Yuebo, born in 1962, is Chief Audit Officer of the Company. Mr. Zhang joined the Company in July 1995 and served as a member of the Preparatory Team until January 1996, a Deputy Director of Accounting Department of the Head Office from January 1996 to October 1996, a Deputy General Manager of Beijing Administrative Department and concurrently President of Zhongguancun Sub-Branch from October 1996 to May 1999, Deputy General Manager (in charge) and General Manager of Accounting and Finance Department from May 1999 to May 2001, and General Manager of Planning and Finance Department and General Manager of IT Department of Head Office from May 2001 to February 2002. Mr. Zhang went on a government-sponsored study at West Virginia University from February 2002 to June 2003. He then served as General Manager of Internal Audit Department and Chief Audit Inspector of the Company from July 2003 to May 2010, Chief Internal Audit Executive of the Company from May 2010 to February 2017, and concurrently as General Manager of Internal Audit Department of the Company since May 2010. Prior to joining the Company, Mr. Zhang was previously division director of the finance division of China Rural Area Development of Trust Investment Company (中國農村發展信託投資公司) from March 1992 to June 1995, section chief of the accounting section of Xisi sub-branch of the CCB Beijing branch 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, and is a senior accountant.

Mr. Ouyang Yong, born in 1963, is an Assistant President of the Company and concurrently President of Shanghai Branch, President of Shanghai Pilot Free Trade Zone Branch and General Manager of Shanghai sub-branch of Financial Markets Department of the Company. Mr. Ouyang joined the Company in August 2001, and served as an Assistant President of Qingshan Sub-Branch of Wuhan Branch, an Assistant Director and a Deputy Director (in charge) of the Office of Wuhan Branch and President of Qingshan Sub-Branch of Wuhan Branch since August 2001. He also served as Head of Retail Banking Business and the Secretary of Discipline Inspection Commission of Fuzhou Branch from January 2006 to October 2007, Vice president (in charge) of Taiyuan Branch, President of Shenzhen Branch from October 2007 to November 2014, and General Manager of Human Resources Department from November 2014 to July 2017. Mr. Ouyang concurrently served as President of Shanghai Branch and Shanghai Pilot Free Trade Zone Branch since August 2017, and General Manager of Shanghai Sub-Branch of Financial Markets Department since September 2017. Before joining the Company, Mr. Ouyang served as an officer and a vice secretary (main) of the Youth League of Jiangxi Dexing Copper Mine Concentrator, a deputy director of the OCBC Shihua Office in Jiujiang in Jiangxi Province and a vice president and director of the business department of the Jiaoqu sub-branch of Agricultural Development Bank of China in Jiujiang in Jiangxi Province. Mr. Ouyang obtained his MBA Degree from Wuhan University.

Joint Company Secretaries

Ms. Bai Dan is the Chief Financial Officer and Board Secretary of the Bank. Please refer to her biography in "Directors - Senior Management"

Ms. Wong Wai Yee, Ella, aged 45, currently works as a director of corporate services of Tricor Services Limited (hereinafter referred to as "Tricor"), a global professional services provider specialising in integrated business, corporate and investor services. Ms. Wong has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wong is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators). Ms. Wong is a holder of the Practitioner's Endorsement from HKICS. (Note: The Company has engaged Tricor as an external service provider and appointed Ms. Wong as the Company's Company Secretary/Joint Company Secretary since 20 February 2017.)

(V) Changes of Information of Directors and Supervisors

1. Mr. Wu Di, a Non-Executive Director of the Company, was appointed as the chairman of the board of directors and an executive director of Datang Group Holdings Limited (listed on the SEHK (stock code: 02117)).

2. Mr. Liu Jipeng, an Independent Non-Executive Director of the Company, was appointed as an independent director of CECEP Guozhen Environmental Protection Technology Co., Ltd. (listed on the SZSE (stock code: 300388)) and a member of the Legal Advisory Committee of the SZSE.

3. Mr. Lu Zhongnan, a Supervisor of the Company, ceased to serve as an independent director of Qilu Bank Co., Ltd. (listed on the National Equities Exchange and Quotations (stock code: 832666)).

4. Mr. Zhao Huan John, a Supervisor of the Company, was appointed as a non-executive director of Simcere Pharmaceutical Group Limited (listed on the SEHK (stock code: 02096)) and a non-executive director of Eros STX Global Corporation (listed on the NYSE (stock code: ESGC)).

5. Mr. Zhang Liqing, a Supervisor of the Company, was appointed as an independent non-executive director of E-Star Commercial Management Company Limited (listed on the SEHK (stock code: 06668)).

(VI) Service contracts of Directors and Supervisors

In accordance with rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into contracts with its Directors and Supervisors in respect of compliance with the relevant laws and regulations, the Articles of Association of the Company and the provisions of arbitration. Except as disclosed above, the Company has not entered into and does not intend to enter into any service contracts with its Directors or Supervisors in respect of their services as Directors or Supervisors (excluding the service contracts which will expire within one year or are terminable by the Group within one year without payment of compensation, other than statutory compensation).

(VII) Directors' interests in competing business

Mr. Liu Yonghao, a Non-Executive Director of the Company, is a director of Sichuan Xinwang Bank Co., Ltd. ("Sichuan Xinwang Bank") and holds 30% equity interest of Sichuan Xinwang Bank through New Hope Group Co., Ltd., which is controlled by him. To the best knowledge of the Company, Sichuan Xinwang Bank was established on 28 December 2016 upon the approval by China's banking regulatory authorities and is an internet-based bank with scope of business including taking in deposits from the general public, granting loans, handling domestic and foreign settlements; handling the acceptance and discounting of negotiable instruments; issuing financial bonds; engaging in the business of bank cards; buying and selling foreign exchange and acting as an agent for the purchase and sale of foreign exchange; engaging in interbank lending; providing letter of credit services and guaranty; acting as an agent for the receipt and payment of money and acting as an insurance agent. As at 31 December 2020, total assets, net assets, net assets per share, deposits and loans of Sichuan Xinwang Bank were RMB40,561 million, RMB5,011 million, RMB1.67, RMB21,229 million and RMB30,741 million, respectively. Therefore, Sichuan Xinwang Bank is very different from the Company in terms of operation mode and operation scale. Mr. Liu Yonghao is just one of the directors of Sichuan Xinwang Bank and not the chairman of the board of directors of Sichuan Xinwang Bank. In addition, in accordance with the Articles of Association of the Company, Mr. Liu Yonghao shall abstain from voting in respect of resolutions in relation to Sichuan Xinwang Bank. As such, the interest of Mr. Liu Yonghao in Sichuan Xinwang Bank is not in conflict with his responsibilities as a Director of the Company.

Mr. Wu Di, a Non-Executive Director of the Company, is a director of Hangzhou United Rural Commercial Bank Co., Ltd. ("Hangzhou United Bank") and has no interest in the equity in Hangzhou United Bank. To the best knowledge of the Company, Hangzhou United Bank was established on 5 January 2011. The customers of Hangzhou United Bank are mainly from rural areas and local communities as well as SMEs. Hangzhou United Bank is a local joint-stock bank of limited liabilities with a registered capital of RMB2,127 million. As at 31 December 2020, the unaudited total assets, net assets, net assets per share, deposits and loans of Hangzhou United Bank were RMB270,470 million, RMB21,103 million, RMB9.92, RMB202,603 million and RMB160,980 million, respectively. Therefore, Hangzhou United Bank is very different from the Company in terms of scale and geographical coverage of business. Mr. Wu Di is just one of the directors and not the chairman of the board of directors of Hangzhou United Bank. In accordance with the Articles of Association of the Company, Mr. Wu Di shall abstain from voting in respect of resolutions in relation to Hangzhou United Bank. As such, the interest of Mr. Wu Di in Hangzhou United Bank is not in conflict with his responsibilities as a Director of the Company.

Mr. Weng Zhenjie, a Non-Executive Director of the Company, is a director of Chongqing Three Gorges Bank Co., Ltd. ("Chongqing Three Gorges Bank") and a director of Hefei Science & Technology Rural Commercial Bank Company Limited ("Hefei Science & Technology Rural Commercial Bank") and has no interest in the equity in these two banks. To the best knowledge of the Company, Chongqing Three Gorges Bank was established as a joint-stock city commercial bank in February 2008. As at 30 June 2020, the total assets, net assets, deposits and loans of Chongqing Three Gorges Bank were RMB219,049 million, approximately RMB17,340 million, RMB142,142 million and RMB94,705 million, respectively. Hefei Science & Technology Rural Commercial Bank was established on 14 February 2007 and is a regional rural commercial bank providing services for SMEs, agriculture-related enterprises, rural enterprises, technological enterprises and local enterprises. As at 31 December 2020, the unaudited total assets, net assets, net assets per share, deposits and loans of Hefei Science & Technology Rural Commercial Bank were RMB104,502 million, approximately RMB7,767 million, RMB4.31, RMB68,745 million and RMB46,903 million, respectively. Therefore, Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank are very different from the Company in terms of scale and geographical coverage of business. Mr. Weng Zhenjie is just one of the directors and not the chairman of the board of directors of either of Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank. In addition, in accordance with the Articles of Association of the Company, Mr. Weng Zhenjie shall abstain from voting in respect of resolutions in relation to either of Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank. As such, the interests of Mr. Weng Zhenjie in Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank are not in conflict with his responsibilities as a Director of the Company.

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

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

(I) As at 31 December 2020, the following Directors and Supervisors 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 (%)
Gao Yingxin	Executive Director	H	Long position	Beneficial owner	300,000		0.0036	0.0007
Zheng Wanchun	Executive Director	H	Long position	Beneficial owner	250,000		0.0030	0.0006
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,930,715,189	1	5.44	4.41
		H	Long position	Interest held by his controlled corporation(s)	240,789,500	2	2.89	0.55
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,315,117,123	3	3.71	3.00
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	2,019,182,618	4	5.69	4.61
		H	Long position	Interest held by his controlled corporation(s)	1,020,538,470	5	12.27	2.33
		H	Short position	Interest held by his controlled corporation(s)	604,300,950	5	7.26	1.38
Shi Yuzhu	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,379,679,587	6	3.89	3.15
		H	Long position	Interest held by his controlled corporation(s)	713,501,653	7	8.58	1.63
Zhang Juntong	Employee Supervisor	H	Long position	Beneficial owner	200,000		0.0024	0.0005
Guo Dong	Employee Supervisor	H	Long position	Beneficial owner	200,000		0.0024	0.0005

Notes:

1. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Liuhe Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd.

   As Mr. Liu Yonghao held 90.59% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. Liu Yonghao and the interests held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang, the details of which are disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" in this Annual Report, were from the same block of shares.

2. The 240,789,500 H shares (Long position) were directly held by South Hope Industrial Co., Ltd. (see note 1 above).

3. The 1,315,117,123 A shares were directly held by Orient Group Incorporation. 29.66% of the issued share capital of Orient Group Incorporation was held by Orient Group Co., Ltd. 94% of the issued share capital of Orient Group Co., Ltd. was held by Mingze Orient Investment Co., Ltd.(名澤東方投資有限公司), while Mingze Orient Investment Co., Ltd. was wholly-owned by Mr. Zhang Hongwei. As disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" in this Annual Report, Orient Group Incorporation is a party to the acting in concert agreement.

4. The 2,019,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

5. The 1,020,538,470 H shares (Long position) comprised 8,237,520 H shares directly held by China Oceanwide International Investment Company Limited, 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 408,000,000 H shares directly held by Long Prosper Capital Company Limited, while the 604,300,950 H shares (Short position) were directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 89.80% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd., while all of the issued share capital of China Oceanwide International Investment Company Limited and 68.49% of the issued share capital of Oceanwide Holdings Co., Ltd. were held by China Oceanwide Holdings Group Co., Ltd. (see note 4 above).

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

7. The 713,501,653 H shares (Long position) were held by Alpha Frontier Limited. 42.04% of the issued share capital of Alpha Frontier Limited was held by Chongqing Cibi Business Information Consulting Co., Ltd.(重慶賜比商務信息諮詢有限公司), which was wholly-owned by Giant Investment Co., Ltd. (see note 6 above).

(II) As at 31 December 2020, the following Director of the Company had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

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

Note:

1. New Hope Group Co., Ltd. is interested in RMB2,000,000 of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. Liu Yonghao held 90.59% 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 2020, the following Director of the Company had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

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

Note:

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

(IV) As at 31 December 2020, the following Directors of the Company had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	**Position**	**Long/short position**	**Capacity**	**Contribution to the registered capital**	**Note**	**Percentage of the total registered capital (%)**
Shi Yuzhu	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,500,000	1	10
Liu Yonghao	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB1,500,000	2	6

Notes:

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.

2. South Hope Industrial Co., Ltd. is interested in RMB1,500,000 of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while Mr. Liu Yonghao held 90.59% 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 South Hope Industrial Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

Save as disclosed above, as at 31 December 2020, 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 Board of Supervisors of the Company, Mr. Yang Xiaoling, a Non-Executive Director, is currently a deputy general manager and chief operating officer of Dajia Insurance Group Co., Ltd., while Mr. Zhao Peng, a Non-Executive Director, is an assistant general manager and board secretary of Dajia Insurance Group Co., Ltd. Save as disclosed above, there are no other relationships between the members of the Board and the Board of Supervisors, including financial, business, family or other material or relevant relationships.

II. Employees

As at the end of the Reporting Period, the Group had 59,262 employees, of which 56,653 were employees of the Company and 2,609 were employees of the subsidiaries of the Company. Divided by work nature, 7,032 employees were categorised as the management team, 42,707 employees as the professional team, and 6,914 employees as the operational team. The Company had 56,009 employees with tertiary qualification or above, accounting for 98.9% of the total number of employees. 579 employees of the Company have retired. (Note: The professional team represents personnel engaging in product research and development, risk management, information technology and operation support, etc.)

The guiding principles of the Company's remuneration policy are to further consolidate the important role of human resources allocation in promoting the implementation of strategies and enhancing the capital control in accordance with the strategic transformation requirements and business goals of the Company by adhering to its incentive principle which was based on input and output evaluation. It also guides the Bank to consolidate customer base by pushing forward customer-centric transformation of business model and strengthening the restraining role of remuneration and incentive policies in risk management and control.

In accordance with the internal management system, the total annual remunerations of employees is determined after comprehensively considering the total number and structure of employees, operating results, financial position, risk control, etc. In addition, the performance-based remuneration of the employees is pegged to the comprehensive performances of the business unit (department) and themselves. In terms of appraisal indicators, key performance indicators are set up, including economic efficiency indicator, risk and cost control indicator and social responsibility indicator to align the remuneration with operating results, risks and social responsibilities.

In 2020, in respect of trainings, the Company focused on key strategic points to improve service performance. In active response to the challenges arising from the pandemic, it dynamically adjusted the organisation forms of training by vigorously exploring online teaching resources and continuously improving online teaching platform to actively serve for the major tasks of the Company. During the Reporting Period, the Company organised 2,643 training programmes for 600,000 participants and 2,086 online learning courses for 2,090,000 participants, with a total of 4.396 million learning hours and a total of 6.457 million credits. The Company also organised 11 qualification examinations with 210,000 participant. 162,000 certificates were issued to participants and the percentage of employees of different positions holding multiple certificates amounted to reached 97.31%, which effectively promoted business development.

III. Business Network

As at the end of the Reporting Period, the Company had set up 42 tier-one branches in 41 cities across China, with 2,424 banking outlets in total.

During the Reporting Period, the Company opened 8 new tier-two branches, namely Lianyungang Branch, Heze Branch, Wanzhou Branch, Xianyang Branch, Yueyang Branch, Jiujiang Branch, Xuancheng Branch, and Bijie Branch.

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

Name of entity	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Head Office	1	14,000	4,241,835	No. 2, Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	167	3,808	815,377	No. 2, Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	89	2,566	468,778	No. 100 Pudong Nan Road, Pudong New District, Shanghai
Guangzhou Branch	82	2,324	249,697	Minsheng Tower, No.68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province
Shenzhen Branch	75	2,133	260,978	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen, Guangdong Province
Wuhan Branch	97	1,484	90,303	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan, Hubei Province
Taiyuan Branch	107	1,383	94,396	3-5/F, 9-21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan, Shanxi Province
Shijiazhuang Branch	136	1,943	102,207	Minsheng Bank Tower, No. 197 Yuhua Dong Road, Chang'an District, Shijiazhuang, Hebei Province
Dalian Branch	48	840	86,788	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian, Liaoning Province
Nanjing Branch	196	3,227	348,073	No. 20 Hongwu Bei Road, Nanjing, Jiangsu Province
Hangzhou Branch	86	1,775	215,860	Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province
Chongqing Branch	105	1,035	98,920	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	93	1,180	91,080	China Minsheng Bank Tower, No. 78 Erhuan Nan Road Xiduan, Xi'an, Shaanxi Province
Fuzhou Branch	42	948	44,710	No. 282 Hudong Road, Fuzhou, Fujian Province
Jinan Branch	130	1,929	123,372	No. 229 Luoyuan Street, Jinan, Shandong Province
Ningbo Branch	43	748	49,156	No. 815 Juxian Road, Gaoxin District, Ningbo, Zhejiang Province
Chengdu Branch	113	1,425	126,947	Block 6, No. 966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu, Sichuan Province

Name of entity	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Tianjin Branch	54	945	79,306	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	85	838	61,064	No. 11800 Caiyun Bei Road, Kunming, Yunnan Province
Quanzhou Branch	44	569	25,420	No. 689 Citong Road, Fengze District, Quanzhou, Fujian Province
Suzhou Branch	38	1,126	82,602	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou, Jiangsu Province
Qingdao Branch	45	944	71,072	No. 190 Hai'er Road, Laoshan District, Qingdao, Shandong Province
Wenzhou Branch	22	527	54,841	Minsheng Bank Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou, Zhejiang Province
Xiamen Branch	25	533	36,723	Xiamen Minsheng Banking Mansion, No. 50 Hubin Nan Road, Xiamen, Fujian Province
Zhengzhou Branch	105	1,549	89,469	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province
Changsha Branch	46	941	73,830	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha, Hunan Province
Changchun Branch	24	563	25,579	Minsheng Tower, No. 500 Changchun Street, Nanguan District, Changchun, Jilin Province
Hefei Branch	62	781	69,257	Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Heifei, Anhui Province
Nanchang Branch	39	599	62,635	No. 545 Huizhan Road, Honggutan New District, Nanchang, Jiangxi Province
Shantou Branch	26	442	28,202	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou, Guangdong Province
Nanning Branch	35	566	83,017	1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning, Guangxi Autonomous Region
Hohhot Branch	21	377	22,964	China Minsheng Bank Tower, Block C, Oriental Jun Zuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region
Shenyang Branch	47	482	24,990	No. 65 Nanjing Bei Street, Heping District, Shenyang, Liaoning Province
Hong Kong Branch	1	232	169,928	40/F and Room 06-08, 41/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	40	513	52,844	Building 8, Tianyi International Plaza, No. 33 Changling Nan Road, Gaoxin District, Guiyang, Guizhou Province

Name of entity	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Haikou Branch	16	191	9,325	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou, Hainan Province
Lhasa Branch	4	165	5,839	Global Plaza, No. 8 Beijing Xi Road, Lhasa, Tibet Autonomous Region
Shanghai Pilot Free Trade Zone Branch	1	104	69,473	40/F, No. 100 Pudong Nan Road, Pudong New District, Shanghai
Harbin Branch	12	247	15,097	1-6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin, Heilongjiang Province
Lanzhou Branch	11	259	14,192	1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou, Gansu Province
Urumqi Branch	6	178	13,592	No. 314 Yangzijiang Road, Saybagh District, Urumqi, Xinjiang Autonomous Region
Xining Branch	2	129	7,521	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining, Qinghai Province
Yinchuan Branch	3	105	5,144	1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan, Ningxia Autonomous Region
Inter-Region adjustment	—	—	-2,070,194	
	2,424	**56,653**	**6,692,209**	

Notes:

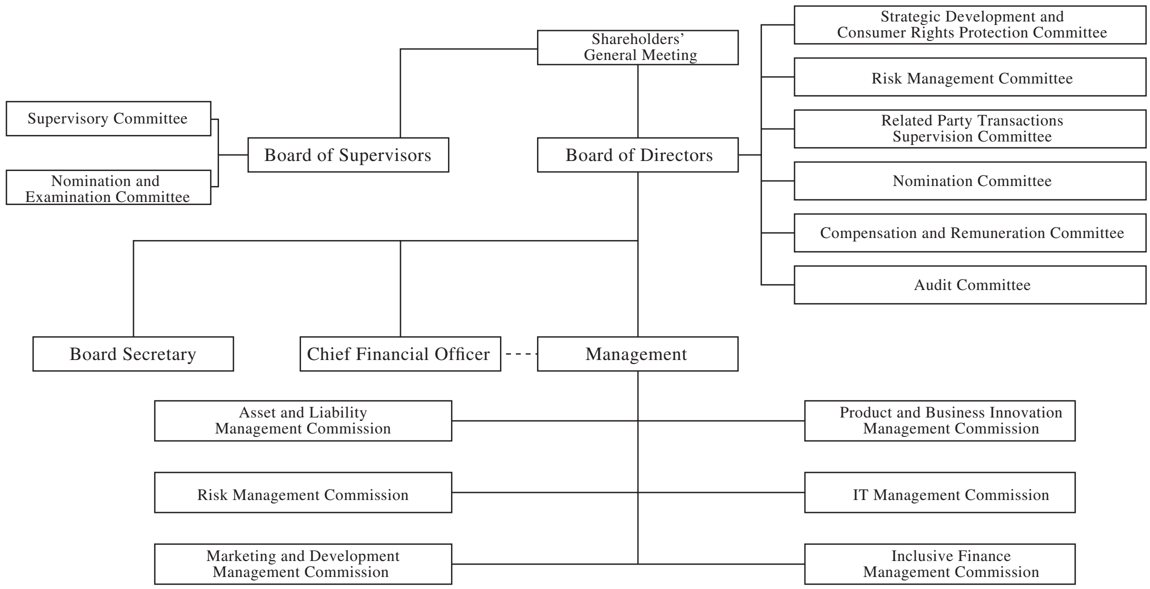
1. The number of institutions takes into account all types of banking outlets, including the Head Office, tier-one branches and business departments, business departments of tier-two branches, remote sub-branches, county-level sub-branches, intra-city sub-branches, community sub-branches, small-business special sub-branches and small-business sub-branches;

2. Headcount of the Head Office includes the total number of employees in the departments of the Head Office, Credit Card Centre and centralised operation, exclusive of employees of branches. Of which, the headcount of the Credit Card Centre was 8,608;

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 further optimised its mechanisms and rule systems of corporate governance, enhanced strategic evaluation, refined internal control and enhanced compliance management of related party transactions. Performances of the Directors and the Senior Management were evaluated regularly, the duties of Supervisors were actively fulfilled to give full play to its supervisory functions, and the Company's overall corporate governance was improved. Details are as follows:

1. During the Reporting Period, the Company had convened a total of 85 meetings, including 3 general meetings, 16 Board meetings, 41 meetings of the special committees of the Board, 8 meetings of the Board of Supervisors and 17 meetings of the special committees of the Board of Supervisors. 377 proposals including regular reports of the Company, work reports of the Board of Directors and the Board of Supervisors, work reports of the President, financial budgets and final account reports, profit distribution proposals, related party transactions, rule amendments and internal organisation structure optimisation and adjustment were considered and approved, and 100 special reports were briefed at these meetings.

2. In accordance with the regulatory requirements and actual operation needs, the Company has formulated the Administrative Measures on Pledge of Shareholders' Equity of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司股東股權質押管理辦法》), Guidance on Risk Management Performance of Board of Directors of China Minsheng Bank (《中國民生銀行董事會風險管理履職指引》), Provisional Measures on Risk Management of Internet Loans of China Minsheng Bank (《中國民生銀行互聯網貸款風險管理暫行辦法》), Administrative Measures on Net-Worth-Based Wealth Management Products of China Minsheng Bank (Provisional)(《中國民生銀行淨值型理財產品管理辦法(試行)》). The Company has also amended rules and regulations including the Articles of Association of China Minsheng Banking Corp., Ltd., The Rules of Procedures for Shareholders' General Meetings of of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司股東大會議事規則》), Terms of Reference of Related Party Transactions Supervision Committee of the Board of Directors of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事會關聯交易控制委員會工作細則》), Administrative Measures on Related Party Transactions of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司關聯交易管理辦法》), Administrative Rules for Information Disclosure of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司信息披露事務管理制度》), Administrative Measures on Writing off Bad Loans of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司呆帳核銷管理辦法》), Contingency Management Measures on Liquidity of China Minsheng Bank (《中國民生銀行流動性應急管理辦法》), Administrative Measures on Compliance of China Minsheng Bank (《中國民生銀行合規管理辦法》), Administrative Measures on Collaterals and Pledges of China Minsheng Bank (《中國民生銀行押品管理辦法》) and Guidelines for Data Governance of China Minsheng Bank (《中國民生銀行數據治理工作指引》). The corporate governance system of the Company has been further improved by the formulations and amendments of the above rules and regulations. The Board and the Board of Supervisors continued to enhance the corporate governance of the Company by implementing and enforcing these rules and regulations.

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

4. During the Reporting Period, the Company completed the works in relation to the re-election of the eighth session of the Board of Directors and the eighth session of the Board of Supervisors in accordance with relevant laws and regulations and the Articles of Association in a lawful and compliant manner.

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

6. During the Reporting Period, the Board of Directors of the Company organised research on and formulation of business strategies and implementation plans for the Guangdong-Hong Kong-Macao, Yangtze River Delta, Beijing-Tianjin-Hebei, and Chengdu-Chongqing regions. Through combining the economic characteristics of each region and on-site research, the Board provided guidance to formulate differentiated business development strategies with differentiated policies and resources, so as to enhance the financial service capability in key regions. It has strengthened regional synergy to provide comprehensive financial services to key enterprises, key projects and key customers in the development of regional integration, and to establish a bank-wide integrated service system to promote coordinated development of cross-regional integration.

7. During the Reporting Period, the Audit Committee of the Board strengthened its supervision on financial report audit, optimised the internal control system and improved information quality of financial reports. The Related Party Transactions Supervision Committee of the Board continued to maintain a complete and updated list of related parties, standardise the management process of related party transactions, organise revisions of rules concerning related party transactions and enhance management to realise the compliant, orderly and efficient management of related party transactions.

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

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

10. The Company followed the regulatory requirements regarding corporate governance of listed companies issued by the CSRC. The Company conducted a prudent internal inspection and was not aware of any non-compliance of the Company's corporate governance with the regulations regarding corporate governance of listed companies promulgated by the CSRC. There were no irregularities of corporate governance and no information was provided to substantial shareholders or actual controllers before such information was published to the public.

III. Rights of Shareholders

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

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

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

Shareholders individually or jointly holding no less than 10% shares of the Company may have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it will convene the extraordinary general meeting within 10 days upon receipt of the request.

If the Board of Directors agrees to convene the extraordinary general meeting or class meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is passed. Approval of the relevant shareholders must be sought if the resolution contained in the notice alters the original request.

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

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

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

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

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

Shareholders may make enquiries in writing to the Board through the Office of the Board of Directors of the Company at any time. The contact information of the Office of the Board of Directors of the Bank 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 individually or jointly holding no less than 3% of shares of the Bank with voting rights may put forward proposals to the Company and provisional proposals to the meeting convener in writing 10 days prior to the date of the general meeting. The 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 3% or no less than 3% voting shares with voting rights and the Board of Supervisors of the Company are entitled to put forward additional proposals in writing. The Bank shall include the proposals that fall within the scope of power of the general meeting in the agenda of such meeting.

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

IV. General Meetings

During the Reporting Period, the Company held three general meetings and considered and approved 46 resolutions and considered 3 special reports. Details are as follows:

On 20 April 2020, the first extraordinary general meeting for 2020 of the Company was held in Beijing in which the shareholders attended and voted on-site and online. Please refer to the announcement dated 20 April 2020 published on the website of the Company, the website of the SSE and the HKEXnews website of the SEHK for details of the resolutions of the meeting. The announcement was also posted on China Securities Journal, Shanghai Securities News and Securities Times on 21 April 2020.

On 29 June 2020, the 2019 annual general meeting, the first A share class meeting for 2020 and the first H share class meeting for 2020 of the Company were held in Beijing in which the shareholders attended and voted on-site and online. Please refer to the announcement dated 29 June 2020 published on the website of the Company, the website of the SSE and the HKEXnews website of the SEHK for details of the resolutions of the meetings. The announcement was also posted on China Securities Journal, Shanghai Securities News and Securities Times on 30 June 2020.

On 16 October 2020, the second extraordinary general meeting for 2020 of the Company was held in Beijing in which the shareholders attended and voted on-site and online. Please refer to the announcement dated 16 October 2020 published on the website of the Company, the website of the SSE and the HKEXnews website of the SEHK for details of the resolutions of the meeting. The announcement was also posted on China Securities Journal, Shanghai Securities News and Securities Times on 17 October 2020.

V. Board of Directors

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

(I) Composition of the Board

As at the end of the Reporting Period, the Board of the Company had 17 members, of which nine were Non-Executive Directors, two were Executive Directors and six were Independent Non-Executive Directors. All Non-Executive Directors held key positions in renowned enterprises and were experienced in management, finance and accounting, while the two Executive Directors had been engaged in banking operation and management for a long time with extensive professional experiences. The six Independent Non-Executive Directors were experts in economics, finance, accounting 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, and shall analyse and assess the structure, composition and diversity of members of the Board (including but not limited to the gender, age, cultural and educational background, professional experience, skills, knowledge and term of office) and make suggestions to the Board for implementation of the strategies of the Bank annually.

For the list of Directors of the Company and their profiles, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network". The status of Independent Non-Executive Directors has been indicated clearly in all communications of the Company which list the names of Directors to comply with the provisions of the Hong Kong Listing Rules.

(II) Powers of the Board

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

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

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

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

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

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

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

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

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

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

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

11. to authorise the Nomination Committee under the Board to appoint or dismiss chief advisors, presidents of branches, presidents of SBUs and financial officers and approve the candidates for chairmans, chief supervisors 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 work reports of the President of the Company and to examine the President's performance;

17. the Board shall establish a supervisory system to ensure that the management body will formulate a code of conduct and working principles for the management staff and the business personnel at all levels and that the regulatory documents will specifically require employees at all levels to promptly report any possible conflict of interests, stipulate concrete rules and establish corresponding mechanism;

18. the Board shall establish an information reporting system that requires the Senior Management to report to the Board and Directors the operational issues of the Company regularly, and the reporting system shall cover provisions for the following issues:

    (1) the scope of the information reported to the Board and Directors and the minimum reporting standards;

    (2) the frequency of information reporting;

    (3) the method of information reporting;

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

    (5) the confidentiality requirements.

19. to determine matters related to issued preference shares of the Bank within the scope of power authorised by the general meetings, including but not limited to the determination of repurchase, conversion and dividend payment; and

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

(III) Attendance of the Directors of the Company at the Board meetings and general meetings in 2020

Directors	Board Meetings Attendance in Person/Number of Meetings	General Meetings Attendance in Person/Number of Meetings
Non-Executive Directors		
Zhang Hongwei	16/16	3/3
Lu Zhiqiang	16/16	3/3
Liu Yonghao	15/16	3/3
Shi Yuzhu	16/16	3/3
Wu Di	16/16	3/3
Song Chunfeng	16/16	3/3
Weng Zhenjie	16/16	3/3
Yang Xiaoling	5/5	0/0
Zhao Peng	5/5	0/0
Executive Directors		
Gao Yingxin	8/8	1/1
Zheng Wanchun	16/16	3/3
Hong Qi (resigned)	9/9	2/2
Independent Non-Executive Directors		
Liu Jipeng	16/16	3/3
Li Hancheng	16/16	3/3
Xie Zhichun	16/16	3/3
Peng Xuefeng	16/16	3/3
Liu Ningyu	16/16	3/3
Qu Xinjiu	5/5	0/0
Tian Suning (resigned)	11/11	3/3

Notes:

1. For details of the changes of Directors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network";

2. The Directors only attended but refrained from voting at the meetings prior to CBIRC's approval on their qualifications.

(IV) Board meetings and resolutions

During the Reporting Period, 16 Board meetings were held by the Board to consider and approve major resolutions in relation to strategies, finance and operation of the Company. At the 16 meetings, 138 resolutions including four regular financial reports, work reports of the Board, work reports of the President, financial budgets and final account reports, profit distribution proposals, the establishment of business units and the rules revisions were considered and approved by the Board.

Meeting	Date	Publication	Date of Disclosure
15th extraordinary meeting of the seventh session of the Board	28 February 2020	Shanghai Securities News, China Securities Journal and Securities Times	29 February 2020
16th extraordinary meeting of the seventh session of the Board	16 March 2020	Shanghai Securities News, China Securities Journal and Securities Times	17 March 2020
20th meeting of the seventh session of the Board	30 March 2020	Shanghai Securities News, China Securities Journal and Securities Times	31 March 2020
21st meeting of the seventh session of the Board	29 April 2020	Shanghai Securities News, China Securities Journal and Securities Times	30 April 2020
17th extraordinary meeting of the seventh session of the Board	7 May 2020	Shanghai Securities News, China Securities Journal and Securities Times	8 May 2020
18th extraordinary meeting of the seventh session of the Board	26 May 2020	Shanghai Securities News, China Securities Journal and Securities Times	27 May 2020
19th extraordinary meeting of the seventh session of the Board	5 June 2020	Shanghai Securities News, China Securities Journal and Securities Times	6 June 2020
20th extraordinary meeting of the seventh session of the Board	28 June 2020	Shanghai Securities News, China Securities Journal and Securities Times	29 June 2020
21st extraordinary meeting of the seventh session of the Board	30 June 2020	Shanghai Securities News, China Securities Journal and Securities Times	1 July 2020
22nd meeting of the seventh session of the Board	28 August 2020	Shanghai Securities News, China Securities Journal and Securities Times	29 August 2020
22nd extraordinary meeting of the seventh session of the Board	23 September 2020	Shanghai Securities News, China Securities Journal and Securities Times	24 September 2020
1st meeting of the eighth session of the Board	16 October 2020	Shanghai Securities News, China Securities Journal and Securities Times	17 October 2020

Meeting	Date	Publication	Date of Disclosure
2nd meeting of the eighth session of the Board	30 October 2020	Shanghai Securities News, China Securities Journal and Securities Times	31 October 2020
3rd meeting of the eighth session of the Board	30 November 2020	Shanghai Securities News, China Securities Journal and Securities Times	1 December 2020
1st extraordinary meeting of the eighth session of the Board	21 December 2020	Shanghai Securities News, China Securities Journal and Securities Times	22 December 2020
4th meeting of the eighth session of the Board	30 December 2020	Shanghai Securities News, China Securities Journal and Securities Times	31 December 2020

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

The Board of the Company distributed dividends to the shareholders according to the profit distribution plan for 2019 approved at the 20th meeting of the seventh session of the Board and the annual general meeting for 2019. Cash dividend of 2019 of RMB3.70 (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 RMB16,199 million, based on 43,782 million issued shares of the Company as at 31 December 2019. The cash dividend was denominated and declared in Renminbi. The holders of A shares were paid in Renminbi and the holders of H shares were paid in Hong Kong dollar. The Company distributed dividends to the holders of A shares and H shares in July 2020 in accordance with the regulations, and this distribution was completed.

(VI) Performance of Independent Non-Executive Directors

The Board of the Company comprises six Independent Non-Executive Directors. The qualifications of Independent Non-Executive Directors are in compliance with the provisions of the CBIRC, the CSRC, and the listing rules of the SSE and the Hong Kong Listing Rules. During the Reporting Period, these Independent Non-Executive Directors duly performed their duties by maintaining communication with the Company through various means, such as attending office in the Bank, conducting on-site visits, holding special investigation and conferences, attending the Board meetings and meetings of the special committees of the Board conscientiously, making suggestions actively and emphasising minority shareholders’ interests.

1. *On-Duty policy for Independent Non-Executive Directors*

In order to fully perform the functions of Independent Non-Executive Directors and improve the effectiveness of the Board, the Board of the Company has adopted an on-duty policy since March 2007, pursuant to which Independent Non-Executive Directors are required to work in the Company for one to two days per month. The Company provided offices and facilities for the Independent Non-Executive Directors. During the Reporting Period, all Independent Non-Executive Directors have complied with the on-duty policy. The main duties of the Independent Non-Executive Directors while they are on duty are: to study the works of their respective committees; to review work reports of the Senior Management or various departments of the Head Office; to visit the branches of the Company for special investigation and conferences; and to supervise the establishment of or amendment to rules relevant to corporate governance. The on-duty policy of Independent Non-Executive Directors provides important support and assurance for Independent Non-Executive Directors to give full effect of their expertise to provide professional opinion to the decision-making of the Board. The implementation of the policy has supported and ensured the rationality and independence of the decision-making of the Board.

2. *Rules governing Independent Non-Executive Directors' work on annual reports*

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

Pursuant to the rules, the Independent Non-Executive Directors are required to perform their responsibilities and duties diligently in the process of preparation and disclosure of the annual reports of the Company. The management of the Company shall fully report the annual operating results and the progress of material issues to the Independent Non-Executive Directors within 60 days after the end of each fiscal year. The Independent Non-Executive Directors may conduct investigation on certain issues if necessary. The Independent Non-Executive Directors shall verify the qualification of the accountants to be engaged by the Company and the qualification of the certified public accountants responsible for the auditing of the annual reports of the Company. Upon the issuance of the preliminary audit opinion, the Independent Non-Executive Directors shall hold at least one meeting with the certified public accountants responsible for the auditing of the annual reports of the Company to discuss the issues identified in the auditing process before a Board meeting is convened to review the annual reports.

Pursuant to the rules, the Independent Non-Executive Directors have performed their responsibilities and duties diligently and strictly complied with the relevant rules and regulations of the Company and the regulatory authorities in preparation and disclosure of the 2020 Annual Report of the Company. The Independent Non-Executive Directors have received the reports from the management of the Company on the operation and development of material issues of 2020, maintained continuous communication with the accounting firm in respect of the annual auditing and reviewed auditing plans, report on pre-auditing and auditing from the accounting firms.

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

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

(1) Nomination, appointment and removal of Directors;

(2) Appointment or removal of Senior Management;

(3) Profit distribution plan;

(4) Remuneration of Directors and Senior Management;

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

(6) Engagement of external auditors;

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

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

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

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

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

For details of the attendance of the Independent Non-Executive Directors at meetings, please refer to "Attendance of the Directors of the Company at the Board meetings and general meetings in 2020" of this chapter.

(VII) 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.

(VIII) 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.

Mr. Gao Yingxin has served as the Chairman of the Board of the Company since 16 July 2020. He was responsible for leading the Board and acting as the Chairman of the Board meetings, and ensuring that all Directors were well informed of the issues to be discussed during the Board meetings. He was also responsible for managing the operation of the Board and ensuring that the Board discuss all major and relevant issues in a timely and constructive manner. To achieve this, Chairman of the Board shall collaborate with relevant Senior Management to ensure that the Directors promptly receive appropriate, complete and reliable information for their consideration and review. For the details of the changes of chairman, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network".

Mr. Zheng Wanchun has served as the President of the Company throughout the Reporting Period. He was responsible for the business operation of the Company and the implementation of strategies and business plans of the Company.

(IX) 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 2020. 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.

(X) Responsibility statement of Directors regarding preparation of financial statements

All Directors of the Company had acknowledged their responsibilities for the preparation of the financial statements of the Company for the year ended 31 December 2020.

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

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

The major works of corporate governance performed by the Board of the Company in 2020 were as follows: the Board conducted self-assessment of corporate governance, led the Bank to optimise corporate governance system and structure and strengthened the working performance systems of the special committees of the Board. The Board had also conducted due diligence appraisals of Directors and Senior Management, organised and carried out training of Directors and formulated and amended various corporate governance policies of the Company in accordance with domestic and overseas regulatory requirements so as to optimise its corporate governance system. The Board also confirmed that, save as disclosed in this Annual Report, the Company had complied with the code provisions of Appendix 14 to the Hong Kong Listing Rules throughout 2020 based on its review.

Composition, functions and powers of the six special committees of the Board and their work performed in 2020 are as follows:

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

1. Composition of the Strategic Development and Consumer Rights Protection Committee under the Board of Directors and meetings in 2020

As on 1 January 2020, the Strategic Development and Consumer Rights Protection Committee of the seventh session of the Board had eight members. The chairman was Hong Qi and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Zheng Wanchun, Shi Yuzhu, Weng Zhenjie and Tian Suning.

As on 30 June 2020, pursuant to the Resolution on Adjusting Compositions of Certain Special Committees under the Seventh Session of the Board of the Company (《關於調整公司第七屆董事會部分專門委員會成員的決議》) approved at the 21st extraordinary meeting of the seventh session of the Board, the Strategic Development and Consumer Rights Protection Committee of the seventh session of the Board had eight members. The chairman was Gao Yingxin and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Zheng Wanchun, Shi Yuzhu, Weng Zhenjie and Tian Suning. On 16 July 2020, the CBIRC approved the qualifications of Mr. Gao Yingxin as a Director and Chairman of the Board of Directors of the Company. Therefore, Hong Qi ceased to serve as his position.

As on 16 October 2020, pursuant to the Resolution on Compositions of Special Committees of the Eighth Session of the Board (《關於第八屆董事會專門委員會組成成員的決議》) approved at the 1st meeting of the eighth session of the Board, the Strategic Development and Consumer Rights Protection Committee of the eighth session of the Board had eight members. The chairman was Gao Yingxin and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Zheng Wanchun, Shi Yuzhu, Weng Zhenjie and Zhao Peng.

The Strategic Development and Consumer Rights Protection Committee of the eighth session of the Board had six Non-Executive Directors, who were all key persons in charge of renowned companies in China and had extensive experience in management and sufficient knowledge in finance and accounting. The Strategic Development and Consumer Rights Protection Committee of the Company is well-structured, with sufficient specialty and independence, which ensures it to perform its strategic guidance and managing and supervisory duty effectively.

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

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

The Strategic Development and Consumer Rights Protection Committee convened seven meetings, reviewed 38 proposals and received briefing of nine reports in 2020. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Zhang Hongwei	7/7
Lu Zhiqiang	7/7
Liu Yonghao	7/7
Shi Yuzhu	7/7
Weng Zhenjie	7/7
Zhao Peng	2/2
Executive Directors	
Gao Yingxin (chairman of the committee)	5/5
Hong Qi (resigned)	2/2
Zheng Wanchun	7/7
Independent Non-Executive Director	
Tian Suning (resigned)	5/5

Notes:

1. For details of the changes of Directors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network";

2. The Directors only attended but refrained from voting at the meetings prior to CBIRC's approval on their qualifications.

2. Major achievements of the Strategic Development and Consumer Rights Protection Committee under the Board of Directors in 2020

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

(1) Execution of supports on decision-making

The Strategic Development and Consumer Rights Protection Committee further refined the process of operation and decision-making of the committee to improve the overall support of decision making. It convened seven meetings, reviewed 38 proposals and received briefings of nine reports. It fully discharged its role in support of the major decisions of the Company.

(2) Active promotion of strategic management

The Strategic Development and Consumer Rights Protection Committee actively pushed forward reform and transformation and the implementation of the medium- to long-term development plan. It steered the management to continuously improve the strategic management system, established a long-term communication mechanism for strategic management and supervised the evaluation of the effectiveness of strategic implementation.

(3) Continuous optimisation of capital management

The Strategic Development and Consumer Rights Protection Committee continued to optimise the capital management system, organised the preparation of the capital plan for the next three years and the annual capital strategy,reviewed various capital management reports and internal capital adequacy assessment reports, implement capital replenishment and capital monitoring, and prepare the profit distribution plan for the Company to help facilitate the smooth implementation of the reform and transformation strategy.

(4) Active promotion of investment management

The Strategic Development and Consumer Rights Protection Committee further strengthened the management of outward investments and actively pressed ahead the development strategies of the Group so as to facilitate the implementation of major investment decisions and improve comprehensive services. In addition, based on the relevant decisions of the Board, it fully performed its duties of major fixed assets investment management, strengthened the establishment of work mechanisms and drew up and submitted proposals for major fixed asset investment projects to the Board for consideration. Also, based on the relevant decisions of the Board, it further pushed forward project implementation for better progress.

(5) Enhancement of the management of subsidiaries

The Strategic Development and Consumer Rights Protection Committee further strengthened the management of subsidiaries, innovated the management mechanism of corporate governance of subsidiaries and strengthened the performance management of directors and supervisors of subsidiaries. It continuously reinforced the strategic management of the subsidiaries. Greater efforts were made to refine the equity and external investment management of the subsidiaries, so as to enhance the Group-oriented management.

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

The Strategic Development and Consumer Rights Protection Committee refined the mechanism for supervising the key tasks of the management of consolidated financial statements of the Group and continued to optimise the management system. It also strengthened the Board's role in supervision, appraisal and assessment so as to improve the overall coordination of the Group.

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

The Strategic Development and Consumer Rights Protection Committee further improved the performance mechanism of inclusive finance, consumer rights protection and social responsibilities. It also gave guidance to the management on further improvement of the management system of inclusive finance, consumer rights protection and social responsibilities. It has formulated the Guiding Opinions on Annual Consumer Rights Protection (《年度消費者權益保護指導意見》), improved governance mechanism and work supervision, and received regular reports on the work of inclusive finance, consumer rights protection and social responsibilities. The Strategic Development and Consumer Rights Protection Committee recommended that the Board should exert greater efforts to policies such as inclusive finance and small business finance and promote the implementation by the management. It strove to build a "customer-centric" consumer protection culture. While making practical contributions to ensuring stability on the six fronts (i.e. employment, financial operations, foreign trade, foreign investment, domestic investment and market expectations) and security in the six areas (i.e. employment, people's livelihood, the development of market entities, food and energy security, stable operation of the industrial and supply chains and smooth functioning at the community level), it aimed to help the Company build up strengths and characteristics in the areas of small business finance and inclusive finance.

(8) Optimisation of data governance

The Strategic Development and Consumer Rights Protection Committee refined data governance mechanism of the Company, revised the basic rules for data governance and received semi-annual and annual reports on data governance to further enhance the quality and effectiveness of data governance.

(II) Nomination Committee

1. Composition of the Nomination Committee and meetings in 2020

As on 1 January 2020, the Nomination Committee of the seventh session of the Board had nine members. The chairman was Peng Xuefeng and the members were Hong Qi, Zhang Hongwei, Liu Yonghao, Shi Yuzhu, Liu Jipeng, Li Hancheng, Xie Zhichun and Liu Ningyu.

As on 30 June 2020, pursuant to the Resolution on Adjusting Compositions of Certain Special Committees of the Seventh Session of the Board (《關於調整公司第七屆董事會部分專門委員會成員的決議》) approved at the 21st extraordinary meeting of the seventh session of the Board, the Nomination Committee had nine members. The chairman was Peng Xuefeng and the members were Gao Yingxin, Zhang Hongwei, Liu Yonghao, Shi Yuzhu, Liu Jipeng, Li Hancheng, Xie Zhichun and Liu Ningyu. On 16 July 2020, the CBIRC approved the qualification of Mr. Gao Yingxin as a Director and Chairman of the Board of Directors of the Company and Mr. Hong Qi ceased to perform his duties.

As on 16 October 2020, the change of session of the Board of the Company was completed. The Nomination Committee of the eighth session of the Board had 11 members. The chairman was Peng Xuefeng and the members were Gao Yingxin, Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Shi Yuzhu, Liu Jipeng, Li Hancheng, Xie Zhichun, Liu Ningyu and Qu Xinjiu.

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

Reviewing the structure, composition and diversity of members of the Board of Directors (including but not limited to the gender, age, cultural and educational background, professional experience, skills, knowledge and term of office) and making suggestions to the Board of Directors for implementation of the strategies of the Bank annually; studying and formulating selection procedures and standards of appointment of Directors and Senior Management of the Head Office of the Bank and making suggestions to the Board of Directors. When identifying appropriate candidates for Directors, the value of the relevant candidates shall be considered, while objective conditions should be fully examined for the benefit of the diversity of members of the Board of Directors; identifying qualified candidates for Directors and the Senior Management of the Head Office of the Bank; identifying and selecting outstanding candidates for operation management widely and making suggestions to Senior Management of the Head Office of the Bank on candidates for departments of the Head Office, Senior Management of branches and senior technical experts; conducting preliminary examination on the qualification of candidates for Directors and Senior Management of the Head Office and making suggestions to the Board of Directors; examining the qualification of candidates for Independent Non-Executive Directors in terms of independence, professional knowledge, experience and capability; examining the independence and performance of duties of Independent Non-Executive Directors on a regular basis; conducting preliminary examination on the qualification of candidates for chief specialists of the Bank, presidents of branches, presidents of SBUs, persons in charge of finance and Chairman of the Board of Directors, Chairman of the Board of Supervisors and general managers proposed for subsidiaries before appointments; formulating work procedures for alternative Directors and Senior Management of the Head Office under special circumstances, and nominating candidates to fill the vacancies as appropriate; guiding and supervising the establishment of a comprehensive data pool for development and management of talent of the Bank; reviewing the time Directors spent to perform their duties on a regular basis; reviewing the Policy of Board Diversity for the composition of the Board of Directors, the measurable targets set up for executing the diversification policy and the fulfillment of such targets as appropriate, and disclosing review results annually in the "Corporate Governance Report"; performing responsibilities specified by the laws, regulations and the listing rules of the places where the Bank is listed; and fulfilling other functions and duties of the Committee authorised by the Board of Directors. Please refer to the section headed "V. Board of Directors – (I) Composition of the Board" of this chapter for details of the summary of Policy of Board Diversity.

The Nomination Committee convened six meetings and reviewed 17 proposals in 2020. The attendance record is as follows:

Members	**Attendance/ Number of Meetings**
Non-Executive Directors	
Zhang Hongwei	6/6
Lu Zhiqiang	2/2
Liu Yonghao	6/6
Shi Yuzhu	6/6
Executive Directors	
Gao Yingxin	4/4
Hong Qi (resigned)	2/2
Independent Non-Executive Directors	
Peng Xuefeng (chairman of the committee)	6/6
Liu Jipeng	6/6
Li Hancheng	6/6
Xie Zhichun	6/6
Liu Ningyu	6/6
Qu Xinjiu	2/2

Notes:

1. For details of the changes of Directors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network";

2. The Directors only attended but refrained from voting at the meetings prior to CBIRC's approval on their qualifications.

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

(1) Nomination procedures for Director candidates

The Articles of Association of the Company provide for the procedures and method of nomination of Directors, please refer to Articles 152 and 165 of the Articles of Association considered and approved at the first extraordinary general meeting for 2021 for details.

(2) Criteria and standards of selection and recommendation of Director candidates

Directors shall possess expertise and experiences to perform his/her duties as well as qualify the requirements of the banking regulatory authorities of the State Council. Qualification of Directors shall be reviewed by the banking regulatory authorities of the State Council.

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

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

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

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

④ is equipped with a basic knowledge of the operation of listed commercial banks, and is familiar with relevant laws, administrative regulations, rules and regulations;

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

⑥ has more than five years of legal, economic, commercial banking or other working experience necessary for performing duties as Independent Non-Executive Directors;

⑦ meets the requirements of domestic and overseas regulatory authorities and the relevant Listing Rules regarding the qualifications of Independent Non-Executive Directors, and obtains other qualifications to serve as Directors specified in the Articles of Association.

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

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

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

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

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

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

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

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

3. *Major achievements of the Nomination Committee in 2020*

During the Reporting Period, the Nomination Committee under the Board duly performed the following duties in respect of examining the qualifications of Director candidates, reviewing independence and performance of annual works of Independent Non-Executive Directors, and examining requirements and qualifications of Senior Management candidates, in accordance with the Terms of Reference and Implementation of the Nomination Committee under the Board (《董事會提名委員會工作實施細則》) and the Working Plan of the Nomination Committee under the Board (《董事會提名委員會工作計劃》) formulated at the beginning of the year:

(1) Examining qualifications of Director candidates

In accordance with the Company Law and the Articles of Association of the Company and based on the appointment requirements and qualifications for Directors and Independent Directors, it preliminarily examined the qualifications and requirements of Director candidates and selected and examined the qualifications of Independent Director candidates for the eighth session of the Board within the number of persons as stipulated in the Articles of Association of the Company. Taking into account the independence, professional capabilities, experience and work performance of the Independent Director candidates, as well as the requirement of a more diversified board composition, it recommended the Board eligible Director candidates that met requirements and conscientiously performed its duties.

(2) Examining independence of annual work of Independent Non-Executive Directors

Pursuant to the requirements of the Memorandum on Regular Report for Listed Companies (《上市公司定期報告工作備忘錄》), the Nomination Committee has reviewed the Annual Work Report of Independent Non-Executive Directors for 2020 (《獨立非執行董事2020年度述職報告》) of the six Independent Non-Executive Directors of the Company according to their annual work, annual duty performance, preparation of annual report and key issues of the Company and submitted the Annual Duty Report to the shareholders at the annual general meeting. The Nomination Committee is of the opinion that during the Reporting Period, the six Independent Non-Executive Directors of the Company have performed their various functions and duties in compliance with laws and regulations in a diligent manner, and diligently supervised the compliance with respect to the development of the businesses and significant matters of the Company, which effectively enhanced corporate governance and protected the interests of the Company and the shareholders, especially the interests of minority shareholders.

(3) Examining appointment requirements and qualifications of Senior Management

In accordance with the duties and responsibilities of the committee, the Nomination Committee carefully examined the appointment conditions and qualifications of President Zheng Wanchun, Executive Vice Presidents Yuan Guijun, Chen Qiong, Shi Jie, Li Bin, Lin Yunshan and Hu Qinghua, Chief Financial Officer and Board Secretary Bai Dan, Chief Audit Officer Zhang Yuebo and Assistant President Ouyang Yong before recommending them to the Board of Directors for appointment.

(4) Examining qualifications of branch presidents and senior management of subsidiaries

The Nomination Committee continued to perform its duties of making decisions on selection and appointment of the senior management and improve the nomination procedure in a normative, transparent and efficient manner. The Nomination Committee considered a total of 12 candidates for presidents of branches and candidates for chairman of the board of directors, chairman of the board of supervisors and general managers accredited to subsidiaries during the year.

(III) Compensation and Remuneration Committee

1. *Composition of the Compensation and Remuneration Committee and meetings in 2020*

As on 1 January 2020, the Compensation and Remuneration Committee of the seventh session of the Board had eight members. The chairman was Tian Suning and the members were Lu Zhiqiang, Zheng Wanchun, Wu Di, Liu Jipeng, Li Hancheng, Xie Zhichun and Peng Xuefeng.

As on 16 October 2020, the change of session of the Board of the Company was completed. The Compensation and Remuneration Committee of the eighth session of the Board had 9 members. The chairman was Liu Jipeng and the members were Gao Yingxin, Wu Di, Weng Zhenjie, Yang Xiaoling, Li Hancheng, Xie Zhichun, Peng Xuefeng and Liu Ningyu.

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

Studying and formulating remuneration policies, remuneration systems and proposals of the Directors and Senior Management of the Head Office for the establishment of formal and transparent procedures for making remuneration policies, making recommendations to the Board of Directors and supervising the implementation of remuneration policies, remuneration systems and proposals; studying and formulating performance appraisal standards and proposals of the Directors and Senior Management of the Head Office; studying and formulating performance appraisal system of the Directors and Senior Management of the Head Office, making recommendations to the Board of Directors and carrying out regular evaluations; considering and determining the classes of positions and remuneration of Senior Management of the Head Office; studying and formulating the proposal of share option incentive scheme of the Bank and its subsidiaries and its implementation method; reviewing the material remuneration system of the Bank, making recommendations on improvement and supervising its implementation; studying and formulating the resignation policy of the Directors and Senior Management of the Head Office; determining the remuneration and incentive and restraint proposals for Directors and Senior Management of the Head Office, including their benefits-in-kind, pension and compensations (including compensation for loss of office or appointment or removal from office or appointment which is not due to misconduct or termination of office or appointment) and making recommendations to the Board of Directors; reviewing and approving compensation payment to the Directors and Senior Management for their loss or termination of office or appointment or their removal or dismissal due to misconduct, which shall be determined based on the relevant contracts or, in the absence of the relevant contracts, fair and reasonable; performing duties stipulated by the laws, regulations and listing rules of places where the Company is listed; and dealing with other matters conferred by the Board of Directors.

The Compensation and Remuneration Committee convened four meetings, reviewed eight proposals and received briefing of two special reports in 2020. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Lu Zhiqiang	3/3
Wu Di	4/4
Weng Zhenjie	1/1
Yang Xiaoling	1/1
Executive Directors	
Gao Yingxin	1/1
Zheng Wanchun	3/3
Independent Non-Executive Directors	
Liu Jipeng (Chairman of the Committee)	4/4
Li Hancheng	4/4
Xie Zhichun	4/4
Peng Xuefeng	4/4
Liu Ningyu	1/1
Tian Suning (resigned)	3/3

Notes:

1. For details of the changes of Directors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network";

2. The Directors only attended but refrained from voting at the meetings prior to CBIRC's approval on their qualifications.

2. Major achievements of the Compensation and Remuneration Committee in 2020

During the Reporting Period, according to the Terms of Reference of the Compensation and Remuneration Committee of the Board (《董事會薪酬與考核委員會工作細則》) and the annual work plan of the Board, the Compensation and Remuneration Committee focused on optimising and refining the incentive and restraint mechanism, gave full play to its functions and carried out all tasks in a proactive manner. Its major achievements of the year are as follows:

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

In order to further standardise and enhance the diligent performance of duties of Directors, the Compensation and Remuneration Committee under the Board carried out an objective evaluation on the performances of all the Directors for 2019 based on measurable key performance indicators, including meeting attendance, training participation and involvement of decision-making during the Reporting Period and published the Performance Appraisal Report of Directors of the Board of China Minsheng Bank for 2019 (《中國民生銀行董事會2019年度董事履職評價報告》).

(2) Appraisal on duty performance of Senior Management for the year

The Compensation and Remuneration Committee under the Board studied and designed performance appraisal standards and plans of the Senior Management for 2019 according to the authorisation of the Board and related rules. The Compensation and Remuneration Committee under the Board organised and implemented the appraisal work of the duty performance of the Senior Management for 2019. These initiatives ensured a thorough understanding of the Board and the Compensation and Remuneration Committee in respect of the performance of the Senior Management and effectively guided them to further improve their performance. To orderly carry out the annual appraisal of the Senior Management for 2020, the Committee formulated plans and clarified principles, indicators and other important issues of the appraisal to provide guidance for the relevant works.

(3) Optimisation and refinement of incentive and restraint mechanism of Senior Management

In accordance with the requirements of the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), Supervisory Guidelines on Prudent Remuneration of Commercial Banks (《商業銀行穩健薪酬監管指引》) and other relevant rules and regulations, the Compensation and Remuneration Committee has continuously optimised and improved the performance appraisal system for the Senior Management to highlight the importance of "compliance operation" and "risk management". In the annual appraisal plan of the Senior Management for 2020, it emphasised on compliance operation and risk management, increased the overall weight of compliance and risk indicators, paid attention to social responsibilities. Through evaluating service quality, consumer protection, green credit and inclusive finance, it guided the Senior Management to effectively implement the requirements of national policies, and strove to establish and improve an incentive and restraint mechanism that "balanced risk and return, long-term and short-term interests, and spiritual and material rewards".

(4) Preparation of annual remuneration plans for Directors and Senior Management

The Compensation and Remuneration Committee prepared the 2019 remuneration plans for Directors based on their performances in compliance with the provision of the Rules for Remuneration of Directors and Supervisors (《董事、監事薪酬制度》), and reported it to the Board of Directors and shareholders' general meeting for discussion. According to the Administrative Rules for Remuneration of Senior Management of China Minsheng Bank (《中國民生銀行高級管理人員薪酬管理制度》) and the Administrative Measures on Venture Fund for Senior Management of China Minsheng Bank (《中國民生銀行高級管理人員風險基金管理辦法》), the Compensation and Remuneration Committee prepared the 2019 remuneration plan of the Senior Management and disclosed it after being approved by the Board. It reviewed and confirmed the job ranks and salary ranks of the Senior Management of the Head Office, and received special briefings on the implementation of venture fund for the Senior Management.

(IV) Risk Management Committee

1. Composition of the Risk Management Committee and meetings in 2020

As on 1 January 2020, the Risk Management Committee of the seventh session of the Board had five members. The chairman was Xie Zhichun and the members were Zheng Wanchun, Wu Di, Song Chunfeng and Li Hancheng.

As on 16 October 2020, the Risk Management Committee of the eighth session of the Board had six members. The chairman was Xie Zhichun and the members were Zheng Wanchun, Wu Di, Song Chunfeng, Zhao Peng and Li Hancheng.

The main functions and duties of Risk Management Committee shall be as follows: Conducting research on national macro-economic and financial policies and analysing the market changes; assisting the Board in establishing risk management culture and strategies, determining risk preferences and ensuring the establishment of risk limit control; examining regulations, policies and regulatory indicators issued by regulatory authorities, and assisting the Board in performing its risk management duties in respect of credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk of the banking books, reputation risk, strategic risk, information technology risk, compliance risk, anti-money laundering and anti-terrorism financing and case prevention according to various requirements issued and amended by the regulatory authorities; conducting researches on the development strategies and risk management system of the Bank to provide recommendations on the improvement of organisational structure, control procedures and risk solutions for risk management; assisting the Board in reviewing major risk management policies and procedures; conducting researches on the implementation procedures and its management methods of the strategic planning of the Bank, evaluating the effectiveness of the risk policies and providing dynamic risk control proposals; assisting the Board in supervising the overall risk management of the Senior Management; examining the operation and risk conditions of the Bank and identifying major risk problems needed to be focused on by risk management based on five-category classification and discounted cash flow analysis; assisting the Board in reviewing overall risk management report and other risk information reports; supervising and evaluating the implementation of the strategic planning and monitoring the continuous efforts of the business management in improving its risk control ability; examining the risk identification, management technology, risk control and compensation mechanism operated and managed by the Bank and reviewing the planning of risk management system; reviewing the warning, prevention and emergency response measures on material risks events in the operation and management of the Bank; organising risk assessment for material operation issues to formulate risk prevention measures; assisting the Board in reviewing information disclosure of overall risk and various material risks; reviewing the green credit targets and reports submitted by the Senior Management to supervise and evaluate the performance of green credit of the Bank; and other duties as set out by laws, administrative regulations, rules and requirements of stock regulatory authorities of the places where the shares of the Bank are listed and as delegated by the Board of Directors.

The Risk Management Committee convened eight meetings and reviewed 30 proposals and received seven briefings of special reports in 2020. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Wu Di	8/8
Song Chunfeng	8/8
Zhao Peng	2/2
Executive Director	
Zheng Wanchun	8/8
Independent Non-Executive Directors	
Xie Zhichun (chairman of the committee)	8/8
Li Hancheng	8/8

Notes:

1. For details of changes of Directors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network" in this report;

2. The Directors only attended but refrained from voting at the meetings prior to CBIRC's approval on their qualifications.

2. Major achievements of the Risk Management Committee in 2020

In 2020, under the leadership of the Board, the Risk Management Committee further refined the risk management system, continued to strengthen the effectiveness and standardisation of overall risk management and improve system quality. Its major achievements of the year were as follows:

(1) Improving risk management performance system of the Board

The Risk management Committee established and improved the system of compliant performance of risk management of the Board, strengthened the effectiveness of corporate governance and overall risk management, and further enhanced the capability of the Board to perform compliant risk management. It has formulated the "Guidelines on Risk Management Performance of the Board of Directors of China Minsheng Bank (《中國民生銀行董事會風險管理履職指引》) in accordance with the regulatory requirements and the actual situation of the Company, which was formally implemented after being considered and approved by the Risk Management Committee and the Board of Directors. The Guidelines defined risk management responsibilities and standardised risk management process of the Board of Directors in six aspects, including building a risk culture, setting risk appetite, formulating risk management strategies and major risk management systems, reviewing or examining risk management-related matters, and risk supervision. It served as an important basis and main facilitator for the Board of Directors to perform its risk management duties.

(2) Strengthening effectiveness of risk management and risk supervision

The Risk management Committee enhanced implementation and supervision on risk management tasks assigned by the regulatory authorities and the Board of Directors and completed the relevant works including formulating the Guiding Opinion on Risk Management by the Board for 2020 (2020年董事會風險管理指導意見), Report on Risk Assessment for 2019 (2019年度風險評估報告) and Special Interim Report on Risk Assessment for 2020 (2020半年度專項風險評估報告), carrying out special risk investigation and reviewing various risk reports of the management. With stronger coordination between these works, the Risk Management Committee has established an closed-loop mechanism of guidance, implementation and evaluation of risk management by the Board.

(3) Standardising review mechanism of major risk systems

In accordance with the Rules for the Review of Major Risk Systems of the Board of China Minsheng Bank (《中國民生銀行董事會關於重要風險制度的審查規則》), the Risk Management Committee continued to strengthen the review and supervision of major risk systems to ensure that the Board of Directors fully performed their duties and functions in risk management in line with the regulatory requirements. The Risk Management Committee supervised the sorting of existing major risk management systems, and further standardised the compliance and effectiveness of major risk management systems and embedded external regulations in its internal systems based on the needs of establishing fundamental systems. The Risk Management Committee reviewed and considered seven major risk management systems during the year.

(4) Promoting full-coverage of risk management

Pursuant to the Terms of Reference of the Risk Management Committee of the Board of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事會風險管理委員會工作細則》), the Risk Management Committee held seven committee meetings, received and reviewed 36 risk reports, including the Report on Overall Risk Management of China Minsheng Bank for 2019 (《2019年中國民生銀行全面風險管理報告》), Report on Compliance Risk Management of China Minsheng Bank for 2019 (《中國民生銀行2019年度合規風險管理報告》), Report on Money Laundering and Terrorist Financing Risk Evaluation of China Minsheng Bank for 2019 (《中國民生銀行2019年度洗錢和恐怖融資風險評估工作報告》). It also received and discussed briefings of special reports. It conducted researches and received briefings on risk management by the management and considered and approved the management's reports on risk management on a quarterly basis.

(V) Audit Committee

1. Composition of the Audit Committee and meetings in 2020

As on 1 January 2020, the Audit Committee of the seventh session of the Board had five members. The chairman was Liu Ningyu and the members were Song Chunfeng, Weng Zhenjie, Peng Xuefeng and Tian Suning. Pursuant to the Resolution on Members of Special Committees of the Eighth Session of the Board (《關於第八屆董事會專門委員會組成成員的決議》) considered and approved at the 1st meeting of the eighth session of the Board of the Company on 16 October 2020, the number of members comprising the Audit Committee under the eighth session of the Board was five, with Liu Ningyu as the chairman and Song Chunfeng, Weng Zhenjie, Peng Xuefeng and Qu Xinjiu as members.

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

For the details of the members of the Audit Committee of the Company and their profiles, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network". The members of the committee are not related to each other in terms of finance, business, family or other material or relevant relations.

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

Making recommendations on the appointment or replacement of external auditor and reviewing the remuneration and terms of engagement of external auditor as well as handling any questions of appointment or dismissal of external auditor; reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process; discussing with the external auditor about the nature and scope of audit and the reporting responsibility of auditing before the commencement of the auditing works; formulating and implementing policies regarding non-auditing services provided by external auditor; reviewing the financial and accounting policies and practices; examining annual financial budgets and annual accounting reports of the Company; reviewing quarterly, interim and annual financial reports to be disclosed by the Company and making recommendation on the truthfulness, completeness and accuracy of the information disclosed in such financial reports; coordinating the internal and external auditing; reviewing annual reports on the write-off of bad loans; reviewing auditing rules, medium- to long-term auditing plans and annual working plan for internal auditing; providing guidance for internal auditing; supervising the internal auditing department and supervising the implementation of the internal audit system to ensure sufficient resources are provided to and appropriate standing for the internal auditing department; evaluating the performance of the internal auditing department and key officers; supervising the management to rectify problems identified during the internal audit, reviewing accounting records, financial accounts or proposals for the internal control management and proposals for the auditing on material matters provided to the management by the external auditing firm, assisting the management to provide corresponding responses and ensuring that the Board of Directors provides timely responses to any recommendations made by the external auditing firm to the management; supervising the establishment of the internal control system of the Company and organising the self-evaluation of the internal control of the Bank; discussing the internal control system with the management to ensure the management has performed its duties to establish an effective internal control system, including whether the adequacy of resources, qualification and experience of accounting and financial reporting personnel and training programmes for relevant employees and relevant budget meet demands; reviewing arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters; ensuring that proper arrangements are in place for a fair and independent investigations of such matters and for appropriate follow-up actions; monitoring the relationships between the Company and the external auditors in its capacity as a major representative; performing duties stipulated by the laws, regulations and listing rules of places where the Company is listed; and dealing with other matters conferred by the Board of Directors or related to the duties of the committee.

The Audit Committee under the Board convened nine meetings, reviewed 40 proposals and received six reports in 2020. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-Executive Directors	
Song Chunfeng	9/9
Weng Zhenjie	9/9
Independent Non-Executive Directors	
Liu Ningyu (chairman of the committee)	9/9
Peng Xuefeng	8/9
Qu Xinjiu	2/2
Tian Suning (resigned)	7/7

Notes: 1. For details of changes of Directors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network";

2. The Directors only attended but refrained from voting at the meetings prior to CBIRC's approval on their qualifications.

2. *Major achievements of the Audit Committee in 2020*

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

(1) Reviewing financial statements of the Company and timely disclosing financial information

Based on the disclosure requirements of the regulatory authorities for annual financial report and the review and disclosure plan of the Audit Committee under the Board, during the Reporting Period, the Audit Committee under the Board organised the preparation and external auditing of the 2019 Annual Report with focus on financial and accounting policies and the implementation and reviewed several reports, including the Annual Report, 2019 Report on Final Accounts, 2020 Financial Budgets Report, 2020 Interim Financial Report, and the first and third quarterly reports of 2020 of the Company. It effectively ensured the truthfulness, accuracy and completeness of the financial reports of the Company.

(2) Supervising internal audit and improving audit efficiency

During the Reporting Period, the Audit Committee under the Board received the work report on the 2019 annual internal audit and the work plan of internal audit for 2020, put forward opinions and suggestions on internal audit, and strengthened the pertinence and effectiveness of internal audit. It reviewed the internal control evaluation plan and the internal control evaluation report, and guided the management to take timely measures to effectively rectify internal control defects and promote the continuous improvement of the internal control mechanism. The committee received special audit reports on wealth management, related-party transaction and anti-money laundering, supervised the internal audit departments to carry our supervision, inspection and evaluation. It strengthened the application of audit results, and implemented normalised supervision on rectifications of issues identified.

(3) Strengthening communication and exchanges with external auditors and enhancing the supervision of external audit

The committee organised and completed the work evaluation of external auditors and provided opinions on re-appointment, reviewed the fees of external audit firms, reviewed the external audit plan, checked the independence and objectivity of external audit and the effectiveness of audit procedures, and coordinated the management to respond to external audit.

(4) Reviewing proposals on writing off bad loans and optimising the approval process

During the year, the committee reviewed a number of proposals on writing off bad loans. It reviewed and revised the Administrative Measures on Writing off Bad Loans (《呆賬核銷管理辦法》) of the Company in accordance with external rules and regulations and taking into account the actual situation of the Company, and improved the work plan for writing off bad loans of the Board of Directors. Through this plan, the committee fully standardised and improved the approval process for writing off bad loans from recognition to responsibility investigation, and urged the management to attach great importance to the approval process and implement the relevant work plans.

(VI) Related Party Transactions Supervision Committee

1. *Composition of the Related Party Transactions Supervision Committee and meetings in 2020*

As on 1 January 2020, the Related Party Transactions Supervision Committee of the seventh session of the Board consisted of five members. The chairman of the committee was Li Hancheng, and the members were Wu Di, Song Chunfeng, Liu Jipeng and Liu Ningyu. Pursuant to the Resolution on Members of Special Committees of the eighth session of the Board (《關於第八屆董事會專門委員會組成成員的決議》) considered and approved at the 1st meeting of the eighth session of the Board of the Company on 16 October 2020, the number of members of the Related Party Transactions Supervision Committee of the eighth session of the Board was six, with Li Hancheng as the chairman and Wu Di, Song Chunfeng, Liu Jipeng, Liu Ningyu and Qu Xinjiu as members.

The Related Party Transactions Supervision Committee of the eighth session of the Board had four Independent Non-Executive Directors who were experts in auditing, finance, laws and management, respectively. Two Non-Executive Directors were key persons in charge of renowned companies in China and had extensive experience in management and sufficient knowledge in finance, accounting and law. The composition of the Related Party Transactions Supervision Committee of the Company is well-structured, with sufficient specialty and independence, which ensures that the Related Party Transactions Supervision Committee performs its supervisory duties effectively.

For the details of the members of the Related Party Transactions Supervision Committee of the Company and their profiles, please refer to the section "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network". The members of the committee are not related to each other in terms of finance, business, family or other material relations or relevant relations.

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

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

The Related Party Transactions Supervision Committee under the Board convened seven meetings, reviewed 24 proposals and received three reports in 2020. The attendance record is as follows:

Members	**Attendance/ Number of Meetings**
Non-Executive Directors	
Wu Di	7/7
Song Chunfeng	7/7
Independent Non-Executive Directors	
Li Hancheng (chairman of the committee)	7/7
Liu Jipeng	7/7
Liu Ningyu	7/7
Qu Xinjiu	2/2

Notes: 1. For details of changes of Directors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network";

2. The Directors only attended but refrained from voting at the meetings prior to CBIRC's approval on their qualifications.

2. *Major achievements of the Related Party Transactions Supervision Committee in 2020*

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

(1) Updating, confirmation and publication of list of related parties

The database of related parties was continuously maintained. According to the requirements of the CBIRC, the listing rules of the SSE, the Hong Kong Listing Rules and relevant requirements of accounting standards, the committee regularly collected the updated data of related parties from substantial shareholders, Directors, Supervisors, and the Senior Management of the Head Office, senior managers of branches and persons having the power to decide or participate in credit granting and asset transfer, etc. by mail, and managed the list of related parties dynamically with prompt update. The committee reviewed and confirmed related parties, and reported to the Board and the Board of Supervisors. An publishing mechanism of the list of related parties was also established for business units at all levels. As such, a solid foundation was laid for the management of related party transactions.

(2) Confirmation, review and approval and disclosure of related party transactions

During the Reporting Period, the Related Party Transactions Supervision Committee under the Board completed the filing, review and approval and disclosure of several related party transaction confirmations, related party credit granting and non-credit-based related party transactions. It reviewed and approved related party transactions under its charge in accordance with relevant procedures and standards. It also reviewed related party transactions which shall be approved by the Board of Directors or the shareholders' general meeting in accordance with relevant procedures and standards, and submitted them to the Board of Directors for approval. During the Reporting Period, the Related Party Transactions Supervision Committee under the Board continued to push forward group-oriented and centralised credit granting. It examined the centralised credit granting to related party groups, including substantial shareholders, on a case-by-case basis, and timely submitted to the Board for approval, which enhanced the efficiency of the management of related party transactions of the Company and to better control the risks.

(3) Improvement on management rules and system of related party transactions

During the Reporting Period, the committee organised amendments to the Administrative Measures on Related Party Transactions of China Minsheng Bank (《中國民生銀行關聯交易管理辦法》) and the Terms of Reference of the Related Party Transactions Supervision Committee of the Board (《董事會關聯交易控制委員會工作細則》), strictly implemented related party transaction approval standards, and defined the main duties of the Related Party Transactions Supervision Committee. It further improved the management system and standardised the filing, reporting and approval procedures of related party transactions to enhance the related party transaction management.

(4) Effective management of internal transactions of the Group

During the Reporting Period, the management of internal transactions remained in line with the Administrative Measures on Internal Transactions (《內部交易管理辦法》). Adhering to the principles of compliance, risk isolation and business, the Company adopted group-oriented and centralised credit granting for internal transactions with subsidiaries based on general credit line at group level, the terms of credit granting and guarantees were no more favourable than those available to the independent third parties. The Company managed non-credit-based internal transactions between subsidiaries and the Company and between subsidiaries based on budget management and total amount control. The budget reports of internal transactions of subsidiaries were reviewed and approved in a timely manner. The committee also tightened its management over the use of transaction budget within the approved credit limit of subsidiaries. By strengthening the filing management of internal transactions, the compliant and efficient management of internal transactions was achieved.

VII. Board of Supervisors

The Board of Supervisors is the supervisory organisation of the Company, which executes its powers and functions in accordance with the laws and regulations, such as the Company Law of the PRC, applicable regulatory provisions and the Articles of Association to promote the compliance of operations and stable development of the Company and safeguard interests of the Company and investors. The Board of Supervisors shall be accountable for the general meetings.

(I) Composition of the Board of Supervisors

On 16 October 2020, the Board of Supervisors of the Company completed its re-election. Elected by the Company's shareholders' general meeting and employee representative meeting, the eighth session of the Board of Supervisors of the Company comprised nine members, with Zhang Juntong as the Chairman, Guo Dong as the Vice Chairman and Lu Zhongnan, Zhao Huan John, Li Yu, Wang Yugui, Zhao Fugao, Zhang Liqing and Li Jian as members, including three Shareholder Supervisors, three External Supervisors and three Employee Supervisors. The three Shareholder Supervisors had extensive management experience and sufficient knowledge in finance and accounting; the three External Supervisors were all experts in finance and management; and the three Employee Supervisors had been engaged in policy analysis and banking operation and management for a long time, possessing extensive professional experiences.

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

For the list of Supervisors and their profiles, please refer to the section "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network". The members of the Board of Supervisors are not related to each other in terms of finance, business, family or other material or relevant relations.

(II) Functions and duties of the Board of Supervisors

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

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

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

3. to oversee the compliance of Directors, President, Executive Vice Presidents, Chief Financial Officer and Board Secretary of the Company in performing their duties;

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

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

6. to make a departure auditing, if required, in respect of any resigned Director or members of Senior Management;

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

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

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

10. to file lawsuits against Directors and members of Senior Management according to Article 151 of the Company Law of the PRC;

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

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

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

(III) Board of Supervisors meetings and contents of resolutions

During the Reporting Period, the Board of Supervisors of the Company convened eight meetings, considered and approved 22 proposals, including the annual report, work reports of the Board of Supervisors, reports on performance appraisal, profit distribution plans, report on internal control evaluation and regular reports for 2020 of the Company. The Board of Supervisors also reviewed 45 reports, including Annual Report on Risk Management, Work Report on Case Prevention, Report on Capital Management, Report on Anti-Money Laundering, and Work Report of Consumer Rights Protection. During the Reporting Period, the Board of Supervisors had no objection towards the supervised matters.

Meeting	Date	Publication	Date of disclosure
2nd extraordinary meeting of the seventh session of the Board of Supervisors	28 February 2020	Shanghai Securities News, China Securities Journal and Securities Times	29 February 2020
20th meeting of the seventh session of the Board of Supervisors	23 March 2020	Shanghai Securities News, China Securities Journal and Securities Times	24 March 2020
21st meeting of the seventh session of the Board of Supervisors	30 March 2020	Shanghai Securities News, China Securities Journal and Securities Times	31 March 2020
22nd meeting of the seventh session of the Board of Supervisors	29 April 2020	Resolution announcement regarding review of the First Quarterly Report for 2020 was not disclosed separately.	
3rd extraordinary meeting of the seventh session of the Board of Supervisors	7 May 2020	Shanghai Securities News, China Securities Journal and Securities Times	8 May 2020
23rd meeting of the seventh session of the Board of Supervisors	28 August 2020	Shanghai Securities News, China Securities Journal and Securities Times	29 August 2020
1st meeting of the eighth session of the Board of Supervisors	16 October 2020	Shanghai Securities News, China Securities Journal and Securities Times	17 October 2020
2nd meeting of the eighth session of the Board of Supervisors	30 October 2020	Resolution announcement regarding review of the Third Quarterly Report for 2020 was not disclosed separately	

(IV) Attendance record of Supervisors of the Company at meetings of the Board of Supervisors and shareholders' general meetings in 2020

Supervisors	Meetings of the Board of Supervisors Attendance/ Number of meetings	Shareholders' general meetings Attendance/ Number of meetings
Zhang Juntong	8/8	3/3
Guo Dong	8/8	3/3
Lu Zhongnan	8/8	3/3
Zhao Huan John	2/2	0/0
Li Yu	2/2	0/0
Wang Yugui	8/8	3/3
Zhao Fugao	8/8	3/3
Zhang Liqing	2/2	0/0
Li Jian	7/7	3/3
Wang Jiazhi (resigned)	0/1	0/0
Wang Hang (resigned)	6/6	3/3
Zhang Bo (resigned)	6/6	3/3
Bao Jiming (resigned)	6/6	3/3

Note: For details of changes of Supervisors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network".

VIII. Special Committees under the Board of Supervisors

(I) Nomination and Examination Committee

1. Composition of the Nomination and Examination Committee and meetings in 2020

As on 1 January 2020, the number of members of the Nomination and Examination Committee of the seventh session of the Board of Supervisors was seven, with Wang Yugui as the chairman and Zhang Juntong, Wang Hang, Zhang Bo, Lu Zhongnan, Bao Jiming and Zhao Fugao as members. Pursuant to the Resolution on Members of Special Committees of the Eighth Session of the Board of Supervisors of the Company (《關於公司第八屆監事會專門委員會組成成員的決議》) considered and approved at the 1st meeting of the eighth session of the Board of Supervisors of the Company on 16 October 2020, as at the end of the Reporting Period, the number of members of the Nomination and Examination Committee of the Board of Supervisors was seven, with Wang Yugui as the chairman and Zhang Juntong, Lu Zhongnan, Zhao Huan John, Li Yu, Zhao Fugao and Zhang Liqing as members.

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

In 2020, the Nomination and Examination Committee under the Board of Supervisors convened six meetings, reviewed 13 proposals and received two briefings of special reports. The attendance record is as follows:

Members	**Attendance/ Number of meetings**
Wang Yugui (chairman of the committee)	6/6
Zhang Juntong	6/6
Lu Zhongnan	6/6
Zhao Huan John	3/3
Li Yu	3/3
Zhao Fugao	6/6
Zhang Liqing	3/3
Wang Hang (resigned)	3/3
Zhang Bo (resigned)	3/3
Bao Jiming (resigned)	3/3

Note: For details of changes of Supervisors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network".

2. *The major achievements of the Nomination and Examination Committee under the Board of Supervisors in 2020*

During the Reporting Period, based on the work plan of the Board of Supervisors, the Nomination and Examination Committee actively performed its duties and functions conferred by the Articles of Association and the Terms of Reference of Nomination and Examination Committee under the Board of Supervisors (《監事會提名與評價委員會工作細則》). It carried out the performance appraisal, examined the qualifications and requirements of the candidates for Shareholder Supervisors and External Supervisors of the eighth session of the Board of Supervisors, studied, reviewed and approved the remuneration distribution plan for the Supervisors and organised and arranged training programmes for Supervisors. All tasks in 2020 were successfully completed and the functions of the committee were performed in a relatively effective way.

(1) Carrying out performance appraisal

During the Reporting Period, the Nomination and Examination Committee completed the annual performance appraisal for 2019. It reviewed and supervised the performance of Directors and Senior Management through different ways on a regular and on-going basis, including attending meetings of the Board and the Senior Management as non-voting delegates, listening to briefings of special reports, organising special evaluations and researches and refining the performance supervision files of Directors. It carried out supervision and appraisal of the Board of Directors and Directors, Senior Management and its members and self-evaluation of the Board of Supervisors and Supervisors based on the supervision information of performance during the year. It also formulated the Performance Appraisal Report on the Board of Directors and Directors in 2019 (《2019年度董事會及董事履職評價報告》), the Performance Appraisal Report on the Board of Supervisors and Its Members in 2019 (《2019年度監事會及其成員履職評價報告》) and the Performance Appraisal Report on the Senior Management and Its Members in 2019 (《2019年度高級管理層及其成員履職評價報告》).

(2) Examining the qualifications and requirements of the candidates for Shareholder Supervisors and External Supervisors of the eighth session of the Board of Supervisors

In accordance with the regulatory requirements and relevant rules and requirements on the qualifications of Supervisors, the qualifications of the nominees of candidates for Supervisors and the nomination procedures stipulated in the Articles of Associations, the Nomination and Examination Committee extensively searched for qualified candidates for the Board of Supervisors, examined the qualifications and requirements of the candidates for Shareholder Supervisors and candidates for External Supervisors of the eighth session of the Board of Supervisors, and submitted them to the Board of Supervisors for consideration.

(3) Studying, reviewing and approving Supervisors' remuneration distribution plan

In accordance with the Articles of Association, the duties of the Nomination and Examination Committee include studying and formulating remuneration policy and plans for Supervisors. During the Reporting Period, the Nomination and Examination Committee reviewed the remuneration distribution for Supervisors in 2019 based on researches and submitted the results to the Board of Supervisors for consideration, approval and disclosure along with the 2019 Annual Report.

(4) Organising training programmes for Supervisors

During the Reporting Period, the Nomination and Examination Committee successively arranged Supervisors to participate in training courses organised by the regulatory authorities in batches, successfully fulfilled the training requirements of regulatory authorities on professional qualification for Supervisors and improved the Supervisors' capability to perform their duties.

(II) Supervisory Committee

1. *Composition of the Supervisory Committee and meetings in 2020*

As on 1 January 2020, the number of members of the Supervisory Committee of the seventh session of the Board of Supervisors was seven, with Zhang Juntong as the chairman and Wang Jiazhi, Guo Dong, Wang Hang, Lu Zhongnan, Wang Yugui and Zhao Fugao as members. On 13 March 2020, Mr. Wang Jiazhi ceased to serve as the Vice Chairman of the Board of Supervisors and a member of the Supervisory Committee of the Board of Supervisors of the Company due to resignation. Mr. Li Jian was by-elected as a member of the Supervisory Committee of the Board of Supervisors. Pursuant to the Resolution on Members of Special Committees of the Eighth Session of the Board of Supervisors of the Company (《關於公司第八屆監事會專門委員會組成成員的決議》) considered and approved at the 1st meeting of the eighth session of the Board of Supervisors of the Company on 16 October 2020 that as at the end of the Reporting Period, the number of members of the Supervisory Committee of the Board of Supervisors was seven, with Zhang Juntong as the chairman and Guo Dong, Lu Zhongnan, Li Yu, Wang Yugui, Zhao Fugao and Li Jian as members.

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

During the Reporting Period, the Supervisory Committee convened 11 meetings, reviewed two proposals, received 35 briefings of special reports, and conveyed and reported 56 documents. The attendance record is as follows:

Members	**Attendance/ Number of meetings**
Zhang Juntong (chairman of the committee)	11/11
Guo Dong	11/11
Lu Zhongnan	11/11
Li Yu	3/3
Wang Yugui	11/11
Zhao Fugao	11/11
Li Jian	10/10
Wang Jiazhi (resigned)	0/1
Wang Hang (resigned)	8/8

Note: For details of changes of Supervisors, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network".

2. Major achievements of the Supervisory Committee under the Board of Supervisors in 2020

During the Reporting Period, based on the work plan of the Board of Supervisors, the Supervisory Committee under the Board of Supervisors actively performed the duties and functions conferred by the Articles of Association and the Terms of Reference of Supervisory Committee under the Board of Supervisors (《監事會監督委員會工作細則》). The Supervisory Committee carried out supervision in a prudent manner, assisted the Board of Supervisors in completing major researches and enhanced supervision on key areas such as national policy implementation, strategy formulation and execution, risk management, internal control and compliance, and financial management. Through further optimising its supervision response mechanism, the Supervisory Committee duly performed its duties.

(1) Strengthening supervision of the implementation of major policies

The Supervisory Committee further strengthened supervision on the works of Board of Directors and the Senior Management in implementing major national decisions and arrangements in connection with NSOEs, small and micro enterprises, inclusive finance, stabilising enterprises and ensuring employment, as well as various regulatory requirements. Firstly, the committee studied and conveyed the spirit of the major policies of the Party Central Committee, the State Council and the regulatory authorities, and prioritised the supervision of the implementation of policies relevant to NSOEs and small and micro enterprises. Secondly, the committee listened to briefings of special reports and rectification reports on various campaigns, including the inspection on the implementation of major policies relevant to NSOEs, small and micro enterprises, annual regulatory briefing, on-site inspection on the effectiveness of risk management and internal control, inspection on shadow banking and cross-financial business, credit inspection by the PBOC, special self-inspection and examination on authenticity of asset quality by the PBOC, and on-site examination on international balance of payments by State Administration of Foreign Exchange (the "SAFE"). It regularly summarised and analysed rectifications and regulatory administrative penalties after various regulatory inspections. For the issues identified in the regulatory inspections, the committee continued to track the progress and effect of rectifications to ensure that the rectifications were fully implemented. Thirdly, the committee put forward supervision opinions on the improving financial services during the pandemic and fulfilling rectification requirements of regulators after inspections, compiled supervisory notices, tracked and supervised the rectification of issues, and facilitated the Company to strictly implement major national financial policies and regulatory requirements. Fourthly, the committee received briefings of special reports on the progress of reform of the Company and implementation of fintech strategy, and continued to supervise the deployment and implementation of related strategic plans.

(2) Strengthening financial monitoring

The Supervisory Committee continued to strengthen the supervision and inspection of key financial activities and key accounting and auditing items of the Company as well as the truthfulness, accuracy and completeness of regular reports based on regulatory requirements and information disclosure requirements. Through receiving internal and external auditing reports regularly, attending relevant Board meetings as non-voting delegates and reviewing regular reports, the committee strengthened the supervision of the truthfulness, accuracy and completeness of the financial report of the Company. The committee paid close attention to the changes in major operational data and indicators, and conducted a comparative analysis between the Bank's major financial data and operations of other banks, and generated two reports on the analysis of operations of other banks and the report on the Bank's operating indicators monitoring. It made comparative analysis on profitability, growth rate, asset quality, regulatory indicators, development and efficiency, comprehensively examined the Company's achievements and shortcomings in business and development, and provided necessary recommendations to the Board and senior management.

(3) Strengthening supervision of risk management

In accordance with the regulatory requirements and based on the actual situation of the Company, the committee focused on the supervision of overall risk management, risks in key areas and major risk events. Firstly, it received work reports on overall risk, credit risk, market risk, liquidity risk, operational risk, reputation risk, account interest rate risk, risk limit management and made various management recommendations. Secondly, it provided supervisory opinions on credit risk, market risk and liquidity risk, as well as on key business risks in relation to internet finance, collateral management, off-balance sheet business and agency sales. 25 supervisory notices on risk management were issued and follow-up measures and implementation were monitored to ensure effective prevention of risks.

(4) Improving supervision of internal control and compliance

The Supervisory Committee put great efforts in supervising internal control and compliance management of the Company in accordance with the national financial policies and regulatory requirements. Firstly, it received briefings on internal control and compliance, compliance of credit reporting, anti-money laundering, case prevention, consumer rights protection, behaviour management of employees and other works and made various management recommendations. Secondly, it received briefings on work report on audit, major audit findings and audit work plans, received special briefings on audit items, including consolidated statements of the Group, professional operation of problem assets, credit distribution, anti-money laundering and innovative business management, etc.. It paid attention to key issues, and monitored follow-up measures and implementation. Thirdly, it provided supervisory opinions on compliance performance, internal control and compliance, anti-money laundering, behaviour management of employees, consumer rights protection and employee rights and interests. 19 supervisory notices on internal control and compliance were issued, which effectively improved internal control management of the Company.

(5) Further enhancing supervision effectiveness

The Supervisory Committee strengthened the application and transformation of supervision results. It established and improved the supervision mechanism, so as to facilitate rectification of various issues, and achieved closed-loop supervision. The committee tracked and supervised key supervision tasks from time to time, and evaluated the progress, measures and effectiveness of rectifications. It issued 48 supervisory notices and compiled nine supervision summaries and supervised 42 tasks in the year, which transformed supervisory results into decision-making for operation and management, and fully perform its supervisory function. At the meetings, the committee timely reported and conveyed contents of various important documents related to major national policies, the latest regulatory rules and regulations and reports on the Company's key businesses and internal and external audit, which further enhanced the supervision effectiveness.

IX. Decision-Making System of the Company

The highest authority of the Company is the Shareholder's general meeting, which manages and supervises the operation of the Company through the Board of Directors and the Board of Supervisors. The President is appointed by the Board of Directors and is fully responsible for the daily operation and management of the Company. The Company adopts a single-level legal person system. Branches are all non-independent accounting entities, operating under the authorisation of the Head Office and reporting to the Head Office.

The Company has no controlling shareholder and is completely independent from its major shareholders in terms of business, personnel, assets, organisations and finance. The Company maintains independence and integrity in managing its own businesses and operation, and its Board, the Board of Supervisors and internal departments also operate independently.

X. Performance Evaluation and Incentive Mechanism for Directors, Supervisors and the Senior Management

The remuneration policy for the Senior Management of the Company is implemented to facilitate the accomplishment of development strategies and business objectives, and to reflect the policies and guidelines for human resources management of the Company. The Company advocated value creation so as to encourage the Senior Management to lead Minsheng Bank to successfully complete the reform and transformation and achieve steady development. The Company formulated a remuneration policy for the Senior Management with a reasonable structure and market competitiveness. It determined remuneration of the Senior Management according to their duties, capabilities and contributions to operating results, and established an incentive and restraint mechanism for the Senior Management.

The Board of the Company carried out appraisal on the Senior Management every year and the results of their annual appraisal is linked to the performance-based remuneration of the Senior Management. In accordance with the requirements of the regulatory guidelines, the Company has established a deferred payment mechanism for the performance-based remuneration of the Senior Management, according to which, a certain percentage of risk funds would be accrued from their performance-based remuneration every year.

To objectively reflect the labor, risks and responsibilities undertaken by the Directors and Supervisors of the Company and effectively encourage the Directors and Supervisors to actively participate in decision-making and management, the Company paid remuneration to all Directors and Supervisors in accordance with the Rules for Remuneration of Directors and Supervisors of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事、監事薪酬制度》). The remuneration of the Directors comprises four parts, including annual fee, allowances for special committees, reimbursement for attending meetings and reimbursement for researches and investigations. The remuneration of the Supervisors comprises three parts, including annual fee, allowances for special committees and reimbursement for attending meetings.

In accordance with regulatory requirements, the Provisional Measures on Performance Supervision and Appraisal of the Board and Directors by Supervisory Board of China Minsheng Banking Corp., Ltd., and the Provisional Measures on Performance Appraisal of Supervisors of China Minsheng Banking Corp., Ltd., the Board of Supervisors performed objective evaluations on the performance of the Board, Directors and Supervisors. Through reviewing daily performance records, the Board of Supervisors supervised the legality and compliance of meeting contents, discussion mechanism and procedures, and fully understood the opinions and suggestions of Directors and Supervisors. Through a variety of ways such as receiving briefings of reports, conducting investigations, researches and inspections, issuing supervisory notices and carrying out enquiries and interviews, it focused on the supervision of risk management, internal control and compliance, financial management, strategic planning, etc., and understood the performance of Directors and Supervisors in related fields. Through filling in performance evaluation questionnaires and performance status forms, the Board of Supervisors organised self-evaluation and cross-evaluation to assess the annual performance of Directors and Supervisors. In accordance with regulatory requirements and the Provisional Measures on Performance Supervision and Appraisal of the Senior Management by Supervisory Board of China Minsheng Banking Corp., Ltd., the Board of Supervisors performed an objective evaluation on the performance of the Senior Management and its members. Through convening meetings to consider financial reports, internal control evaluation reports, risk management reports, etc., and receiving briefings of special reports on credit risk, liquidity risk, reputation risk, capital management, stress testing, case prevention and control, anti-money laundering and remuneration appraisal policies, etc., the Board of Supervisors understood the Senior Management's business philosophy, operating results, risk management, internal control and compliance, etc. Through real-time tracking and supervision of the rectifications following special inspections by regulatory authorities, the Board of Supervisors understood the implementation of the regulatory opinions by the Senior Management and the progress and effectiveness of the rectifications. Through reviewing the annual work reports of the Senior Management and evaluating and grading its leadership, the Board of Supervisors gained a comprehensive understanding of their fulfillment of duty of loyalty and duty of diligence. The objective and fair comprehensive evaluation conducted by the Board of Supervisors on the performance of Directors, Supervisors and Senior Management based on information obtained through the above-mentioned ways and channels and in accordance with regulatory requirements finally formed the annual performance evaluations, which were reported to the shareholders' general meeting and regulatory authorities.

XI. Information Disclosure and Investor Relations

(I) Information disclosure

The Company disclosed its information in strict compliance with the regulations of the securities regulatory authorities, and published all sorts of regular reports and extraordinary announcements in accordance with laws to ensure the timeliness, accuracy, truthfulness and integrity of its information disclosure and to ensure equal access to information for all shareholders. During the Reporting Period, the Company published 4 regular reports and 105 extraordinary announcements on the SSE. The Company also published 127 information disclosure documents in both Chinese and English, including 85 overseas regulatory announcements on the SEHK. In compliance with the Hong Kong Listing Rules, the Company has issued the Environmental, Social and Governance Report.

During the Reporting Period, the Company received wide market recognition for its information disclosure. The Company was awarded as the Gold Winner(金獎), Top 50 Chinese Annual Reports(最佳 50 強中文年報)and Technology Achievement Award(技術成就獎)in the International ARC Awards(國際年報大賽)(ARC) in 2019 for two consecutive years.

(II) Investor relations

In respect of investor relations management, the Company adhered to its strategic targets and put great emphasis on its market positioning. The Company regularly held results presentations and actively participated in large-scale investment strategy seminars, so as to demonstrate the latest results and potential of the Company to investors.

The website of the Company, investor hotlines and investment strategy conference with securities companies served as effective and smooth communication channels between the Company and investors. During the Reporting Period, the Company organised one results announcement conference, and on-site investor communication meetings for the 2019 annual general meeting and the second extraordinary general meeting in 2020. The Company participated in the "2020 Meeting Day for Investors of Listed Companies in Beijing (2020年北京轄區上市公司投資者集體接待日)", an event which was jointly organised by The Listed Companies Association of Beijing and SSE Infonet Co., Ltd. through online interaction. With proactive efforts to establish communication with domestic and overseas major institutional investors, the Company received over one hundred visitors from more than 30 investment and research institutions at home and abroad, including CICC, Shenwan Hongyuan Securities, and CITIC Securities, during the year and actively participated in the annual strategy seminars of renowned investment banks such as Citibank, Bank of America Merrill Lynch, GF Securities, and CITIC Securities. Through these communication channels, the Company actively announced its operating results, development strategies and direction of reform and transformation and achieved great recognition from domestic and overseas institutions.

To safeguard the rights and interests of minority shareholders, the Company received 145 calls from investors and replied to 143 key questions through the E-Interaction platform of SSE (上交所E互動平臺), and answered investors' questions while keeping close contact with investors in the capital market.

XII. Amendments to Articles of Association in 2020

Due to change in the total share capital of the Company, it was considered and approved at the shareholders' general meeting of the Company to change registered capital of the Company, and amend the corresponding provisions of the Articles of Association of China Minsheng Banking Corp., Ltd. accordingly. The Resolution on Amending Certain Provisions of the Articles of Association of China Minsheng Banking Corp., Ltd. was considered and approved at the annual general meeting for 2019 of the Company on 29 June 2020. For details of the amendments, please refer to the notice of the Shareholders' general meeting, and the meeting documents and circulars of the meeting posted on the website of the Company, the website of the SSE (dated 13 May 2020 and 10 June 2020) and the website of the HKEXnews of the SEHK (dated 12 May 2020 and 9 June 2020). As at the date of this report, the amended Articles of Association is still subject to approval by the CBIRC.

The Company intended to amend the corresponding provisions in the Articles of Association in accordance with the Official Reply of the State Council on Adjusting the Application of Provisions to Matters Including the Notice Period for Convention of Shareholders' Meetings by Overseas Listed Companies (Guo Han [2019] No. 97) (《關於調整境外上市公司召開股東大會通知期限等事項規定的批覆》) (國函[2019]97號) and the Notice of the Former China Banking Regulatory Commission on Strengthening the Management of Equity Pledge of Commercial Banks (Yin Jian Fa [2013] No. 43) (《健全銀行業保險業公司治理三年行動方案(2020-2022年)》) (銀監發[2013]43號), when taking into account the actual situation of the Company. The Resolution on Amending Certain Provisions of the Articles of Association of China Minsheng Banking Corp., Ltd. was considered and approved at the first extraordinary general meeting for 2021 of the Company on 22 January 2021. For details of the amendments, please refer to the notice of the general meeting and the meeting documents and circular of the meeting respectively posted on the website of the Company, the website of the SSE (dated 8 December 2020 and 31 December 2020) and the website of HKEXnews of the SEHK (dated 7 December 2020 and 30 December 2020). As at the date of this report, the amended Articles of Association is still subject to approval by the CBIRC.

XIII. Continuous Professional Development Training of Directors

During the Reporting Period, every Director of the Company abided by their obligations and duties as Directors of the Company and kept abreast of the business operation and development of the Company. The Company encouraged its Directors to take part in various continuous professional development programmes and the Directors have improved and enhanced their knowledge and expertise through the study of relevant publications. All Directors have participated in specific training and seminars organised by the Company to study the new Securities Law and the Three-Year Action Plan for Improving Corporate Governance of the Banking and Insurance Sectors (2020-2022) (《健全銀行業保險業公司治理三年行動方案(2020-2022年)》) issued by the CBIRC, studied and reviewed various special reports in relation to strategies and risks, and listened and discussed major matters in relation to the reform of the Company to fully understand the reform and operation management of the Company. The Directors, Gao Yingxin, Zhang Hongwei, Lu Zhiqiang, Zheng Wanchun, Shi Yuzhu, Wu Di, Song Chunfeng, Weng Zhenjie and Qu Xinjiu, have participated in the directorship training programmes organised by regulatory institutions.

XIV. Training of Company Secretary

During the financial year ended 31 December 2020, Bai Dan and Wong Wai Yee, Ella, the Joint Company Secretaries, have both undertaken not less than 15 hours of relevant professional training programmes organised by the SSE, the SEHK and other professional institutions.

XV. Contact with Company Secretary

During the Reporting Period, Ms. Wong Wai Yee, Ella of Tricor Services Limited, an external service provider, has been engaged by the Company as its 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 has complied with most of the recommended best practices contained therein.

XVII. Internal Control

The Company has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Board of Supervisors and the management, and maintained an effective internal control management system. In compliance the Law on Commercial Banks of the PRC (《中華人民共和國商業銀行法》), Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and other laws and regulations and regulatory rules. The Company has established, improved and effectively implemented comprehensive internal control policies and has evaluated their effectiveness.

The Board has entrusted the audit department of the Company to evaluate the effectiveness of internal control. The audit department conducts preliminary identification of internal control deficiencies in accordance with the deficiency identification standards, and gives rectification requirements to the evaluated departments and follows up rectifications. In respect of major deficiencies in internal control, the audit department communicates and confirms with the Senior Management of the Company, and suggests improvement measures. For major issues identified in the auditing and the decisions of the Senior Management on whether rectification measures should be taken, the audit department reports to the Audit Committee of the Board which would make the final decision on major control deficiencies and hold the relevant units or persons responsible.

The Board has entrusted the audit department of the Company to evaluate the effectiveness of the internal control of the Company as at 31 December 2020, (the benchmark date of self-evaluation report on internal control). In accordance with the annual internal audit plan, the audit department performed supervision and examination on the internal control of the Company through various forms including comprehensive audits, special audits, economic accountability audits and subsequent audits. During the Reporting Period, the audit department organised and carried out a total of 41 special audits, 19 audits on comprehensive internal control of business units and 198 economic accountability audits. 18 audit reminders were issued. Based on both daily and specialised supervision of internal control, the audit department issued the Self-Evaluation Report of Internal Control of China Minsheng Bank for 2020 (《中國民生銀行2020年度內部控制評價報告》), according to which, no material deficiencies were found in the internal control on financial and non-financial reports. For details of the Self-Evaluation Report of Internal Control of China Minsheng Bank for 2020, please visit the Company's website and the website of the SSE.

PricewaterhouseCoopers Zhong Tian LLP engaged by the Company has conducted review and issued the Auditor's Report on Internal Control of China Minsheng Bank for 2020 (《中國民生銀行2020年度內部控制審計報告》) which confirmed that the Company maintained effective internal control of financial report in all material aspects as at 31 December 2020 in accordance with the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and the relevant regulations. For details of the Auditor's Report on Internal Control of China Minsheng Bank for 2020, please visit the Company's website and the website of the SSE.

XVIII. Risk Management

Based on the regulatory rules and risk performance requirements, by closely focusing on the Company's development strategy, the Board of the Company further consolidated the system and mechanism of risk management, and made solid progress in various risk management tasks, and promoted the transformation and improvement of risk management of the Bank. These initiatives further improved the effectiveness and standardisation of the overall risk management.

Firstly, the Board strengthened the goal-oriented risk guidance. In 2020, in order to proactively respond to the challenges of various risks under the new situation, and to ensure and promote business development and reform and transformation, the Board formulated and issued the Guiding Opinions on Risk Management of the Board of Directors of China Minsheng Bank for 2020 at the beginning of the year in accordance with the development strategy and risk appetite of the Company, taking into account with the risk management status of the Company and regulatory laws and regulations. The Guiding Opinions took the core concept of risk operation as the guiding ideology, and clarified the major work objectives and major control indicators of risk management for the Bank in 2020. It put forward the major management tasks and key governance areas of different types of risks, and clarified the specific requirements for implementation and supervision, and set up ten major goals for risk management in terms of advancing the establishment of risk culture, enhancing risk control empowerment to strategic business, clarifying the responsibilities of the "Three Lines of Defense", strengthening the full coverage of risk management, and optimising the professional operation of troubled assets in order to further optimise and consolidate the mechanism of overall risk management of the Company.

Secondly, the Board strengthened the establishment of risk performance system. In order to enhance the duty performance in respect of risk management and compliance and regulate the risk management process, the Board formulated the Guidelines on Due Diligence of Risk Management of the Board of China Minsheng Bank, which mainly included the contents and requirements of risk management performance, operation procedures and inspection evaluation, etc. to systematically and comprehensively summarise and reflect the performance requirements for due diligence of risk management of the Board, and regulate and optimise the risk management mechanism and operation process of the board. It aimed to give full play to the leading and core role of the Board in risk management, and fundamentally enhanced the initial driving force of risk management. These measures played an important role in improving the risk governance of the Company, safeguarding its strategic transformation and promoting its business development.

Thirdly, the Board strengthened the effectiveness of the supervision on risk management. The Board paid close attention to key aspects such as the NSOE strategy-related risks, the comprehensive risk management and the impact of the COVID-19 pandemic through risk assessment. Continued emphasis was also placed on the implementation of the guiding opinions on risk management of the Board and the regulatory requirements. Key points were focused and major tasks were highlighted to improve relevance of risk management duties of the Board. A closed-loop of risk management of the Board was formed by integrating risk assessment with normalised risk management measures such as reporting of major risk information and review of major risk systems, which further strengthened the duty and function of the Board in supervising and inspecting risk management and enhanced the effectiveness of risk governance of the Board.

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 "2020 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 and Dividend Distribution

(I) Dividend Distribution for 2019

The Company distributed dividends to all shareholders according to the Profit Distribution Plan for 2019, which was considered and passed at the 20th meeting of the seventh session of the Board and the 2019 annual general meeting. Based on the total share capital of the Company as at the record dates, the Company distributed a cash dividend for 2019 of RMB3.70 (tax inclusive) to all shareholders whose names appeared on the registers as at the record dates for every 10 shares being held. The total cash dividend amounted to RMB16,199 million. The cash dividend was denominated and declared in RMB and was paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares.

The Company has distributed the cash dividend to holders of A shares, investors of Northbound Trading, holders of H shares and investors of Southbound Trading in July 2020 in accordance with relevant provisions. The implementation of the profit distribution plan was thus completed. For details, please refer to the announcement of the Company dated 6 July 2020 published on the HKEXnews website of the SEHK and the announcements dated 7 July 2020 published on the website of the SSE, respectively.

(II) Annual Profit Distribution Plan for 2020

According to the financial statements of the Company for 2020, net profit of the Company was RMB33,174 million. Dividend of perpetual bonds and offshore preference shares of RMB3,337 million was paid. 10% of the net profit of the Company for 2020, being RMB3,317 million, was allocated to the statutory surplus reserve. The general provision for risks of RMB4,805 million was made on the rate of 1.5% of the balance of the risky assets as at the end of 2020.

According to the Articles of Association of China Minsheng Banking Corp., Ltd. in respect of profit distribution, having considered various factors including the capital adequacy ratio required by the regulatory authorities and the sustainable business development of the Company, the Company proposed to distribute a cash dividend of RMB2.13 (tax inclusive) to holders of A shares and H shares whose names appear on the registers as at the record dates for every 10 Shares being held. Based on the number of shares of the Company in issue, being 43,782 million shares, as at the end of 2020, the total cash dividend would be approximately RMB9,326 million.

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

The Independent Non-Executive Directors of the Company are of the view that the profit distribution plan for 2020 of the Company is in line with the actual condition of the Company, in the interests of the Company and its shareholders and in compliance with the relevant laws, regulations and the Articles of Association, and is favourable to the sustainable, stable and sound development of the Company.

For details of taxes in relation to dividend and matters in relation to tax exemption, please refer to the relevant announcement on dividends distribution plan published by the Bank.

VI. Dividend Distribution of Ordinary Shares during the Past Three Years

	2020	2019	2018
Dividend to be paid for every 10 shares (tax inclusive, RMB)	**2.13**	3.70	3.45
Number of shares to be transferred into share capital for every 10 shares (shares)	—	—	—
Cash dividends (tax inclusive, RMB million)	**9,326**	16,199	15,105
Net profit attributable to ordinary shareholders of the Bank (RMB million)	**30,972**	53,261	49,777
Cash dividend payout ratio (%)	**30.11**	30.42	30.35

Note: The profit distribution plan for 2020 is subject to the consideration and approval at the 2020 annual general meeting before implementation.

VII. Formulation and Implementation of Dividend Distribution Policy for Ordinary Shares

According to Article 298 of the Articles of Association, the distribution of profits of the Company emphasises reasonable investment returns to investors and shall be sustainable and stable. The Company shall distribute dividends in profit-making years. The Company shall take full account of the opinions of the independent directors, external supervisors and public investors in deliberating on its dividend distribution policy. The Company shall fully consider the opinions and requests of the minority shareholders before the profit distribution policy is considered at the Shareholders' general meeting. To the extent that the normal working capital requirement is fulfilled, the Company shall distribute dividends primarily in cash.

The profit distributed to ordinary shareholders in the form of cash dividend for each year shall not be less than 10% of the distributable profit attributable to holders of ordinary shares of the Company of the year. The Company may distribute interim cash dividend.

If the Company generated profits in the previous accounting year but the Board did not make any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the use of proceeds retained by the Company not used for distribution shall be explained in detail in its periodic reports and the Independent Non-Executive Directors shall give an independent opinion in such regard. Online voting shall be made available, when such proposal is voted at a Shareholders' general meeting.

In the event that adjustments are required to be made to the Company's profit distribution policy due to the needs of operation and long-term development of the Company, the profit distribution policy after adjustment shall not violate the relevant requirements of regulatory authorities of the places where the Company is listed. Any proposal regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Non-Executive Directors and the Board of Supervisors and due consideration of the opinions of minority shareholders and, after consideration by the Board, be proposed to the Shareholders' 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 Shareholders' general meeting of the Company. Online voting shall be made available when such proposal is voted at a Shareholders' general meeting. The voting results of the minority investors shall be disclosed separately.

During the Reporting Period, the profit distribution policy of the Company complied with the Articles of Association and procedures of consideration. The policy, in the opinion of independent directors, fully protected the legal interests of minority investors with clearly specified criteria and proportion of profit distribution.

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 Bonds

For details of share capital and issuance of shares and bonds of the Company as at 31 December 2020, 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 2020 annual financial statements of the Company had been audited by PricewaterhouseCoopers in accordance with International Financial Reporting Standard and the standard unqualified auditors' report had been issued accordingly.

XI. Pre-Emptive Rights

Pre-Emptive rights are not prescribed in the Articles of Association and the Company Law of the PRC, and the Company is not required by the above provisions to issue new shares to the current shareholders based on the holding proportion of the shareholders. In accordance with the Articles of Association, the Company may increase its capital by public offering of ordinary shares, issuance of ordinary shares to its existing shareholders, distribution of new ordinary shares to its existing shareholders, private placing of ordinary shares, conversion of preference shares to ordinary shares, and any other methods permitted by the applicable laws and administrative regulations. There is no compulsory rule in relation to pre-emptive rights in the Articles of Association.

XII. Charity and Other Donations

As at the end of the Reporting Period, the total amount of charitable donations of the Group was RMB178 million.

XIII. Directors, Supervisors and Senior Management

For details of the name list, profiles, contract arrangements and remunerations of Directors, Supervisors and Senior Management of the Company, please refer to "Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network" in this report. As at the date of the publication of this Annual Report, the directorship qualifications of Mr. Weng Zhenjie and Mr. Zhao Peng are subject to the approval of the regulatory authorities of the banking industry in China.

Details of retirement benefits provided by the Company to its employees during the Reporting Period are set out in Note 5.31 to the Financial Statements.

XIV. Contracts of Management and Administrative Management

During the Reporting Period, the Company did not enter into any administrative management contract relating to overall businesses or major businesses of the Company.

XV. Indemnity and Insurance of Directors, Supervisors and Senior Management

During the Reporting Period, the Company has maintained effective liability insurance for the Directors, Supervisors and Senior Management in respect of potential legal proceedings arising from the business operation of the Company.

XVI. Customer Relationship

The Group considers that it is important to maintain good relationship with its customers and strives to provide more efficient and convenient services to customers so as to maximise the value and return. In 2020, there were no significant or material disputes between the Group and its customers.

XVII. Consumer Rights Protection

During the Reporting Period, the Company fully complied with regulatory requirements to protect the rights and interests of consumers. By persisting on its "customer-centric" philosophy, the Company continued to focus on the general principle of "improving understanding, enhancing systems and mechanisms, strengthening process management and control, optimising complaints handling, emphasising internal training and external publicity, and accelerating team building", to continuously improve the refined management and the effectiveness of consumer rights protection. Firstly, in respect of policy making, the Company revised and issued the Administrative Measures on Consumer Rights Protection of China Minsheng Bank (《中國民生銀行消費者權益保護管理辦法》), and formulated the Administrative Measures on Assessment and Evaluation of Consumer Rights Protection of Departments of Head Office (《總行部室消費者權益保護考核評價管理辦法》), the Administrative Measures on Handling Consumer Complaints (《消費投訴處理管理辦法》), Contingency Plan for Major Complaints (《重大投訴應急預案》) and other special policies, forming a strong guidance for consumer rights protection. Secondly, in respect of systems and mechanisms, the Company optimised the organisation and management system of consumer rights protection by transferring the duty of consumer rights protection to the retail business line, to further strengthen the endogenous motivation of proactively fulfilling consumer rights protection obligations in product design and services and fully protecting the eight major rights and interests of financial consumers. The Company also enhanced the coordination and reporting mechanism of consumer rights protection by publishing a bank-wide consumer rights protection work plan for 2020, convening meetings of the Consumer Rights Protection Committee of the Head office on a quarterly basis, and regularly reporting the phased results and work plan for the next stage to the Board of Directors and the Board of Supervisors. The Company continued to improve the assessment and the accountability mechanism on consumer rights protection to ensure the achievement of consumer rights protection objectives. Thirdly, in respect of full-process management and control of products and services, the Company continued to implement regulatory requirements, and supervised the departments in charge of products and customer groups to actively fulfill requirements in relation to consumer rights protection, including review of consumer rights protection at early stage, reduction of fees and surcharges, information disclosure, marketing and promotion, and satisfaction survey, in order to improve customer service quality. Fourthly, in respect of complaints management, the Company handled 103,996 customer complaints during the year (full data, including valid and invalid complaints). From the perspective of business distribution, credit card business received a higher proportion of complaints, while from the perspective of geographical distribution, Eastern, Northern and Southern China were sitting on a larger proportion. The Bank optimised the complaint handling process, improved the contingency management of major complaints, and strengthened the problem tracing and rectification at the origin of frequently occurring complaints and key complaints to improve the quality, efficiency and management of complaint handling and protected the rights and interests of consumers. Fifthly, in respect of financial knowledge sharing and learning activities, the Company organised four bank-wide campaigns, such as "15 March" Promotion Week, "Protect Your Wealth (守住錢袋子)", "Financial Knowledge Promotion Tour (金融知識萬里行)" and "Financial Knowledge Promotion Month" (金融知識普及月). In response to the pandemic prevention and control in the year, the Company integrated various "zero contact" promotion channels to create a series of "consumer rights protection IP", such as "Teacher Wei's Video Class on Consumer Rights Protection" (魏老師說消保), cartoon videos of "Aunty Panda's Adventures" (熊孃孃歷險記) and "Xiaosheng's Classroom" (小生課堂), which had won recognition of financial consumers and the regulatory authorities. The Company was accredited as the Outstanding Organiser in the "3·15" events and in the 2020 Joint Education and Promotion Activities. In the future, the Bank will continue to follow the "customer-centric" consumer rights protection concept and improve systems and mechanisms, enhance quality and efficiency of complaint handling, strengthen whole-process management and control of consumer rights protection and continuously cultivate consumer rights protection culture, so as to effectively protect the legitimate rights and interests of consumers.

By Order of the Board
Gao Yingxin
Chairman
30 March 2021

CHAPTER 8 REPORT OF THE BOARD OF SUPERVISORS

I. Meetings of the Board of Supervisors and Special Committees

In 2020, a total of 25 meetings, including eight meetings of the Board of Supervisors, six meetings of the Nomination and Examination Committee and 11 meetings of the Supervisory Committee, were convened by the Board of Supervisors. A total of 37 proposals were considered, 45 reports were reviewed, and 37 briefings of special reports were received.

II. Performance of the Board of Supervisors

During the Reporting Period, the Board of Supervisors strictly complied with the Three-year Action Plan for Improving Corporate Governance of the Banking and Insurance Sectors (《健全銀行業保險業公司治理三年行動方案》) by focusing on key areas, innovating supervision methods, improving supervisory mechanism, enhancing supervision effectiveness and implementing the performance evaluation of the Board and Senior Management, so as to improve corporate governance. 48 supervisory notices, nine summaries of supervision work and two comparative analysis and indicator supervision reports on the operation of other banks and financial institutions were published in the year.

(I) Adhering to Party building and promoting the organic integration of Party leadership and corporate governance

Firstly, the Board of Supervisors incorporated its material events into the decision-making system on "Three-Important and One-Large" (三重一大), taking the study and discussion of the Party committee of the Company as a the first step, in order to give better play to the role of the Party committee in setting the direction and managing the overall situation and to raise the political stance of supervision work. Secondly, in the re-election of the eighth session of the Board of Supervisors, the Board of Supervisors gave full play to the political core and political leading role of the Party organisation to ensure the effective implementation of decisions and deployments of the Party committees of the CBIRC and the Head Office. Thirdly, it insisted on the organic integration of supervision within the Party and the law-based and independent supervision of the Board of Supervisors. Under the concept of coordinated supervision, the Board of Supervisors issued the supervisory opinions after full communication with the disciplinary and auditing departments in their supervision of credit granting, management of NPLs, write-off of bad loan and internal control and compliance, thus forming a joint supervision with enhanced supervision efficiency.

(II) Strengthening compliant performance and successfully completing the re-election of the Board of Supervisors

By strictly implementing the instructions of the Party committee of the CBIRC and the requirements of the Party committee of the Head Office, the Board of Supervisors established a standardised process for the re-election of the Board of Supervisors in accordance with the rules and requirements of the regulatory authorities and the Articles of Association on the qualifications of Supervisors and nominators of Supervisor candidates, as well as the nomination procedures, etc.. The re-election was organised and completed in a compliant and efficient manner with careful arrangements and coordination with all parties. Apart from successfully completing the re-election, the Board of Supervisors established a compliance guarantee system, built a knowledge pool of compliance performance requirements, sorted out the list of rights and responsibilities, improved the rules of procedures, and optimised the work process, so as to conduct supervision in accordance with laws and regulations and consistently improve the corporate governance and operating mechanism.

(III) Improving means and methods to promote innovative development of works of the Board of Supervisors

Firstly, the Board of Supervisors actively explored ways and means to shift the supervision function forward. It focused on the Bank's problem assets, organised Supervisors to attend relevant committee meetings of the Board of Directors and provided objective and independent supervisory opinions on major issues, such as accountability for writing-off NPLs, and reported them to the Board. The Board of Supervisors urged the Bank to strengthen policy making, optimise business procedures, improve accountability mechanism and establish a scientific outlook on performance and development, so as to enhance the Bank's awareness and capability to operate in compliance with laws and regulations, and effectively strengthen risk prevention in key areas. By embedding supervision into key aspects of the rule of procedures of the Board of Directors, the effectiveness of supervision was enhanced. Secondly, the Board of Supervisors has further refined supervision mechanism and strengthened the verification and application of supervision results to achieve closed-loop supervision. Nine supervisory summaries were issued and 42 cases were supervised in 2020. By assigning dedicated persons for specific cases, the Board of Supervisors required the Board of Directors and the Senior Management to define responsibilities, time table, progress schedule and standards for rectifying of related issues, in order to further specify rectification responsibilities and achieve effective supervision on key issues. Thirdly, the Board of Supervisors continued to promote supervision on the development of a digital management system and information platform to further improve the analysis, reporting and feedback mechanisms of supervision information and internal and external data. The Board of Supervisors also timely conveyed important laws and regulations, various regulatory notifications, inspection opinions, emergency reports, internal and external audit reports, and other documents. By embedding electronic checklist for the knowledge pool of compliance performance of the Board of Supervisors into the management system, the Board of Supervisors has accurately complied with their duty requirements, and further institutionalised and standardised the supervisory function.

(IV) Insisting on problem-oriented principle and strengthening supervision in key areas

Supervision of strategy. Firstly, the Board of Supervisors conveyed and studied the spirit of major policies of the CPC Central Committee, the State Council and the regulatory authorities, and incorporated the supervision on implementation of the policies regarding "stability on the six fronts" and "security in the six areas" (六穩六保), NSOEs, and small and micro enterprises into the annual work plan. By reviewing the annual work summary of inclusive finance, the reports on the development of small and micro finance and inclusive finance in the first half of 2020, and receiving briefings of special audits on credit funds distribution, the Board of Supervisors established a comprehensive and multi-dimension supervision mechanism. The Board of Supervisors also issued supervisory notices, requiring the Bank to strengthen financial services, support enterprises to resume work and production, and contribute to the economic development during the pandemic. It also instructed the Bank to strengthen credit support for small and micro enterprises and private enterprises while implementing national industrial and regional policies. Secondly, the Board of Supervisors kept abreast of the formulation and implementation of fintech strategy and required the Board and the Senior Management to further clarify the strategic planning of fintech in relation to existing problems, and to improve the fintech mechanism that met the requirements of quality business development and digital transformation, so as to enhance the effectiveness of technology empowerment. Thirdly, the Board of Supervisors focused on the Bank's performance-based remuneration reform and organisational efficiency enhancement reform. It provided supervisory reminders to the Board and the Senior Management on the rationality and reasonability of the remuneration system and promoted the implementation of standardised management of deferred payment, recourse, and deduction of performance-based remuneration, so as to give better play to the role of remuneration in corporate governance and risk management and control and to cultivate a value-oriented incentive culture across the Bank.

Supervision of risk. Firstly, the supervision on overall risk management has been enhanced. The Board of Supervisors reviewed the annual risk management report and the Board's guiding opinions on risk management, with main focus on system construction, mechanism optimisation, implementation, and data and system performance of overall risk management. Meanwhile, the Board of Supervisors issued supervisory notices, requiring the Board and the Senior Management to effectively rectify the problems in risk appetite guidance, coordinated risk management, and management of various substantive risks, and to provide feedback report to the Board of Supervisors within a certain period. Secondly, the supervision in key risk areas has been enhanced. The Board of Supervisors received briefings on internal credit risk rating, centralised credit granting management of corporate customers, special audits on professional operation of problem assets across the Bank, special audits on management of innovative businesses, management of liquidity risk and interest rate risk of banking accounts, and write-offs of bad loans. It also participated in the assessment of management of special risks of small business finance and supply chain finance and received relevant briefings. Furthermore, the Board of Supervisors reviewed special reports on market risk, interest rate risk of banking books, liquidity risk, operational risk, reputation risk, country risk, outsourcing risk, management of large-amount exposure, management of business continuity, stress test, information technology risk and data governance, with focus on risk management mechanisms, management strategies, management methods and management effectiveness, and provided constructive supervisory opinions. Thirdly, the Board of Supervisors reviewed the consolidated statements of the Group and received briefings of special audits on consolidated statement management. It required the Board and the Senior Management to strictly perform their duties in the management of the Group's consolidated statements, improved the risk management system of consolidated statements covering subsidiaries and encouraged the subsidiaries to refine their own risk policies within the general framework of the Bank, so as to coordinate and standardise the management of various risks within the Group and continuously improve the corporate governance structure. Fourthly, the Board of Supervisors received special briefings on capital management and capital measurement methods, and reviewed reports on capital management, capital strategies and internal capital adequacy ratio assessment. The Board and the Senior Management were required to firmly establish the capital-saving awareness, improve the capital efficiency, and further optimise the business structure and asset structure in accordance with national policies and regulatory requirements to improve capital efficiency.

Supervision of internal control and compliance. Firstly, the Board of Supervisors received briefings on audit reports, major audit findings and audit work plans. It regularly summarised the problems identified in various regulatory inspections and internal and external audits, such as annual inspection reports, on-site inspections on follow-up rectification assessment, look-back inspections on market chaos and disorders, on-site inspections on shadow banking and cross-finance business, and subsequent rectifications and regulatory penalties. The Board of Supervisors also paid special attention to institutional issues that needed to be addressed urgently and fundamental works that had weak point, and continued to follow up the progress, effectiveness and accountability of the rectification works to ensure effective implementation. Secondly, the Board of Supervisors reviewed the annual reports on internal control evaluation, work reports on case prevention and work reports on compliance risk management. Annual evaluation reports on risk management and internal control of regional branches were circulated among Supervisors and relevant briefings were received, so as to keep abreast of internal control management of the Head Office and all operating units in relation to control environment, risk identification and measurement, internal control measures, information exchange and feedback, supervisory evaluation and rectifications. The Board of Supervisors also focused on the issues including adjustments of organisational structures and division of responsibilities of internal control and compliance, internal control system, compliance risk management, internal control in relation to the management system, operating procedures and key risks aspects of new businesses and new products, as well as accountability of internal control and compliance. The Board and the Senior Management were urged to further improve the internal control mechanism and create core competitiveness of compliant operation. Thirdly, the Board of Supervisors reviewed the annual work reports on and plans for consumer rights protection, and the guiding opinions on consumer rights protection by the Board of Directors, received briefings on anti-money laundering and compliance of credit reporting, supervised the implementation of relevant policies, systems and procedures, and assessed the performance of the Board and the Senior Management and supervised follow-up rectifications, in order to promote the establishment of a sound long-term management mechanism for consumer rights protection, anti-money laundering and compliant credit reporting across the Bank. Fourthly, the Board of Supervisors reviewed the annual assessment report on the behaviours of employees and received relevant briefings to urge the Board and the Senior Management to establish a behaviour management system of employees with clearly defined responsibilities, mutual checks and balances, and comprehensive coverage.

Supervision of finance. Firstly, the Board of Supervisors reviewed the annual final account report, profit distribution proposals, the annual financial budgets report and the value management enhancement report to gain an in-depth understanding and assessment of the effectiveness, shareholders' return, business scale and asset quality of the Bank. The Supervisors attended the meetings of the Audit Committee of the Board as non-voting delegates and expressed opinions on material events, such as bad loans write-offs, to further improve relevant management procedures. Secondly, the Board of Supervisors received reports on the preparation of periodic financial reports from external auditors with focus on key areas such as disposals of problem and non-performing assets, wealth management business, and asset and liability management. Auditors were urged to improve their work quality, verify the truthfulness of financial information and provide independent opinion in an objective and fair manner. Thirdly, according to the regulatory requirements and the internal management procedure of the Bank, the Board of Supervisors reviewed the annual report on related party transactions, the monthly reports on management of material related party transactions and special audit reports on management of related party transactions, and received relevant briefings, with focus on the type, pricing policies, approval procedures and criteria, and the identification of related parties of such transactions, in order to enhance supervision on performance of the Board and the Senior Management in respect of managing of related party transactions. Fourthly, the Board of Supervisors received regular reports on business operation across the Bank and made comparative analysis on the key financial data of the Bank and the operation of other banks and financial institutions, and produced two reports on the operation analysis of other banks and supervision reports on the operation indicators of the Bank, which made analysis on the profitability, scale growth, asset quality, regulatory indicators, development and efficiency of the Company. Based on the overall findings of regular reviews of operation achievements and shortcomings of the Company, the Board of Supervisors provided necessary reminders to the Board and Senior Management.

Supervision of performance. Firstly, a regular evaluation mechanism on performance was established. The duty performance of Supervisors were recorded when they attended Board meetings and meetings of special committees under the Board as non-voting delegates, received special briefings, reviewed reports, and participated in investigations and evaluations. The Board of Supervisors supervised and evaluated the compliance of the contents and procedures of discussions of the Board, as well as the performances of Directors in terms of strategies, risks and internal control, and provided opinions. Secondly, based on regulatory requirements and the focus of performance supervision, the Board of Supervisors further enriched the contents of performance appraisal and continued to improve the performance appraisal questionnaire, in order to improve the comprehensiveness and objectivity of appraisal. The appraisal of the Board, Directors and Supervisors covered the fulfillment of loyalty obligations and diligence obligations, involving 30 indicators such as strategic management, risk management, and internal control and compliance. The appraisal of Senior Management mainly included the evaluation on key performance indicators and leadership. The Board of Supervisors paid close attention to indicators in relation to risk, regulatory compliance and social responsibilities, so that the proportion of such indicators were greatly increased in the appraisals. Thirdly, the Board of Supervisors performed annual supervisory appraisals on the duty performances of the Board, Directors, Supervisors, the Senior Management and its members, to consistently improve the comprehensiveness and objectivity of appraisal. Based on the findings of daily supervision and the comprehensive results of annual performance appraisal, the annual supervision and appraisal reports on duty performance were produced and were submitted to the Board of Supervisors and the shareholders' general meetings for consideration, and then reported to the regulatory authorities, fully reflecting the independence and authority of the Board of Supervisors in corporate governance.

III. Independent Opinions of the Board of Supervisors

(I) Law-abiding operation of the Company

During the Reporting Period, the Company maintained law-abiding operation and decision-making procedures were in compliance with the applicable laws, regulations and the Articles of Association. There was no breach of the applicable laws and regulations and the Articles of Association nor any act which would harm the interests of the Company and its shareholders by any Directors or Senior Management in performing their duties.

(II) Authenticity of the financial statements

The annual financial statements of the Company have been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the CAS and the ISAs, respectively. Standard and unqualified auditors' reports have been issued accordingly. The financial statements of the Company for the year truthfully, accurately and completely reflected the Company's financial position and business performance.

(III) Use of proceeds from fund-raising activities

During the Reporting Period, the use of proceeds from fund-raising activities was consistent with the use of proceeds stated in the prospectus of the Company.

(IV) Acquisition and disposal of assets

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

(V) Related party transactions

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

(VI) Implementation of resolutions approved at general meetings

The Board of Supervisors raised no objection to the reports and proposals submitted by the Board to the Shareholders' general meetings for consideration and approval in 2020 and monitored the implementation of the resolutions approved at general meetings. The Board of Supervisors is convinced that the Board implemented the resolutions in real earnest.

(VII) Internal control

The Company continued to strengthen and improve its internal control. The Board of Supervisors raised no objection to the Self-Evaluation Report of Internal Control of the Company for 2020. During the Reporting Period, no material deficiencies were found in respect of the completeness, reasonableness and effectiveness of the internal control mechanism and system of the Company.

CHAPTER 9 MAJOR EVENTS

I. Material Litigation and Arbitration

During the Reporting Period, the Company had no litigation or arbitration proceeding that had significant impact on its operations. As at the end of the Reporting Period, there were 3,904 pending litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB25,981.32 million and 163 pending litigations involving the Company as defendant for approximately RMB2,236.16 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Company has strictly complied with the Articles of Association, the Basic Accounting Rules (《基本財務規則》) and the Administrative Measures on Fixed Assets (《固定資產管理辦法》) of the Company. The Company has made arrangements for writing off residual value and account treatment of fixed assets that satisfied the conditions for disposal. The shareholders' interest has not been prejudiced and the Company has not experienced any loss of assets.

III. Material Contracts and Their Performances

The Company participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing. The integrated construction of soil protection and foundation engineering on the sixth construction site where the project is located has commenced.

The Company participated in and won the bid for the land use right of Plot 2010P26 at the intersection of Douzaiwei Road and Hubin South Road in Xiamen. Construction of the project has been completed and has passed completion inspection. In November 2017, the Xiamen Branch of the Company was relocated and commenced operation. The settlement and auditing for the project have been completed.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai Sub-District, Quanzhou. The construction commenced in May 2016. The construction of major structure and roof were completed. The construction of facade, the installation of mechanical and electrical equipments, fire engineering, elevator engineering and renovation of public facilities are in progress.

The Company participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side Road in Taijiang District, Fuzhou. The land handover was completed with Fuzhou Land Development Centre (福州市土地發展中心) in August 2018. The project was approved by the Board on 23 September 2020. The approval procedures of pile foundation construction permit were completed on 25 September 2020, and the tender and procurement procedures for entrusted construction entities are in progress.

The Phase I of Shunyi Headquarters in Beijing has been accepted for completion and put into operation. The settlement and auditing of the construction have been completed and the transfer of entitlement is in progress. As at the end of the Reporting Period, the determination of land premium had been completed. The Phase II of Shunyi Headquarters in Beijing was granted the Project Filing Certificate of Beijing Non-Governmental Investment in Industrial and IT Fixed Assets (Shun Jing Xin Bei [2019] No. 0008) (《北京市非政府投資工業和信息化固定資產投資項目備案證明》(順經信備[2019]0008號)) on 14 May 2019, the Letter of Preliminary Review Opinions on "Plan Integration" Synergetic Platform of Shunyi Phase II Cloud Computing Centre of Minsheng Bank (Jing Gui Zi (Shun) Chu Shen [2019] No. 0002) (《關於民生銀行順義二期雲計算數據中心項目「多規合一」協同平台初審意見的函》(京規自(順)初審[2019]0002號)) on 11 June 2019, and the Review Opinions on Energy Conservation of Shunyi Headquarters Phase II Cloud Computing Centre of China Minsheng Bank of Development and Reform Commission of Beijing Municipality (Jing Fa Gai Neng Ping [2020] No. 8) (《北京市發展改革委員會關於中國民生銀行順義總部基地二期雲計算數據中心項目的節能審查意見》(京發改能評[2020]8號)) on 17 March 2020. The preliminary design was completed in April 2020. The project was granted the Letter of Consolidated Consulting Opinions on "Plan Integration" Synergetic Platform of Headquarters Phase II Cloud Computing Centre (《關於總部基地二期雲計算數據中心項目「多規合一」協同平台綜合會商意見的函》) on 15 May 2020 and the Planning Permit on Construction Project (2020 Gui Zi Shun Jian Zi No. 0032) (《建設工程規劃許可證》(2020規自順建字0032號)) on 17 July 2020. The approval procedure of general investment estimation is in progress in the Bank.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No. 4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou, and has completed the earthwork excavation and pile foundation construction. The construction is currently suspended.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 1 on the west of East Fourth Ring Road and the south of Lianhu Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 3 on the south of Shangding Road and the west of Mingli Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction.

IV. Major Guarantees

During the Reporting Period, no major guarantees of the Group were required to be disclosed except for the financial guarantees provided in the course of business operation and approved by the PBOC.

Specific Explanation and Independent Opinions of the Independent Non-Executive Directors Regarding External Guarantees

In accordance with the relevant rules of the CSRC and the SSE, the Independent Non-Executive Directors of the Company carried out a thorough investigation on the external guarantees of the Group on an open, fair and objective basis. In 2020, except for the financial guarantee business within the business scope approved by the PBOC, there were no other major guarantees of the Group that needed to be disclosed.

V. Commitments by the Company and Its Relevant Entities

According to the relevant rules of the CSRC, the Company considered and approved the Proposal on Impacts on Dilution of Current Returns of the Non-public Issuance of Preference Shares and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. at the first extraordinary meeting for 2016 on 1 February 2016 and the Proposal on Impacts on Dilution of Current Returns of the Public Issuance of A Shares Convertible Corporate Bonds and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. at the 2016 annual general meeting on 2 May 2017, in which remedial measures on the dilution of current returns that might arise from the non-public issuance of preference shares and the public issuance of A Share convertible corporate bonds by the Company was formulated, respectively. These measures included strengthening capital management and optimising resources allocation; promoting the transformation of business model and management mechanism; enhancing integrated management and refined management; improving overall risk management; and further increasing its corporate value. At the same time, the Directors and the Senior Management of the Company also made commitments to effectively execute the remedial measures on current returns. During the Reporting Period, the Company and the Directors and the Senior Management of the Company did not violate any of the aforesaid commitments.

VI. Appointment of Accountanting Firms and Sponsors

The general meeting of the Company approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Company, being the auditing firms responsible for domestic and international auditing of the Company for 2020, 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 2020 annual auditing, 2020 interim review, agreed procedures of 2020 quarterly financial statements and auditing of the effectiveness of internal control for 2020, was RMB9.50 million, including a service fee of RMB1.0 million for the audit of the effectiveness of internal control.

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

The Company had engaged Haitong Securities Co., Ltd. as the sponsor for the non-public issuance of domestic preference shares of the Company since 2016. The ongoing supervision and guidance provided by the sponsor to the Company ceased on 28 July 2020 and the remaining supervision and guidance for the non-public issuance of domestic preference shares was taken up by CITIC Securities Company Limited and China International Capital Corporation Limited, the newly appointed sponsors of the Company. In 2019, the Company had settled and paid the full remuneration (including sponsorship and underwriting fees) to Haitong Securities Co., Ltd. in respect of the non-public issuance of domestic preference shares.

VII. Major Related Party Transactions

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

In accordance with the rules 14A.49 and 14A.71 under Chapter 14A of the Hong Kong Listing Rules, the related party transactions and continuing related party transactions of the Company during the Reporting Period were as follows:

1. *Continuing connected transactions between the Company and Dajia Life Insurance Co., Ltd. for agency sales of financial products*

(1) *Business cooperation framework agreement for agency sales of financial products with Dajia Life Insurance Co., Ltd. for 2020*

① *Details of the transactions*

On 11 December 2019, the 13th meeting of the seventh session of the Board of the Company considered and approved the Proposal on the Integrated Group Credit to Dajia Insurance Group Co., Ltd. for 2019 (《關於大家保險集團有限責任公司2019年度集團統一授信的議案》). Subject to the reserved quota of agency category under non-credit business of the integrated group credit lines considered and approved by the Board, the Company entered into a business cooperation framework agreement for agency sales of financial products with Dajia Life Insurance Co., Ltd., with a term from 1 January 2020 to 31 December 2020. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal management policies, the Company should provide services of agency sales of financial products to Dajia Life Insurance Co., Ltd., including but not limited to agency sales of insurance products, and charge for service fees. For the year ended 31 December 2020, the annual cap of the service fees was RMB1.5 billion and the actual service fees for the related party transactions were RMB218 million.

The cooperation between the Company and Dajia Life Insurance Co., Ltd. was beneficial for both parties to achieve sharing of resources and mutual supplement of advantages which in turn further increased 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 agreement, Dajia Life Insurance Co., Ltd. held approximately 17.84% equity interests of the Company, and was therefore a substantial shareholder of the Company. Thus, Dajia Life Insurance Co., Ltd. constituted a related party of the Company and the transactions between the Group and Dajia Life Insurance Co., Ltd. constituted continuing related party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of service fees receivable from Dajia Life Insurance Co., Ltd. under the business cooperation framework agreement for agency sales of financial products exceeded 0.1% but was less than 5%, the transactions constituted non-exempted continuing related party transactions of the Company, and were subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the related party transaction announcement of the Company published on 11 December 2019 on the HKEXnews website of the SEHK and the website of the Company.

② *Opinions of the Independent Directors*

The Independent Non-Executive Directors of the Company have reviewed the continuing related party transactions regarding the business cooperation with Dajia Life Insurance Co., Ltd. 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 in the intersts of the Company's shareholders as a whole.

③ *Opinions of the auditors*

Pursuant to rule 14A.56 of the Hong Kong Listing Rules, the Board engaged PricewaterhouseCoopers, the international auditor of the Company, to perform relevant procedures on the continuing related party transactions regarding the business cooperation with Dajia Life Insurance for agency sales 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 Related Party Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported the results of its procedures to the Board. Regarding the disclosed continuing related party transactions, nothing has come to the attention of the auditor that:

a. the continuing related party transactions have not been approved by the Board of the Company;

b. for related party 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 related party 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 related party transactions has exceeded the aggregate annual caps in the continuing related party transaction announcement of the Company disclosed on the HKEXnews website of the SEHK and the website of the Company on 11 December 2019.

(2) *Business cooperation framework agreement with Dajia Life Insurance Co., Ltd. for 2021*

On 21 December 2020, the first extraordinary meeting of the eighth session of the Board of the Company considered and approved the Proposal on Integrated Group Credit to Dajia Insurance Group Co., Ltd. For 2020 and Specific Business thereunder Thereunder (《關於大家保險集團有限責任公司2020年度集團統一授信及項下單筆業務的議案》). Subject to the reserved quota of agency category under non-credit business of the integrated group credit lines considered and approved by the Board, the Company would enter into a business cooperation framework agreement for agency sales of financial products with Dajia Life Insurance Co., Ltd. in due course, with a term from 1 January 2021 to 31 December 2021. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal management policies, the Company shall provide services of agency sales of financial products to Dajia Life Insurance Co., Ltd., including but not limited to agency sales of insurance products, asset management products, fund products and securities products, and charge for service fees. For the year ended 31 December 2021, the annual cap of the service fees was RMB1.0 billion.

The cooperation between the Company and Dajia Life Insurance Co., Ltd. was beneficial for both parties to achieve sharing of resources and mutual supplement of advantages which in turn further increased 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 agreement, Dajia Life Insurance Co., Ltd. held approximately 17.84% equity interests of the Company, and was therefore a substantial shareholder of the Company. Thus, Dajia Life Insurance Co., Ltd. constituted a related party of the Company and the transactions between the Group and Dajia Life Insurance Co., Ltd. constituted continuing related party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees receivable from Dajia Life Insurance Co., Ltd. under the business cooperation framework agreement for agency sales of financial products exceeded 0.1% but was less than 5%, the transactions constituted non-exempted continuing related party transactions of the Company, and were subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the related party transaction announcement of the Company published on 21 December 2020 on the HKEXnews website of the SEHK and the website of the Company.

2. *Continuing related party transactions between the Company and Huaxia Life Insurance Co., Ltd. for agency sales of financial products*

(1) Business cooperation framework agreement for agency sales of financial products with Huaxia Life Insurance Co., Ltd. for 2020

① *Details of the transactions*

On 27 November 2019, the 12th extraordinary meeting of the seventh session of the Board of the Company considered and approved the Proposal on Entering into Business Cooperation Framework Agreement for Agency Sales of Financial Products between the Company and Huaxia Life Insurance Co., Ltd. (《關於本公司與華夏人壽保險股份有限公司簽署金融產品代理銷售業務合作框架協議的議案》) and agreed to enter into a business cooperation framework agreement for agency sales of financial products with Huaxia Life Insurance Co., Ltd., a related party of the Company, with a term from 1 January 2020 to 31 December 2020. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal management policy, the Company should provide services of agency sales of financial products to Huaxia Life Insurance Co., Ltd., including but not limited to agency sales of insurance products, and charge for sales service fees. For the year ended 31 December 2020, the annual cap of the service fees was RMB0.5 billion, and the actual service fees for the related party transactions were RMB34 million.

The cooperation between the Company and Huaxia Life Insurance Co., Ltd. was beneficial for both parties to achieve sharing of resources and mutual supplement of advantages which in turn further increased 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 agreement, Mr. Zhang Hongwei, the Vice Chairman of the Company, was the ultimate controller of Orient Group Co., Ltd. and Orient Group Incorporation. As a result, Orient Group Co., Ltd. and Orient Group Incorporation were associates of Mr. Zhang Hongwei. Orient Group Co., Ltd., Orient Group Incorporation and Huaxia Life Insurance Co., Ltd. were parties acting in concert. Huaxia Life Insurance Co., Ltd. constituted a related party of the Company, and the transactions between the Group and Huaxia Life Insurance Co., Ltd. constituted continuing related party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees payable to the Company by Huaxia Life Insurance Co., Ltd. under the business cooperation framework agreement for agency sales of financial products exceeded 0.1% but was less than 5%, the transactions constituted non-exempted continuing related party transactions of the Company and were subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the related party transaction announcement of the Company published on 27 November 2019 on the HKEXnews website of the SEHK and the website of the Company.

② *Opinions of the Independent Directors*

The Independent Non-Executive Directors of the Company have reviewed the continuing related party transactions regarding the business cooperation with Huaxia Life Insurance Co., Ltd. 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 in the interests of the Company's shareholders as a whole.

③ *Opinions of the auditors*

Pursuant to rule 14A.56 of the Hong Kong Listing Rules, the Board engaged PricewaterhouseCoopers, the international auditor of the Company, to perform relevant procedures on the continuing related party transactions regarding the business cooperation with Huaxia Life Insurance Co., Ltd. for agency sales 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 Related Party Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported the results of its procedures to the Board. Regarding the disclosed continuing related party transactions, nothing has come to the attention of the auditor that:

a. the continuing related party transactions have not been approved by the Board of the Company;

b. for connected 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 related party transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. the aggregate amount of each of the continuing related party transactions has exceeded the aggregate annual caps in the continuing related party transaction announcement of the Company disclosed on the HKEXnews website of the SEHK and the website of the Company on 27 November 2019.

(2) ***Business Cooperation Framework Agreement for Agency Sales of Financial products with Huaxia Life Insurance Co., Ltd. for 2021***

On 21 December 2020, the first extraordinary meeting of the eighth session of the Board of the Company considered and approved the Proposal on Entering into Business Cooperation Framework Agreement for Agency Sales of Financial Products between the Company and Huaxia Life Insurance Co., Ltd. (《關於本公司與華夏人壽保險股份有限公司簽署金融產品代理銷售業務合作框架協議的議案》) and agreed to enter into a business cooperation framework agreement for agency sales of financial products with Huaxia Life Insurance Co., Ltd., a related party of the Company, with a term from 1 January 2021 to 31 December 2021. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal management policies, the Company should provide services of agency sales of financial products to Huaxia Life Insurance Co., Ltd., including but not limited to agency sales of insurance products, asset management products, fund products and securities products, and charge for sales service fees. As of the year ended 31 December 2021, the annual cap of the aggregate service fees will be RMB0.46 billion.

The cooperation between the Company and Huaxia Life Insurance Co., Ltd. was beneficial for both parties to achieve sharing of resources and mutual supplement of advantages which in turn further increased the Company's incomes from its retail banking intermediary business. In addition, entering into the business cooperation framework agreement can simplify the disclosure procedure and reduce compliance cost of the Company.

As at the date of the above agreement, Mr. Zhang Hongwei, the Vice Chairman of the Company, was the ultimate controller of Orient Group Co., Ltd. and Orient Group Incorporation. Therefore, Orient Group Co., Ltd. and Orient Group Incorporation were associates of Mr. Zhang Hongwei. Orient Group Co., Ltd., Orient Group Incorporation and Huaxia Life Insurance Co., Ltd. were parties acting in concert. Huaxia Life Insurance Co., Ltd. constituted a related party of the Company, and the transactions between the Group and Huaxia Life Insurance Co., Ltd. constituted continuing related party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees payable to the Company by Huaxia Life Insurance Co., Ltd. under the business cooperation framework agreement for agency sales of financial products exceeded 0.1% but was less than 5%, the transactions constituted non-exempted continuing related party transactions of the Company and were subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the related party transaction announcement of the Company published on 21 December 2020 on the HKEXnews website of the SEHK and the website of the Company.

Save as disclosed in this report, during the Reporting Period, the Company did not have any discloseable related party transaction or continuing related party transaction pursuant to the provisions in relation to related party transactions under Chapter 14A of the Hong Kong Listing Rules.

VIII. Repurchase, Sale or Redemption of Shares

Save as disclosed in this Annual Report, during the 12 months ended 31 December 2020, the Group had neither sold any securities of the Company nor repurchased or redeemed any listed share of the Company.

IX. Audit Committee

As at the end of the Reporting Period, the members of the Audit Committee of the Company comprised Liu Ningyu (chairman), Song Chunfeng, Weng Zhenjie, Peng Xuefeng and Qu Xinjiu.

The main responsibilities of the Audit Committee include reviewing and supervising the financial reporting procedures and internal monitoring system of the Company and providing advice to the Board. The Audit Committee of the Company has reviewed and confirmed the announcements on the 2020 Annual Report and the 2020 Annual Results for the year ended 31 December 2020.

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, Employee Share Ownership Scheme or Other Employee Incentive Measures and Their Implementations During the Reporting Period

Up to date, the Company had no incentive share option scheme, employee share ownership scheme or other employee incentive measures.

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

2020 marked the successful conclusion of building a moderately prosperous society in all aspects and the 13th Five-Year Plan. Facing the severe test and the complex and changing economic environment at home and abroad brought by the pandemic, the Company thoroughly implemented a series of policies and requirements of the CPC Central Committee and the State Council such as maintaining "stability on the six fronts" and "security in the six areas", strengthened the sense of mission, adhered to the origin and the principal business, advanced inclusive finance, facilitated resumption of work and production, persisted in the equal emphasis on operation and duty performance, and comprehensively improved its capability to respond to external challenges and serve the real economy. Meanwhile, the Company responded to major national strategies, devoted itself to poverty alleviation, innovated support for charity and public welfare, actively participated in green environmental protection, attached importance to building the Minsheng Family, and contributed the power of Minsheng to economic development and social progress.

After the outbreak of the COVID-19 pandemic, the Company donated RMB50 million in the first batch of a total donation of RMB61.49 million, to equip hospitals in Wuhan and other areas seriously stricken by the pandemic with medical supplies, such as masks, goggles, protective clothing and reagent kits, as well as other assistance, to support the fight against the pandemic. At the same time, in order to deal with the negative impact of the pandemic on the economy, the Company actively took anti-pandemic measures, quickly established pandemic prevention and control standards, and conscientiously implemented various sterilisation and disinfection measures so as to ensure the normal operation of all business outlets and the personal safety of customers. The Company fully supported the resumption of work and production, strengthened inclusive financial support, and provided enterprises with timely capital support through various measures such as simplifying business processes, deferring principle and interest payment, and protecting credit record of customers for overdue loans.

During the Reporting Period, the Company implemented the decisions and deployments of the CPC Central Committee on poverty alleviation by making all efforts to fight the final battle of poverty alleviation. The Company broadly participated in poverty alleviation with a “Ten-in-One (十位一體)” approach characterised by multiple levels, wide coverage and strong penetration. It completed the indicators and tasks specified in the targeted poverty alleviation responsibility letter committed to the central government at the beginning of the year six months ahead of schedule. With all doubled poverty alleviation indicators,the Company helped Hua County and Fengqiu County in Henan Province achieve comprehensive poverty alleviation as scheduled, which were highly recognised by the regulatory authorities and all sectors of society. The Company continued to carry out the “Power of Minsheng’s Love – ME Charity Innovation Funding Scheme (我決定民生愛的力量– ME公益創新計劃)” to provide financial support for commonweal and innovation projects and organisations dedicated to targeted poverty alleviation, community development, education support, health and well-being, ecological civilisation and other areas nationwide. In the past six years, it provided RMB66 million innovation funds to 135 commonweal projects in 30 provinces (municipalities and regions) in China, directly benefiting more than 240 thousand people. The art institutions sponsored by the Company played an effective role in social public service through communication and cooperation with the government and commonweal organisations. Eight exhibitions and 127 public education sessions were organised during the year with 640 thousand participants. These activities were widely appreciated by the society and greatly contributed to cultural exchange and public education.

The social responsibility practices of the Company in 2020 were highly recognised by various third parties such as government authorities, charity organisations and mainstream media. The targeted poverty alleviation case of the Company was published in the “50 Outstanding Cases of Poverty Alleviation by Enterprises (企業扶貧50佳案例)” by the Leading Group Office of Poverty Alleviation and Development of the State Council. The Company won honours such as the“Best Targeted Poverty Alleviation Contribution Award (最佳精準扶貧貢獻獎)” by China Banking Association, the “Vitality Philanthropic Award (活力慈善獎)” at the Internet GOOD Summit, “China Benefit Corporation for 2020 (2020年度中國益公司)” by news.qq.com, the award of the “Most Socially Responsible Listed Company of the Year (年度最具社會責任上市公司)” in the Golden Kylin Value List of Hong Kong Listed Stocks (金麒麟港股價值風雲榜) by www.finance.sina.com.cn and the “Award of Corporate Social Responsibility of the Year (年度企業社會責任獎)” by Shanghai Securities News, and ranked first in the banking industry and first among NSOEs in the “Social Responsibility Development Index of Top 300 Chinese Enterprises in 2020 (2020年中國企業300強社會責任發展指數)” by the Chinese Academy of Social Sciences.

For details of the 2020 Social Responsibility Report (《2020年度社會責任報告》) of the Company, please visit the website of the Company and the website of the SSE.

(II) Performance of poverty alleviation

During the Reporting Period, the Company continued to implement the decisions and deployments of the CPC Central Committee and the State Council on winning the fight against poverty. With high attention of and the leaders and concerted efforts of all employees, taking the fight against poverty as the primary political task, the Company continued to provide greater assistance by integrating quality internal and external resources, and solidly implementing the landing of of projects. In 2020, the Company donated RMB45.59 million for poverty alleviation and extended RMB23,964 million targeted poverty alleviation loans, of which RMB11,037 million was for individuals and RMB12,927 million was for enterprises.

1. Plan for targeted poverty alleviation

According to the work plan for poverty alleviation and actual needs of Hua County and Fengqiu County in Henan, which were targeted poverty alleviation counties of the Company, and on the basis of fully consulting the relevant departments, the Company formulated the Work Plan for Targeted Poverty Alleviation for 2020 (《2020年定點扶貧工作計劃》), the Administrative Measures on Financial Targeted Poverty Alleviation Loans (《金融精準扶貧貸款管理辦法》) and the Notice on Further Increasing the Extension of Poverty Alleviation Loans (《關於進一步加大扶貧貸款投放力度的通知》), specifying the poverty alleviation goals and tasks, the line of thought and key points, the implementation paths and the responsible departments, and forming synergies for poverty alleviation across the Bank.

2. Overview of targeted poverty alleviation for the year

During the Reporting Period, the Company gave full play to the characteristics of flexible mechanisms, effectively strengthened organisation and leadership, leveraged the advantages of the financial industry, fully implemented key indicators, and took multiple measures to promote innovation. It created the "Ten-In-One" poverty alleviation approach, which aimed to alleviate poverty through approaches in ten aspects, namely industry, Party building, education, healthcare, finance, skills, consumption, E-Commerce, employment and culture. 37 Party branches of the Company paired up with the Party branches of poverty-stricken villages in the two counties to build a distinctive and integrated model of poverty alleviation by consumption covering "production + processing + sales + marketing". Meanwhile, the Company carried out in-depth poverty alleviation by culture. It worked with the Central Academy of Fine Arts and other professional institutions to jointly launch a series of projects under the "Art + Empowerment Program", to further exploit the potential of the intangible cultural heritages of the two counties, promote the upgrading of the packaging design of poverty alleviation products, carry out aesthetic education, so as to integrate the overall poverty alleviation with rural revitalisation.

3. Achievement of targeted poverty alleviation

(Unit: RMB ten thousand)

Indicator			Amount and progress	
I. General information				
Of which: 1. Funds			**Amount for the year**	**Balance**
		Amount	4,708,014	2,400,935
		Of which: Poverty alleviation loans to individuals	3,330,009	1,103,703
		Poverty alleviation loans to enterprises	1,373,446	1,292,673
		Donations for the year	4,559	4,559
	2. Number of poverty stricken people helped to be removed from administrative record for poverty registering (person)			8,624
II. Input in different dimensions				
1. Poverty alleviation through industrial development				
Of which:	1.1 Type of industrial development projects			√ Agriculture and Forestry ☐ Tourism √ E-Commerce ☐ Return on assets ☐ Technology √ Others
	1.2 Number of industrial development projects			312
	1.3 Amount invested for industrial development projects			1,293,833
	1.3.1 Amount of direct capital investment			1,160
	1.3.2 Amount of loans extended			1,292,673
	1.4 Number of poverty-stricken people helped to be removed from administrative record for poverty registering (person)			—

Indicator	Amount and progress
2. Poverty alleviation through transfer employment	
Of which: 2.1 Amount invested for vocational training	925
2.2 Number of people received vocational training (person/time)	17,756
2.3 Number of poverty-stricken people helped from administrative record for poverty registering to gain jobs (person)	3
3. Poverty alleviation through education	
Of which: 3.1 Amount of subsidies to poor students	414.5
3.2 Number of poverty-stricken students subsidised (person)	2,967
3.3 Amount invested for the improvement in educational resources in poverty-stricken areas	660
4. Poverty alleviation through healthcare	
Of which: 4.1 Amount invested for improvements in medical and healthcare resources in poverty-stricken areas	916.7
5. Poverty alleviation through public welfare	
Of which: 5.1 Amount invested for poverty alleviation coordination between Eastern and Western China	—
5.2 Amount invested for targeted poverty alleviation	21,102.9
5.3 Public charity foundation for poverty alleviation	1,032
6. Poverty alleviation through other approaches	
Of which: 6.1. The number of projects	—
6.2. Amount invested	—
6.3. Number of poverty-stricken people helped to be removed from administrative record for poverty registering (person)	—
6.4. Other	—

III. Awards (details and grades)

"Best Targeted Poverty Alleviation Contribution Award (最佳精準扶貧貢獻獎)" by China Banking Association
The poverty alleviation case of the Company was published in Outstanding Cases of Excellent Organisations in the Banking Industry of China to Assist in Poverty Alleviation (《全國銀行業助力脫貧攻堅優秀組織典型案例》)
The poverty alleviation case of the Company was published in the "50 Outstanding Cases of Poverty Alleviation by Enterprises (企業扶貧案例50佳)" by the Leading Group Office of Poverty Alleviation and Development of the State Council
The "China Benefit Corporation (中國益公司)" Award by news.qq.com
The award of the "Most Socially Responsible Listed Company of the Year (年度最具社會責任上市公司)" in the UnicornKylin Value List of Hong Kong Listed Stocks (金麒麟港股價值風雲榜) by www.finance.sina.com.cn.
The "Vitality Philanthropic Award (活力慈善獎)" at the 2020 Internet Good Summit
The "Award of Corporate Social Responsibility of the Year (年度企業社會責任獎)" by Shanghai Securities News
The Company wanked first in both the "Social Responsibility Development Index for NSOEs (民營企業社會責任發展指數第一名)" and the "Social Responsibility Development Index for the Banking Industry (銀行業社會責任發展指數第一名)" in the Blue Book for Corporate Social Responsibility (企業社會責任藍皮書) published by the Chinese Academy of Social Sciences

4. *Continuing targeted poverty alleviation plan*

2021 is the first year of the 14th Five-Year Plan, and is also the start point to consolidate the results of poverty alleviation and achieve effective integration with rural revitalisation. According to the unified deployments of the CPC Central Committee and the State Council, the Company will leverage the unique advantages as a financial industry to help targeted poverty alleviation counties of the Company consolidate competitive industries, upgrade distinctive industries, explore historical and cultural resources, cultivate new economic growth points, and provide decision-making reference in rural planning, industrial development and social governance, etc. The Company will coordinate plans and scientifically advance the undertaking of the rural revitalisation of targeted poverty alleviation counties, so as to contribute the power of Minsheng to the realisation of strong agriculture, a beautiful countryside and well-off farmers.

CHAPTER 10 FINANCIAL REPORTS

I. Independent Auditor's Report

II. Financial Statements for the Year 2020 (Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows)

III. Notes to the Financial Statements for the Year 2020

IV. Unaudited Supplementary Financial Information for the Year 2020

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of China Minsheng Banking Corp., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 282 to 431, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of equity movement for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of China Minsheng Banking Corp., Ltd.
(incorporated in the People's Republic of China with limited liability)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

- Consolidation of structured entities

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the
Key Audit Matter</th></tr>
<tr><td colspan="2">Measurement of expected credit losses for loans and advances to customers and financial investments</td></tr>
<tr><td>Refer to Note 2.10, Note 3.1, Note 5.15 and Note 5.16 to the consolidated financial statements.

As at 31 December 2020, gross loans and advances to customers and accrued interest, as presented in the Group's consolidated balance sheet, amounted to RMB3,878,839 million, for which the management recognized an impairment allowance of RMB97,637 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,804,215 million, for which the management recognized an impairment allowance of RMB12,204 million.

The balances of allowances for impairment losses for the loans and advances to customers and financial investments represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under International Financial Reporting Standard 9: Financial Instruments expected credit losses models.</td><td>We obtained an understanding of the management's internal control and assessment process of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated and tested the internal controls relating to ECL for loans and advances to customers, and financial investments, primarily including:

(1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models;</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of China Minsheng Banking Corp., Ltd.
(incorporated in the People's Republic of China with limited liability)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
The management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments in stages 1 and 2, and all personal loans, the management assesses allowance for impairment losses using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and financial investments in stage 3, the management assesses allowance for impairment losses using discounted cash flows model.	(2) Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired and forward-looking adjustments; (3) Internal controls over the accuracy and completeness of key inputs used by the models; (4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments in stage 3; (5) Internal controls over the information systems for ECL measurement. (6) Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments.

Key Audit Matters (continued)

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
The models of ECL involves significant management judgments and assumptions, primarily including: (1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; (2) Criteria for determining whether or not there is a significant increase in credit risk, or a default or impairment loss is incurred; (3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; (4) The estimated future cash flows for corporate loans and financial investments in stage 3.	The substantive procedures we preformed primarily included: According to the risk characteristics of assets, we evaluated the reasonableness of segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also examined the model computation on a sample basis, to test whether or not the models reflect the modelling methodologies documented by the management.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
The management established governance processes and internal controls for the measurement of ECL. For measuring ECL, the management adopted complex models, used numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the loans and advances to customers, financial investments and the related impairment allowance involve significant amounts, and the measurement has a high degree of estimation uncertainty. In view of these reasons, we identified this as a key audit matter.	We have examined the accuracy of data inputs for the ECL models, and evaluated the reasonableness of the correlation parameters, covering: (i) examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings, and assessment of the reasonableness of probability of default; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discounting rates. In addition, we had performed back-testing on probability of default, and assessed the impact of back-testing results on the models. We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
	For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of co-relation with the performance of the credit risk portfolios by using statistical techniques. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we performed sensitivity analysis of economic scenarios and weightings. For corporate loans and advances and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of impairment allowance. Based on the procedures performed, we considered that the models, key parameters, significant judgement and assumptions adopted in the ECL measurement together with the measurement results were considered acceptable.

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Consolidation of structured entities</td></tr>
<tr><td>Refer to Note 2.4(1), Note 3.5 and Note 7 to the consolidated financial statements.

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

As at 31 December 2020, the carrying amount of unconsolidated structured entities invested by the Group amounted to RMB645,440 million. In addition, as at 31 December 2020, the balances of non-principal guaranteed WMPs, funds and asset management plans and trust plans sponsored and/or managed by the Group which were not included in the consolidated statement of financial position were RMB861,132 million and RMB233,095 million, respectively.</td><td>We understood, evaluated and tested the Group's relevant controls over consolidation assessment of structured entities, including approval of contractual terms, variable return computations, and consolidation assessment results.

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

1. reviewed contracts and other supporting documents, analysed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities.

2. performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income, asset management fees, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities.</td></tr>
</table>

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities (continued)	
Management had determined whether the Group had control of certain structured entities based on the assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. The significant judgement exercised by management in assessing whether the Group had control of structured entities and the significant amount of such structured entities resulted in this matter being identified as a key area of audit focus.	3. assessed whether the Group acted as a principal or an agent, through analysis and assessment of the scope of the Group's decision-making authority over the structured entities, the remuneration to which the Group was entitled for asset management services, the Group's exposure to variability of returns from other interests in the structured entities, and the rights held by other parties in the structured entities. Based on the procedures performed, we found management's consolidation judgement of these structured entities acceptable.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of China Minsheng Banking Corp., Ltd.
(incorporated in the People's Republic of China with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Kwok Wai, Jimmy.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2020
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 5	Year ended 31 December 2020	2019
Interest income		**286,593**	274,815
Interest expense		**(151,369)**	(152,781)
Net interest income	1	**135,224**	122,034
Fee and commission income		**33,113**	32,933
Fee and commission expense		**(5,449)**	(4,729)
Net fee and commission income	2	**27,664**	28,204
Net trading gain	3	**4,212**	9,067
Net gain from investment securities	4	**13,394**	15,895
Including: disposals of financial assets measured at amortised cost		**(184)**	1,144
Other operating income		**1,313**	2,545
Operating expenses	5	**(50,485)**	(50,016)
Credit impairment losses	6	**(92,988)**	(62,807)
Other impairment losses		**(1,628)**	(184)
Profit before income tax		**36,706**	64,738
Income tax expense	8	**(1,604)**	(9,814)
Net profit		**35,102**	54,924
Net profit attributable to:			
Equity shareholders of the Bank		**34,309**	53,819
Non-controlling interests		**793**	1,105
Earnings per share (expressed in RMB Yuan)			
Basic and Diluted earnings per share	9	**0.71**	1.22

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Net profit	**35,102**	54,924
Other comprehensive income of the year, net of tax	**(4,284)**	668
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	**41**	52
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	**(8,018)**	(1,595)
Allowance for impairment losses	**(5)**	573
Transfer to profit or loss	**3,205**	1,673
Less: income tax relating to debt securities at fair value through other comprehensive income	**1,230**	(111)
Effective hedging portion of gains or losses arising from cash flow hedging instruments	**(21)**	(26)
Exchange difference on translating foreign operations	**(716)**	102
Total comprehensive income of the year	**30,818**	55,592
Total comprehensive income attributable to:		
Equity shareholders of the Bank	**30,234**	54,525
Non-controlling interests	**584**	1,067

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

CONSILIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 5	**31 December 2020**	31 December 2019
ASSETS			
Cash and balances with central bank	10	**401,525**	371,155
Balances with banks and other financial institutions	11	**52,084**	53,180
Precious metals		**6,782**	15,237
Placements with banks and other financial institutions	12	**221,908**	248,565
Derivative financial assets	13	**42,285**	31,100
Financial assets held under resale agreements	14	**21,464**	65,799
Loans and advances to customers	15	**3,782,297**	3,430,427
Financial investments:	16		
– Financial assets at fair value through profit or loss		**322,480**	528,338
– Financial assets at fair value through other comprehensive income		**470,122**	512,888
– Financial assets measured at amortised cost		**1,328,048**	1,143,079
Long-term receivables	17	**127,853**	116,593
Property and equipment	18	**51,129**	51,365
Right-of-use assets	19	**14,331**	14,545
Deferred income tax assets	20	**50,033**	36,050
Investments in associates		**2**	3
Other assets	22	**57,890**	63,517
Total assets		**6,950,233**	6,681,841
LIABILITIES			
Borrowings from central bank		**292,352**	198,843
Deposits and placements from banks and other financial institutions	24	**1,069,721**	1,163,054
Financial liabilities at fair value through profit or loss		**3,293**	5,184
Borrowings from banks and other financial institutions	25	**131,018**	132,295
Derivative financial liabilities	13	**42,675**	17,793
Financial assets sold under repurchase agreements	26	**65,318**	101,705
Deposits from customers	27	**3,768,151**	3,637,034
Lease liabilities	28	**10,267**	10,420
Provisions	29	**2,021**	1,603
Debt securities issued	30	**957,880**	817,225
Current income tax liabilities		**18,589**	17,764
Deferred income tax liabilities	20	**117**	125
Other liabilities	31	**47,583**	47,967
Total liabilities		**6,408,985**	6,151,012

CONSILIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2020
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 5	**31 December 2020**	31 December 2019
EQUITY			
Share capital	*32*	**43,782**	43,782
Other equity instrument		**69,860**	69,860
Including: Preference shares	*33*	**29,867**	29,867
Perpetual bonds	*34*	**39,993**	39,993
Reserves			
Capital reserve	*32*	**57,419**	57,411
Surplus reserve	*35*	**48,479**	45,162
General reserve	*35*	**86,599**	81,657
Other reserves		**(1,849)**	2,227
Retained earnings	*35*	**225,247**	218,746
Total equity attributable to equity shareholders of the Bank		**529,537**	518,845
Non-controlling interests	36	**11,711**	11,984
Total equity		**541,248**	530,829
Total liabilities and equity		**6,950,233**	6,681,841

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

Approved and authorised for issue by the Board of Directors on 30 March 2021.

Gao Yingxin
Chairman

Zheng Wanchun
Vice Chairman and President

Liu Ningyu
Director

(Company Seal)

CONSOLIDATED STATEMENT OF EQUITY MOVEMENT

For the year ended 31 December 2020

(Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Bank											
				Reserves									
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note 5	32	33&34	32	35	35	38		38	35		36	
At 31 December 2019		43,782	69,860	57,411	45,162	81,657	1,822	408	(3)	218,746	518,845	11,984	530,829
(I) Net profit		-	-	-	-	-	-	-	-	34,309	34,309	793	35,102
(II) Other comprehensive income, net of tax		-	-	-	-	-	(3,554)	(513)	(21)	13	(4,075)	(209)	(4,284)
Total comprehensive income		-	-	-	-	-	(3,554)	(513)	(21)	34,322	30,234	584	30,818
(III) Profit Distribution													
1. Appropriation to surplus reserve		-	-	-	3,317	-	-	-	-	(3,317)	-	-	-
2. Appropriation to general reserve		-	-	-	-	4,878	-	-	-	(4,878)	-	-	-
3. Cash dividends		-	-	-	-	-	-	-	-	(17,596)	(17,596)	(76)	(17,672)
4. Interest on the perpetual bond		-	-	-	-	-	-	-	-	(1,940)	(1,940)	-	(1,940)
(IV) Other													
1. Purchase non-controlling interests		-	-	72	-	62	(8)	20	-	(97)	49	(751)	(702)
2. Capital injection to subsidiaries		-	-	(64)	-	2	-	-	-	49	(13)	13	-
3. Shares repurchased by subsidiaries		-	-	-	-	-	-	-	-	(42)	(42)	(43)	(85)
At 31 December 2020		43,782	69,860	57,419	48,479	86,599	(1,740)	(85)	(24)	225,247	529,537	11,711	541,248

CONSOLIDATED STATEMENT OF EQUITY MOVEMENT (continued)
For the year ended 31 December 2019
(Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
			Reserves									
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
Note 5	32	33&34	32	35	35	38		38	35		36	
At 31 December 2018	43,782	9,892	57,470	39,911	74,370	1,133	362	23	193,131	420,074	10,927	431,001
(I) Net profit	–	–	–	–	–	–	–	–	53,819	53,819	1,105	54,924
(II) Other comprehensive income, net of tax	–	–	–	–	–	689	46	(26)	(3)	706	(38)	668
Total comprehensive income	–	–	–	–	–	689	46	(26)	53,816	54,525	1,067	55,592
(III) Capital injection by shareholders												
1. Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–
2. Change in shareholdings in subsidiaries	–	–	(59)	–	16	–	–	–	(16)	(59)	59	–
3. Capital injection by other equity instrument holder	–	59,968	–	–	–	–	–	–	–	59,968	–	59,968
(IV) Profit distribution												
1. Appropriation to surplus reserve	–	–	–	5,251	–	–	–	–	(5,251)	–	–	–
2. Appropriation to general reserve	–	–	–	–	7,271	–	–	–	(7,271)	–	–	–
3. Cash dividends	–	–	–	–	–	–	–	–	(15,663)	(15,663)	(69)	(15,732)
At 31 December 2019	43,782	69,860	57,411	45,162	81,657	1,822	408	(3)	218,746	518,845	11,984	530,829

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Cash flows from operating activities:		
Profit before income tax	**36,706**	64,738
Adjustments for:		
– Credit impairment losses	**92,988**	62,807
– Other impairment losses	**1,628**	184
– Depreciation and amortisation	**7,874**	7,206
– Losses/(gains) on disposal of property and equipment and other long-term assets	**103**	(283)
– Gains from changes in fair value	**(440)**	(1,437)
– Net gains on disposal of investment securities	**(8,365)**	(15,480)
– Interest expense on debt securities issued and other financing activities	**24,789**	25,584
– Interest income from investment securities	**(64,402)**	(64,259)
Subtotal	**90,881**	79,060
Changes in operating assets:		
Net (increase)/decrease in balances with central bank, banks and other financial institutions	**(4,374)**	15,981
Net decrease in placements with banks and other financial institutions	**14,038**	4,997
Net decrease/(increase) in financial assets held under resale agreements	**44,252**	(26,755)
Net increase in loans and advances to customers	**(431,147)**	(486,081)
Net decrease/(increase) in financial assets held for trading purposes	**115,683**	(72,461)
Net decrease/(increase) in other operating assets	**6,224**	(17,771)
Subtotal	**(255,324)**	(582,090)
Changes in operating liabilities:		
Net increase/(decrease) in borrowings from central bank	**92,085**	(103,051)
Net increase in deposits from customers	**124,086**	436,796
Net (decrease)/increase in deposits and placements from banks and other financial institutions	**(92,543)**	72,710
Net (decrease)/increase in financial assets sold under repurchase agreements	**(36,532)**	12,058
Income tax paid	**(13,534)**	(6,135)
Net increase in other operating liabilities	**8,479**	5,725
Subtotal	**82,041**	418,103
Net cash used in operating activities	**(82,402)**	(84,927)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2020
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 5	Year ended 31 December **2020**	2019
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		**1,288,984**	1,315,602
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**3,435**	501
Repurchase of shares by subsidiaries		**(85)**	–
Cash payment for investments		**(1,276,243)**	(1,374,973)
Cash payment for purchasing non-controlling interests in subsidiaries		**(702)**	–
Cash payment for subsidiaries and associates		**–**	(3)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		**(7,814)**	(8,218)
Net cash generated from/(used in) investing activities		**7,575**	(67,091)
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		**–**	59,968
Proceeds from issue of debt securities		**1,040,440**	935,433
Repayment of debt securities issued		**(914,743)**	(805,232)
Interest paid on debt securities issued		**(12,230)**	(12,770)
Dividends paid		**(17,669)**	(15,732)
Cash payment in other financing activities		**(3,748)**	(3,979)
Net cash generated from financing activities		**92,050**	157,688
Net increase in cash and cash equivalents		**17,223**	5,670
Cash and cash equivalents at 1 January		**144,650**	138,026
Effect of exchange rate changes on cash and cash equivalents		**(3,954)**	954
Cash and cash equivalents at 31 December	39	**157,919**	144,650

The accompanying notes form an integral 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 (the "PRC") on 7 February 1996 with the approval of the State Council of the PRC and the People's Bank of China ("PBOC").

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (the former "China Banking Regulatory Commission" and "China Insurance Regulatory Commission", the "CBIRC"), and the business licence as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

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

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

As at 31 December 2020, the Bank had 42 tier-one branches and 32 subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(1) Statement of compliance

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

(2) Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards and amendments effective in 2020 relevant to and adopted by the Group

In current period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for current year.

Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform

Adoption of the above standards and amendments has no significant impact on the operating results, comprehensive income or financial position of the Group.

Amendments to IFRS 3: definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IAS 1 and IAS 8: definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting requirements, and the effect that interest rate benchmark IBOR reform would not result in discontinuation of hedge accounting if the hedge meets other hedge accounting criteria. However, any hedge ineffectiveness should continue to be recorded in the income statement.

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

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

Standards/Amendments		Effective date
Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark (IBOR) reform	1 January 2021
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018 – 2020 cycle	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark (IBOR) reform

The IASB has issued IBOR Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR), including: 1. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. 2. Require an entity to prospectively cease to apply the Phase 1 reliefs to a noncontractually specified risk component at the earlier of when changes are made to the noncontractually specified risk component, or when the hedging relationship is discontinued. 3. Additional temporary exceptions from applying specific hedge accounting requirement. 4. Additional IFRS 7 disclosure requirements related to IBOR reform. The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).

- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.

- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

- "Settlement" is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The amendment changes the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. All entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

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

Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 37: Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Cost of Fulfilling a Contract. The amendments clarify the meaning of 'costs to fulfil a contract', they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 16: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Annual improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018-2020 cycle, which include fees included in the 10% test for derecognition of financial liabilities, illustrative examples accompanying IFRS 16, 'Leases', subsidiary as a first-time adopter and taxation in fair value measurements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

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

2.4 Consolidation

(1) Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

(2) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Consolidation (continued)

(3) Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

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

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(4) Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortized cost, presented as "interest income" and 'interest expenses' respectively. For specific accounting policies, please refer to the Note 2.10(4) subsequent measurement of financial instruments.

2.6 Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement and clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

2.7 Foreign currency translations

The functional currency of the Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

(1) Exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;

(2) Changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

2.7 Foreign currency translations (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

2.8 Income tax

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

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

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

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

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

2.9 Employee benefits

(1) Short-term employee benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Employee benefits (continued)

(2) Post-employment benefits-defined contribution plans

The Group's post-employment benefits are primarily the payments for basic pension fund and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. The contribution amounts to the basic pension plan and unemployment insurance program are calculated based on the benchmarks and ratios stipulated by the state. In accordance with relevant annuity policies of the state, the Bank and some subsidiaries have also established supplementary defined contribution retirement plans, or annuity plans, for their qualified employees.

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

2.10 Financial instruments

(1) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

(a) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

- Amortized cost ("AC");
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

(a) Financial assets (continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic leading arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- AC: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVPL, are measured at amortized cost.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

(b) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expenses incurred on the financial liability.

(2) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

(3) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(4) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(a) Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets is included in "Interest income" and "interest expenses" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets (definition on Note 10.2(3)), the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

- POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and

- financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(b) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(4) Subsequent measurement of financial instruments (continued)

(b) Fair value through other comprehensive income (continued)

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on a financial assets that is measured at fair value should be recognised in profit or loss.

(d) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and

- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with the above paragraph will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

(5) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(5) Impairment of financial instruments (continued)

The Group measures ECL of a financial instrument reflects:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) The time value of money; and

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

- Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

- Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note 10.2(3).

- Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The definition of credit-impaired financial assets is disclosed in Note 10.2(3).

Financial instruments in Stage I have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage II or Stage III have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note 10.2(3).

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(6) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(7) Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(8) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

(9) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(a) Their economic characteristics and risks are not closely related to those of the host contract;

(b) A separate instrument with the same terms would meet the definition of a derivative; and

(c) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

(10) Hedge accounting

The Group uses cash flow hedge accounting and fair value hedge accounting. The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assess the hedge effectiveness both at hedge inception and on an ongoing basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(10) Hedge accounting (continued)

(a) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income is immediately transferred to the profit or loss.

(b) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is derecognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(11) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(12) Repurchase agreements and agreements to resell

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments or debt instruments as appropriate. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note 6.3 Contingent Liabilities and Commitments – Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related collateral accepted is not recognized in the consolidated financial statements (Note 6.3 Contingent Liabilities and Commitments – Collateral).

The difference between the purchase and sale price is recognized as interest expense or income in the consolidated income statement over the term of the agreements using the effective interest method.

2.11 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

2.12 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Depreciation is recognized as a component of operating expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	20 – 30 years	5%	3.17% – 4.75%
Office equipment and others	5 – 20 years	5%	4.75% – 19.00%
Motor vehicles	5 years	5%	19.00%
Operating lease fixed assets	5 – 30 years	5-15%	2.83% – 19.00%

2.12 Property and equipment (continued)

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

2.13 Land use rights

Land use rights are classified in Right-of-use assets and amortized over a straight-line basis over their authorized useful lives.

2.14 Foreclosed assets

Foreclosed assets are initially recognized at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated income statement in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

2.15 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

The accounting policies of impairment of investment property are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated income statement.

2.16 Leases

(1) Identifying a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(2) Lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability.

The Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

– The amount of the initial measurement of the lease liability;

– Any lease payments made at or before the commencement date less any lease incentives received;

– Any initial direct costs incurred by the lessee;

– An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

– Fixed payments, less any lease incentives receivable;

– Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– Amounts expected to be payable under residual value guarantees;

– The exercise price of a purchase option if the Group is reasonably certain to exercise that option;

– Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

(3) Recognition exemptions

The Group elects not to apply the requirements above to:

– Short-term leases;

– Lease for which the underlying asset is of low value.

The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Leases (continued)

(4) Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

The Group recognises lease payments from operating leases as income on a straight-line basis, and recognises costs, including depreciation, incurred in earning the lease income as an expense. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income.

(b) Finance leases

At the commencement date, the Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

2.17 Cash and cash equivalents

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

2.18 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

2.19 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

2.19 Impairment of tangible and intangible assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

2.20 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the ordinary equity holders in the annual general meeting of the Bank.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares and perpetual bonds. Preference shares and perpetual bonds dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

2.21 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.22 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

2.23 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

2.23 Financial guarantee contracts and loan commitments (continued)

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note 6 Contingent liabilities and commitments.

A provision is recognized when it meets the criteria as set forth in Note 2.21 Provisions.

2.25 Related parties

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

- a has control or joint control over the Group;
- b has significant influence over the Group; or
- c is a member of the key management personnel of the Group.

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

- a The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- b One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- 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 (1);
- f A person identified in (1)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Operating segment

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

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgments and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

3.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 10.2 Credit risk.

3.2 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.4 Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

3.5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

3.6 Derecognition of financial assets

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.6 Derecognition of financial assets (continued)

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgment is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group's assessment on the extent that risks and rewards are transferred.

- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

4 SEGMENT INFORMATION

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices based on the internal capital pool. The impact of internal trading has been offset base on preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets and other long-term assets during the reporting period.

4.1 Business segments

(1) Corporate banking — Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business.

(2) Retail banking — Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, deposits, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.

(3) Others — Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.

4 SEGMENT INFORMATION (continued)

4.1 Business segments (continued)

	Year ended 31 December 2020			
	Corporate banking	Retail banking	Others	Total
Operating income	101,956	71,133	8,718	181,807
Net interest income	72,787	54,512	7,925	135,224
Include: inter-segment net interest income/ (expense)	8,234	(18,198)	9,964	–
Net fee and commission income	11,287	15,959	418	27,664
Net other income	17,882	662	375	18,919
Operating expenses	(15,962)	(19,490)	(15,033)	(50,485)
Credit impairment losses	(62,133)	(29,838)	(1,017)	(92,988)
Other impairment losses	(1,500)	–	(128)	(1,628)
Profit before income tax	22,361	21,805	(7,460)	36,706
Depreciation and amortization	4,340	3,030	503	7,874
Capital expenditure	1,906	1,330	8,570	11,806

	As at 31 December 2020			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,724,060	1,596,277	579,863	6,900,200
Include: Investments in associates				2
Deferred income tax assets				50,033
Total assets				6,950,233
Segment liabilities	(4,656,226)	(885,522)	(867,120)	(6,408,868)
Deferred income tax liabilities				(117)
Total liabilities				(6,408,985)
Credit commitments	648,256	522,494	–	1,170,750

4 SEGMENT INFORMATION (continued)

4.1 Business segments (continued)

	Year ended 31 December 2019			
	Corporate banking	Retail banking	Others	Total
Operating income	102,097	67,261	8,387	177,745
Net interest income	67,129	51,049	3,856	122,034
Include: inter-segment net interest income/ (expense)	10,447	(17,825)	7,378	–
Net fee and commission income	11,930	15,814	460	28,204
Net other income	23,038	398	4,071	27,507
Operating expenses	(13,804)	(18,372)	(17,840)	(50,016)
Credit impairment losses	(37,873)	(24,186)	(748)	(62,807)
Other impairment losses	(121)	(2)	(61)	(184)
Profit before income tax	50,299	24,701	(10,262)	64,738
Depreciation and amortization	3,648	2,404	1,154	7,206
Capital expenditure	1,828	1,205	5,973	9,006

	As at 31 December 2019			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,378,885	1,396,224	870,682	6,645,791
Include: Investments in associates				3
Deferred income tax assets				36,050
Total assets				6,681,841
Segment liabilities	(4,617,269)	(829,064)	(704,554)	(6,150,887)
Deferred income tax liabilities				(125)
Total liabilities				(6,151,012)
Credit commitments	797,820	527,606	–	1,325,426

4 SEGMENT INFORMATION (continued)

4.2 Geographical segments

The Group mainly operates in Mainland China, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also includes several subsidiaries in Mainland China and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
North-eastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shaanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

4 SEGMENT INFORMATION (continued)

4.2 Geographical segments (continued)

	Year ended 31 December 2020		As at 31 December 2020
	Operating income	**Profit before income tax**	**Segment assets (i)**
Head Office	**65,355**	**8,516**	**3,268,512**
Yangtze River Delta	**28,566**	**12,330**	**1,231,814**
Pearl River Delta	**19,721**	**9,339**	**623,945**
Bohai Rim	**22,501**	**3,152**	**1,172,780**
North-eastern Region	**2,701**	**(190)**	**141,960**
Central Region	**15,533**	**(1,756)**	**478,232**
Western Region	**18,363**	**936**	**570,617**
Overseas and subsidiaries	**9,067**	**4,379**	**377,884**
Inter-segment elimination	**–**	**–**	**(965,544)**
Total	**181,807**	**36,706**	**6,900,200**

	Year ended 31 December 2019		As at 31 December 2019
	Operating income	Profit before income tax	Segment assets (i)
Head Office	70,007	25,931	3,270,046
Yangtze River Delta	25,521	14,008	1,149,633
Pearl River Delta	18,419	9,640	591,348
Bohai Rim	21,700	6,379	1,209,248
North-eastern Region	2,664	(1,366)	130,854
Central Region	15,156	1,397	450,942
Western Region	15,894	3,994	525,703
Overseas and subsidiaries	8,384	4,755	382,540
Inter-segment elimination	–	–	(1,064,523)
Total	177,745	64,738	6,645,791

(i) Segment assets do not include deferred tax assets.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Net interest income

	Year ended 31 December	
	2020	2019
Interest income arising from:		
Loans and advances to customers	**200,351**	186,145
Including: Corporate loans and advances	**100,122**	95,854
Personal loans and advances	**92,373**	84,508
Discounted bills	**7,856**	5,783
Financial investments	**64,402**	64,259
Including: Financial assets measured at amortised cost	**47,116**	45,547
Financial assets at fair value through other comprehensive income	**17,286**	18,712
Placements with banks and other financial institutions	**8,402**	10,711
Long-term receivables	**6,840**	6,411
Balances with central bank	**5,306**	5,195
Financial assets held under resale agreements	**788**	1,430
Balances with banks and other financial institutions	**504**	664
Subtotal	**286,593**	274,815
Interest expense arising from:		
Deposits from customers	**(84,767)**	(79,525)
Deposits and placements from banks and other financial institutions	**(27,468)**	(31,925)
Debt securities issued	**(24,330)**	(25,131)
Borrowings from central bank	**(8,010)**	(7,620)
Borrowings from banks and other financial institutions and others	**(4,120)**	(5,194)
Financial assets sold under repurchase agreements	**(2,215)**	(2,933)
Lease liabilities	**(459)**	(453)
Subtotal	**(151,369)**	(152,781)
Net interest income	**135,224**	122,034
Of which:		
Interest income from impaired loans and advances to customers	**1,018**	1,155

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.2 Net fee and commission income

	Year ended 31 December	
	2020	2019
Fee and commission income		
Bank card services (i)	**11,469**	10,945
Agency services	**8,434**	7,669
Trust and other fiduciary services	**6,213**	6,205
Settlement services	**2,881**	3,696
Credit commitments	**2,104**	2,474
Others	**2,012**	1,944
Subtotal	**33,113**	32,933
Fee and commission expense	**(5,449)**	(4,729)
Net fee and commission income	**27,664**	28,204

(i) In accordance with the Notice on Strictly Implementing Accounting Standards for Business Enterprises and Effectively Strengthening the Work of Enterprises' 2020 Annual Reports (Cai Kuai [2021] No. 2), the Group and the Bank reclassified credit card installment income from fee and commission income to interest income. Certain comparative data has been restated.

5.3 Net trading gain

	Year ended 31 December	
	2020	2019
Net gain on interest rate products	**3,397**	6,106
Net gain from foreign exchange and exchange rate products	**1,147**	2,651
Others	**(332)**	310
Total	**4,212**	9,067

5.4 Net gain from investment securities

	Year ended 31 December	
	2020	2019
Financial assets at fair value through profit or loss	**10,506**	13,062
Financial assets at fair value through other comprehensive income	**3,049**	1,645
Financial assets measured at amortised cost	**(184)**	1,144
Others	**23**	44
Total	**13,394**	15,895

5.5 Operating expenses

	Year ended 31 December	
	2020	2019
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	**26,264**	25,288
– Post-employment benefits-defined contribution plans	**1,978**	2,463
Depreciation and amortisation	**5,823**	5,703
Short-term lease expenses, low-value lease expenses and property management expenses	**735**	1,060
Tax and surcharges	**2,051**	1,772
Office expenses	**1,921**	1,622
Business expenses and others	**11,713**	12,108
Total	**50,485**	50,016

5.6 Credit impairment losses

	Year ended 31 December	
	2020	2019
Loans and advances to customers	**76,990**	60,850
Financial assets measured at amortised cost	**9,684**	1,048
Financial assets at fair value through other comprehensive income	**1,200**	(414)
Long-term receivables	**1,083**	510
Other receivables	**3,403**	375
Others	**628**	438
Total	**92,988**	62,807

5.7 Directors and Supervisors' emoluments

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

For the year ended 31 December 2020 (in thousands of RMB)

	Year ended 31 December 2020			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin(i) (ii)	**2,207**	**48**	**–**	**2,255**
Zhang Hongwei	**940**	**–**	**–**	**940**
Lu Zhiqiang	**925**	**–**	**–**	**925**
Liu Yonghao	**935**	**–**	**–**	**935**
Zheng Wanchun(i)	**4,082**	**107**	**–**	**4,189**
Shi Yuzhu	**820**	**–**	**–**	**820**
Wu Di	**885**	**–**	**–**	**885**
Song Chunfeng	**208**	**–**	**–**	**208**
Weng Zhenjie	**835**	**–**	**–**	**835**
Yang Xiaoling(ii)	**130**	**–**	**–**	**130**
Zhao Peng(ii)	**145**	**–**	**–**	**145**
Liu Jipeng	**885**	**–**	**–**	**885**
Li Hancheng	**990**	**–**	**–**	**990**
Xie Zhichun	**915**	**–**	**–**	**915**
Peng Xuefeng	**905**	**–**	**–**	**905**
Liu Ningyu	**950**	**–**	**–**	**950**
Qu Xinjiu(ii)	**155**	**–**	**–**	**155**
Zhang Juntong(i)	**3,887**	**107**	**–**	**3,994**
Guo Dong(i)	**3,476**	**107**	**–**	**3,583**
Lu Zhongnan	**755**	**–**	**–**	**755**
Zhao Linghuan(ii)	**120**	**–**	**–**	**120**
Li Yu(ii)	**140**	**–**	**–**	**140**
Wang Yugui	**755**	**–**	**–**	**755**
Zhao Fugao	**750**	**–**	**–**	**750**
Zhang Liqing(ii)	**130**	**–**	**–**	**130**
Li Jian(ii)	**3,471**	**85**	**–**	**3,556**
Hong Qi(iii)	**2,902**	**63**	**–**	**2,965**
Tian Suning(iii)	**745**	**–**	**–**	**745**
Wang Jiazhi(iii)	**152**	**–**	**–**	**152**
Wang Hang(iii)	**615**	**–**	**–**	**615**
Zhang Bo(iii)	**565**	**–**	**–**	**565**
Bao Jiming(iii)	**565**	**–**	**–**	**565**

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.7 Directors and Supervisors' emoluments (continued)

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)

(i) 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 significant impacts on the Group's 2020 financial statements.

(ii) In June 2020, Mr. Gao YingXin was newly elected as the executive director and the chairman of the board of the Bank, and his qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in July 2020.

In October 2020, Mr. Yang XiaoLing was newly elected as the director of the Bank, and his qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In October 2020, Mr. Zhao Peng was newly elected as the director of the Bank, and his qualifications for the post of director has not approved by the China Banking and Insurance Regulatory Commission since the end of report disclosure date.

In October 2020, Mr. Qu XinJiu was newly elected as the director of the Bank, and his qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In October 2020, Mr. Zhao LingHuan, Mr. Li Yu and Mr. Zhang LiQing were newly elected as the supervisors of the Bank.

In March 2020, Mr. Li Jian was newly elected as the supervisor of the Bank.

(iii) In June 2020, Mr. Hong Qi retired and resigned as the executive director and the chairman of the board of the Bank. He continued to perform duties until July 2020.

In October 2020, due to the expiration of his term of office, Mr. Tian ShuoNing was no longer serve as the director of the Bank.

In March 2020, Mr. Wang JiaZhi retired and resigned as the supervisor of the Bank.

In October 2020, due to the expiration of their term of office, Mr. Wang Hang, Mr. Zhang Bo and Mr. Bao JiMing were no longer serve as the supervisors of the Bank.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.7 Directors and Supervisors' emoluments (continued)

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)

For the year ended 31 December 2019 (in thousands of RMB)

	Year ended 31 December 2019			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Hong Qi[(i)]	4,472	107	2,645	7,224
Zhang Hongwei	905	–	–	905
Lu Zhiqiang	910	–	–	910
Liu Yonghao	905	–	–	905
Zheng Wanchun[(i)]	4,179	107	2,595	6,881
Shi Yuzhu	780	–	–	780
Wu Di	833	–	–	833
Song Chunfeng	843	–	–	843
Weng Zhenjie	810	–	–	810
Liu Jipeng	885	–	–	885
Li Hancheng	1,178	–	–	1,178
Xie Zhichun	865	–	–	865
Peng Xuefeng	865	–	–	865
Liu Ningyu	1,055	–	–	1,055
Tian Suning	880	–	–	880
Zhang Juntong[(i)]	4,022	107	1,646	5,775
Wang Jiazhi[(i)]	3,981	107	1,380	5,468
Guo Dong[(i)]	3,600	107	1,280	4,987
Wang Hang	730	–	–	730
Zhang Bo	690	–	–	690
Lu Zhongnan	725	–	–	725
Wang Yugui	725	–	–	725
Bao Jiming	665	–	–	665
Zhao Fugao	345	–	–	345

(i) The emoluments before tax of Executive Directors, the Chairman and Vice Chairman of the Supervisory Board for the year ended 31 December 2019 have been approved by the Remuneration Committee of the Board of Directors. The Bank has provided additional disclosures on their remuneration in the Additional Announcement of China Minsheng Banking Corporation regarding the Remuneration of its Senior Executives in 2019. Relevant remuneration amounts have been restated.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.7 Directors and Supervisors' emoluments (continued)

(2) None of the five individuals with the highest emoluments for the year ended 31 December 2020 were directors or supervisors of the Bank (2019: two of the five individuals with the highest emoluments were directors or supervisors of the Bank). The aggregate of the emoluments in respect of the five individuals during the year was as follows (in thousands of RMB):

	Year ended 31 December	
	2020	2019
Basic salaries, allowances and benefits	**13,053**	13,689
Contributions to pension schemes	**452**	536
Discretionary bonus	**25,598**	22,144
Total	**39,103**	36,369

The number of the five highest paid individuals whose emoluments fell within the following bands is set out below:

	Year ended 31 December	
	2020	2019
From RMB6,000,001 to RMB8,000,000	**4**	5
From RMB8,000,001 to RMB10,000,000	**1**	–

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

5.8 Income tax expense

	Year ended 31 December	
	2020	2019
Current tax for the year	**14,333**	15,446
Changes in deferred tax (Note 5.20)	**(12,729)**	(5,632)
Total	**1,604**	9,814

The tax charges for the years ended 31 December 2020 and 2019 can be reconciled to the profit per the consolidated income statement as follows:

	Note	Year ended 31 December	
		2020	2019
Profit before income tax		**36,706**	64,738
Income tax at the tax rate of 25%		**9,177**	16,185
Effect of non-taxable income	(i)	**(7,469)**	(6,811)
Effect of non-deductible expenses		**413**	287
Effect of adjustment for prior years		**53**	136
Others		**(570)**	17
Income tax expense		**1,604**	9,814

(i) Non-taxable income primarily includes interest income from PRC government bonds and municipal government bonds.

5.9 Earnings per share

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

The Bank issued non-cumulative preference shares in 2016. The Bank issued non-cumulative preference shares and perpetual bonds in 2019 respectively under the terms and conditions as detailed in Note 5.33 Preference Shares and Note 5.34 Perpetual Bonds.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2020 and 2019, therefore the conversion feature of preference shares had no effect on the basic and diluted earnings per share calculation.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.9 Earnings per share (continued)

	Year ended 31 December	
	2020	2019
Profit for the year attributable to equity holders of the Bank	**34,309**	53,819
Less: profit for the year attributable to other equity instrument holders of the Bank	**(3,337)**	(558)
Net profit attributable to ordinary equity shareholders of the Bank	**30,972**	53,261
Weighted average number of ordinary shares in issue (in millions)	**43,782**	43,782
Basic/Diluted earnings per share (in RMB)	**0.71**	1.22

5.10 Cash and balances with central bank

	31 December 2020	31 December 2019
Cash	**5,360**	5,762
Balances with central bank		
Mandatory reserve deposits	**330,874**	321,808
Surplus reserve deposits	**63,799**	41,921
Fiscal deposits and others	**1,343**	1,519
Subtotal	**396,016**	365,248
Interest accrued	**149**	145
Total	**401,525**	371,155

The Group places mandatory reserve deposits with the PBOC or local regulator. The mandatory reserve deposits are not available for use in the Group's daily business.

As at 31 December 2020 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 9.0% (31 December 2019: 9.5%) and the reserve rate for foreign currency deposits is 5.0% (31 December 2019: 5.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

Surplus reserve deposits maintained with the PBOC is for the purposes of clearing interbank transactions.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.11 Balances with banks and other financial institutions

	31 December 2020	31 December 2019
Mainland China		
– Banks	**24,049**	29,657
– Other financial institutions	**4,861**	5,112
Subtotal	**28,910**	34,769
Overseas		
– Banks	**23,583**	18,088
– Other financial institutions	**196**	553
Subtotal	**23,779**	18,641
Interest accrued	**57**	116
Less: allowance for impairment losses	**(662)**	(346)
Total	**52,084**	53,180

For the years ended 31 December 2020 and 2019, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

5.12 Placements with banks and other financial institutions

	31 December 2020	31 December 2019
Mainland China		
– Banks	**9,911**	8,835
– Other financial institutions	**191,696**	198,540
Subtotal	**201,607**	207,375
Overseas		
– Banks	**18,309**	37,423
– Other financial institutions	**2,641**	3,799
Subtotal	**20,950**	41,222
Interest accrued	**323**	471
Less: allowance for impairment losses	**(972)**	(503)
Total	**221,908**	248,565

5.12 Placements with banks and other financial institutions (continued)

Movements in allowance for impairment losses of placements with banks and other financial institutions

	Year ended 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2020	**(178)**	**(325)**	**–**	**(503)**
Transfer:				
to stage 3	**–**	**325**	**(325)**	**–**
Net charge	**(55)**	**–**	**(414)**	**(469)**
Balance as at 31 December 2020	**(233)**	**–**	**(739)**	**(972)**

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(203)	–	–	(203)
Transfer:				
to stage 2	1	(1)	–	–
Net reversal/(charge)	24	(324)	–	(300)
Balance as at 31 December 2019	(178)	(325)	–	(503)

5.13 Derivatives

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

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

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

	31 December 2020		
	Notional amount	**Fair value**	
		Assets	**Liabilities**
Foreign exchange derivatives	**1,940,939**	**39,988**	**(37,279)**
Interest rate derivatives	**1,399,900**	**1,193**	**(1,497)**
Precious metal derivatives	**47,559**	**869**	**(3,673)**
Others	**1,666**	**235**	**(226)**
Total		**42,285**	**(42,675)**

5.13 Derivatives (continued)

	31 December 2019		
	Notional amount	Fair value Assets	Fair value Liabilities
Foreign exchange derivatives	1,920,392	13,782	(13,521)
Interest rate derivatives	1,807,599	794	(1,078)
Precious metal derivatives	134,309	16,471	(3,066)
Others	2,760	53	(128)
Total		31,100	(17,793)

(2) Hedges

		31 December 2020		
	Note	**Notional amount**	**Fair value Assets**	**Fair value Liabilities**
Cash flow hedges				
– Currency swap contracts	(i)	**5,827**	**504**	**–**
Fair value hedges				
– Interest rate swap contracts	(ii)	**6,087**	**–**	**(103)**
Total			**504**	**(103)**

		31 December 2019		
		Notional amount	Fair value Assets	Fair value Liabilities
Cash flow hedges				
– Currency swap contracts	(i)	1,430	–	(26)
Fair value hedges				
– Interest Rate swap contracts	(ii)	8,094	–	(104)
Total			–	(130)

(i) The Group uses foreign exchange swaps to hedge against exposures to cash flow variability primarily from foreign exchange risks of foreign bonds and foreign loans. For the years ended 31 December 2020 and 2019, the accumulative profit or loss from fair value changes of cash flow hedging recognized in other comprehensive income were not significant.

(ii) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the years ended 31 December 2020 and 2019, the fair value changes of hedging instruments, the net gain or loss of hedged items and ineffective part of fair value hedging recognised in fair value changes were not significant.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.13 Derivatives (continued)

(3) Credit risk weighted amount

	31 December 2020	31 December 2019
Credit risk weighted amount for counterparty	**14,945**	33,300

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBIRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract. The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

5.14 Financial assets held under resale agreements

Financial assets held under resale agreements are listed as follows according to collateral:

	31 December 2020	31 December 2019
Bonds	**17,025**	56,842
Discounted bills	**3,821**	6,307
Others	**601**	2,550
Subtotal	**21,447**	65,699
Interest accrued	**21**	109
Less: allowance for impairment losses	**(4)**	(9)
Total	**21,464**	65,799

For the years ended 31 December 2020 and 2019, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

5.15 Loans and advances to customers

	Note	**31 December 2020**	31 December 2019
Measured at amortised cost:			
Corporate loans and advances			
– Corporate loans		**2,011,389**	1,902,459
Personal loans and advances			
– Micro lending	(i)	**523,799**	455,358
– Residential mortgage		**515,296**	419,907
– Credit cards		**462,309**	445,881
– Others		**107,671**	91,778
Gross Balance		**1,609,075**	1,412,924
Less: allowance for impairment losses		**(96,542)**	(82,475)
Subtotal		**3,523,922**	3,232,908
Measured at fair value through other comprehensive income:			
Corporate loans and advances			
– Corporate loans		**5,608**	5,846
– Discounted bills		**227,859**	166,372
Subtotal		**233,467**	172,218
Interest accrued		**24,908**	25,301
Total		**3,782,297**	3,430,427

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

(1) Loans and advances to customers (excluded interest accrued) analysed by types of collateral

	31 December 2020		31 December 2019	
	Amount	**(%)**	Amount	(%)
Unsecured loans	**947,468**	**24.58**	793,364	22.75
Guaranteed loans	**661,727**	**17.17**	632,463	18.13
Loans secured by				
– Tangible assets other than monetary assets	**1,686,307**	**43.76**	1,555,472	44.60
– Monetary assets	**558,429**	**14.49**	506,302	14.52
Total	**3,853,931**	**100.00**	3,487,601	100.00

5.15 Loans and advances to customers (continued)

(2) Overdue loans (excluded interest accrued) analysed by overdue period

	31 December 2020				
	Less than 3 months	**3 months to 1 year**	**1 to 3 years**	**More than 3 years**	**Total**
Unsecured loans	**14,521**	**10,665**	**7,880**	**1,028**	**34,094**
Guaranteed loans	**3,639**	**5,183**	**2,842**	**1,153**	**12,817**
Loans secured by					
– Tangible assets other than monetary assets	**6,587**	**8,851**	**6,197**	**2,281**	**23,916**
– Monetary assets	**1,591**	**3,844**	**1,288**	**538**	**7,261**
Total	**26,338**	**28,543**	**18,207**	**5,000**	**78,088**
% of total loans and advances to customers	**0.68**	**0.75**	**0.47**	**0.13**	**2.03**

	31 December 2019				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	10,755	10,419	1,400	1,124	23,698
Guaranteed loans	5,577	4,537	7,979	2,768	20,861
Loans secured by					
– Tangible assets other than monetary assets	4,049	5,646	6,685	2,783	19,163
– Monetary assets	2,262	3,234	581	748	6,825
Total	22,643	23,836	16,645	7,423	70,547
% of total loans and advances to customers	0.65	0.68	0.48	0.21	2.02

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

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.15 Loans and advances to customers (continued)

(3) Movements in allowance for impairment losses

(a) Movements in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	Year ended 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2020	**(25,536)**	**(21,714)**	**(35,225)**	**(82,475)**
Transfer:				
to stage 1	**(786)**	**576**	**210**	**–**
to stage 2	**1,375**	**(2,796)**	**1,421**	**–**
to stage 3	**577**	**3,441**	**(4,018)**	**–**
Net reversal/(charge)	**1,267**	**(9,287)**	**(69,253)**	**(77,273)**
Write-offs and transfer out	**–**	**–**	**66,316**	**66,316**
Recoveries of amounts previously written off	**–**	**–**	**(4,388)**	**(4,388)**
Others	**55**	**55**	**1,168**	**1,278**
Balance as at 31 December 2020	**(23,048)**	**(29,725)**	**(43,769)**	**(96,542)**

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(18,914)	(21,229)	(31,073)	(71,216)
Transfer:				
to stage 1	(1,747)	1,342	405	–
to stage 2	1,119	(1,461)	342	–
to stage 3	351	3,312	(3,663)	–
Net charge	(6,329)	(3,662)	(49,679)	(59,670)
Write-offs and transfer out	–	–	50,930	50,930
Recoveries of amounts previously written off	–	–	(3,618)	(3,618)
Others	(16)	(16)	1,131	1,099
Balance as at 31 December 2019	(25,536)	(21,714)	(35,225)	(82,475)

5.15 Loans and advances to customers (continued)

(3) Movements in allowance for impairment losses (continued)

(b) Movements in allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income are as follows:

	Year ended 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2020	**(989)**	**–**	**(1,183)**	**(2,172)**
Transfer:				
to stage 3	**5**	**–**	**(5)**	**–**
Net reversal/(charge)	**488**	**–**	**(205)**	**283**
Write-offs	**–**	**–**	**794**	**794**
Balance as at 31 December 2020	**(496)**	**–**	**(599)**	**(1,095)**

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(449)	–	(543)	(992)
Net charge	(540)	–	(640)	(1,180)
Balance as at 31 December 2019	(989)	–	(1,183)	(2,172)

5.16 Financial investments

	Note	**31 December 2020**	31 December 2019
Financial assets at fair value through profit or loss	(1)	**322,480**	528,338
Financial assets at fair value through other comprehensive income	(2)	**470,122**	512,888
Financial assets measured at amortised cost	(3)	**1,328,048**	1,143,079
Total		**2,120,650**	2,184,305

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.16 Financial investments (continued)

(1) Financial assets at fair value through profit or loss

	Note	**31 December 2020**	31 December 2019
Held for trading purpose			
Debt securities			
Government		**1,960**	3,118
Policy banks		**9,149**	10,961
Banking and non-banking financial institutions		**21,734**	20,299
Corporates		**40,814**	80,939
Subtotal		**73,657**	115,317
Equity investments		**6,146**	7,681
Investment funds	(i)	**19,681**	91,872
Subtotal		**99,484**	214,870
Other financial assets at fair value through profit or loss			
Debt securities			
Corporates		**1,194**	470
Equity investments		**33,042**	13,590
Investment funds	(i)	**171,063**	33,926
Asset management plans	(ii)	**10,168**	84,001
Wealth management products	(iii)	**4,197**	178,201
Others		**3,332**	3,280
Subtotal		**222,996**	313,468
Total		**322,480**	528,338
Listed		**75,944**	127,465
– Of which: listed in Hong Kong		**22,395**	31,841
Unlisted		**246,536**	400,873
Total		**322,480**	528,338

Debt securities traded on China Domestic Interbank Bond Market are classified as listed bonds.

(i) As at 31 December 2020 and 2019, the investment funds include public bond funds and public currency funds.

(ii) As at 31 December 2020 and 2019, the underlying assets of asset management plans primarily include bill assets, credit assets and others (Note 10.2 (9)).

(iii) As at 31 December 2020 and 2019, the wealth management products primarily include principal-guaranteed wealth management products issued by other banks and non-principal-guaranteed wealth management products with underlying assets of bonds or interbank borrowings issued by other banks.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.16 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income

	31 December 2020	31 December 2019
Debt securities		
Government	**118,461**	120,161
Policy banks	**69,485**	76,294
Banking and non-banking financial institutions	**105,634**	160,622
Corporates	**166,546**	148,411
Subtotal	**460,126**	505,488
Equity investments and others	**4,030**	2,086
Interest accrued	**5,966**	5,314
Total	**470,122**	512,888
Listed	**442,267**	481,706
– Of which: listed in Hong Kong	**51,236**	51,726
Unlisted	**21,889**	25,868
Interest accrued	**5,966**	5,314
Total	**470,122**	512,888

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the year ended 31 December 2020, dividend income of RMB14 million (2019: RMB76 million) recognised for such equity investments was included in the profit or loss.

There is no gain or loss on disposal of such equity investments at fair value through other comprehensive income for the years ended 31 December 2020 and 2019.

5.16 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income (continued)

Fair value

	31 December 2020	31 December 2019
Debt securities		
Cost	**470,660**	510,094
Cumulative amount of change in fair value that is accrued to other comprehensive income	**(4,568)**	708
Fair value	**466,092**	510,802
Equity investment and others		
Cost	**3,991**	2,080
Cumulative amount of change in fair value that is accrued to other comprehensive income	**39**	6
Fair value	**4,030**	2,086
Total	**470,122**	512,888

Movements in allowance for impairment losses

	Year ended 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2020	**(996)**	**–**	**(66)**	**(1,062)**
Transfer:				
to stage 2	**2**	**(2)**	**–**	**–**
to stage 3	**10**	**1**	**(11)**	**–**
Net charge	**(319)**	**(10)**	**(871)**	**(1,200)**
Write-offs and transfer out	**–**	**–**	**130**	**130**
Others	**11**	**–**	**(8)**	**3**
Balance as at 31 December 2020	**(1,292)**	**(11)**	**(826)**	**(2,129)**

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(1,310)	–	(197)	(1,507)
Net reversal	283	–	131	414
Others	31	–	–	31
Balance as at 31 December 2019	(996)	–	(66)	(1,062)

As at 31 December 2020, the financial assets at fair value through other comprehensive income included credit-impaired financial assets which carrying amount was RMB1,054 million (31 December 2019: RMB68 million), with allowance for impairment losses of RMB826 million (31 December 2019: RMB66 million).

5.16 Financial investments (continued)

(3) Financial assets measured at amortised cost

	Note	**31 December 2020**	31 December 2019
Debt securities			
Government		**843,626**	713,332
Policy banks		**12,048**	10,502
Banking and non-banking financial institutions		**117,971**	104,491
Corporates		**205,922**	96,785
Subtotal		**1,179,567**	925,110
Trust and asset management plans	(i)	**139,747**	205,997
Others		**2,609**	3,323
Interest accrued		**16,200**	12,762
Less: allowance for impairment losses		**(10,075)**	(4,113)
Total		**1,328,048**	1,143,079
Listed		**1,115,917**	865,223
– Of which: listed in Hong Kong		**1,693**	883
Unlisted		**206,006**	269,207
Interest accrued		**16,200**	12,762
Less: allowance for impairment losses		**(10,075)**	(4,113)
Total		**1,328,048**	1,143,079

(i) As at 31 December 2020 and 2019, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

Movements in allowance for impairment losses

	Year ended 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2020	**(2,054)**	**(265)**	**(1,794)**	**(4,113)**
Transfer:				
to stage 2	**10**	**(10)**	**–**	**–**
to stage 3	**17**	**262**	**(279)**	**–**
Net charge	**(591)**	**(24)**	**(9,069)**	**(9,684)**
Write-offs and transfer out	**–**	**–**	**3,712**	**3,712**
Others	**–**	**–**	**10**	**10**
Balance as at 31 December 2020	**(2,618)**	**(37)**	**(7,420)**	**(10,075)**

5.16 Financial investments (continued)

(3) Financial assets measured at amortised cost (continued)

Movements in allowance for impairment losses (continued)

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(1,352)	(204)	(1,503)	(3,059)
Transfer:				
to stage 2	10	(10)	–	–
to stage 3	2	68	(70)	–
Net charge	(713)	(119)	(216)	(1,048)
Others	(1)	–	(5)	(6)
Balance as at 31 December 2019	(2,054)	(265)	(1,794)	(4,113)

5.17 Long-term receivables

	31 December 2020	31 December 2019
Finance lease receivables	**150,054**	139,372
Less: unearned finance lease income	**(17,932)**	(18,836)
Present value of minimum finance lease receivables	**132,122**	120,536
Less: allowance for impairment losses	**(4,269)**	(3,943)
Total	**127,853**	116,593

(1) Finance lease receivables are analysed by the remaining terms as follows:

	Note	**31 December 2020**	31 December 2019
Indefinite	(i)	**5,295**	3,949
Less than 1 year		**56,235**	56,275
1 year to 2 years		**38,957**	30,287
2 years to 3 years		**20,855**	17,714
3 years to 5 years		**15,128**	13,326
More than 5 years		**13,584**	17,821
Total		**150,054**	139,372

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

5.17 Long-term receivables (continued)

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

	Year ended 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2020	**(1,051)**	**(1,739)**	**(1,153)**	**(3,943)**
Transfer:				
to stage 1	**(9)**	**9**	**–**	**–**
to stage 2	**5**	**(5)**	**–**	**–**
to stage 3	**7**	**166**	**(173)**	**–**
Net charge	**(129)**	**(350)**	**(604)**	**(1,083)**
Write-offs and transfer out	**–**	**93**	**664**	**757**
Balance as at 31 December 2020	**(1,177)**	**(1,826)**	**(1,266)**	**(4,269)**

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(913)	(2,184)	(548)	(3,645)
Transfer:				
to stage 2	5	(5)	–	–
to stage 3	–	516	(516)	–
Net charge	(143)	(66)	(301)	(510)
Write-offs and transfer out	–	–	425	425
Recoveries of amounts previously written off	–	–	(213)	(213)
Balance as at 31 December 2019	(1,051)	(1,739)	(1,153)	(3,943)

5.18 Property and equipment

	31 December 2020	31 December 2019
Property and equipment	**51,123**	51,357
Property and equipment to be disposed	**6**	8
Total	**51,129**	51,365

5.18 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 31 December 2019	**19,742**	**4,351**	**8,819**	**502**	**35,444**	**3,336**	**72,194**
Increase	**671**	**521**	**559**	**26**	**4,493**	**375**	**6,645**
CIP transfers	**724**	**–**	**–**	**–**	**–**	**(724)**	**–**
Decrease	**(23)**	**(587)**	**(744)**	**(37)**	**(3,762)**	**(41)**	**(5,194)**
Balance as at 31 December 2020	**21,114**	**4,285**	**8,634**	**491**	**36,175**	**2,946**	**73,645**
Accumulated depreciation							
Balance as at 31 December 2019	**(4,365)**	**(2,886)**	**(7,043)**	**(414)**	**(5,893)**	**–**	**(20,601)**
Increase	**(695)**	**(606)**	**(579)**	**(29)**	**(1,776)**	**–**	**(3,685)**
Decrease	**1**	**579**	**705**	**35**	**714**	**–**	**2,034**
Balance as at 31 December 2020	**(5,059)**	**(2,913)**	**(6,917)**	**(408)**	**(6,955)**	**–**	**(22,252)**
Impairment losses							
Balance as at 31 December 2019	**–**	**–**	**–**	**–**	**(236)**	**–**	**(236)**
Increase	**–**	**–**	**–**	**–**	**(127)**	**–**	**(127)**
Decrease	**–**	**–**	**–**	**–**	**93**	**–**	**93**
Balance as at 31 December 2020	**–**	**–**	**–**	**–**	**(270)**	**–**	**(270)**
Carrying amount							
Balance as at 31 December 2019	**15,377**	**1,465**	**1,776**	**88**	**29,315**	**3,336**	**51,357**
Balance as at 31 December 2020	**16,055**	**1,372**	**1,717**	**83**	**28,950**	**2,946**	**51,123**

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.18 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 31 December 2018	18,060	4,677	8,891	506	31,354	3,846	67,334
Increase	728	377	487	24	4,283	471	6,370
CIP transfers	966	–	–	–	–	(966)	–
Decrease	(12)	(703)	(559)	(28)	(193)	(15)	(1,510)
Balance as at 31 December 2019	19,742	4,351	8,819	502	35,444	3,336	72,194
Accumulated depreciation							
Balance as at 31 December 2018	(3,769)	(2,924)	(6,773)	(405)	(4,494)	–	(18,365)
Increase	(600)	(654)	(797)	(35)	(1,436)	–	(3,522)
Decrease	4	692	527	26	37	–	1,286
Balance as at 31 December 2019	(4,365)	(2,886)	(7,043)	(414)	(5,893)	–	(20,601)
Impairment losses							
Balance as at 31 December 2018	–	–	–	–	(206)	–	(206)
Increase	–	–	–	–	(36)	–	(36)
Decrease	–	–	–	–	6	–	6
Balance as at 31 December 2019	–	–	–	–	(236)	–	(236)
Carrying amount							
Balance as at 31 December 2018	14,291	1,753	2,118	101	26,654	3,846	48,763
Balance as at 31 December 2019	15,377	1,465	1,776	88	29,315	3,336	51,357

As at 31 December 2020, there were still certain properties and buildings, with a carrying value of RMB888 million (31 December 2019: RMB848 million), in the process of registration for certificates of ownership. The management believed such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

5.19 Right-of-use assets

	Buildings	Motor vehicles	Office equipment	Land use rights	Others	Total
Original cost						
Balance as at 31 December 2019	13,578	355	1	4,484	24	18,442
Increase	3,571	6	3	159	41	3,780
Decrease	(1,165)	(2)	(2)	–	(3)	(1,172)
Balance as at 31 December 2020	15,984	359	2	4,643	62	21,050
Accumulated depreciation/amortization						
Balance as at 31 December 2019	(2,765)	(93)	(1)	(1,033)	(5)	(3,897)
Increase	(3,309)	(5)	(2)	(128)	(14)	(3,458)
Decrease	633	1	2	–	–	636
Balance as at 31 December 2020	(5,441)	(97)	(1)	(1,161)	(19)	(6,719)
Carrying amount						
Balance as at 31 December 2019	10,813	262	–	3,451	19	14,545
Balance as at 31 December 2020	10,543	262	1	3,482	43	14,331
Original cost						
Balance as at 31 December 2018	–	–	–	4,484	–	4,484
Changes in accounting policies	10,986	353	–	–	–	11,339
Balance as at 1 January 2019	10,986	353	–	4,484	–	15,823
Increase	2,952	2	1	–	24	2,979
Decrease	(360)	–	–	–	–	(360)
Balance as at 31 December 2019	13,578	355	1	4,484	24	18,442
Accumulated depreciation/amortization						
Balance as at 31 December 2018	–	–	–	(920)	–	(920)
Changes in accounting policies	–	–	–	–	–	–
Balance as at 1 January 2019	–	–	–	(920)	–	(920)
Increase	(2,767)	(93)	(1)	(113)	(5)	(2,979)
Decrease	2	–	–	–	–	2
Balance as at 31 December 2019	(2,765)	(93)	(1)	(1,033)	(5)	(3,897)
Carrying amount						
Balance as at 1 January 2019	10,986	353	–	3,564	–	14,903
Balance as at 31 December 2019	10,813	262	–	3,451	19	14,545

5.20 Deferred income tax assets and liabilities

(1) Deferred income tax items

	31 December 2020	31 December 2019
Deferred income tax assets	**50,033**	36,050
Deferred income tax liabilities	**(117)**	(125)
Net	**49,916**	35,925

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

	31 December 2020		31 December 2019	
	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	**47,682**	**190,728**	38,462	153,848
Employee benefits payable	**2,639**	**10,556**	2,597	10,388
Fair value losses of derivatives	**10,586**	**42,344**	4,385	17,540
Fair value losses of financial assets at fair value through other comprehensive income	**676**	**2,704**	51	204
Fair value losses of financial assets at fair value through profit or loss	**205**	**820**	600	2,400
Others	**328**	**1,312**	254	1,016
Subtotal	**62,116**	**248,464**	46,349	185,396
Deferred income tax liabilities				
Fair value gains of derivatives	**(10,445)**	**(41,780)**	(7,775)	(31,100)
Fair value gain of financial assets at fair value through other comprehensive income	**(184)**	**(736)**	(814)	(3,256)
Fair value gain of financial assets at fair value through profit or loss	**(1,432)**	**(5,728)**	(1,553)	(6,212)
Others	**(139)**	**(556)**	(282)	(1,128)
Subtotal	**(12,200)**	**(48,800)**	(10,424)	(41,696)
Deferred income tax assets, net	**49,916**	**199,664**	35,925	143,700

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.20 Deferred income tax assets and liabilities (continued)

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

	Asset impairment allowance	Fair value changes	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
At 31 December 2019	**38,462**	**5,036**	**2,851**	**46,349**	**(10,424)**
Recognised in profit or loss	**9,220**	**5,743**	**116**	**15,079**	**(2,350)**
Recognised in other comprehensive income	**–**	**688**	**–**	**688**	**574**
At 31 December 2020	**47,682**	**11,467**	**2,967**	**62,116**	**(12,200)**
At 31 December 2018	31,079	5,751	3,041	39,871	(9,303)
Recognised in profit or loss	7,383	(636)	(190)	6,557	(925)
Recognised in other comprehensive income	–	(79)	–	(79)	(196)
At 31 December 2019	38,462	5,036	2,851	46,349	(10,424)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.21 Investment in subsidiaries and associates

(1) Directly held subsidiaries

	31 December 2020	31 December 2019
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	**3,302**	2,600
CMBC International Holdings Limited ("CMBC International")	**2,494**	2,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	**190**	190
Pengzhou Rural Bank Limited Liability Company ("Pengzhou Rural Bank")	**20**	20
Cixi Rural Bank Co., Ltd. ("Cixi Rural Bank")	**107**	107
Songjiang Rural Bank Co., Ltd. ("Songjiang Rural Bank")	**70**	70
Qijiang Rural Bank Co., Ltd. ("Qijiang Rural Bank")	**30**	30
Tongnan Rural Bank Co., Ltd. ("Tongnan Rural Bank")	**25**	25
Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank")	**169**	169
Ziyang Rural Bank Co., Ltd. ("Ziyang Rural Bank")	**172**	172
Jiangxia Rural Bank Co., Ltd. ("Jiangxia Rural Bank")	**41**	41
Changyuan Rural Bank Co., Ltd. ("Changyuan Rural Bank")	**26**	26
Yidu Rural Bank Co., Ltd. ("Yidu Rural Bank")	**26**	26
Jiading Rural Bank Co., Ltd. ("Jiading Rural Bank")	**102**	102
Zhongxiang Rural Bank Co., Ltd. ("Zhongxiang Rural Bank")	**36**	36
Penglai Rural Bank Co., Ltd. ("Penglai Rural Bank")	**51**	51
Anxi Rural Bank Co., Ltd. ("Anxi Rural Bank")	**74**	74
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	**52**	52
Taicang Rural Bank Co., Ltd. ("Taicang Rural Bank")	**76**	76
Ningjin Rural Bank Co., Ltd. ("Ningjin Rural Bank")	**20**	20
Zhangpu Rural Bank Co., Ltd. ("Zhangpu Rural Bank")	**25**	25
Puer Rural Bank Co., Ltd. ("Puer Rural Bank")	**15**	15
Jinghong Rural Bank Co., Ltd. ("Jinghong Rural Bank")	**60**	15
Zhidan Rural Bank Co., Ltd. ("Zhidan Rural Bank")	**7**	7
Ningguo Rural Bank Co., Ltd. ("Ningguo Rural Bank")	**20**	20
Yuyang Rural Bank Co., Ltd. ("Yuyang Rural Bank")	**25**	25
Guichi Rural Bank Co., Ltd. ("Guichi Rural Bank")	**26**	26
Tiantai Rural Bank Co., Ltd. ("Tiantai Rural Bank")	**31**	31
Tianchang Rural Bank Co., Ltd. ("Tianchang Rural Bank")	**20**	20
Tengchong Rural Bank Co., Ltd. ("Tengchong Rural Bank")	**20**	20
Xiang'an Rural Bank Co., Ltd. ("Xiang'an Rural Bank")	**36**	36
Linzhi Rural Bank Co., Ltd. ("Linzhi Rural Bank")	**13**	13
Total	**7,381**	6,634

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.21 Investment in subsidiaries and associates (continued)

(2) Basic information of directly held subsidiaries

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing	Tianjin China	Leasing	RMB5,095 million	Limited company	54.96	54.96
CMBC International	Hong Kong China	Investment banking	HKD3,000 million	Limited company	100.00	100.00
Minsheng Royal Fund	Guangdong China	Fund management	RMB300 million	Limited company	63.33	63.33
Pengzhou Rural Bank (i)	Sichuan China	Commercial bank	RMB55 million	Limited company	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	RMB189 million	Limited company	64.68	64.68
Songjiang Rural Bank (i)	Shanghai China	Commercial bank	RMB150 million	Limited company	35.00	35.00
Qijiang Rural Bank (ii)	Chongqing China	Commercial bank	RMB61.57 million	Limited company	48.73	51.27
Tongnan Rural Bank (i)	Chongqing China	Commercial bank	RMB50 million	Limited company	50.00	50.00
Meihekou Rural Bank	Jilin China	Commercial bank	RMB193 Million	Limited company	95.36	95.36
Ziyang Rural Bank	Sichuan China	Commercial bank	RMB211 million	Limited company	81.41	81.41
Jiangxia Rural Bank	Hubei China	Commercial bank	RMB86 million	Limited company	51.00	51.00
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Yidu Rural Bank	Hubei China	Commercial bank	RMB52.4 million	Limited company	51.00	51.00
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Limited company	51.00	51.00
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Limited company	51.00	51.00
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Limited company	51.00	51.00
Anxi Rural Bank	Fujian China	Commercial bank	RMB128 million	Limited company	57.99	57.99
Funing Rural Bank	Jiangsu China	Commercial bank	RMB85 million	Limited company	51.00	51.00

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.21 Investment in subsidiaries and associates (continued)

(2) Basic information of directly held 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
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	Limited company	51.00	51.00
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51.00	51.00
Jinghong Rural Bank (iii)	Yunnan China	Commercial bank	RMB30 million	Limited company	80.40	80.40
Zhidan Rural Bank	Shanxi China	Commercial bank	RMB15 million	Limited company	51.00	51.00
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Yuyang Rural Bank (iv)	Shanxi China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Limited company	51.00	51.00
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB48 million	Limited company	51.00	51.00
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Limited company	51.00	51.00
Linzhi Rural Bank	Tibet China	Commercial bank	RMB25 million	Limited company	51.00	51.00

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

(ii) Based on the concerted action agreement signed by the Bank and other shareholders, the Bank acquired control over the subsidiary and included it in the scope of the consolidated financial statements.

(iii) In 2020, the Bank increased its capital contribution to Jinghong Rural Bank by RMB45 million, and the paid-up capital of Jinghong Rural Bank increased from RMB30 million to RMB75 million. After the increase of capital, the Bank's ownership of equity shares and voting rights in the subsidiary increased to 80.40%. By the end of 31 December 2020, the registered capital of Jinghong Rural Bank was still RMB30 million as it had not completed the registration of changes with industry and commerce authorities.

(iv) In 2020, Yuyang Rural Bank converted RMB4 million retained earnings to paid-up capital through an issue of new shares, and increased its paid-up capital from RMB50 billion to RMB54 million. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at the end of 31 December 2020, the registered capital of Yuyang Rural Bank was still RMB50 million as it had not completed the registration of changes with industry and commerce authorities.

5.21 Investment in subsidiaries and associates (continued)

(3) Investment in associates

	31 December 2020	31 December 2019
Investment in associates	**2**	3

5.22 Other assets

	Note	31 December 2020	31 December 2019
Items in the process of clearance and settlement		**12,728**	7,017
Prepayments for leased assets	(1)	**8,280**	10,394
Interest receivable	(2)	**8,240**	8,202
Investment properties		**6,429**	6,399
Repossessed assets	(3)	**6,180**	9,978
Other debt receivables and advances		**5,423**	5,951
Commission receivable		**3,685**	6,353
Operating lease receivable		**2,007**	2,035
Intangible assets	(4)	**1,456**	1,256
Continuously involved assets		**1,038**	1,038
Prepayment		**718**	928
Goodwill	(5)	**193**	206
Long-term deferred expenses		**146**	92
others		**5,414**	5,547
Subtotal		**61,937**	65,396
Less: allowance for impairment losses			
– Repossessed assets		**(131)**	(112)
– Others		**(3,916)**	(1,767)
Total		**57,890**	63,517

(1) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

(2) Interest receivable

	31 December 2020	31 December 2019
Debt and other securities	**2,569**	3,042
Loans and advances to customers	**5,671**	5,157
Others	**–**	3
Total	**8,240**	8,202

(3) Repossessed assets

Repossessed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB4,066 million during the year ended 31 December 2020 (2019: RMB1,505 million).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.22 Other assets (continued)

(4) Intangible assets

	Year ended 31 December 2020	Year ended 31 December 2019
Cost		
Balance as at 1 January	**4,837**	4,290
Increase	**739**	547
Balance as at 31 December	**5,576**	4,837
Accumulated amortization		
Balance as at 1 January	**(3,581)**	(3,098)
Increase	**(539)**	(483)
Balance as at 31 December	**(4,120)**	(3,581)
Carrying amount		
Balance as at 1 January	**1,256**	1,192
Balance as at 31 December	**1,456**	1,256

(5) Goodwill arising from CMBC International

	Year ended 31 December 2020	Year ended 31 December 2019
Balance as at 1 January	**206**	201
Exchange difference	**(13)**	5
Balance as at 31 December	**193**	206

As at 31 December 2020 and 31 December 2019, the Group was not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

5.23 Allowances for impairment losses

	Note 5	Year ended 31 December 2020 Balances as at 1 January 2020	Net charge for the year/ (Reversal)	Write-offs and transfer out	Other	Balances as at 31 December 2020
Balances with banks and other financial institutions	11	**346**	**316**	**–**	**–**	**662**
Placements with banks and other financial institutions	12	**503**	**469**	**–**	**–**	**972**
Financial assets held under resale agreements	14	**9**	**(5)**	**–**	**–**	**4**
Loans and advances to customers	15	**84,647**	**76,990**	**(67,110)**	**3,110**	**97,637**
Financial investments	16	**5,175**	**10,884**	**(3,842)**	**(13)**	**12,204**
Long-term receivables	17	**3,943**	**1,083**	**(757)**	**–**	**4,269**
Property and equipment	18	**236**	**127**	**(93)**	**–**	**270**
Other assets	22	**1,879**	**5,126**	**(2,953)**	**(5)**	**4,047**
Total		**96,738**	**94,990**	**(74,755)**	**3,092**	**120,065**

	Note 5	Year ended 31 December 2019 Balances as at 1 January 2019	Net charge for the year	Write-offs and transfer out	Other	Balances as at 31 December 2019
Balances with banks and other financial institutions	11	104	242	–	–	346
Placements with banks and other financial institutions	12	203	300	–	–	503
Financial assets held under resale agreements	14	5	4	–	–	9
Loans and advances to customers	15	72,208	60,850	(50,930)	2,519	84,647
Financial investments	16	4,566	634	–	(25)	5,175
Long-term receivables	17	3,645	510	(425)	213	3,943
Property and equipment	18	206	36	(6)	–	236
Other assets	22	1,512	497	(130)	–	1,879
Total		82,449	63,073	(51,491)	2,707	96,738

5.24 Deposits and placements from banks and other financial institutions

	31 December 2020	31 December 2019
Mainland China		
– Banks	**315,476**	266,414
– Other financial institutions	**665,224**	785,393
Overseas		
– Banks	**51,308**	78,584
– Other financial institutions	**33,397**	27,557
Subtotal	**1,065,405**	1,157,948
Interest accrued	**4,316**	5,106
Total	**1,069,721**	1,163,054

5.25 Borrowings from banks and other financial institutions

	31 December 2020	31 December 2019
Unsecured borrowings	**108,917**	108,572
Borrowings secured by		
– Tangible assets and monetary assets	**21,262**	22,929
Subtotal	**130,179**	131,501
Interest accrued	**839**	794
Total	**131,018**	132,295

As at 31 December 2020 and 31 December 2019, the secured borrowings were pledged of property and equipment and finance lease receivables as collateral; the above collateral has been included in the disclosure of Assets pledged (Note 6.3(1)).

5.26 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2020	31 December 2019
Bonds	**43,714**	58,533
Discounted bills	**21,192**	42,905
Including: bills rediscounted	**18,403**	31,105
Subtotal	**64,906**	101,438
Interest accrued	**412**	267
Total	**65,318**	101,705

5.27 Deposits from customers

	31 December 2020	31 December 2019
Demand deposits		
– Corporate customers	**1,287,743**	1,201,626
– Individual customers	**243,780**	216,424
Time deposits (including call and notice deposits)		
– Corporate customers	**1,673,874**	1,677,305
– Individual customers	**514,932**	501,939
Certificates of deposit	**2,929**	4,446
Outward remittance and remittance payables	**4,916**	2,348
Subtotal	**3,728,174**	3,604,088
Interest accrued	**39,977**	32,946
Total	**3,768,151**	3,637,034

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

	31 December 2020	31 December 2019
Pledged deposits for bank acceptances	**96,282**	109,310
Pledged deposits for letters of credit and guarantees	**16,742**	21,243
Other pledged deposits	**52,269**	63,584
Total	**165,293**	194,137

5.28 Lease liabilities

	31 December 2020	31 December 2019
Lease liabilities	**10,267**	10,420

As at 31 December 2020, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB82 million (31 December 2019: RMB80 million).

5.29 Provisions

	31 December 2020	31 December 2019
Credit loss of off-balance-sheet credit commitments	**1,885**	1,453
Litigation provision	**136**	150
Total	**2,021**	1,603

The movements of credit loss of off-balance-sheet assets are as follows:

	Year ended 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2020	**(1,407)**	**(22)**	**(24)**	**(1,453)**
Transfer:				
to stage 1	**(8)**	**5**	**3**	**–**
to stage 2	**9**	**(10)**	**1**	**–**
to stage 3	**4**	**6**	**(10)**	**–**
Net charge	**(179)**	**(200)**	**(15)**	**(394)**
Others	**(38)**	**–**	**–**	**(38)**
Balance as at 31 December 2020	**(1,619)**	**(221)**	**(45)**	**(1,885)**

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(1,335)	(33)	(3)	(1,371)
Transfer:				
to stage 1	(4)	4	–	–
to stage 2	4	(4)	–	–
to stage 3	3	1	(4)	–
Net (charge)/reversal	(52)	10	(17)	(59)
Others	(23)	–	–	(23)
Balance as at 31 December 2019	(1,407)	(22)	(24)	(1,453)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.30 Debt securities issued

	Note	**31 December 2020**	31 December 2019
Certificates of interbank deposit		**713,953**	583,105
Financial bonds	(1)	**83,992**	94,983
Tier-two capital bonds	(2)	**139,951**	109,930
Medium-term notes	(3)	**12,056**	20,905
Subordinated bonds	(4)	**3,996**	3,996
Subtotal		**953,948**	812,919
Interest accrued		**3,932**	4,306
Total		**957,880**	817,225

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

(1) Financial bonds

	Note	**31 December 2020**	31 December 2019
RMB20 billion-3-year fixed rate financial bonds 2020	(i)	**19,998**	–
RMB20 billion-3-year fixed rate financial bonds 2018	(ii)	**19,998**	19,997
RMB40 billion-3-year fixed rate financial bonds 2018	(iii)	**39,997**	39,994
RMB4 billion-3-year fixed rate financial bonds 2018	(iv)	**3,999**	3,995
RMB1 billion-3-year fixed rate financial bonds 2017	(v)	**–**	999
RMB30 billion-3-year fixed rate financial bonds 2017	(vi)	**–**	29,998
Total		**83,992**	94,983

(i) RMB20 billion worth of fixed-rate financial bonds were issued at 18 March 2020, with a term of three years, and a fixed coupon rate of 2.75% per annum.

(ii) RMB20 billion worth of fixed-rate financial bonds were issued at 12 December 2018, with a term of three years, and a fixed coupon rate of 3.76% per annum.

(iii) RMB40 billion worth of fixed-rate financial bonds were issued at 19 November 2018, with a term of three years, and a fixed coupon rate of 3.83% per annum.

(iv) RMB4 billion worth of fixed-rate financial bonds were issued at 21 May 2018, with a term of three years, and a fixed coupon rate of 4.90% per annum.

(v) RMB1 billion worth of fixed-rate financial bonds were issued at 7 August 2017, with a term of three years, and a fixed coupon rate of 4.50% per annum. The Group repaid all of them on 9 August, 2020.

(vi) RMB30 billion worth of fixed-rate financial bonds were issued at 7 March 2017, with a term of three years, and a fixed coupon rate of 4.00% per annum. The Bank repaid all of them on 9 March, 2020.

5.30 Debt securities issued (continued)

(2) Tier-two capital bonds

	Note	**31 December 2020**	31 December 2019
RMB50 billion-10-year fixed rate tier-two capital bonds 2020	(i)	**49,999**	–
RMB40 billion-10-year fixed rate tier-two capital bonds 2019 1st tranche	(ii)	**39,993**	39,992
RMB15 billion-10-year fixed rate tier-two capital bonds 2017 1st tranche	(iii)	**14,987**	14,985
RMB15 billion-10-year fixed rate tier-two capital bonds 2017 2nd tranche	(iv)	**14,987**	14,985
RMB20 billion-10-year fixed rate tier-two capital bonds 2016	(v)	**19,985**	19,982
RMB20 billion-10-year fixed rate tier-two capital bonds 2015	(vi)	**–**	19,986
Total		**139,951**	109,930

(i) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued at 24 June 2020. The Bank has an option to redeem all or part of the 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 RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued at 27 February 2019. The Bank has an option to redeem all or part of the 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 RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 12 September 2017 as the first tranche. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.

(iv) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 27 November 2017 as the second tranche. The Bank has an option to redeem all or part of the 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 RMB20 billion, a term of 10 years, and a fixed coupon rate of 3.50% per annum, were issued at 30 August 2016. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.

(vi) Tier-two capital bonds with a nominal value of RMB20 billion, a term of 10 years, and a fixed coupon rate of 5.40% per annum, were issued at 28 April 2015. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has redeemed all of them on 29 April 2020.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.30 Debt securities issued (continued)

(3) Medium-term notes

	Note	**31 December 2020**	31 December 2019
2020-3-year medium-term notes	(i)	**3,262**	–
2018-5-year medium-term notes	(ii)	**3,910**	4,179
2018-3-year medium-term notes	(iii)	**2,604**	2,786
2017-5-year medium-term notes	(iv)	**2,280**	2,439
2017-3-year medium-term notes	(v)	**–**	3,136
2017-3-year medium-term notes	(vi)	**–**	1,741
2017-3-year medium-term notes	(vii)	**–**	3,138
2017-3-year medium-term notes	(viii)	**–**	3,486
Total		**12,056**	20,905

(i) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued on 22 October 2020, with a term of 3 years. The coupon rate is 1.12%.

(ii) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued at 9 March 2018, with a term of 5 years. The coupon rate is 1.28%.

(iii) Medium-term notes with a nominal value of USD0.4 billion of medium-term notes were issued at 9 March 2018, with a term of 3 years. The coupon rate is 3.50%.

(iv) Medium-term notes with a nominal value of USD0.35 billion of medium-term notes were issued at 11 September 2017, with a term of 5 years. The coupon rate is 1.22%.

(v) Medium-term notes with a nominal value of USD0.45 billion of medium-term notes were issued at 15 November 2017, with a term of 3 years. The coupon rate is 2.34%. The Bank repaid all of them on 15 November 2020.

(vi) Medium-term notes with a nominal value of USD0.25 billion of medium-term notes were issued at 15 November 2017, with a term of 3 years. The coupon rate is 2.88%. The Bank repaid all of them on 15 November 2020.

(vii) Medium-term notes with a nominal value of USD0.45 billion of medium-term notes were issued at 11 September 2017, with a term of 3 years. The coupon rate is 2.44%. The Bank repaid all of them on 11 September 2020.

(viii) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued at 5 May 2017, with a term of 3 years. The coupon rate is 2.50%. The Bank repaid all of them on 5 May 2020.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.30 Debt securities issued (continued)

(4) Subordinated bonds

	Note	**31 December 2020**	31 December 2019
RMB4 billion-15-year subordinated fixed rate bonds 2011	(i)	**3,996**	3,996

(i) Subordinated bonds with a nominal value of RMB4 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, were issued on 18 March 2011.The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the tenth year to the maturity date.

According to the issuance terms, the claims of the holders of subordinated bonds will be subordinated to the claims of general creditors, but prioritized over other equity instrument holders.

5.31 Other liabilities

	Note	**31 December 2020**	31 December 2019
Employee benefits payable	(1)	**10,877**	10,663
Receipt in advance		**9,403**	9,691
Items in the process of clearance and settlement		**9,374**	11,149
Other tax payable	(2)	**6,514**	6,786
Notes payable		**3,330**	–
Intermediate collection and payment		**1,225**	2,869
Continuously involved liabilities		**1,038**	1,038
Accrued expenses		**836**	585
Deferred fee and commission income		**790**	875
Payable for long-term assets		**430**	900
Guarantee deposits for finance lease		**283**	326
Dividend payable		**3**	–
Others		**3,480**	3,085
Total		**47,583**	47,967

5.31 Other liabilities (continued)

(1) Employee benefits payable

	1 January 2020	Increase	Decrease	31 December 2020
Short-term employee benefits				
– Salaries, bonuses and allowances	**10,154**	**21,264**	**(20,971)**	**10,347**
– Staff welfare fees	**–**	**2,184**	**(2,184)**	**–**
– Social insurance(a) and supplementary insurance	**126**	**1,058**	**(1,022)**	**162**
– Housing fund	**160**	**1,290**	**(1,323)**	**127**
– Labour union fee, staff and workers' education fee	**28**	**568**	**(562)**	**34**
Subtotal	**10,468**	**26,264**	**(26,062)**	**10,670**
Post-employment benefits-defined contribution plans				
– Basic pension insurance plans	**118**	**943**	**(925)**	**136**
– Unemployment insurance	**20**	**40**	**(39)**	**21**
– Annuity scheme(b)	**57**	**995**	**(1,002)**	**50**
Subtotal	**195**	**1,978**	**(1,966)**	**207**
Total	**10,663**	**28,242**	**(28,028)**	**10,877**

	1 January 2019	Increase	Decrease	31 December 2019
Short-term employee benefits				
– Salaries, bonuses and allowances	10,731	20,020	(20,597)	10,154
– Staff welfare fees	–	2,169	(2,169)	–
– Social insurance(a) and supplementary insurance	86	1,282	(1,242)	126
– Housing fund	145	1,190	(1,175)	160
– Labour union fee, staff and workers' education fee	21	627	(620)	28
Subtotal	10,983	25,288	(25,803)	10,468
Post-employment benefits-defined contribution plans				
– Basic pension insurance plans	99	1,433	(1,414)	118
– Unemployment insurance	19	53	(52)	20
– Annuity scheme(b)	29	977	(949)	57
Subtotal	147	2,463	(2,415)	195
Total	11,130	27,751	(28,218)	10,663

5.31 Other liabilities (continued)

(1) Employee benefits payable (continued)

(a) Social insurance includes medical insurance, maternity insurance and employment injury insurance.

(b) In 2020, the contributions to the annuity schemes of the Bank and those subsidiaries were calculated at rates from 0% to 8% of the employees' total annual salary (2019: 0% to 8%).

The Group has set up a defined contribution plan for its Hong Kong employees in accordance with the contribution rates prescribed by local regulations.

(2) Other tax payable

	31 December 2020	31 December 2019
Value added tax	**5,411**	5,443
Others	**1,103**	1,343
Total	**6,514**	6,786

5.32 Share capital and capital reserve

	31 December 2020	31 December 2019
Ordinary shares listed in Mainland China (A shares)	**35,462**	35,462
Ordinary shares listed in Hong Kong (H shares)	**8,320**	8,320
Total shares	**43,782**	43,782

All A shares and H shares issued by the Bank are ordinary shares with par value of RMB 1 per share, and rank parri passu with the same rights and benefits.

The Group's capital reserve was RMB57,419 million as at 31 December 2020 (31 December 2019: RMB57,411 million), which mainly represents capital premium.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.33 Preference shares

(1) Outstanding preference shares at 31 December 2020

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount	In original currency	In RMB	Maturity	Conversion condition	Conversion
					million shares					
Overseas preference shares	14/12/2016	Equity	4.95%	USD20/ Share	72	1,439	9,933	None	Mandatory	No
Total							9,933			
Less: Issue fees							(41)			
Book value							9,892			
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB100/ Share	200	20,000	20,000	None	Mandatory	No
Total							20,000			
Less: Issue fees							(25)			
Book value							19,975			
Total							29,867			

(2) Overseas preference shares main clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend and does not constitute an event of default. However, 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.

5.33 Preference shares (continued)

(2) Overseas preference shares main clauses (continued)

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Group has right to redeem all or some of oversee preferred stocks in first call date and subsequent any dividend payment date. The redemption price of overseas preference shares is the product of issuance price and the dividends declared but not paid in the 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).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.33 Preference shares (continued)

(3) Domestic preference shares main clauses

(a) Dividend

The non-public offering of domestic preferred shares (the "Domestic Preference Shares") adopts the dividend rate that can be adjusted in stages, with 5 years as a dividend rate adjustment period, and within a dividend rate adjustment period, dividends are paid at the same dividend rate as agreed. The dividend rate for the first dividend rate adjustment period will be determined by enquiry. The dividend rate of the Domestic Preferred Shares issued this time shall not be higher than the annual weighted average return on net assets of the Group in the last two fiscal years. The nominal dividend rate includes two parts: the benchmark interest rate and the fixed premium. The fixed premium is the dividend rate determined at the time of issuance minus the benchmark interest rate at the time of issuance. Dividends are paid annually.

(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. In order to meet the regulatory requirements of other Tier 1 capital instruments, the Group has the right to cancel some or all of the dividends of preferred shares, and this does not constitute an event of default. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed and investors shall be informed in time.

(c) Dividend stopper

The Group will not pay dividends to the common shareholders unless the Group resolves to pay a full dividend on the current preferred shares.

(d) Order of distribution and liquidation method

The Domestic Preferred Shareholders have priority over the ordinary shareholders in the distribution of the Group's remaining property, but the order of repayment is ranked after the depositors, general creditors and subordinated debts (including but not limited to subordinated debts, mixed capital bonds and secondary capital instruments).

(e) Mandatory conversion trigger events

If the core tier one capital adequacy ratio of the Group falls to 5.125% (or below), the Domestic Preferred Shares issued at that time will be converted into A-share common shares in full or in part, so as to restore the core tier one capital adequacy ratio to more than 5.125%. In the case of partial conversion, all the Domestic Preferred Shares issued at that time shall be converted to common shares on the same conditions in proportion.

When the earlier of the following two situations occurs, the Domestic Preferred Shares issued this time will be converted into A-share common shares in full: 1) State Council banking regulatory agency determines that the Group will not survive without the conversion; 2) the relevant departments determine that the Group will not survive without the public sector's capital injection or the support of same effect.

5.33 Preference shares (continued)

(3) Domestic preference shares main clauses (continued)

(f) Redemption

With the prior approval of State Council banking regulatory agency, the Group may exercise the right of redemption under the following circumstances: (1) use the same or higher quality capital instruments to replace the redeemed Domestic Preferred Shares, and the Group's income ability is sustainable; (2) or the capital level after the exercise of the right of redemption is still significantly higher than the regulatory capital requirements specified by the banking regulatory authority under the State Council. The redemption price is the sum of the nominal amount and the dividend that has been resolved to be paid but has not been paid in the current period.

The Group has the right to redeem all or part of the domestic preference shares issued this time on the dividend payment date of the preference shares each year starting from the day after the expiration of 5 years after the issuance date (that is, 15 October 2019), and the redemption period ends on the day when all domestic preference shares are redeemed or converted. In the case of partial redemption, all domestic preference shares issued that time will be redeemed in proportion to the same conditions.

(g) Dividend setting mechanism

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

The dividend of the Domestic Preferred Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preferred stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preferred stock investors. In case of any legal holiday or non-working days in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

5.34 Perpetual bonds

(1) Outstanding perpetual bonds at 31 December 2020

Financial instrument outstanding	Issue date	Accounting classification	Original interest rate	Issue price	Amount	In original currency	In RMB	Maturity	Conversion condition	Conversion
					million shares					
RMB Perpetual Bonds	30/05/2019	Equity	4.85%	100RMB/ Share	400	40,000	40,000	None	No	No
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			

(2) Main clauses

(a) Principal amount

RMB400 billion.

(b) Maturity date

The duration of the perpetual bonds is the same as the continuing operation of the Bank.

(c) Coupon rate

The coupon rate of the perpetual bonds will be adjusted at defined intervals with a coupon rate adjustment period which is every 5 years since the payment settlement date. In any coupon rate adjusted period, the distribution payments on the perpetual bonds will be made at a prescribed fixed coupon rate. The coupon rate at the time of issuance will be determined by book running and centralised allocation.

The coupon rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional redemption rights of the issuer

The perpetual bonds issuance sets conditional redemption rights for the issuer. From the fifth anniversary since the issuance of the perpetual bonds, the issuer may redeem the perpetual bonds in whole or in part on each bond payment date (including the fifth bond payment date since the issuance). If, after the Issuance, the perpetual bonds no longer qualify as additional tier 1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem all but not some only of the perpetual bonds.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.34 Perpetual bonds (continued)

(2) Main clauses (continued)

(e) Subordination

The claims in respect of the perpetual bonds, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the notes; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the perpetual bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(f) Interest payment

The Bank shall have the right to cancel, in whole or in part, distributions on the perpetual bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the noteholders. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. The cancellation of any distributions on the perpetual bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shareholders. Any cancellation of any distribution on the perpetual bonds, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

The perpetual bonds do not have any step-up mechanism or any other incentive to redeem.

(g) Put option

Put option is not applicable.

(3) Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the CBIRC, the preferred shares and perpetual bonds issued by the Bank has met the criteria for qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	31 December 2020	31 December 2019
Total equity attributable to equity holders of the Bank	**529,537**	518,845
Equity attributable to ordinary equity holders of the Bank	**459,677**	448,985
Equity attributable to other equity holders of the Bank	**69,860**	69,860
Of which: Net profit	**3,337**	558
Interest paid/dividends distributed during the period	**3,337**	558
Total equity attributable to non-controlling interests	**11,711**	11,984
Equity attributable to non-controlling interests of ordinary shares	**11,711**	11,984

5.35 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

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

The Group appropriated RMB3,317 million statutory surplus reserve for the year ended 31 December 2020 (2019: RMB5,251 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance, 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 appropriated their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB4,878 million of profits to the general reserve for the year ended 31 December 2020 (2019: RMB7,271 million).

(3) Retained earnings

As at 31 December 2020, the retained earnings included the statutory surplus reserve of RMB661 million contributed by the subsidiaries and attributable to the Bank (31 December 2019: RMB589 million). The surplus reserve of the subsidiaries attributable to the Bank included in the retained earnings cannot be distributed.

5.36 Non-controlling interests

As at 31 December 2020, the non-controlling interests in the subsidiaries were RMB11,711 million (31 December 2019: RMB11,984 million).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5.37 Dividends

(1) Dividends for ordinary shares

The Board of directors proposed the profit distribution plan for year 2020 in the meeting held on 30 March 2021. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB2.13 (including tax) for every 10 shares. A total dividend of RMB9,326 million was based on the total number of shares of 43,782 million as at 31 December 2020.

The shareholders approved the cash dividend distribution execution plan for 2019 at the Annual General Meeting on 29 June 2020. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB 3.70 (including tax) for every 10 shares. A total dividend of RMB 16,199 million was based on the total number of shares of 43,782 million as at 31 December 2019.

The shareholders approved the cash dividend distribution execution plan for 2018 at the Annual General Meeting on 21 June 2019. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB 3.45 (including tax) for every 10 shares. A total dividend of RMB 15,105 million was based on the total number of shares of 43,782 million as at 31 December 2018.

(2) Dividends for preference shares

According to the resolution on the distribution of dividends for overseas preference shares passed at the Board of Directors' meeting held on 30 November 2020, dividend to be distributed amounts to RMB 521 million (including tax), calculated at the initial annual dividend rate 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 2020.

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 28 August 2020, dividend to be distributed amounted to RMB 876 million (including tax), calculated at the coupon rate of 4.38% (including tax). The dividend payment date was 19 October 2020.

According to the resolution on the distribution of dividends for overseas preference shares passed at the Board of Directors' meeting held on 30 October 2019, dividend to be distributed amounted to RMB 558 million (including tax), calculated at the initial annual dividend rate of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 16 December 2019.

Perpetual bond interest

On 30 May 2020, the Bank calculated the perpetual bond interest based on the initial annual interest rate before the first interest rate reset date of 4.85% as determined by the perpetual bond terms and conditions. The perpetual bond interest distributed was RMB 1,940 million (including tax).

5.38 Investment revaluation reserve and cash flow hedging reserve

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

	Investment revaluation reserve	**Cash flow hedging reserve**	**Total**
As at 1 January 2020	**1,822**	**(3)**	**1,819**
Net changes in amount for the period	**(3,541)**	**(21)**	**(3,562)**
Retained earnings convert from investment revaluation reserve	**(21)**	**–**	**(21)**
As at 31 December 2020	**(1,740)**	**(24)**	**(1,764)**

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2019	1,133	23	1,156
Net changes in amount for the period	686	(26)	660
Retained earnings convert from investment revaluation reserve	3	–	3
As at 31 December 2019	1,822	(3)	1,819

5.39 Notes to the consolidated cash flow statement

Cash and cash equivalents

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

	31 December 2020	31 December 2019
Cash (Note 5.10)	**5,360**	5,762
Surplus deposit reserve with central bank (Note 5.10)	**63,799**	41,921
Original maturity within 3 months:		
– Balances with banks and other financial institutions	**48,559**	44,764
– Placements with banks and other financial institutions	**40,201**	52,203
Total	**157,919**	144,650

5.40 Transferred financial assets

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

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

In 2020, securitisation transactions of RMB2,023 million were transferred by the Group (2019: RMB19,980 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

In 2020, the Group disposed non-performing financial assets with a total carrying amount of RMB43,993 million (2019: RMB21,257 million) through transfers to third parties. The Group had transferred substantially all the risks and rewards of these non-performing financial assets and accordingly derecognized these transferred non-performing financial assets.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2020, the carrying amount of debt securities lent to counterparties was RMB100 million (31 December 2019: RMB3,425 million).

6 CONTINGENT LIABILITIES AND COMMITMENTS

6.1 Credit commitments

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

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

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

	31 December 2020	31 December 2019
Bank acceptances	**403,532**	542,571
Guarantees	**158,889**	159,266
Letters of credit	**116,333**	136,952
Unused credit card commitments	**478,980**	440,038
Irrevocable credit commitments		
– original maturity date within 1 year	**9,862**	9,828
– original maturity date over 1 year	**3,154**	36,771
Total	**1,170,750**	1,325,426

Details of credit loss of off-balance-sheet credit commitments (Note 5.29).

	31 December 2020	31 December 2019
Credit risk weighted amounts of credit commitments	**320,848**	359,161

6.2 Capital commitments

	31 December 2020	31 December 2019
Contracted but not paid for	**15,775**	30,463

6 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	31 December 2020	31 December 2019
Financial investments	**419,444**	359,088
Loans-discounted bills	**21,192**	42,905
Long-term receivables	**25,486**	15,326
Property and equipment	**10,681**	15,172
Balances with banks and other financial institutions	**7,951**	7,415
Others	**1,526**	1,209
Total	**486,280**	441,115

(2) Collateral received

The Group received debt securities and bills as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 31 December 2020, the fair value of the collateral that the Group had sold, but was obligated to return, was RMB758 million (31 December 2019: RMB729 million).

6.4 Underwriting of securities

	31 December 2020	31 December 2019
Medium and short-term finance bills	**260,500**	260,315

6.5 Redemption commitments

As an underwriting agent of certificated PRC government bonds, the Bank has the obligation to buy back those bonds sold by it should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2020 was RMB829 million (31 December 2019: RMB2,239 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2020. With consideration of the professional advice, the Group's management accrued provisions for these litigation matters.

7 INTERESTS IN STRUCTURED ENTITIES

7.1 Consolidated structured entities

Consolidated structured entities are mainly principal guaranteed wealth management products sponsored and managed by the Group, the Group has guaranteed the investors' principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in financial assets at fair value through profit and loss and deposits from customers, respectively.

As at 31 December 2019, the principal wealth management products guaranteed, sponsored and managed by the Group amounted to RMB2,000 million, which have been matured and paid during 2020.

7.2 Unconsolidated structured entities

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

Unconsolidated structured entities sponsored by third party institutions include asset-backed securities, wealth management products, asset management plans, trust plans, funds and others. The Group has no obligation or intention to provide financial support to these structured entities, recognised interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	31 December 2020			
	Financial assets at fair value through profit and loss	**Financial assets measured at amortised cost**	**Financial assets at fair value through other comprehensive income**	**Total**
Asset-backed securities	**304**	**227,833**	**75,062**	**303,199**
Funds	**190,744**	**–**	**–**	**190,744**
Trust and asset management plans	**10,168**	**133,800**	**–**	**143,968**
Wealth management products	**4,197**	**–**	**–**	**4,197**
Others	**3,332**	**–**	**–**	**3,332**
Total	**208,745**	**361,633**	**75,062**	**645,440**

	31 December 2019			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Trust and asset management plans	84,001	203,829	–	287,830
Asset-backed securities	2,083	115,332	121,054	238,469
Wealth management products	178,201	–	–	178,201
Funds	125,798	–	–	125,798
Others	3,280	–	–	3,280
Total	393,363	319,161	121,054	833,578

7 INTERESTS IN STRUCTURED ENTITIES (continued)

7.2 Unconsolidated structured entities (continued)

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

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans, wealth management products and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

(2) Structured entities sponsored and/or managed by the Group

Structured entities sponsored and/or managed but not consolidated by the Group primarily include non-principal-guaranteed wealth management products, funds, asset management plans and trust plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the *Guiding Opinions on Improving the Compliance of the Asset Management Operations of Financial Institutions*, encouraging financial institutions to adopt a combination of methods to dispose their existing portfolio, including assumption in the new products, market-oriented transfer, and/or recognition in the balance sheet. The Bank is moving steadily ahead with the relevant work to ensure the smooth transition and robust development of the asset and wealth management business. In 2020, the Group included part of the non-principal-guaranteed wealth management products issued in the Group's financial investments.

As at 31 December 2020, the balance of non-principal-guaranteed wealth management products sponsored and managed but not consolidated by the Group is RMB861,132 million (31 December 2019: RMB894,098 million), and the balance of funds, asset management plans and trust beneficiary plans sponsored and/or managed but not consolidated by the Group is RMB233,095 million (31 December 2019: RMB291,533 million).

For the year ended 31 December 2020, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB5,405 million (For the year ended 31 December 2019: RMB5,159 million). As at 31 December 2020 and 31 December 2019, the carrying amounts of management fee receivables being recognised are not material in the statement of financial positions.

8 FIDUCIARY ACTIVITIES

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

The balance of investment fund under custodian by the Group was RMB770,767 million as at 31 December 2020 (31 December 2019: RMB625,566 million). The balance of corporate annuity funds under custodian by the Group was RMB603,339 million as at 31 December 2020 (31 December 2019: RMB587,766 million). And the Group's balances of entrusted loans were RMB222,672 million as at 31 December 2020 (31 December 2019: RMB224,853 million).

9 RELATED PARTIES

9.1 Related parties

(1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence 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 of head office and branches, people who have the power to decide or participate in the Bank's credit granting and asset transfer and close family members of such individuals; controlling natural person shareholders, members of the Board of Directors and key management personnel of the Bank's related legal persons or other organizations (excluding the legal persons or other organizations that are under direct, indirect or joint control of or under significant influence of the Bank's insiders, major natural person shareholder 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 of head office and branches, people who have the power to decide or participate in the Bank's credit granting and asset transfer and their 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.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders

Company name	Registered location	31 December 2020 No. of Shares of the Bank held by the Company (share)	31 December 2020 Proportion of shares of the Bank held by the Company (%)	31 December 2019 No. of Shares of the Bank held by the Company (share)	31 December 2019 Proportion of shares of the Bank held by the Company (%)	Business (a)	Legal form	Legal representative
Dajia Life Insurance Inc.	Beijing	7,810,214,889	17.84	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
Huaxia Life Insurance Co., Ltd.	Tianjin	2,148,793,436	4.91	2,148,793,436	4.91	Insurance business	Joint stock limited company	Wang Yi
Orient Group Incorporation	Heilongjiang	1,280,117,123	2.92	1,280,117,123	2.92	Wholesaling	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Heilongjiang	35,000,000	0.08	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
China Oceanwide Holdings Group Co., Ltd.	Beijing	2,019,182,618	4.61	2,019,182,618	4.61	Commercial service	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	604,300,950	1.38	604,300,950	1.38	Investment holding	Limited company	(b)
China Oceanwide International Investment Co., Ltd.	Hong Kong	8,237,520	0.02	8,237,520	0.02	Investment holding	Limited company	(b)
Long Prosper Capital Company Limited	British Virgin Islands	408,000,000	0.93	408,000,000	0.93	Investment holding	Limited company	(b)
New Hope Liuhe Investment Co., Ltd.	Lhasa	1,828,327,362	4.18	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Lhasa	343,177,327	0.78	199,775,827	0.46	Retailing	Limited company	Li Jianxiong
Shanghai Giant Lifetech Co., Ltd.	Shanghai	1,379,679,587	3.15	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
China Shipowners Mutual Assurance Association	Beijing	1,324,284,453	3.02	1,324,284,453	3.02	Insurance business	National social groups	Song Chunfeng
Tongfang Guoxin Investment Co., Ltd.	Chongqing	1,888,530,701	4.31	1,865,558,336	4.26	Capital market service	Limited company	Liu Qinqin
Chongqing International Trust Co., Ltd.	Chongqing	113,091,421	0.26	140,463,786	0.32	Other financial industry	Joint stock limited company	Weng Zhenjie
Good First Group Co., Ltd.	Shanghai	206,340,026	0.47	544,300,026	1.24	Wholesaling	Limited company	Wu Di
Tibet Rong Jie Corporate Management Co., Ltd.	Tibet	125,249,600	0.29	125,249,600	0.29	Commercial service	Limited company	Chen Zhenling
Tibet Heng Xun Corporate Management Co., Ltd.	Tibet	105,844,780	0.24	105,844,780	0.24	Commercial service	Limited company	Hong Zhihua
Tibet Fu Ju Investment Co., Ltd.	Tibet	340,922,400	0.78	N/A	N/A	Commercial service	Limited company	Wu Di

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(a) Particulars of principal operations

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

Huaxia Life Insurance Co., Ltd.: life insurance, health insurance, accident insurance and other types of life insurance business, reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

Orient Group Incorporation: food procurement; import and export of goods (or technologies) (other than those prohibited by the state, and engagement in state-run trade or state-controlled projects permissible only after obtaining proper authorizations or licenses); foreign economic and technical cooperation; foreign project contracting; occupational intermediary; real estate property management; distribution of light construction materials, furniture, home decoration materials, construction machinery, hardware and electrical appliances, and sanitary wares; manufacturing and sales of electrical contact materials, development of silver-free contact related products; food sales, rice planting, high-quality seed cultivation, and related research and development.

Oriental Group Co., Ltd.: (Formerly Oriental Group Investment Holdings Co., Ltd.): project investment; investment management; real estate development; import and export agency; goods import and export; and economic and trade consulting, etc.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, byproducts and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(a) Particulars of principal operations (continued)

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale of pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Tongfang Guoxin Investment Co., Ltd.: transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management; proprietary investments (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; corporate restructuring and M&A planning and advisory services (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Rong Jie Corporate Management Co., Ltd.: business management services (excluding investment management and investment consulting); corporate image, promotion and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building and auxiliary materials and metal materials; sales of feed, fertilizer, rubber products, and raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs); investments in the medical industry (forbidden operations include: equity investments; fundraising through public offerings, absorption of public deposits, loans; public trading of securities investment products or financial derivative products; financial products, wealth management products and related derivative businesses). (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(a) Particulars of principal operations (continued)

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Fu Ju Investment Co., Ltd.: investments in commercial, agricultural, medical, entertainment and education industries (forbidden operations include: trust, financial asset management, and securities asset management business; also excluded: securities, insurance, funds, financial business and their restricted activities). (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

(b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are entities incorporated overseas, and are ultimately controlled by Mr. Lu Zhiqiang.

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	**31 December 2020**	31 December 2019
Dajia Life Insurance Inc.	**RMB30,790 million**	RMB30,790 million
Huaxia Life Insurance Co., Ltd.	**RMB15,300 million**	RMB15,300 million
Orient Group Incorporation	**RMB3,715 million**	RMB3,715 million
Oriental Group Co., Ltd.	**RMB1,000 million**	RMB1,000 million
China Oceanwide Holdings Group Co., Ltd.	**RMB20,000 million**	RMB20,000 million
Oceanwide International Equity Investment Limited	**USD0.05 million**	USD0.05 million
China Oceanwide International Investment Co., Ltd.	**HKD1,548 million**	HKD1,548 million
Long Prosper Capital Company Limited	**USD0.05 million**	USD0.05 million
New Hope Liuhe Investment Co., Ltd.	**RMB577 million**	RMB577 million
South Hope Industrial Co., Ltd.	**RMB1,034 million**	RMB1,034 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 International Trust Co., Ltd.	**RMB15,000 million**	RMB15,000 million
Good First Group Co., Ltd.	**RMB133 million**	RMB133 million
Tibet Heng Xun Corporate Management Co., Ltd.	**RMB10 million**	RMB10 million
Tibet Rong Jie Corporate Management Co., Ltd.	**RMB10 million**	RMB10 million
Tibet Fu Ju Investment Co., Ltd.	**RMB300 million**	N/A

(3) The detailed information of the Bank's subsidiaries is set out in Note 5.21.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(4) Relationship with related parties

Company name	Relationship with the Bank
SHR FSST, LLC	Related party of Dajia Life Insurance Inc.
Anbang Property & Casualty Insurance Co., Ltd.	Related party of Dajia Life Insurance Inc.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
Oriental Group Cereals, Oils and Foodstuffs Co., Ltd.	Related party of Orient Group Incorporation
Yumi Net Supply Chain (Dalian) Co., Ltd.	Related party of Orient Group Incorporation
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED	Related party of China Oceanwide Holdings Group Co., Ltd.
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Beijing Oceanwide Dongfeng Real Estate Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Grassroots Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chengdu Hengjilong Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chengdu New Hope Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Guida Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Special Drive Education Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Hope Education Industry Group Co. Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Wenzhou Xinjintian Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Jiang'an Dekang Feed Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Alxa Fengwei Photoelectronic Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Giant Network Group Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Inner Mongolia Qinghua Group New Energy Photovoltaic Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Yufu Highway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Xiamen University Electronic Information Technology Co. Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Jingding Sports Culture Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Dazu Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Tongxincheng Industry and Trade Co., Ltd.	Related party of Good First Group Co., Ltd.
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Zhangzhou Tangcheng Real Estate Co., Ltd.	Related party of Good First Group Co., Ltd.
Orient Hope Baotou Rare Earth Aluminium Co., Ltd.	Related party of Orient Hope Group Co., Ltd.
Guangzhou Hanguohengsheng Real Estate Development Co., Ltd.	Related party of management board of the Bank
Shanghai Songjiang Water Company	Shareholder of Subsidiary, Songjiang Rural Bank
Minsheng Real Estate Co., Ltd.	Companies funded by the Union Committee of the Bank
Minsheng Pension Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Neural Management of Comprehensive Channels Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Beijing Changrong Heyin Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Hongtai Keystone Asset Management Co., Ltd.	Companies funded by Union Committee of credit card centre and related parties of the Bank

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(5) Related natural persons

Related natural persons of the Group include: members of the Board of Directors, the Board of Supervisors and senior management of head office and branches, people who have the power to decide or participate in the Bank's credit granting and asset transfer and close family members of such individuals; controlling natural person shareholders, members of the Board of Directors and key management personnel of the Bank's related legal persons or other organizations (excluding the legal persons or other organizations that are under direct, indirect or joint control of or under significant influence of the Bank's insiders, major natural person shareholders and close family members of such individuals). According to the criteria for identifying related natural persons stipulated by CBIRC in the *Administrative Measures for the Management of Related Party Transactions between Commercial Banks and Their Staff Members and Shareholders*, by the end of 2020, the Bank had a total of 8,135 related natural persons, where its directors and their close relatives totalled 148, supervisors and their close relatives totalled 112, senior executives at the head office and their close relatives totalled 75, and senior executives of the branches and those with decision-making authority over or with involvement in the Bank's credit line determination and asset transfers and their close relatives totalled 7,225. The controlling natural person shareholders, directors and key management personnel of the Bank's related legal entities or other organizations totalled 575.

9.2 Related party transactions

(1) Major related party transactions

Major related party transactions refer to transactions in which the ratio of a single transaction amount to the bank's net capital is more than 1% of a single related party, or the cumulative transaction balance to the bank's net capital is more than 5%. In 2020, the Group granted a loan to Dajia Life Insurance Inc. under normal commercial terms, with the transaction amount of RMB11.50 billion. In 2019, the Group granted a loan to Anbang Property & Casualty Insurance Co., under normal commercial terms, with the transaction amount of RMB18.00 billion.

(2) Pricing policy

Transactions between the Group and related parties are mainly 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.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	**31 December 2020**	31 December 2019
Dajia Life Insurance Inc.	Pledged	**11,500**	–
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged&Guaranteed	**7,514**	7,516
Oceanwide Holding Co., Ltd.	Pledged	**5,100**	2,400
	Guaranteed	**4,100**	4,100
Chongqing Cibi Business Information Consulting Co., Ltd.	Pledged&Guaranteed	**6,617**	6,619
China Oceanwide Holdings Group Co., Ltd.	Pledged	**4,673**	4,275
Wuhan Centre Building Development Investment Co., Ltd.	Guaranteed	**3,972**	3,974
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged&Guaranteed	**3,455**	3,838
Orient Group Incorporation	Collateralised	**2,131**	2,585
	Guaranteed	**524**	–
	Pledged	**455**	–
Wuhan CBD Co., Ltd.	Guaranteed	**3,056**	–
Beijing Changrong Heyin Investment Management Co., Ltd.	Pledged	**3,000**	3,000
Oriental Group Co., Ltd.	Pledged	**1,197**	798
	Guaranteed	**498**	500
Wenzhou Xinjintian Real Estate Co., Ltd. (b)	Collateralised	**1,538**	N/A
Tianjin Haihui Real Estate Development Co., Ltd.	Collateralised	**1,147**	680
Chengdu Hengjilong Real Estate Co., Ltd.	Collateralised	**1,000**	1,550
Xiamen Jingding Sports Culture Development Co., Ltd.	Collateralised	**770**	560
SHR FSST, LLC	Collateralised	**582**	698
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED	Guaranteed	**505**	717
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	**500**	250
Xiamen Rongyin Co., Ltd.	Pledged	**450**	786
	Collateralised	**–**	91
Guangzhou Hanguohengsheng Real Estate Development Co., Ltd. (b)	Guaranteed	**440**	N/A
Xiamen Tongxincheng Industry and Trade Co., Ltd. (b)	Guaranteed	**350**	N/A
	Pledged	**22**	N/A
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	**350**	350
Zhangzhou Tangcheng Real Estate Co., Ltd.	Collateralised	**316**	436
Chongqing Yujinyue Real Estate Development Co., Ltd.	Collateralised	**300**	700
Orient Hope Baotou Rare Earth Aluminum Co., Ltd.	Guaranteed	**300**	–
Tongfang Guoxin Investment Co., Ltd.	Pledged	**250**	–
Xiamen University Electronic Information Technology Co., Ltd.	Pledged	**200**	130
Xiamen Dazu Real Estate Development Co., Ltd.	Collateralised	**200**	350
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	**150**	150
Grassroots Joint Venture Capital (Beijing) Co., Ltd.	Pledged&Guaranteed	**149**	150
Jiang'an Dekang Feed Co., Ltd.	Guaranteed	**50**	–
Chongqing Yufu Highway Co., Ltd.	Pledged	**6**	13
Giant Network Group Co., Ltd.	Guaranteed	**–**	387
Sichuan Guida Industrial Co., Ltd.	Collateralised	**–**	280
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	**–**	150
Chengdu New Hope Real Estate Co., Ltd.	Collateralised	**–**	110
Shanghai Songjiang Water Company	Guaranteed	**–**	104

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

	Types of collateral	31 December 2020	31 December 2019
Oriental Group Cereals, Oils and Foodstuffs Co., Ltd.	Pledged	–	50
Anbang Property & Casualty Insurance Co., Ltd. (a)	Pledged	N/A	18,000
Beijing Oceanwide Dongfeng Real Estate Co., Ltd. (a)	Collateralised	N/A	3,675
Alxa Fengwei Photoelectric Co., Ltd. (a)	Pledged	N/A	333
	Guaranteed	N/A	96
Inner Mongolia Qinghua Group New Energy Photovoltaic Co., Ltd. (a)	Guaranteed	N/A	70
	Pledged	N/A	59
Individuals	Collateralised	792	543
	Guaranteed	42	24
Total		68,201	71,097
Ratio to similar transactions %		1.80	2.00
Interest rate ranges		3.80%-8.95%	3.10%-8.95%

(a) As at 31 December 2020, these entities were no longer related parties of the Group.

(b) As at 31 December 2019, these entities were not related parties of the Group.

Amount of transactions:

	Year ended 31 December	
	2020	2019
Interest income from loans	4,265	2,664
Ratio to similar transactions (%)	1.49	0.97

As at 31 December 2020, none of the above loans is found to be credit-impaired (31 December 2019: Nil).

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	31 December 2020		31 December 2019	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Placements with banks and other financial institutions	**–**	**–**	350	0.14
Financial investments				
– Financial assets measured at amortised cost (a)	**2,704**	**0.20**	2,883	0.25
– Financial assets at fair value through other comprehensive income	**1,633**	**0.35**	1,725	0.34
Long-term receivables	**527**	**0.41**	244	0.21
Balances with banks and other financial institutions	**87**	**0.17**	–	–
Deposits from customers	**40,143**	**1.07**	88,922	2.44
Deposits and placements from banks and other financial institutions	**5,617**	**0.53**	11,996	1.17

(a) As at 31 December 2020 and 31 December 2019, the related party transaction of a financial asset measured at amortized cost between the Group and Minsheng Pension Co., Ltd. had an overdue amount of RMB600 million. The Group had made an impairment allowance of RMB110 million for these financial assets.

Amount of transactions for the reporting period:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Interest income	**279**	**0.10**	228	0.09
Interest expense	**1,635**	**1.08**	1,700	1.11
Fee and commission income (a)	**383**	**1.16**	316	0.55
Operating expenses (b)	**2,129**	**4.40**	2,088	4.33

(a) It mainly represents the Group's income from agency sales of insurance products entered into between the Group and Dajia Life Insurance Inc. and Huaxia Life Insurance Co., Ltd., and the income from agency sales of trust products entered into between the Group and Chongqing International Trust Co., Ltd. (2019: The amount mainly represented income from agent sales of insurance products entered into between the Group and Dajia Life Insurance Inc).

(b) Operating expenses of the Group were mainly for financial business outsourcing service and procurement service provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service provided by Minsheng Real Estate Co., Ltd. and its related parties, technology development service provided by Minsheng Fintech Co., Ltd., assets recovery service provided by Hongtai KeyStone Asset Management Co., Ltd., and maintenance service of self-service cashier equipment provided by Neural Management of Comprehensive Channels Co., Ltd..

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

	31 December 2020	31 December 2019
Placements with banks and other financial institutions	**N/A**	4.00%-7.20%
Financial investments		
– Financial assets measured at amortised cost	**4.10%-7.90%**	5.94%-9.50%
– Financial assets at fair value through other comprehensive income	**5.60%-6.00%**	4.40%-6.00%
Long-term receivables	**3.80%-4.75%**	5.40%-6.00%
Balances with banks and other financial institutions	**3.25%-3.70%**	N/A
Deposits from customers	**0.00%-5.20%**	0.00%-5.80%
Deposits and placements from banks and other financial institutions	**0.00%-4.00%**	0.30%-3.80%

Balances of off-balance sheet items:

	31 December 2020		31 December 2019	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Bank acceptances	**2,115**	**0.49**	2,733	0.49
Guarantees	**2,117**	**1.33**	2,313	1.45
Letters of credit	**300**	**0.26**	365	0.27
Unused credit card commitments	**363**	**0.01**	281	0.01

Balances of loans guaranteed by related parties:

	31 December 2020	31 December 2019
Loans guaranteed by related parties	**37,120**	53,430
Ratio to similar transactions (%)	**0.98**	1.56

For the year ended 31 December 2020, the original value of loans transferred between Beijing Changrong Heyin Investment Management Co., Ltd. and the Bank was RMB12.22 billion (2019: RMB11.70 billion), with the consideration of RMB10.44 billion (2019: RMB8.35 billion) agreed upon by both parties. The risks and rewards of these loans have been fully transferred.

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the year ended 31 December 2020 and for the year ended 31 December 2019.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(6) 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 RMB4.25 million as at 31 December 2020 (31 December 2019: RMB4.67 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 RMB95 million for the year ended 31 December 2020 (2019: RMB131 million, the related salaries and benefits were restated in accordance with the Supplementary Announcement Regarding the Senior Management's Emoluments 2019 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 RMB33 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2019: RMB47 million and no less than 50% respectively) in accordance with relevant state regulations. The exact amounts of these deferred payments shall be determined at the end of their respective tenure based on their performance. In the case of violations of laws and regulations, non-compliances with rules and requirements, and other actions as a senior officer of the Bank that have exposed the Bank to undue risks, the Bank will, depending on the circumstances, deduct the performance-based remuneration of the person for the corresponding period or up to all the performance-based remuneration for his/her entire term of office, in accordance with the Guidelines for Performance-Based Remuneration Recoupment Mechanisms of Banking and Insurance Institutions (Yin Bao Jian Ban Fa [2021] No. 17) issued by China Banking and Insurance Regulatory Commission (CBIRC) as well as relevant rules of the Bank. The Bank subscribed RMB10 million for supplementary pension insurance for the key management personnel in 2020 (2019: RMB10 million).

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(7) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	31 December 2020	31 December 2019
Placements with banks and other financial institutions	**25,485**	23,188
Loans and advances to customers	**1,838**	1,789
Right-of-use assets	**159**	291
Other assets	**329**	416
Deposits and placements from banks and other financial institutions	**9,461**	7,940
Deposits from customers	**270**	258
Leasing liabilities	**159**	291
Other liabilities	**1,158**	1,526

Amount of transactions for the reporting period:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income	**823**	855
Interest expense	**120**	180
Fee and commission income	**223**	100
Operating expenses	**154**	186
Other operating income	**5**	–

For the year ended 31 December 2020, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 31 December 2020, the balance of the above transactions was RMB391 million (31 December 2019: RMB713 million).

The balances and amount with the subsidiaries and inter-subsidiaries have been offset in the statement of financial position, income statement and off-balance-sheet items.

10 FINANCIAL RISK MANAGEMENT

10.1 Financial risk management overview

In accordance with the Comprehensive Risk Management Framework of COSO and with the Comprehensive Risk Management Guidelines of CBIRC, risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

The Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing"), Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund"), CMBC International Holding Ltd. ("CMBC International") and 29 Rural banks. These subsidiaries are responsible for financial risk management in their respective businesses as separate entities. The financial risk arising from commercial banking was the most significant risk for the Group's operations. The Group formulated the "Administrative Measures of Subsidiaries of China Minsheng Banking Corporation Limited on Comprehensive Risk Management" to further enhance the risk management of these subsidiaries.

Based on new regulatory requirements and market changes, the Group formulated risk preferences and risk policies based on actual conditions, to clarify objectives of portfolio quota management, to improve risk quantification tools and information systems, to establish control mechanisms and to improve risk management covering the entire process. Meanwhile, to re-examine and optimise the preference transmission mechanism, risk policy, portfolio management, systems and tools based on execution to ensure preferences and policies have been implemented to strengthen the support of risk management for strategic decision-making.

The Bank has a Risk Management Committee under the Board of Directors, and the committee is responsible for setting up the Bank's overall risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing its effectiveness. In accordance with the risk management strategy, the Bank's senior management formulates and promotes the corresponding risk management policies.

The Development and Planning Department under the Bank's senior management is responsible for the routine management of subsidiaries, to establish and optimise the risk management framework at Group level gradually.

10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (Continued)

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, faulty asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Bank continues to make its best effort to recover them.

(1) Credit risk measurement

(a) Loans and credit commitments

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

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

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

(b) Debt securities and other bills

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

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(2) Risk limit control and mitigation policies

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

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

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

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

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and prevent and control customer concentration risks.

(a) Collateral

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

– Real estate and land use rights

– Machinery and equipment

– Right to receive payments and accounts receivable

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

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

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

(b) Derivative instruments

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

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

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

(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) Expected Credit Loss ("ECL") measurement

According to the new standard, the Group divided the financial instruments that require ECL provision recognition into three stages and applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortised cost or at fair value through other comprehensive income, as well as its loan commitments and financial guarantee contracts.

The Group adopts the parameters-based approach and the discounted cash flow ("DCF") method to assess the expected credit losses of its financial assets. The parameters-based approach is applied to retail assets and Stage I and Stage II non-retail assets, while the DCF method is applied to Stage III non-retail assets.

Financial instrument risk stages

The Group applies a 'three-stage model' for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) Expected Credit Loss ("ECL") measurement (continued)

Criteria for significant increases in credit risk ("SICR")

- The principal or interest is overdue for more than 30 days;
- Significant change in credit rating. Internal rating results of the Group will be adopted as the result of credit rating;
- The debtor experiences serious production or operation problems, the overall profitability decreased significantly, and the financial position is poor;
- Changes or events with a significant negative impact on the solvency of the debtor;
- Other objective evidence of a significant increase in credit risk of financial asset.

Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. Non-retail assets of the Group are mainly grouped according to types of borrower and industry, while retail assets are mainly grouped based on product types.

Parameters for ECL measurement

Except for credit-impaired financial assets, according to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument. Expected credit losses are the weighted average of the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

– PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;

– LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;

– EAD refers to the total amount of on and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet risk conversion factor etc., and may vary by product types.

Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the year-on-year growth rates of Gross Domestic Product (GDP), Consumer Price Index (CPI) and Broad Money Supply (M2). The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indictors for ECL calculation.

The Group determines the relationship between these economic variables and PD and LGD by building econometric model, so as to ascertain the impacts of historical changes in these variables on PD and LGD.

In 2020, as part of its evaluation of forward-looking information for ECL calculation, the Group had considered the impact of COVID-19 on the economy and banking industry. As at 31 December 2020, the forecast values for 2021 for key economic indicators used by the Group are listed below:

– GDP – year on year percentage change: the predictive value in the neutral; scenario in year 2021 is about 6.00, and is 1.00 percentage higher in the positive scenario while 1.00 percentage lower in the negative scenario.

– CPI – year on year percentage change: the predictive value in the neutral scenario in year 2021 is about 1.60, and is 0.40 percentage higher in the positive scenario while 0.30 percentage lower in the negative scenario.

– M2 – year on year percentage change: the predictive value in the neutral scenario in year 2021 is about 8.90, and is 0.80 percentage higher in the positive scenario while 0.60 percentage lower in the negative scenario.

The Group combines macroeconomic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. In 2020 and 2019, the positive, neutral and negative scenarios had similar weightings.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) Expected Credit Loss ("ECL") measurement (continued)

Cash flow forecasts for Stage III non-retail assets

The Group uses the DCF method to measure the expected credit losses of Stage III non-retail assets. The DCF method calculates the impairment allowances based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

(4) Maximum credit risk exposure

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

	31 December 2020	31 December 2019
Balances with central bank	**396,165**	365,393
Balances with banks and other financial institutions	**52,084**	53,180
Derivative financial assets	**42,285**	31,100
Placements with banks and other financial institutions	**221,908**	248,565
Financial assets held under resale agreements	**21,464**	65,799
Loans and advances to customers	**3,782,297**	3,430,427
Financial investments		
– Financial assets at fair value through profit or loss	**92,548**	381,269
– Financial assets at fair value through other comprehensive income	**466,092**	510,802
– Financial assets measured at amortised cost	**1,328,048**	1,143,079
Long-term receivables	**127,853**	116,593
Other financial assets	**43,617**	45,698
Total	**6,574,361**	6,391,905
Off-balance sheet credit commitments	**1,170,750**	1,325,426
Maximum credit risk exposure	**7,745,111**	7,717,331

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(5) Analysis on the credit quality of financial instruments

(a) As at 31 December 2020, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as followed:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances with central bank	**396,165**	**–**	**–**	**396,165**	**–**	**–**	**–**	**–**
Balances with banks and other financial institutions	**52,088**	**–**	**658**	**52,746**	**(4)**	**–**	**(658)**	**(662)**
Placements with banks and other financial institutions	**221,669**	**–**	**1,211**	**222,880**	**(233)**	**–**	**(739)**	**(972)**
Financial assets held under resale agreements	**21,468**	**–**	**–**	**21,468**	**(4)**	**–**	**–**	**(4)**
Loans and advances to customers								
– Corporate loans and advances	**2,113,087**	**110,946**	**42,161**	**2,266,194**	**(15,456)**	**(18,219)**	**(21,830)**	**(55,505)**
– Personal loans and advances	**1,531,049**	**50,092**	**31,504**	**1,612,645**	**(8,088)**	**(11,506)**	**(22,538)**	**(42,132)**
Financial investments	**1,775,621**	**1,973**	**26,621**	**1,804,215**	**(3,910)**	**(48)**	**(8,246)**	**(12,204)**
Long-term receivables	**123,257**	**6,242**	**2,623**	**132,122**	**(1,177)**	**(1,826)**	**(1,266)**	**(4,269)**
Off-balance sheet credit commitments	**1,162,113**	**5,737**	**2,900**	**1,170,750**	**(1,619)**	**(221)**	**(45)**	**(1,885)**

(b) As at 31 December 2019, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as followed:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	365,393	–	–	365,393	–	–	–	–
Balances with banks and other financial institutions	52,804	–	722	53,526	(118)	–	(228)	(346)
Placements with banks and other financial institutions	247,868	1,200	–	249,068	(178)	(325)	–	(503)
Financial assets held under resale agreements	65,808	–	–	65,808	(9)	–	–	(9)
Loans and advances to customers								
– Corporate loans and advances	1,953,671	112,539	30,545	2,096,755	(17,134)	(16,632)	(17,065)	(50,831)
– Personal loans and advances	1,371,839	18,078	26,230	1,416,147	(9,391)	(5,082)	(19,343)	(33,816)
Financial investments	1,642,548	4,399	11,047	1,657,994	(3,050)	(265)	(1,860)	(5,175)
Long-term receivables	111,696	6,521	2,319	120,536	(1,051)	(1,739)	(1,153)	(3,943)
Off-balance sheet credit commitments	1,322,714	1,355	1,357	1,325,426	(1,407)	(22)	(24)	(1,453)

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	31 December 2020	31 December 2019
Stage 1		
Unsecured loans	**897,497**	760,159
Guaranteed loans	**593,863**	552,161
Loans secured by		
Tangible assets other than monetary assets	**1,595,387**	1,504,295
Monetary assets	**532,481**	483,594
Subtotal	**3,619,228**	3,300,209
Stage 2		
Unsecured loans	**29,840**	18,843
Guaranteed loans	**48,864**	59,096
Loans secured by		
Tangible assets other than monetary assets	**65,108**	34,575
Monetary assets	**17,226**	18,103
Subtotal	**161,038**	130,617
Stage 3		
Unsecured loans	**20,131**	14,362
Guaranteed loans	**19,000**	21,206
Loans secured by		
Tangible assets other than monetary assets	**25,812**	16,602
Monetary assets	**8,722**	4,605
Subtotal	**73,665**	56,775
Total	**3,853,931**	3,487,601
Credit-impaired loans secured by collateral	**16,986**	13,262

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

(b) Loans and advances to customers (excluded interest accrued) analysed by industries are as following:

	31 December 2020		31 December 2019	
	Amount	**(%)**	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	**485,982**	**12.61**	442,883	12.70
Real Estate	**439,032**	**11.39**	476,199	13.66
Manufacturing	**300,323**	**7.79**	284,055	8.14
Financial services	**204,644**	**5.31**	138,039	3.96
Wholesale and retail	**170,477**	**4.42**	177,685	5.09
Water, environment and public utilities management	**149,509**	**3.88**	122,282	3.51
Construction	**108,440**	**2.81**	106,783	3.06
Transportation, storage and postal service	**107,441**	**2.79**	77,031	2.21
Mining	**104,329**	**2.71**	110,152	3.16
Production and supply of electric power, heat, gas and water	**69,354**	**1.80**	55,151	1.58
Accommodation and catering	**15,863**	**0.41**	11,858	0.34
Agriculture, forestry, animal husbandry and fishery	**12,769**	**0.33**	10,225	0.29
Public administration, social security and social organisations	**6,840**	**0.18**	8,376	0.24
Others	**69,853**	**1.82**	53,958	1.55
Subtotal	**2,244,856**	**58.25**	2,074,677	59.49
Personal loans and advances	**1,609,075**	**41.75**	1,412,924	40.51
Total	**3,853,931**	**100.00**	3,487,601	100.00

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

(c) Loans and advances to customers (excluded interest accrued) by geographical area are as following:

	31 December 2020		31 December 2019	
	Amount	**(%)**	Amount	(%)
Head Office	**548,060**	**14.22**	474,512	13.61
Yangtze River Delta	**928,337**	**24.09**	841,123	24.12
Pearl River Delta	**523,433**	**13.58**	465,618	13.35
Bohai Rim	**618,101**	**16.04**	564,343	16.18
North-eastern Region	**90,034**	**2.34**	89,488	2.57
Central Region	**481,042**	**12.48**	451,441	12.94
Western Region	**570,998**	**14.81**	519,713	14.90
Overseas and subsidiaries	**93,926**	**2.44**	81,363	2.33
Total	**3,853,931**	**100.00**	3,487,601	100.00

(7) Loans and advances restructured

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. As at 31 December 2020, the amount of the Group's impaired restructured loans and advances to customers with modified contract terms, is RMB18,729 million (31 December 2019: RMB16,860 million).

Impaired restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

	31 December 2020	31 December 2019
Impaired restructured loans and advances to customers	**9,251**	2,176
% of total loans and advances	**0.24**	0.06

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	31 December 2020					
	Unrated	**AAA**	**AA**	**A**	**Lower than A**	**Total**
Credit impaired						
– Banks and non-bank financial institutions	**23,639**	**–**	**–**	**–**	**–**	**23,639**
– Corporates	**588**	**131**	**–**	**–**	**630**	**1,349**
Total	**24,227**	**131**	**–**	**–**	**630**	**24,988**
Interest accrued						**16,633**
Less: Allowance for impairment losses of financial assets measured at amortised cost						**(7,420)**
Subtotal						**19,201**
Not impaired						
– Government	**649,700**	**314,329**	**–**	**18**	**–**	**964,047**
– Policy banks	**89,000**	**–**	**–**	**1,682**	**–**	**90,682**
– Banks and non-bank financial institutions	**205,394**	**116,608**	**14,882**	**21,935**	**16,996**	**375,815**
– Corporates	**136,046**	**211,714**	**27,857**	**11,451**	**31,997**	**419,065**
Total	**1,080,140**	**642,651**	**42,739**	**35,086**	**48,993**	**1,849,609**
Interest accrued						**20,533**
Less: Allowance for impairment losses of financial assets measured at amortised cost						**(2,655)**
Subtotal						**1,867,487**
Total						**1,886,688**

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(8) Distribution of debt instruments analysed by issuers and rating (continued)

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	31 December 2019					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	10,673	–	–	–	–	10,673
– Corporates	374	–	–	–	–	374
Total	11,047	–	–	–	–	11,047
Less: Allowance for impairment losses of financial assets measured at amortised cost						(1,794)
Subtotal						9,253
Not impaired						
– Government	543,968	292,643	–	–	–	836,611
– Policy banks	96,474	575	–	709	–	97,758
– Banks and non-bank financial institutions	545,432	121,266	13,535	46,601	17,063	743,897
– Corporates	96,391	169,692	31,611	7,259	26,921	331,874
Total	1,282,265	584,176	45,146	54,569	43,984	2,010,140
Interest accrued						18,076
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,319)
Subtotal						2,025,897
Total						2,035,150

Unrated debt investments held by the Group mainly include trust and asset management plans, wealth management products and bonds issued primarily by the PRC government and policy banks, etc.

10.2 Credit risk (continued)

(9) Investments classified as trust and asset management plans analysed by type of underlying assets

	31 December 2020	31 December 2019
Trust and asset management plans		
Credit assets	**133,800**	207,864
Discounted bills	**–**	71,843
Others	**10,168**	8,123
Total	**143,968**	287,830

The Group includes trust and asset management plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral and pledge.

10.3 Market risk

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

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

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

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.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(1) Market risk measurement techniques

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

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

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, and value at risk (VaR).

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

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

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

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

The Group manages the Currency risk by controlling each currency exposure limits and total exposure.

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

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

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

	31 December 2020				
	RMB	**USD**	**HKD**	**Others**	**Total**
Assets:					
Cash and balances with central bank	**360,632**	**40,082**	**615**	**196**	**401,525**
Balances with banks and other financial institutions	**19,497**	**25,664**	**5,206**	**1,717**	**52,084**
Placements with banks and other financial institutions	**193,109**	**27,800**	**999**	**–**	**221,908**
Financial assets held under resale agreements	**20,709**	**755**	**–**	**–**	**21,464**
Loans and advances to customers	**3,584,228**	**140,396**	**24,880**	**32,793**	**3,782,297**
Financial investments	**1,981,764**	**121,676**	**3,540**	**13,670**	**2,120,650**
Long-term receivables	**103,200**	**24,653**	**–**	**–**	**127,853**
Other assets	**170,146**	**37,455**	**8,232**	**6,619**	**222,452**
Total assets	**6,433,285**	**418,481**	**43,472**	**54,995**	**6,950,233**
Liabilities:					
Borrowings from central bank	**292,352**	**–**	**–**	**–**	**292,352**
Deposits and placements from banks and other financial institutions	**974,551**	**78,250**	**16,440**	**480**	**1,069,721**
Borrowings from banks and other financial institutions	**83,324**	**44,972**	**2,722**	**–**	**131,018**
Financial assets sold under repurchase agreements	**49,958**	**13,374**	**–**	**1,986**	**65,318**
Deposits from customers	**3,521,632**	**218,644**	**20,794**	**7,081**	**3,768,151**
Debt securities issued	**945,784**	**12,096**	**–**	**–**	**957,880**
Lease liabilities	**10,001**	**111**	**155**	**–**	**10,267**
Other liabilities	**102,616**	**9,798**	**1,653**	**211**	**114,278**
Total liabilities	**5,980,218**	**377,245**	**41,764**	**9,758**	**6,408,985**
Net position	**453,067**	**41,236**	**1,708**	**45,237**	**541,248**
Foreign currency derivatives	**13,104**	**12,173**	**5,267**	**(26,546)**	**3,998**
Off-balance sheet credit commitments	**1,135,637**	**26,337**	**3,358**	**5,418**	**1,170,750**

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

	31 December 2019				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	330,456	40,261	229	209	371,155
Balances with banks and other financial institutions	31,357	18,794	1,014	2,015	53,180
Placements with banks and other financial institutions	199,318	35,123	8,242	5,882	248,565
Financial assets held under resale agreements	65,799	–	–	–	65,799
Loans and advances to customers	3,256,901	117,744	37,048	18,734	3,430,427
Financial investments	2,036,310	127,705	6,789	13,501	2,184,305
Long-term receivables	87,328	29,265	–	–	116,593
Other assets	155,513	38,992	2,092	15,220	211,817
Total assets	6,162,982	407,884	55,414	55,561	6,681,841
Liabilities:					
Borrowings from central bank	198,843	–	–	–	198,843
Deposits and placements from banks and other financial institutions	1,035,669	96,254	17,152	13,979	1,163,054
Borrowings from banks and other financial institutions	73,513	56,340	2,442	–	132,295
Financial assets sold under repurchase agreements	88,259	11,112	–	2,334	101,705
Deposits from customers	3,456,331	156,249	14,077	10,377	3,637,034
Debt securities issued	795,962	21,263	–	–	817,225
Lease liabilities	10,068	237	114	1	10,420
Other liabilities	83,588	5,702	898	248	90,436
Total liabilities	5,742,233	347,157	34,683	26,939	6,151,012
Net position	420,749	60,727	20,731	28,622	530,829
Foreign currency derivatives	(93)	1,160	(39)	–	1,028
Off-balance sheet credit commitments	1,287,353	30,512	1,794	5,767	1,325,426

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2020, 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 RMB661 million (31 December 2019: increase by RMB826 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 RMB661 million (31 December 2019: decrease by RMB826 million).

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

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

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

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

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

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

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

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

(3) Interest rate risk

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

a. The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

a. The trading books (continued)

The Group mainly uses indicators for scale, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

b. The banking books

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 manages the interest rate risk in the frame of the exposure limit by periodically 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.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

b. The banking books (continued)

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

	31 December 2020					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	396,016	–	–	–	5,509	401,525
Balances with banks and other financial institutions	49,488	2,539	–	–	57	52,084
Placements with banks and other financial institutions	91,601	122,681	6,848	–	778	221,908
Financial assets held under resale agreements	21,021	422	–	–	21	21,464
Loans and advances to customers	1,226,155	1,660,519	636,145	234,570	24,908	3,782,297
Financial investment	322,964	311,902	1,010,585	409,286	65,913	2,120,650
Long-term receivables	127,853	–	–	–	–	127,853
Other assets	–	–	–	–	222,452	222,452
Total assets	2,235,098	2,098,063	1,653,578	643,856	319,638	6,950,233
Liabilities:						
Borrowings from central bank	50,306	238,714	–	–	3,332	292,352
Deposits and placements from banks and other financial institutions	709,821	355,584	–	–	4,316	1,069,721
Borrowings from banks and other financial institutions	55,632	64,664	8,087	1,796	839	131,018
Financial assets sold under repurchase agreements	25,411	39,109	364	22	412	65,318
Deposits from customers	2,367,781	581,552	778,841	–	39,977	3,768,151
Debt securities issued	289,251	491,300	29,450	143,947	3,932	957,880
Lease liabilities	760	1,983	6,156	1,368	–	10,267
Other liabilities	4,088	–	–	–	110,190	114,278
Total liabilities	3,503,050	1,772,906	822,898	147,133	162,998	6,408,985
Interest rate gap	(1,267,952)	325,157	830,680	496,723	156,640	541,248

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

b. The banking books (continued)

	31 December 2019					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	365,248	–	–	–	5,907	371,155
Balances with banks and other financial institutions	48,864	4,200	–	–	116	53,180
Placements with banks and other financial institutions	87,593	149,111	11,390	–	471	248,565
Financial assets held under resale agreements	62,204	3,486	–	–	109	65,799
Loans and advances to customers	2,326,182	583,392	383,625	112,174	25,054	3,430,427
Financial investment	435,701	426,265	1,039,163	241,350	41,826	2,184,305
Long-term receivables	116,593	–	–	–	–	116,593
Other assets	–	–	–	–	211,817	211,817
Total assets	3,442,385	1,166,454	1,434,178	353,524	285,300	6,681,841
Liabilities:						
Borrowings from central bank	125	196,810	–	–	1,908	198,843
Deposits and placements from banks and other financial institutions	872,433	283,515	2,000	–	5,106	1,163,054
Borrowings from banks and other financial institutions	39,429	58,817	20,991	12,264	794	132,295
Financial assets sold under repurchase agreements	77,651	23,727	60	–	267	101,705
Deposits from customers	2,560,332	605,982	437,724	50	32,946	3,637,034
Debt securities issued	306,176	319,427	73,390	113,926	4,306	817,225
Lease liabilities	687	1,990	6,236	1,507	–	10,420
Other liabilities	729	–	–	–	89,707	90,436
Total liabilities	3,857,562	1,490,268	540,401	127,747	135,034	6,151,012
Interest rate gap	(415,177)	(323,814)	893,777	225,777	150,266	530,829

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

b. The banking books (continued)

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

	31 December 2020	31 December 2019
	(Loss)/gain	(Loss)/gain
Up 100 bps parallel shift in yield curves	**(7,406)**	(3,635)
Down 100 bps parallel shift in yield curves	**7,406**	3,635

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

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

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

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

d. the impact of interest rate fluctuations on market prices;

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

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

g. other variables (including foreign exchange rate); and

h. other risk management measures in the Group.

10.4 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.

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

During the reporting period, the Bank was required to maintain 9.0% of the total RMB denominated deposits and 5.0% of the total foreign currency denominated balances as statutory reserves with the PBOC.

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

(1) Liquidity risk management policy

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

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

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

To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios and net stable funding ratios;

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

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

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances and long-term receivables refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and real-time repayment with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

	31 December 2020							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	332,366	69,159	–	–	–	–	–	401,525
Balances with banks and other financial institutions	–	46,352	1,780	1,398	2,554	–	–	52,084
Placements with banks and other financial institutions	472	–	40,804	51,022	122,756	6,854	–	221,908
Financial assets held under resale agreements	281	–	19,351	1,406	426	–	–	21,464
Loans and advances to customers	37,951	8,352	360,771	239,276	1,137,821	1,097,376	900,750	3,782,297
Financial investments	251,367	505	46,403	51,900	319,208	1,035,852	415,415	2,120,650
Long-term receivables	3,836	915	4,746	8,823	36,903	63,378	9,252	127,853
Other assets	134,542	20,003	12,973	11,852	29,847	10,614	2,621	222,452
Total assets	760,815	145,286	486,828	365,677	1,649,515	2,214,074	1,328,038	6,950,233

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis (continued)

	31 December 2020							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	–	–	17,258	34,464	240,630	–	–	292,352
Deposits and placements from banks and other financial institutions	–	297,037	216,417	199,962	356,305	–	–	1,069,721
Borrowings from banks and other financial institutions	–	–	20,473	19,986	71,462	10,598	8,499	131,018
Financial assets sold under repurchase agreements	–	–	6,012	18,226	40,693	365	22	65,318
Deposits from customers	–	2,010,626	120,312	262,479	587,777	786,957	–	3,768,151
Debt securities issued	–	–	37,455	253,917	493,111	29,450	143,947	957,880
Lease liabilities	–	–	277	483	1,983	6,156	1,368	10,267
Other liabilities	2,507	2,430	13,711	23,141	54,973	14,773	2,743	114,278
Total liabilities	2,507	2,310,093	431,915	812,658	1,846,934	848,299	156,579	6,408,985
Net position	758,308	(2,164,807)	54,913	(446,981)	(197,419)	1,365,775	1,171,459	541,248
Notional amount of derivatives	–	–	450,839	673,327	1,526,115	732,592	7,191	3,390,064

	31 December 2019							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	323,472	47,683	–	–	–	–	–	371,155
Balances with banks and other financial institutions	–	44,479	2,394	2,065	4,242	–	–	53,180
Placements with banks and other financial institutions	262	–	52,252	35,405	149,257	11,389	–	248,565
Financial assets held under resale agreements	–	–	58,193	4,065	3,541	–	–	65,799
Loans and advances to customers	25,729	8,184	376,938	203,774	1,014,375	1,016,649	784,778	3,430,427
Financial investments	157,336	1,232	66,430	204,161	443,136	1,067,491	244,519	2,184,305
Long-term receivables	1,952	1,518	4,582	7,930	37,110	51,158	12,343	116,593
Other assets	121,606	22,052	15,110	9,326	28,659	13,725	1,339	211,817
Total assets	630,357	125,148	575,899	466,726	1,680,320	2,160,412	1,042,979	6,681,841

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis (continued)

	31 December 2019							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	–	–	21	109	198,713	–	–	198,843
Deposits and placements from banks and other financial institutions	–	257,835	237,363	381,444	284,236	2,176	–	1,163,054
Borrowings from banks and other financial institutions	–	–	13,809	25,905	59,274	21,020	12,287	132,295
Financial assets sold under repurchase agreements	–	–	38,205	39,679	23,761	60	–	101,705
Deposits from customers	–	1,412,935	809,633	339,780	615,567	459,069	50	3,637,034
Debt securities issued	–	–	46,930	261,079	321,921	73,332	113,963	817,225
Lease liabilities	–	–	309	378	1,990	6,236	1,507	10,420
Other liabilities	2,145	120	21,166	18,430	40,335	6,149	2,091	90,436
Total liabilities	2,145	1,670,890	1,167,436	1,066,804	1,545,797	568,042	129,898	6,151,012
Net position	628,212	(1,545,742)	(591,537)	(600,078)	134,523	1,592,370	913,081	530,829
Notional amount of derivatives	–	–	471,559	602,402	2,094,200	691,455	5,444	3,865,060

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

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances and long-term receivables refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and real-time repayment with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

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

	31 December 2020							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	332,366	69,159	–	–	–	–	–	401,525
Balances with banks and other financial institutions	658	46,352	1,783	1,405	2,580	–	–	52,778
Placements with banks and other financial institutions	1,212	–	41,043	52,067	122,978	7,181	–	224,481
Financial assets held under resale agreements	281	–	19,361	1,413	427	–	–	21,482
Loans and advances to customers	87,039	10,391	379,318	270,246	1,260,443	1,453,294	1,488,001	4,948,732
Financial investments	259,503	521	54,326	58,492	365,600	1,221,826	480,100	2,440,368
Long-term receivables	5,295	986	5,158	9,655	40,437	74,939	13,584	150,054
Other assets	135,898	20,003	8,871	4,161	4,348	8,392	2,006	183,679
Total assets (expected maturity date)	822,252	147,412	509,860	397,439	1,796,813	2,765,632	1,983,691	8,423,099

	31 December 2020							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	–	–	17,270	34,633	245,667	–	–	297,570
Deposits and placements from banks and other financial institutions	–	297,037	217,527	201,917	361,905	–	–	1,078,386
Borrowings from banks and other financial institutions	–	–	20,491	20,332	73,204	11,911	8,880	134,818
Financial assets sold under repurchase agreements	–	–	8,028	30,323	100,967	1,413	127	140,858
Deposits from customers	–	2,010,626	121,218	265,742	597,633	853,119	–	3,848,338
Debt securities issued	–	–	37,519	255,715	504,265	54,738	164,291	1,016,528
Lease liabilities	–	–	307	535	2,200	6,829	1,517	11,388
Other liabilities	2,507	2,430	7,829	14,840	29,093	12,990	1,914	71,603
Total liabilities (contractual maturity date)	2,507	2,310,093	430,189	824,037	1,914,934	941,000	176,729	6,599,489

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

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

	31 December 2019							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	323,472	47,683	–	–	–	–	–	371,155
Balances with banks and other financial institutions	–	44,479	2,411	2,072	4,261	–	–	53,223
Placements with banks and other financial institutions	262	–	52,255	37,122	152,228	11,653	–	253,520
Financial assets held under resale agreements	–	–	58,218	4,084	3,728	–	–	66,030
Loans and advances to customers	65,189	11,512	385,898	214,028	1,051,049	1,140,453	1,168,430	4,036,559
Financial investments	159,155	1,232	75,576	207,935	478,595	1,164,444	247,347	2,334,284
Long-term receivables	3,949	1,654	4,979	8,614	41,028	61,327	17,821	139,372
Other assets	121,606	22,052	12,657	3,647	8,776	12,336	1,236	182,310
Total assets (expected maturity date)	673,633	128,612	591,994	477,502	1,739,665	2,390,213	1,434,834	7,436,453

	31 December 2019							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	–	–	21	111	203,316	–	–	203,448
Deposits and placements from banks and other financial institutions	–	258,834	237,688	383,424	288,516	2,360	–	1,170,822
Borrowings from banks and other financial institutions	–	–	13,966	26,454	60,980	24,019	13,442	138,861
Financial assets sold under repurchase agreements	–	–	38,233	39,848	24,000	64	–	102,145
Deposits from customers	–	1,412,935	809,642	339,867	615,779	480,690	3,869	3,662,782
Debt securities issued	–	–	47,172	266,818	334,482	97,303	130,043	875,818
Lease liabilities	–	–	346	423	2,225	6,970	1,685	11,649
Other liabilities	2,145	120	18,943	15,035	29,013	5,489	1,898	72,643
Total liabilities (contractual maturity date)	2,145	1,671,889	1,166,011	1,071,980	1,558,311	616,895	150,937	6,238,168

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

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

Interest rate derivatives	Interest rate swaps
Credit derivatives	Credit default swaps

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

	31 December 2020					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Interest rate derivatives	**(34)**	**(29)**	**(159)**	**(381)**	**(20)**	**(623)**
Credit derivatives	**–**	**–**	**–**	**1**	**–**	**1**
Total	**(34)**	**(29)**	**(159)**	**(380)**	**(20)**	**(622)**

	31 December 2019					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(64)	(129)	(69)	(332)	18	(576)
Credit derivatives	(1)	(1)	–	(1)	–	(3)
Total	(65)	(130)	(69)	(333)	18	(579)

(b) Derivatives settled on a gross basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards, swaps and options
Other derivatives	Futures, equity derivatives, etc.

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

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

(b) Derivatives settled on a gross basis (continued)

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

	31 December 2020					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Foreign exchange derivatives						
– Cash outflow	**(358,138)**	**(420,284)**	**(1,151,806)**	**(50,531)**	**–**	**(1,980,759)**
– Cash inflow	**358,579**	**419,627**	**1,154,877**	**51,674**	**–**	**1,984,757**
Precious metal derivatives						
– Cash outflow	**(5,557)**	**(5,917)**	**(37,761)**	**–**	**–**	**(49,235)**
– Cash inflow	**6,060**	**6,231**	**35,196**	**–**	**–**	**47,487**
Total cash outflow	**(363,695)**	**(426,201)**	**(1,189,567)**	**(50,531)**	**–**	**(2,029,994)**
Total cash inflow	**364,639**	**425,858**	**1,190,073**	**51,674**	**–**	**2,032,244**

	31 December 2019					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(307,018)	(331,733)	(1,251,470)	(43,409)	–	(1,933,630)
– Cash inflow	306,978	331,675	1,251,525	44,480	–	1,934,658
Precious metal derivatives						
– Cash outflow	(24,989)	(24,501)	(89,797)	(4,266)	–	(143,553)
– Cash inflow	24,948	24,137	88,114	4,266	–	141,465
Total cash outflow	(332,007)	(356,234)	(1,341,267)	(47,675)	–	(2,077,183)
Total cash inflow	331,926	355,812	1,339,639	48,746	–	2,076,123

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(5) Analysis on contractual undiscounted cash flows of commitments

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

	31 December 2020			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Bank acceptances	**403,532**	**–**	**–**	**403,532**
Letters of credit	**115,960**	**373**	**–**	**116,333**
Guarantees	**99,081**	**58,450**	**1,358**	**158,889**
Unused credit card commitments	**478,980**	**–**	**–**	**478,980**
Irrevocable credit commitments	**10,203**	**2,813**	**–**	**13,016**
Total	**1,107,756**	**61,636**	**1,358**	**1,170,750**

	31 December 2019			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	542,571	–	–	542,571
Letters of credit	132,847	4,125	–	136,972
Guarantees	72,634	71,583	15,029	159,246
Unused credit card commitments	440,038	–	–	440,038
Irrevocable credit commitments	9,996	36,603	–	46,599
Total	1,198,086	112,311	15,029	1,325,426

10.5 Operational risk

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

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

10 FINANCIAL RISK MANAGEMENT (continued)

10.6 Country risk

The Group is exposed to country risk. The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of polices to accrue country risk reserve.

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations issued by the CBIRC. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)*. 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.

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with *The Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBIRC as below:

10 FINANCIAL RISK MANAGEMENT (continued)

10.7 Capital management (continued)

	31 December 2020	31 December 2019
Core tier-one capital adequacy ratio	**8.51%**	8.89%
Tier-one capital adequacy ratio	**9.81%**	10.28%
Capital adequacy ratio	**13.04%**	13.17%
Components of capital base		
Core tier-one capital:		
Share capital	**43,782**	43,782
Valid portion of capital reserve	**57,419**	57,411
Surplus reserve	**48,479**	45,162
General reserve	**86,599**	81,657
Retained earnings	**225,247**	218,746
Valid portion of non-controlling interests	**7,283**	7,580
Others	**(1,849)**	2,227
Core tier-one capital	**466,960**	456,565
Core tier-one capital deductions	**(5,039)**	(1,477)
Net core tier-one capital	**461,921**	455,088
Net other tier-one capital	**70,427**	70,871
Net tier-one capital	**532,348**	525,959
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	**143,947**	113,926
Surplus provision for loan impairment	**29,234**	31,837
Valid portion of non-controlling interests	**1,943**	2,019
Net tier-two capital	**175,124**	147,782
Net capital base	**707,472**	673,741
Credit risk-weighted assets	**5,019,411**	4,733,503
Market risk-weighted assets	**93,101**	88,596
Operational risk-weighted assets	**313,344**	294,927
Total risk-weighted assets	**5,425,856**	5,117,026

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments and debt instruments on exchanges.

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

Level 3: Parameters for valuation of assets or liabilities are based on unobservable inputs. The Level 3 financial instruments include equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs. The valuation models used include the discounted cash flow method and the market approach, etc. Unobservable inputs for valuation models include yield curve, discounts for lack of marketability (DLOM) and comparable company multiples, etc.

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.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.1 Financial instruments recorded at fair value

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

	31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	**18,164**	**55,411**	**1,276**	**74,851**
Equity investments	**17,709**	**–**	**21,479**	**39,188**
Investment funds	**190,744**	**–**	**–**	**190,744**
Asset management plans	**–**	**–**	**10,168**	**10,168**
Wealth management products	**–**	**2,153**	**2,044**	**4,197**
Others	**–**	**–**	**3,332**	**3,332**
Financial assets at fair value through other comprehensive income				
Debt securities	**47,014**	**417,928**	**1,150**	**466,092**
Equity investments	**2,405**	**–**	**1,625**	**4,030**
Loans and advances to customers designated at fair value through other comprehensive income	**–**	**233,467**	**–**	**233,467**
Derivative financial assets				
Foreign exchange derivatives	**–**	**39,988**	**–**	**39,988**
Precious metal derivatives	**–**	**869**	**–**	**869**
Others	**–**	**1,428**	**–**	**1,428**
Total	**276,036**	**751,244**	**41,074**	**1,068,354**
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	**–**	**(37,279)**	**–**	**(37,279)**
Precious metal derivatives	**–**	**(3,673)**	**–**	**(3,673)**
Others	**–**	**(1,723)**	**–**	**(1,723)**
Financial liabilities at fair value through profit or loss	**–**	**(3,293)**	**–**	**(3,293)**
Total	**–**	**(45,968)**	**–**	**(45,968)**

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.1 Financial instruments recorded at fair value (continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	32,240	82,797	750	115,787
Equity investments	16,141	–	5,130	21,271
Investment funds	125,798	–	–	125,798
Asset management plans	–	71,843	12,158	84,001
Wealth management products	20,081	128,856	29,264	178,201
Others	–	–	3,280	3,280
Financial assets at fair value through other comprehensive income				
Debt securities	83,640	425,334	1,828	510,802
Equity investments	–	961	1,125	2,086
Loans and advances to customers designated at fair value through other comprehensive income	–	172,218	–	172,218
Derivative financial assets				
Foreign exchange derivatives	–	13,782	–	13,782
Precious metal derivatives	–	16,471	–	16,471
Others	–	847	–	847
Total	277,900	913,109	53,535	1,244,544
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(13,521)	–	(13,521)
Precious metal derivatives	–	(3,066)	–	(3,066)
Others	–	(1,206)	–	(1,206)
Financial liabilities at fair value through profit or loss	–	(1,996)	(3,188)	(5,184)
Total	–	(19,789)	(3,188)	(22,977)

In terms of above equity instruments and debt instruments which valuation involved one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of Level 3 financial instruments during the period:

	Year ended 31 December 2020			
	Financial assets at fair value through profit and loss	**Financial assets at fair value through other comprehensive income**		
		Debt securities	**Equity securities**	**Total**
As at 1 January	**50,582**	**1,828**	**1,125**	**53,535**
– in profit or loss	**1,946**	**–**	**–**	**1,946**
– in other comprehensive income	**–**	**(75)**	**–**	**(75)**
Purchase	**15,794**	**–**	**500**	**16,294**
Transfers	**–**	**518**	**–**	**518**
Settlement	**(30,023)**	**(1,121)**	**–**	**(31,144)**
At 31 December	**38,299**	**1,150**	**1,625**	**41,074**
Unrealised gain/losses from fair value changes	**633**	**(32)**	**–**	**601**

	Year ended 31 December 2019			
	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income		
		Debt securities	Equity securities	Total
As at 1 January	30,939	3,681	625	35,245
– in profit or loss	(930)	–	–	(930)
– in other comprehensive income	–	(651)	–	(651)
Purchase	36,512	–	500	37,012
Settlement	(15,939)	(1,202)	–	(17,141)
At 31 December	50,582	1,828	1,125	53,535
Unrealised gain/losses from fair value changes	1,380	38	–	1,418

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.3 Transfers among levels

For the year ended 31 December 2020, there were no material transfers among Level 1, Level 2 and Level 3 of the fair value hierarchy for financial assets and liabilities of the Group (2019: Nil).

11.4 Fair value of financial assets and liabilities not carried at fair value

(1) Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements

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

(2) Financial investments measured at amortised cost

The fair value for financial assets measured at amortised cost-bonds is usually measured based on "bid" market prices or brokers'/dealers' quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

(3) 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.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

(4) Debt securities issued

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised and cost debt securities issued:

	31 December 2020				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Financial assets measured at amortised cost	**1,328,048**	**1,322,404**	**2,108**	**1,118,000**	**202,296**
Financial liabilities					
Debt securities issued	**957,880**	**958,040**	**12,065**	**945,975**	**–**

	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,143,079	1,148,271	2,112	913,349	232,810
Financial liabilities					
Debt securities issued	817,225	819,872	–	819,872	–

12 SUBSEQUENT EVENTS

Up to the approval date of the financial statements, other than the dividends distribution plan set out in Note 5.37, the Group had no material subsequent events for disclosure.

13 COMPARATIVE FIGURES

Certain comparative data has been restated to conform to the presentation and disclosure of the current year.

14 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF EQUITY MOVEMENT OF THE BANK

	31 December 2020	31 December 2019
ASSETS		
Cash and balances with central bank	**397,828**	367,624
Balances with banks and other financial institutions	**38,654**	40,593
Precious metals	**6,782**	15,237
Placements with banks and other financial institutions	**247,103**	271,553
Derivative financial assets	**42,285**	31,100
Financial assets held under resale agreements	**18,933**	61,354
Loans and advances to customers	**3,762,333**	3,412,819
Financial investments:		
– Financial assets at fair value through profit or loss	**316,265**	521,145
– Financial assets at fair value through other comprehensive income	**458,466**	501,382
– Financial assets measured at amortised cost	**1,322,636**	1,138,021
Property and equipment	**22,362**	22,252
Right-of-use assets	**13,344**	13,520
Deferred income tax assets	**48,144**	34,569
Investment in subsidiaries	**7,381**	6,634
Other assets	**37,837**	39,393
Total assets	**6,740,353**	6,477,196
LIABILITIES		
Borrowings from central bank	**291,132**	198,408
Deposits and placements from banks and other financial institutions	**1,073,844**	1,168,056
Financial liabilities at fair value through profit or loss	**2,679**	1,971
Derivative financial liabilities	**42,418**	17,665
Financial assets sold under repurchase agreements	**56,606**	96,477
Deposits from customers	**3,736,667**	3,607,543
Lease liabilities	**10,090**	10,227
Provisions	**2,020**	1,602
Debt securities issued	**953,754**	812,089
Current income tax liabilities	**17,999**	17,368
Other liabilities	**32,614**	35,142
Total liabilities	**6,219,823**	5,966,548
EQUITY		
Share capital	**43,782**	43,782
Other equity instrument	**69,860**	69,860
Including: Preference shares	**29,867**	29,867
Perpetual bonds	**39,993**	39,993
Reserves		
Capital reserve	**57,150**	57,150
Surplus reserve	**48,479**	45,162
General reserve	**85,029**	80,224
Other reserves	**(1,679)**	2,077
Retained earnings	**217,909**	212,393
Total equity	**520,530**	510,648
Total liabilities and equity	**6,740,353**	6,477,196

14 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF EQUITY MOVEMENT OF THE BANK (continued)

	Share capital	Other equity instrument	Reserves: Capital reserve	Reserves: Surplus reserve	Reserves: General reserve	Reserves: Investment revaluation reserve	Reserves: Exchange reserve	Reserves: Cash flow Hedging reserve	Reserves: Retained earnings	Total
At 31 December 2019	**43,782**	**69,860**	**57,150**	**45,162**	**80,224**	**2,073**	**7**	**(3)**	**212,393**	**510,648**
(I) Net profit	–	–	–	–	–	–	–	–	33,174	33,174
(II) Other comprehensive income, net of tax	–	–	–	–	–	(3,607)	(128)	(21)	–	(3,756)
Total comprehensive income	–	–	–	–	–	(3,607)	(128)	(21)	33,174	29,418
(III) Profit distribution										
1. Appropriation to surplus reserve	–	–	–	3,317	–	–	–	–	(3,317)	–
2. Appropriation to general reserve	–	–	–	–	4,805	–	–	–	(4,805)	–
3. Cash dividends	–	–	–	–	–	–	–	–	(17,596)	(17,596)
4. Interest on perpetual bond	–	–	–	–	–	–	–	–	(1,940)	(1,940)
At 31 December 2020	**43,782**	**69,860**	**57,150**	**48,479**	**85,029**	**(1,534)**	**(121)**	**(24)**	**217,909**	**520,530**

	Share capital	Other equity instrument	Reserves: Capital reserve	Reserves: Surplus reserve	Reserves: General reserve	Reserves: Investment revaluation reserve	Reserves: Exchange reserve	Reserves: Cash flow Hedging reserve	Reserves: Retained earnings	Total
At 31 December 2018	43,782	9,892	57,150	39,911	73,129	1,285	34	23	187,895	413,101
(I) Net profit	–	–	–	–	–	–	–	–	52,507	52,507
(II) Other comprehensive income, net of tax	–	–	–	–	–	788	(27)	(26)	–	735
Total comprehensive income	–	–	–	–	–	788	(27)	(26)	52,507	53,242
(III) Capital Injection by shareholders										
Capital injection by other equity instrument holder	–	59,968	–	–	–	–	–	–	–	59,968
(IV) Profit distribution										
1. Appropriation to surplus reserve	–	–	–	5,251	–	–	–	–	(5,251)	–
2. Appropriation to general reserve	–	–	–	–	7,095	–	–	–	(7,095)	–
3. Cash dividends	–	–	–	–	–	–	–	–	(15,663)	(15,663)
At 31 December 2019	43,782	69,860	57,150	45,162	80,224	2,073	7	(3)	212,393	510,648

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Liquidity coverage ratio

	As at 31 December 2020	Average for the year of 2020	As at 31 December 2019	Average for the year of 2019
Liquidity coverage ratio (%) (RMB and foreign currency)	**128.37%**	**123.65%**	133.66%	123.34%

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

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentrations

		31 December 2020			
		USD	**HKD**	**Others**	**Total**
Spot assets		**394,487**	**56,406**	**33,228**	**484,121**
Spot liabilities		**(371,774)**	**(37,454)**	**(32,472)**	**(441,700)**
Forward purchases		**967,178**	**21,872**	**33,054**	**1,022,104**
Forward sales		**(942,102)**	**(16,216)**	**(69,706)**	**(1,028,024)**
Net long/(short) position	(1)	**47,789**	**24,608**	**(35,896)**	**36,501**

		31 December 2019			
		USD	HKD	Others	Total
Spot assets		409,199	58,588	55,791	523,578
Spot liabilities		(346,058)	(34,271)	(26,939)	(407,268)
Forward purchases		949,694	21,771	99,252	1,070,717
Forward sales		(975,995)	(41,816)	(133,053)	(1,150,864)
Net long/(short) position	(1)	36,840	4,272	(4,949)	36,163

(1) 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

3.1 Impaired loans by geographical area

	31 December 2020		31 December 2019	
	Impaired loans	**Allowance for impairment losses**	Impaired loans	Allowance for impairment losses
Head Office	**20,721**	15,609	15,630	10,268
Yangtze River Delta	**9,329**	4,163	5,321	3,239
Pearl River Delta	**6,295**	2,591	4,328	2,694
Bohai Rim	**12,595**	6,697	5,753	3,916
North-eastern Region	**2,829**	1,419	4,371	3,202
Central Region	**12,094**	7,281	13,800	7,849
Western Region	**9,047**	6,194	6,413	3,494
Overseas and subsidiaries	**755**	414	1,159	555
Total	**73,665**	44,368	56,775	35,217

3.2 Loans overdue for more than 3 months by geographical area

	31 December 2020		31 December 2019	
	Overdue loans	**Allowance for impairment losses**	Overdue loans	Allowance for impairment losses
Head Office	**20,506**	**15,382**	14,513	9,877
Yangtze River Delta	**5,603**	**2,643**	4,698	2,969
Pearl River Delta	**2,853**	**1,405**	3,402	2,324
Bohai Rim	**9,115**	**4,373**	5,243	3,653
North-eastern Region	**1,196**	**963**	2,503	1,568
Central Region	**7,647**	**4,962**	13,035	7,482
Western Region	**4,071**	**2,811**	3,707	2,374
Overseas and subsidiaries	**759**	**349**	803	399
Total	**51,750**	**32,888**	47,904	30,646

4 International claims

	31 December 2020				
	Asia pacific	**North and South America**	**Europe**	**Other Locations**	**Total**
Banks	**49,453**	**47,025**	**15,498**	**2,641**	**114,617**
Public sector	**1,545**	**40,768**	**375**	**–**	**42,688**
Non-bank private sector	**96,387**	**152,891**	**33,347**	**16,453**	**299,078**
Total	**147,385**	**240,684**	**49,220**	**19,094**	**456,383**

	31 December 2019				
	Asia pacific	North and South America	Europe	Other Locations	Total
Banks	40,594	59,561	9,956	–	110,111
Public sector	2,258	44,397	357	–	47,012
Non-bank private sector	106,545	158,327	27,173	8,173	300,218
Total	149,397	262,285	37,486	8,173	457,341