

# **2018 China Merchants Bank Corporate Social Responsibility Report**

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March 2019

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## About this Report

This Report is the 13<sup>th</sup> corporate social responsibility (“CSR”) report (the “Report”) released by the China Merchants Bank Co., Ltd. (“CMB”, the “Bank”, our “Bank” or “We”) since 2007. It features CMB’s efforts in promoting balanced development of the economy, society and environment while providing financial services.

### Reporting Scope

Organizations covered by the Report: The Report is primarily about CMB, covering the Head Office, branches at home and abroad, China Merchants Fund, CMB Financial Leasing and other subsidiaries of CMB.

Reporting Period: From January 1, 2018 to December 31, 2018.

Release Cycle: This is an annual report. The previous report was released in March 2018.

### Reporting Standards

This Report is prepared in accordance with the *Global Reporting Initiative* (“GRI Standards”) guidelines issued by the Global Sustainability Standards Board (GSSB). For details about indicators described in this report, please see “The GRI content index as per GRI Standards” on pages 101 to 105.

CMB is a listed company (stock code: 03968) on the main board of the Hong Kong Stock Exchange (“HKEx”), and the preparation of the Report also references Appendix 27 “*Environmental, Social and Governance Reporting Guide*” of the Main Board Listing Rules of the HKEx. For details about indicators described in the Report, please see the “*Environmental, Social and Governance Reporting Guide*” Content Index of the HKEx on pages 106 to 108.

### Data and Information Disclosure

The data and information disclosed in the Report is derived from:

- CMB’s internal data collection system and related statistical statements
- Excellent CSR practice cases collected by CMB
- Qualitative and quantitative information collected under the reporting framework

All financial data disclosed in the Report is derived from the *2018 Annual Report of CMB* (the “Annual Report”). Should there be any inconsistencies between the Report and the Annual Report, the Annual Report shall prevail. Unless otherwise indicated, the currency in the Report is RMB.

### Report Assurance

In order to ensure its accuracy and reliability, the Report has been submitted to Ernst & Young Hua Ming LLP (Special General Partnership) for third-party assurance. The assurance was conducted in accordance with *International Standard on Assurance Engagements 3000 (ISAE3000): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and *AA10000 Accountability Principles*. In addition, an independent limited assurance report was provided and can be found on pages 109 to 111.

### How to Get the Report

The report is released in both print and electronic versions. The digital version of the report can be downloaded from our website: (<http://www.cmbchina.com/>).

## Chairman's Message

2018 is the first year for China to carry out the Spirit of the 19<sup>th</sup> National Congress of the Chinese Communist Party ("CPC"). It is an important year to win a decisive victory in building a moderately prosperous society in all respects, and the tough battles against material risks, pollution and poverty in China. In 2018, banks faced slowing economic growth and tighter financial regulation. To ensure stable operation and development, banks have needed to work harder to fulfill social responsibilities.

Operating in a complicated environment, CMB has adhered to the strategic goal of becoming a "Light-operation Bank" and the strategic positioning of "One body with Two Wings", while striving to become the bank "delivering the best customer experiences". We accelerated our pace in transforming ourselves into a fintech bank, and endeavored to provide quality and convenient financial services. We upheld the CSR concept of "taking root in and giving back to society". We have further improved our CSR practices and ensured that we strike a balance between economic, social and environmental values.

**We have grown together with the real economy.** We optimized our loan portfolio to increase our support for strategically important and emerging industries, livelihood infrastructure, and other important projects with keen capital demand. By doing this, we facilitated industry transformation and upgrade, and helped create new growth momentum for the real economy. We also actively supported projects under the Belt & Road Initiative, and introduced innovative cross-border financial services to help enterprises go abroad and enable the Chinese economy to be more open to foreign companies.

**We strived to help China win the battle against poverty.** In 2018, we continued with our targeted poverty alleviation projects in Wuding County and Yongren County, Chuxiong Prefecture, Yunnan Province. We also actively participated in the poverty alleviation initiative as per instructions of the CPC Central Committee and the State Council. We focused on alleviating poverty in Wuding County and Yongren County, and optimized the poverty alleviation mechanism. We also innovated our targeted poverty alleviation mechanism, and allocated more resources to help poverty-stricken regions. We continue to work hard to help Wuding County and Yongren County eliminate poverty.

**We continuously promoted inclusive finance.** We further improved our inclusive financial services. In 2018, we established inclusive finance centers in the Head Office and 44 tier-1 branches to provide professional and differentiated services to private-sector companies, small businesses and other inclusive finance customers. We used fintech for innovating our service procedures and modes. This, coupled with the introduction of numerous preferential policies, effectively helped small businesses, and allowed them to more easily obtain loans.

**We further promoted green finance.** We have followed all green finance-related policies and guidance from the Chinese government, and incorporated the ecological civilization concept into our business development and credit management procedures. Exploring innovation in green finance products and services, we have enhanced our support for projects involving energy conservation and environmental protection, clean energy and pollution treatment.

The year 2019 will be an important year in advancing the 13<sup>th</sup> five-year plan, and instrumental for securing a decisive victory in building a moderately prosperous society in all respects. CMB would like to grow together with all stakeholders. CMB will also continue to build itself into the best Chinese commercial bank that drives business through innovation, maintains a leading position in retail banking, and provides characteristic services. CMB will also strive to remain an excellent corporate citizen, and create more value for the economy, society and environment.

## President's Message

2018 means a lot to CMB. This year is the 40<sup>th</sup> anniversary of China's Reform and Opening-Up. The Chinese economy was at a new starting point, while the Chinese financial markets opened up further. Banks are accelerating their paces in digitization, while at the same time facing more profound changes and challenges. We continued to dispatch cadres to Yongren County and Wuding County this year to support local poverty alleviation. The cadres dispatched by our bank to the two counties have helped local people to develop their own businesses based on local conditions. In addition, these cadres provided support to designated poor individuals or households. Their efforts demonstrated CMB's commitment of "never stopping until completely eliminating the poverty in Yongren County and Wuding County".

The sunflower icon in our brand was launched around thirty years ago. We have achieved great success in both our business and poverty alleviation. The success is a result of our principle of "we are here just for you" and our "people-oriented" company culture. Facing the ever-changing market, we will always keep a positive attitude and drive our growth through innovation. We will also always care about the demands and expectations of stakeholders and create values for stakeholders to drive sustainable development in society and economy.

**We maintained stable and prudent operation, and continued to create value for shareholders.** We nurtured a strong risk culture. We have continued to improve our systems and organizations, strengthened the compliance management, and enhanced our control of credit risk, market risk and operational risk; all of which translates into better asset quality, bigger scale and higher incomes. In 2018, our nonperforming loan ratio was 1.36%, and the nonperforming loan balance was RMB 53.605 billion, representing a decrease of RMB 3.788 billion from the end of 2017.

**We actively responded to customer demands and introduced innovative products and services.** We strived to build ourselves into a fintech bank by further digitalizing our services and operations. In 2018, we increased the size of fin-tech innovation fund to 1% of prior year's annual revenue, and completed the "Going Cardless" project. We became the first Chinese bank to realize "cardless operation" in all outlets. As of the end of 2018, 78.27 million customers downloaded the CMB Mobile Banking application ("CMB APP"), and customers using the CMB Life app reached nearly 70.03 million. Our mobile banking apps not only serve as transaction tools, but also function as a digital operating platform.

**We care for our employees and aspire to make their lives better.** Our company culture is highly people-oriented, and we advocate respect, care and sharing in our organization. We strive to build a career development platform where our employees can fully leverage their wisdom and talents. We also helped our employees achieve their career goals through various training activities and promotions. In 2018, our employees received 73.7 training sessions per person on average, with a per-capita time in class of 124.7 hours.

**We actively supported charitable activities and joined hands with the public to build happy homelands.** We believe in the principle of "everybody can make a contribution to charity". We have encouraged customers to donate to charities or directly participate in charitable activities. In addition, we organized various volunteer activities to help the underprivileged groups, facilitate social development and promote social harmony. In 2018, 642,031 donations were made under the "Get More Fun from Monthly Donations" scheme, and over 130 million charity points were donated on the "Points for Micro Charity" platform.

Looking ahead, we are at the new starting point that marks the 40<sup>th</sup> anniversary of China's Reform and Opening-up. We will continue to uphold the concept of "taking root in and giving back to society". We will dedicate ourselves to sustainable finance, create sustainable values and contribute to sustainable

development. We would like to join hands with all stakeholders to create a better future!

## Our Achievements in 2018

### Economy

Indicator	2016	2017	2018
Total assets (RMB million)	5,942,311	6,297,638	6,745,729
Net profit (RMB million)	62,380	70,638	80,819
Non-performing loan rate (%)	1.87	1.61	1.36
Number of retail customers (ten thousand)	9,106	10,663	12,541
Ratio of transactions that go digital (%)	97.51	98.24	98.24
Mobile banking transaction volume (RMB 100 million)	121,036	178,675	307,561
95555 hotline customer satisfaction (%)	99.63	99.68	99.69

### Environment

Indicator	2016	2017	2018
Head Office electricity consumption (kilowatt-hour)	13,474,394	13,422,238	13,367,140
Head Office water consumption (tons)	122,134	103,626	97,998
Average power use efficiency (PUE) of data centers	1.76	1.74	1.72
Paper saved by using e-bills (100 million pieces)	8.78	11.85	15.48
Green loan balance (RMB 100 million)	1,436.64	1,571.03	1,660.33

Energy savings and carbon emission reduction achieved through green loans	2018
Water (ten thousand tons)	667.68
Standard coal (ten thousand tons)	421.57
Carbon dioxide (ten thousand tons)	935.03

### Society

Indicator	2016	2017	2018
Value of social contribution per share (RMB)	7.98	9.08	10.44
Total amount of charitable donations (RMB ten thousand)	2,457.10	2,628.32	3,566.00
Targeted poverty alleviation funds donated to Yongren County and Wuding County (RMB ten thousand)	1,092.68	1,141.96	1,179.38
Number of employees	70,461	72,530	74,590
Employee turnover rate (%)	6.70	6.69	6.29
Number of employees participating in online studies (ten thousand)	290	579	491
Per-capita learning time (hours)	61.5	125	125



## About CMB

### Company Profile

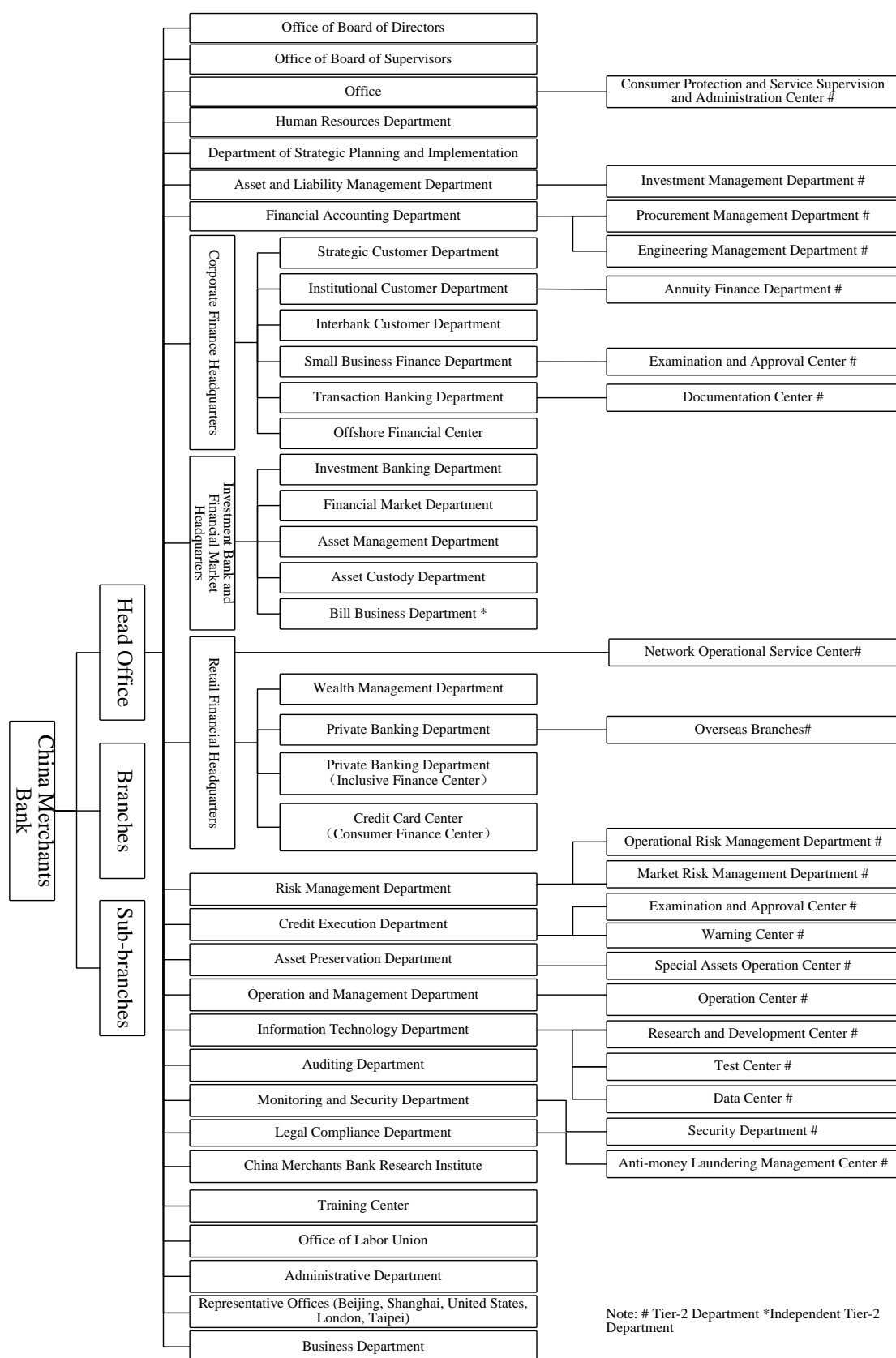
Founded on April 8, 1987, CMB was the first joint-stock commercial bank in China established and wholly owned by business entities. It is also the first pilot bank (other than state-owned bank) for financial reforms in the Chinese banking sector promoted by the Chinese government. CMB was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in 2002 and 2006 respectively.

Over the past 31 years, we have kept adapting to the changes in customers' needs and the internal and external financial markets, and adhering to the principle of "we are here just for you". We changed our business strategies, transformed our business model, and strived to provide customers with better financial services. By virtue of continuous financial innovation, high-quality customer service, prudent operations, good business performance and a strong sense of social responsibility, CMB has become one of the best brands in China's banking industry.

In 2018, we saw ongoing deleveraging in the economy and further tightened financial regulation. We adhered to the strategic goal of becoming a "Light-operation Bank" and the strategic positioning of "One body with Two Wings", while maintaining stable and prudential operation. To better meet customers' needs in the digital age; we further beefed up our fintech operation. We expedited our fintech strategy to realize full connectivity, digitalization and smart operation in our business, which eventually led to a better customer experience. We also improved operating efficiency with the goal of being the best Chinese commercial bank that drives business through innovation, has a leading position in retail banking, and provides characteristic services. We were also fully performing our social responsibilities by supporting poverty alleviation, creating a platform for promoting charity, and developing green finance in innovative ways. We joined hands with stakeholders to create and share values, and contribute to sustainable development of the economy, society and environment.

<p><b>No.1</b></p> <p>Ranked No. 1 on the "Financial Evaluation of National Commercial Banks" list for the "2018 Competitiveness Ranking of Chinese Commercial Banks" organized by The <i>Chinese Banker</i> magazine .</p>	<p><b>No.11</b></p> <p>Ranked No.11 on the "2018 Top 500 Banking Brands" list published by the British magazine <i>The Banker</i>.</p>	<p><b>No.213</b></p> <p>Ranked No. 213 in 2018 on the <i>Fortune Global 500</i> list for seven consecutive years.</p>
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## Organizational Structure



## Accolades

Granted by	Awards
<i>The Banker</i>	Ranked No.11 in the 2018 Top 500 Banking Brands with a brand value of USD 16.673 billion. Ranked No.20 in the 2018 Top 1,000 World Banks with USD 70.63 billion in tier-1 capital
<i>Investor Journal Weekly</i>	“Most Trusted Retail Bank”
<i>The Asian Banker</i>	“Best Retail Bank in Asia Pacific” “Best Retail Bank in China” “Best Joint-stock Retail Bank in China” “The Automated Advisory Service of the Year” “The Consumer Finance Product of the Year” “Best Innovation Centre by Financial Institutions in China” “Best Sub-Custodian Bank in China” “Best Joint-stock Transaction Bank in China” “Best Joint-stock Cash Management Bank in China” “Best Internet Banking Product” “Best Cash Management Project in China” “Best Mobile Banking for Businesses in China” “Best Mobile Banking for Individuals in China”
<i>Asiamoney</i>	“Best National Joint-Stock Bank” “Most Outstanding Company in China” “Best Financing and Investment Banking Business in Chinese Financial Institutions” “Fintech China Leader: Best National Commercial Bank”
<i>Securities Times</i>	“2018 China AI Financial Pioneers” “2018 China Banking Pioneers”
<i>The Chinese Banker</i>	“Best Financial Innovation” “No. 1 for Financial Evaluation of National Commercial Banks” “No. 3 for Competitiveness Evaluation of National Commercial Banks” “Best Commercial Bank”
<i>21st Century Business Herald</i>	“2018 Fintech Bank” “2018 Brand Building Bank”
<i>China Banking Association</i>	“Most Socially Responsible Bank in China of the Year”
<i>Fortune China 500 list</i>	Ranked No. 38 with an operating income of RMB 220.897 billion
<i>Fortune Global 500 list</i>	Selected for 7 consecutive years, ranked No. 213 in 2018
<i>Sina Finance</i>	“Best Joint-Stock Commercial Bank” “Best Mobile Bank” “Best Credit Card Brand”
<i>China Business Network</i>	“2018 CBN List of Companies with Highest Financial Values”
<i>Caixin</i>	“Caixin Data • ESG Best 50 Index Component”
<i>Zhaopin</i>	“Top 30 Employers in China for the Year”




## Strategy and Management





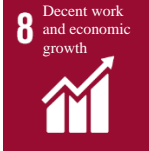



As a financial service provider, CMB continuously pays close attention to the long-term value of ourselves and our customers. Facing the challenges and opportunities presented by the new normal in economic and social development, we have integrated sustainable development with our social responsibility concept of “Taking root in the society, giving back to the society” which eventually gives rise to the Sunflower responsibility concepts with CMB characteristics. Moreover, we have further deepened our social responsibility practices to continuously create more value for stakeholders.

## Social Responsibility Strategy

The sunflower represents optimism, loyalty and positive spirit, which is the unchanged core of CMB's company culture. We have re-interpreted our social responsibility concepts by exploring our Sunflower responsibility concept model. We also reinforced our processes and systems for performing social responsibilities.



Ways to fulfill responsibilities	Relations with UN's sustainable development goals
<ul style="list-style-type: none"> <li>Driving growth through innovation: We pursue growth through innovation, and constantly adapt to changes in stakeholders' demand. This improves our capability for growing sustainably and achieving sustainable development goals.</li> </ul>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <b>9</b> Industry, innovation and infrastructure  </div> <div style="text-align: center;"> <b>11</b> Sustainable city and community  </div> <div style="text-align: center;"> <b>16</b> Peace, justice and strong institutions  </div> </div>

Ways to fulfill responsibilities	Relations with UN's sustainable development goals
<ul style="list-style-type: none"> <li>Creating value through services: We insist on delivering the best financial services, and use our services to support economic growth, promote social harmony and stability, and protect the environment to create value for stakeholders to the biggest possible extent.</li> </ul>	     
<ul style="list-style-type: none"> <li>Sharing and balancing values: We always pay close attention to the demands and expectations of stakeholders and share values with stakeholders to drive sustainable development in enterprise, economy and society.</li> </ul>	 

## CSR Management

We integrate the Sunflower responsibility concepts into our development strategy and operating activities. The CSR management system has been implemented in each department and every branch to put our responsibility concept into practice and fulfill promises to stakeholders.

### CSR Management Infrastructure

- Decision-making level:** Members of the Board of Directors and Board of Supervisors shall participate in deliberation and decision-making on major social responsibility issues, including formulation of related strategies and policies and special deliberation for the annual CSR report.
- Organization level:** The Head Office shall establish a CSR management team to coordinate daily CSR management work, including CSR activities, preparation of the CSR report, carrying out training, publicity and guidance activities, collecting performance indicators and providing excellent CSR practice cases.
- Execution level:** Functional departments and operating departments of the Head Office and branches shall be responsible for the centralized management of all CSR issues, regularly submit related management measures, performance indicators and excellent cases, and carry out various CSR activities in their respective areas.

## Materiality Analysis

We identify, assess and screen CSR issues based on the materiality analysis model, and confirm material issues of great importance to us and our stakeholders. We have made important disclosures and replies on these issues in the Report.

## Identification

- Analysis on policy and industry hotspots: Analyzing macro-economic and industry hotspots and policies, and identifying policy directions and opportunities for fulfilling responsibilities in the banking industry
- CSR strategy: Comprehensively analyzing relevant research outcomes and related Sunflower responsibility concept models; and identifying 16 issues that are important to stakeholders and us.

## Assessment

We invited external CSR experts and consultants as well as internal employee representatives to assess the importance of the above issues. Based on results of such assessment, a two-dimensional system was generated showing importance of the issues.

## Screening

We constructed a materiality analysis matrix to prioritize the issues. We focused on issues of high materiality in the Report.



## Stakeholder Engagement

We sought more ways to communicate with stakeholders in our daily operation, and carefully listened to the voices and feedback of customers. We have built a regularized communication system and used digital technologies to enhance our communication with stakeholders.

Stakeholders	Expectations and Demands	Communication Channels
Government	<ul style="list-style-type: none"> <li>• Serving the real economy</li> <li>• Facilitating poverty alleviation</li> <li>• Supporting national strategy</li> <li>• Avoiding financial risks</li> <li>• Developing inclusive finance</li> <li>• Protecting customers' rights and interests</li> </ul>	<ul style="list-style-type: none"> <li>• Studying and complying with related financial policies</li> <li>• Facilitating the formation of industry policy</li> <li>• Related research and discussions</li> <li>• Submitting statistical statements</li> </ul>

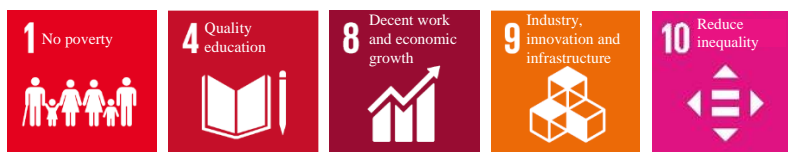
Stakeholders	Expectations and Demands	Communication Channels
Regulators	<ul style="list-style-type: none"> <li>• Avoiding financial risks</li> <li>• Protecting customers' rights and interests</li> <li>• Improving corporate governance</li> <li>• Promoting financial education</li> </ul>	<ul style="list-style-type: none"> <li>• Complying with regulatory policies</li> <li>• Taking part in researches and studies</li> <li>• Daily approval and regulation</li> <li>• Submitting statistical statements</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Improving corporate governance</li> <li>• Avoiding financial risks</li> <li>• Developing innovative fintech</li> <li>• Enhancing customer experience</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic reports and announcements</li> <li>• Roadshow and reverse roadshow</li> <li>• Investor visits and meetings</li> <li>• General meeting of shareholders</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Developing innovative fintech</li> <li>• Enhancing customer experience</li> <li>• Protecting customers' rights and interests</li> <li>• Promoting financial education</li> </ul>	<ul style="list-style-type: none"> <li>• Customer research</li> <li>• Customer satisfaction research</li> <li>• 95555 customer service platform</li> <li>• Customer care activities</li> <li>• WeChat, Weibo and other digital platforms</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Promoting personal development</li> <li>• Caring for employees</li> </ul>	<ul style="list-style-type: none"> <li>• Employee representative conference</li> <li>• Employee satisfaction research</li> <li>• Employee recreation and sports activities</li> <li>• Compliance and reporting mechanism</li> </ul>
Partners	<ul style="list-style-type: none"> <li>• Avoiding financial risks</li> <li>• Promoting industry development</li> </ul>	<ul style="list-style-type: none"> <li>• Day-to-day communication</li> <li>• Interbank communication and cooperation</li> <li>• Biddings and tenders</li> <li>• Supplier research; visits to suppliers</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Promoting green finance</li> <li>• Implementing green operations</li> </ul>	<ul style="list-style-type: none"> <li>• Complying with energy saving and emission reduction policies</li> <li>• Forums and meetings on green finance</li> <li>• Collection and disclosure of environmental protection-related data</li> <li>• Non-profit environmental protection activities</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Facilitating poverty alleviation</li> <li>• Developing inclusive finance</li> <li>• Supporting charities</li> </ul>	<ul style="list-style-type: none"> <li>• Targeted poverty alleviation</li> <li>• Building social projects</li> <li>• Cardholder donation platform</li> <li>• Employee volunteering</li> <li>• Social services</li> </ul>

# 1 Continued Devotion to Poverty Alleviation

## Sustainable Development Background

Poverty alleviation is one of the three tough battles that China needs to win in the process of building a moderately prosperous society in all respects. China aims to eliminate poverty in rural areas (under current poverty line) by 2020. CMB has actively participated in the poverty alleviation initiative as per instructions of the Central Committee of CPC and the State Council. CMB has launched targeted poverty alleviation projects. It assigned capable employees to manage and implement such projects, and kept exploring new ways to reduce and eliminate poverty.

## SDGs

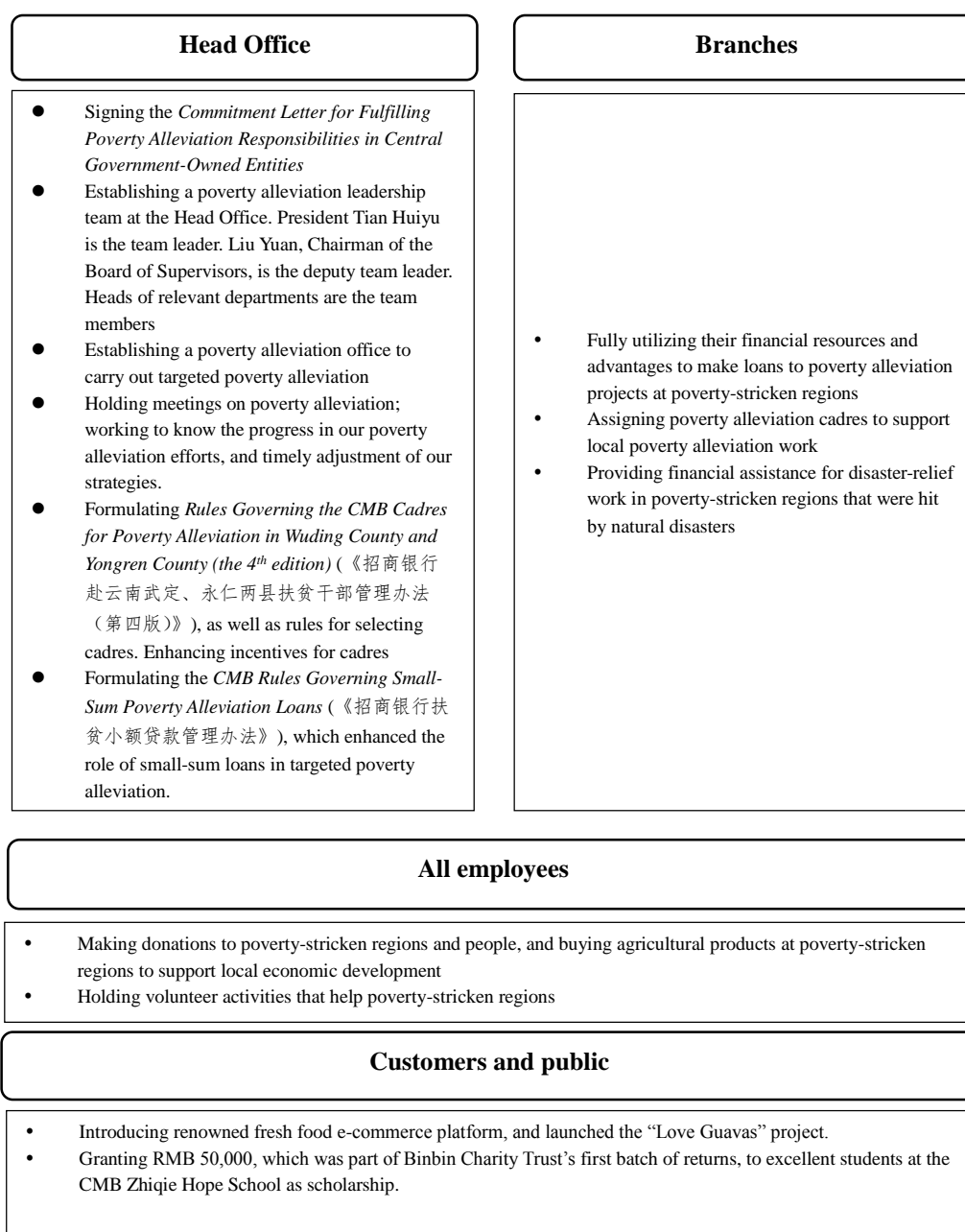




## 1.1 Improving our Poverty Alleviation System

Helping poor households get rid of poverty is a responsibility and mission of CMB. In 2018, we continued to provide solid assistance to needy poor people. CMB not only provides financial assistance, but also aims to eliminate poverty at its roots by providing educational, industrial growth and cultural development opportunities to poverty-stricken groups. We endeavored to improve the living conditions and livelihood of residents in poverty-stricken regions. We also further improved our poverty alleviation work system to ensure that poverty alleviation efforts benefit every poor person in the regions that we help. We have leveraged resources throughout our bank to facilitate China's poverty alleviation.

### Our poverty alleviation work system



### Reducing poverty in Wuding County and Yongren County

In 2018, the CMB poverty alleviation leadership team visited Wuding County and Yongren County many times. They visited the First Senior Secondary School at Yongren County and Gubai CMB Hope Primary School. The team learned about the educational and living conditions of local teachers and students. In addition, they visited poor households to learn more about local conditions. After these visits, they had meetings with local governments to share experiences in poverty alleviation and map out future poverty alleviation measures. On December 13, 2018, we launched an exhibition on the achievements of CMB's poverty alleviation work in front of CMB Teaching Complex at No.1 Secondary School of Yongren County. The exhibition showcased the efforts made by CMB's employees to reduce poverty and modernize teaching facilities and school premises in Yongren County.



Chairman Li Jianhong visited Gubai CMB Hope Primary School at Shishan Town, Wuding County



Chairman Li Jianhong visited CMB Weidi Chinese Chestnut Plantation, a project supported by CMB



President Tian Huiyu visited the exhibition on achievements of CMB's poverty alleviation work in Yongren



President Tian Huiyu brought necessities to poor households

We fully leveraged our expertise to introduce innovative financial solutions for poverty alleviation. In 2018, we made RMB 20.85 billion in loans to targeted poverty alleviation projects, including RMB 14.31 billion in loan to individuals and RMB 6.54 billion to entities.

### Our Financial Solutions for Poverty Alleviation

- We have established the *CMB Rules Governing Small-Sum Poverty Alleviation Loans* (《招商银行扶贫小额贷款管理办法》), which set out explicit procedures and mechanisms for extending small-sum loans for poverty alleviation purposes. Such rules enhanced the role of small-sum loans in targeted poverty alleviation.
- We introduced loan products that are particularly designed for poverty-stricken regions.

## 1.2 Targeted Poverty Alleviation

“The roads are not good here. Houses are shabby. People here don’t even have enough clothes and they looked beaten down by their hard lives.” These were the impressions of the first batch of cadres that were dispatched by CMB to Wuding County and Yongren County in Yunnan Province. Wuding County and Yongren County are located along the mountainous border between Sichuan and Yunnan. Many historical and geographical factors caused deep-rooted poverty in these two counties. As of the end of 2018, 852 people from 294 households in Yongren County were still living under poverty lines, accounting for 0.76% of local population. 25,157 people from 6,943 households in Wuding County were recorded as people living under poverty lines, accounting for 9% of the local population.

CMB has been designated to help the two counties reduce poverty. From 1999, CMB assigned cadres to work in the two counties every year. We have dispatched 75 cadres to the two counties until now and invested nearly RMB 117 million in these years to facilitate local poverty alleviation. Based on local conditions and progress in the poverty alleviation projects of two counties, we introduced innovative ways to reduce poverty. We have focused on those tough areas, and provided support to designated poverty alleviation projects. In 2018, we carried out 92 poverty alleviation projects in the two counties. These projects involved support in the educational, industrial and cultural areas, and laid a solid foundation for successfully eliminating poverty.

<p><b>Poverty Alleviation through Education</b></p>	<ul style="list-style-type: none"> <li>■ CMB provides “one-to-one” targeted support to local students. In addition, CMB funded training activities for local teachers. CMB sponsored poor students 23,867 times and teachers 168 times. These poor students were from primary and secondary schools as well as universities. Among these poor students, 2,759 were admitted to higher educational institutions</li> <li>■ We supported the educational sector in every possible aspect to help improve local teaching facilities and the living conditions of teachers and students <ul style="list-style-type: none"> <li>• We funded construction of 10 CMB Love Dining Halls and 6 CMB Drinking Water Projects to ensure healthy food and a clean water supply for 5,992 students</li> <li>• We donated about 550,000 pieces of clothes and 2,500 pairs of sports shoes</li> <li>• We funded construction of 6 CMB Love Dormitory Buildings, and improved the accommodations for 4,186 students</li> <li>• We donated 28 solar water heaters, and funded construction of 2 CMB Love Shower Rooms and 1 toilet. We donated 84,000 books, 2,366 computers, 213,000 pieces of stationery and 200 televisions</li> <li>• We donated 57 solar street lamps, which light up the road to school for 5,487 students</li> <li>• We funded construction of 3 CMB Kindergartens, 30 CMB Hope Primary Schools, 5 CMB Teaching Complexes, 10 CMB Libraries (Including cultural rooms), 1 CMB Tech Building, 2 music classrooms, 2 “Love Dream” classrooms, 9 CMB Computer Rooms, 13 CMB Playgrounds and 1 CMB Youth Center. We also supported 1 Sunflower Chorus</li> </ul> </li> <li>■ We explored the “Internet + Education” mode to reduce poverty. We have worked with Internet education brands to help students and teachers from poor</li> </ul>
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	areas to study English through Internet or mobile apps
<b>Poverty Alleviation through Industrial Support</b>	<ul style="list-style-type: none"> <li>■ We have built the “Internet + agriculture” mode to reduce poverty. We collaborated with renowned e-commerce platforms to facilitate the sales of guavas and fruits produced in the two counties. From 2016 to 2018, the “Love Guava” project helped farmers in the two counties sell over 1,400 tons of guavas that are worth about RMB 22 million</li> <li>■ CMB supported the project of “CMB Weidi Chinese Chestnut Plantation”, which functioned as a model farm to guide local farmers in growing Chinese chestnuts and preventing diseases and insect pests. The project helped local farmers increase Chinese chestnut production volume by over 30 kilograms and output per mu by about RMB 240, which significantly boosted the income of farmers</li> <li>■ CMB completed the “CMB Weidi Refrigeration Plant” in Weidi Village in June 2018. The plant can help villagers store Chinese chestnuts, guavas, beef, mutton, eggs, vegetables and other fresh foods, which increases their income and boosts the local economy</li> <li>■ CMB sponsored 11 rural cooperatives, helping 4,192 registered poor people</li> </ul>
<b>Poverty Alleviation through Cultural Development</b>	<ul style="list-style-type: none"> <li>■ CMB launched 11 cultural poverty alleviation projects in the two counties, and put up RMB 393,000 for these projects</li> <li>■ CMB held the “CMB Cup” Yi People Embroidery Competition, “CMB Cup” Ethnic, Civil and Folk Custom Art Performances, “CMB Cup” Basketball Competition and other cultural poverty alleviation activities. These activities have promoted ethnic culture and local cultural tourism</li> </ul>

#### **“Sunflower” Music Classrooms, a new chapter in poverty alleviation through cultural development**

In 2018, CMB donated the “Sunflower” Music Classrooms to CMB Gubai Hope Primary School and Maojie Town Primary School. In addition, CMB presented various music instruments, simplified courses and other resources to local students, and provided professional training for local music teachers. The donations boosted local art education and broadened students’ horizons.

At the opening ceremony of the “Sunflower” Music Classrooms, renowned pianist Li Yundi gave a music class to local students. He played the “*Yellow River Piano Concerto*”, “*Edelweiss*” and other classical music for students, and encouraged them to pursue musical dreams.

CMB invited professional vocal music teachers to teach music skills, such as vocalizing, throat control, breathing, adjusting intonation according to accompaniment, lyric appreciation, and more. These activities enabled students to showcase their music gifts. We will commission the Bazaar Foundation to operate the “Sunflower” Music Classrooms. CMB will also encourage the public to donate to the “Sunflower” Music Classrooms to provide local students with more opportunities to learn music.



Li Yundi gave music classes at the “Sunflower” Music Classrooms



Students answered questions at classrooms

### We helped students in Wuding and Yongren counties realize their dreams

We adhered to the principle of “education is the foremost in poverty alleviation” by vigorously supporting education in Wuding and Yongren counties in 2018.

In 2018, two “Love Dream” classrooms were opened at Gaoqiao Central Primary School and Xiangshui Primary School at Wuding County. The two classrooms, funded by China Merchants Fund, can function as Internet surfing and multimedia study centers as well as libraries. Its good hardware and operation will create a lively classroom atmosphere for students. In November 2018, China Merchants Fund’s volunteers gave classes to students in Wuding County, and donated solar water heaters and cotton quilt to some primary schools. China Merchants Fund also purchased nuts made by poor students’ families. They also held charitable sale of drawings and handicrafts of students in Wuding County. All proceeds from the charitable sale were used to improve local students’ studying environment.

In August 2018, we held the “Ceremony for Signing Binbin Scholarship Donation Agreement” at the CMB Zhiju Hope School in Yongren County. Under the agreement, the “Binbin Charity Trust” that is managed by our bank will donate funds to establish scholarships for local students. After learning of the poverty alleviation activities of CMB, Binbin Charity Trust decided to grant the first round of scholarships to poor students at CMB Zhiju Hope School. Later, we granted RMB 50,000, which was part of Binbin Charity Trust’s returns, to excellent students at the CMB Zhiju Hope School as scholarship. We hope such donations can encourage students to work hard and pursue further study at higher educational institutions, and give back to their hometown in the future.



Launch ceremony of China Merchants Fund “Love Dream” centers and related education support activities

### Our achievements in poverty alleviation in 2018

<p><b>More financial support</b></p>	<ul style="list-style-type: none"> <li>• We provided RMB 11.7938 million in financial assistance to the two counties. RMB 11.047 million was donated by our employees.</li> <li>• We introduced other parties to donate RMB 1.417 million to support poverty alleviation projects in the two counties. Among the donations, RMB 1.087 million was provided by the “My Charity” Foundation to 1,117 poor students in Yongren County in the form of student</li> </ul>
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	subsidies.
<b>Additional training</b>	<ul style="list-style-type: none"> <li>• We helped train 701 grassroots cadres.</li> <li>• We helped train 1,300 professionals in Chinese chestnut growing and Yi People embroidery.</li> </ul>
<b>Poverty alleviation through e-commerce</b>	<ul style="list-style-type: none"> <li>• We purchased 600 tons of guavas that are worth RMB 9.6 million.</li> <li>• We helped the two counties sell about RMB 3 million worth of agricultural products via the online and offline channels of <a href="http://www.benlai.com">www.benlai.com</a>.</li> </ul>

With 20 years of efforts in reducing poverty, we have become good friends to the people in Wuding and Yongren counties. Going forward, we will further advance our targeted poverty alleviation projects, and help people from the two counties eliminate poverty as soon as possible.

### 1.3 Helping More People Fight Poverty

CMB is leveraging its extensive branch network to help more people fight poverty.

#### **The Wuhan Branch opened Qichun sub-branch and helped villagers in the Maojian District of Shiyan City get rid of poverty**

In July 2018, Wuhan Branch formulated “*Targeted Poverty Alleviation Plan at the Wuhan Branch of CMB*”(《招商银行武汉分行精准扶贫工作方案》). The plan stipulated that the Wuhan Branch will take responsibility for helping reduce poverty in Qichun County of Huanggang City and the Maojian District of Shiyan City.

The Wuhan Branch established the Qichun sub-branch in Qichun County in April 2018. After conducting much field research, the Wuhan Branch helped local poor households engage in businesses with local characteristics and government support (such as plantation of Chinese mugwort). In addition, the Wuhan Branch provided diversified marketing channels to these households.

The Wuhan Branch also dispatched 3 employees to Yanwu Village in the Maojian District of Shiyan City. These employees worked hard to ensure achievement of poverty alleviation goals in 2018. They have helped develop local industries (such as mushroom cultivation and raising bama miniature pigs, among others) and built rural economic cooperatives, which has effectively increased the income of villagers.



Qichun sub-branch was opened to help local residents get rid of poverty.



The poverty alleviation team of Wuhan Branch visited villagers at Yanwu Village in Shiyan City.

### **The Lanzhou Branch helped reduce poverty at Min County**

Lanzhou Branch was designated to help reduce the poverty of Caodi Village of Min County in Gansu Province in August 2017. Since then, the Lanzhou Branch rolled out targeted poverty alleviation projects based on local conditions, which effectively helped Caodi Village reduce poverty.

- **Improving infrastructure**

- The Lanzhou Branch donated about RMB 268,500 to rural renovation projects, installation of public lighting facilities, livestock raising technology training, and distributing free farm tools.
- The Lanzhou Branch donated about RMB 200,000 to help build the Traditional Chinese Medicine Cooperative, which boosted the added value and sales of local distinctive agricultural products such as angelica and astragalus.

- **Supporting education**

- The Lanzhou Branch donated over RMB 20, 000 to the Caodi Village primary school and kindergarten.
- The Lanzhou Branch built the CMB Library in Caodi Village Primary School, and equipped the library with over 600 books, computers and other teaching equipment.



Opening Ceremony of CMB Traditional Chinese Medicine Cooperative in Caodi Village



Activities of supporting local education

### **The Xi'an Branch employees were stationed in Zhouwan Village to reduce local poverty**

Zhouwan Village of Wuyi County, Yanan City is located at the southern border of the Mu Us Desert. The village is at a high altitude and gets quite cold. Local transportation is very inconvenient. In 2018, the Xi'an Branch stationed employees at Zhouwan Village to help reduce poverty. After conducting thorough research, employees of CMB helped poor households to develop industrial



projects and increase income.

- **Supporting the development of livestock industry**

- The Xi'an Branch invited experts to train local poor households in how to start a livestock business and how to keep livestock safe from disease and epidemics
- The Xi'an Branch offered financial assistance to poor households to help them buy fodder or repair livestock-farming facilities
- The Xi'an Branch helped 27 poor households buy about 100 pigs, cows and donkeys, which increased the average income of these households by over RMB 1,000.

- **Supporting the development of agricultural industry**

- The Xi'an Branch established a special-purpose fund to donate chemical fertilizers to poor households, which reduced their economic burden.
- The Xi'an Branch helped poor households grow about 100 mus (16.47 acres) of millet and other crops, which increased the average income of these households by over RMB 1,000.

The year 2019 is an important year for winning the battle against poverty. We will continue to participate in poverty alleviation initiatives according to related policies. In addition to encouraging employees to make donations, we will establish a "Poverty Alleviation Fund" to further boost our poverty alleviation efforts and increase our support for important areas and projects.

### Outlook for poverty alleviation

<b>Focusing on the difficult areas</b>	<ul style="list-style-type: none"> <li>• We will focus our efforts on building a brand for providing loans to dilapidated house renovation projects. We will explore the business of dilapidated house renovation and relocating poor residents to help improve residential and living conditions of poor households.</li> <li>• We will encourage our customers to invest in agricultural, processing and trading industries in Wuding County and Yongren County to help local poor people stand on their own feet.</li> </ul>
<b>Ensuring effective execution of poverty alleviation projects</b>	<ul style="list-style-type: none"> <li>• We will continue to "focus on two kinds of poor households and six aspects and reduce poverty through Internet + education". At the same time, we will adjust our ways of donating to educational facilities. All employee donations will be used to help poor students. CMB will also provide "one-to-one" targeted support to poor students. These measures will translate into bigger support for education in poverty-stricken regions.</li> <li>• CMB will introduce innovative ways to reduce poverty. It will further help poverty-stricken regions develop industrial projects and the local economy, and market locally-produced goods. In addition, it will leverage its professional expertise to facilitate poverty alleviation. It will also help poverty-stricken regions to create more jobs and boost local healthcare conditions.</li> </ul>

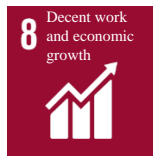


## 2 Better Serving the Real Economy

### Sustainable Development Background

Diversified financial products and services are indispensable to a strong economy. Sustainable development of financial industry is of great importance to stable economic growth. CMB dedicates itself to serving the real economy. It particularly focuses on facilitating the implementation of major national strategies, promoting development of private-sector economy, assisting businesses in transforming and upgrading themselves, and helping companies go abroad. We continuously launch innovative financial products and services to enhance the capabilities of serving the real economy and helping promote quality economic growth.

### SDGs



## 2.1 Serving the Private-Sector Economy

Private-sector companies are major drivers for economic growth and job creation. Their innovation capabilities have provided continuous impetus for the economy. However, due to the fierce competition and the rapid changes in information technology, private-sector companies are facing difficulties in securing loans and quality technological services.

CMB was born at the beginning of China's reforming and opening-up. Since its foundation, CMB has attached great importance to private-sector companies. Serving private-sector companies and small businesses is a material part of its growth strategy. CMB has launched differentiated financial products for private-sector companies. In addition, CMB keeps increasing credit support for private-sector companies. By doing this, CMB manages to grow together with private-sector companies.

### Enhancing credit support for private-sector companies

It is always difficult for private-sector companies to secure reasonably-priced loans. In response to the government's call for supporting private-sector companies, we pay close attention to the demands of private-sector companies, and keep optimizing our loan services for private-sector companies. We also keep introducing new financing modes and instruments to private-sector companies.

#### **The Shenzhen Branch introduced a bond support financing instrument for private-sector enterprises**

In November 2018, the Shenzhen Branch launched the first credit risk mitigation warrant (CRMW) for private-sector companies in China. It helped OFILM Tech Co., Ltd to issue RMB 500 million worth of short-term bonds. In addition, the Shenzhen Branch issued RMB 250 million CRMW on the bonds. This was the first CRMW for private-sector companies issued by a joint-stock bank in China. CRMWs offer default protection on bonds and effectively mitigate risks faced by private-sector enterprises and bond investors, which helps private-sector companies obtain loans more easily.

### Supporting innovation

We provide diversified financial services to private-sector companies. We particularly help private-sector companies explore emerging industries such as artificial intelligence, integrated circuits, robotics, new medicines, Internet of Things, environmental protection, and new materials, among others.

#### **We offered integrated financial services to help private-sector companies grow**

Private-sector companies accounted for 38.6% of all the strategic customers of the Head Office in 2018. The ratio is continuing to climb. To better serve the private-sector companies, we have launched head office-to-head office service mode, and used fintech to provide integrated financial services to private-sector companies. We supported leading private-sector companies such as Contemporary Amperex Technology Co., Limited, SenseTime, and Aier Eye Hospital, among others.

**We strived to serve the new economy**

Many new-economy private-sector companies are seeking to go public in overseas capital markets. To better serve these companies, we launched financial services particularly designed for new-economy companies. The services can meet companies' financial needs before, amid and after IPOs.

After knowing that one of our customers was seeking bank loans to complete an overseas IPO, we worked out a customized and integrated financing solution. The solution covers account-opening, overseas investment collection, foreign direct investment (FDI) registration, inbound foreign currency conversion, overseas investment registration and more. Despite the tight schedule and complex structure of the financing solution, we completed related loan approval processes in 2018.

## 2.2 Inclusive Finance

Inclusive finance aims to improve livelihood and help small businesses obtain loans more easily. It also provides a tool for banks to better serve customers and seize business opportunities. CMB is building a fintech-backed inclusive finance operation that focuses on serving small businesses. CMB hopes its inclusive finance can help more people and customers have better lives.

In March 2018, CMB established inclusive finance centers in the Head Office and 44 tier-1 branches. These centers are managed vertically. By the end of 2018, we have established over 350 small business service teams, and hired about 2,000 small business account managers, who provide professional and differentiated services to inclusive finance customers.

<b>The inclusive finance center at the Head Office</b>	The inclusive finance center at the headquarters will control and facilitate the development of CMB's entire inclusive finance operation. It will make overall business plans, design products, determine the target customers, control risks and carry out post-loan management for the inclusive finance operation.
<b>The inclusive finance centers at branches</b>	Inclusive finance centers at branches will operate at the market frontline. They will establish inclusive finance operating teams based on local customer volume. These teams will provide one-stop financial services to inclusive finance customers, such as designing of integrated financial solutions, handling of loan application, post-loan services and others.

### Serving small and micro businesses

We continued to implement the strategy of "serving small and micro businesses". We have increased credit support for small and micro businesses and transformed related products and operations. We also cut fees for small and micro businesses, and effectively met their credit demand.

As of the end of 2018, the total balance of our small and micro business loans (based on industry standards) amounted to RMB 348.993 billion, up 12.23% from a year ago. We amassed 1.752 million small business customers, up 20.63% from the beginning of the year. Our domestic small business loan balance (based on industry standards) amounted to RMB 102.771 billion. We have fully met the regulatory requirement regarding small business loans set out by China Banking and Insurance Regulatory Commission.

<p><b>Upgrading our small and micro business loan services</b></p>	<ul style="list-style-type: none"> <li>• <b>Helping small and micro businesses obtain loans more easily:</b> we provided various loan granting channels, such as mobile banking, WeChat official account and Internet banking, among others. In addition, we connected our loan services to various external scenarios.</li> <li>• <b>Approving loan applications more quickly:</b> we built a retail loan factory, which has a center that can serve customers across the country. Customers that provide complete loan application materials can get loans within 2 workdays.</li> <li>• <b>Enhancing post-loan services:</b> We established a post-loan service center that provided services through our mobile banking channel, which included online application, progress enquiry, and automatic loan transfer, among others.</li> </ul>
<p><b>Helping small businesses grow</b></p>	<ul style="list-style-type: none"> <li>• <b>We increased credit support for important customers.</b> We strengthened cooperation with core enterprises and provided supply chain financing services to their upstream and downstream suppliers. As of the end of 2018, the balance of CMB's loans to small businesses on supply chains amounted to RMB 21.279 billion, up RMB 7.496 billion from a year ago.</li> <li>• <b>We strived to provide more services to small businesses.</b> We are constantly trying to meet the diversified non-loan financial needs of small businesses. Our non-loan financial services for small businesses included account-opening, payment and settlement (online banking), account management and salary payment.</li> <li>• <b>Optimization and innovation of our loan products.</b> We launched three major series ("Help to Grow", "Help to Expand", and "Help to Win") of small business loans targeting different kinds of businesses. We also introduced distinctive loan products such as "small-sum loan for startups", "small-sum credit loan" and "online instant loan".</li> <li>• <b>We introduced an innovative online service mode.</b> We launched "E-Business Express", the new online account-opening service for business customers, which allowed small business customers to open accounts more conveniently. We also upgraded "CMB Small Business Finance +", our WeChat small program for small businesses. The upgraded program has added functions including online loan application, credit line estimating, and locating the nearest banking service outlet. As of the end of 2018, the "CMB Small Business Finance +" amassed 45,000 active customers.</li> </ul>

**The three major series of small business loans ("Help to Grow", "Help to Expand", "Help to Expand") support different kinds of businesses**

The "Help to Grow" loan series targets small businesses that have stable customers and cash flow, and have operated for many years in traditional industries such as manufacturing, trading and service sectors.

- **Collateral loans** include various types of loans designed for small businesses that can offer properties as collaterals. Such loans offer high flexibility in loan term, loan use,

repayment and loan renewal.

- **Loans for credible taxpayers** are credit loans offered to small businesses that can fully pay tax on time.

“Help to Expand” loan series targets companies with innovative technologies.

- **Loans for high-tech companies** are credit loans provided to high-tech companies that are at the start-up stage and have reached a certain scale of operation.
- **Loans for companies listed on NEED** (National Equities Exchange and Quotations) are diversified financing solutions for companies listed or to be listed on NEED. Such financing solutions include credit loans, equity-pledged loans, loan for share buybacks, and others.

“Help to Win” loan series targets small and medium-sized businesses that operate in designated industry chains.

- **Self-service supply-chain loans** are self-service financing services provided to small businesses that operate at upstream or downstream of various industries. Such services will greatly facilitate transactions of small businesses.
- **Loans for companies with government orders** are provided to suppliers who have received orders from government agencies.

### We are one of the earliest investors in the State Financing Guarantee Fund

The State Council decided to establish State Financing Guarantee Fund (“SFGF”) in March 2018, with the goal of helping small businesses, farmers, entities in rural areas and agricultural companies to obtain loans. The SFGF will raise RMB 66.1 billion in its first phase, of which RMB 30 billion will be contributed by Chinese central government and at least RMB 36.1 billion will be contributed by financial institutions. CMB will be one of the earliest investors in the SFGF. We will inject RMB 2 billion into SFGF over the next 4 years. Such capital injection demonstrates our commitment to supporting small and micro businesses, startups, farmers, entities in rural areas and agricultural companies.



Signing of Cooperation Agreements for the First Batch of Businesses under the State Financing Guarantee Fund

### Supporting tech firms

We have launched the “Qianying Zhanyi(千鹰展翼)” program that supports small tech firms in

emerging industries including smart manufacturing, information technology, new energy, new materials, energy saving and environmental protection, healthcare, culture and media. Under the program, we serve small and medium-sized tech firms throughout their lifecycles. Our services include loans, equity investment introduction, fundraising advisory, facilitating deal-making, and more. We will help these firms to gain access to capital markets. In the meanwhile, we are further enriching services provided under the “Qianying Zhanyi(千鹰展翼)” program. We have diligently worked to build a fintech eco-system to further support small tech firms.

As of the end of 2018, the “Qianying Zhanyi(千鹰展翼)” program provided integrated financial services to about 57,000 national-level high-tech companies. 7,683 of these companies received over RMB 1.2 trillion in credit lines. In addition, we sponsored the China Innovative Entrepreneurship Competition that was hosted by the Ministry of Technology and Science for 7 consecutive years. We provided financial services to about 17,000 companies that took part in the competition and extended a total of RMB 23 billion credit line to these companies.

### **We built a fintech alliance**

In December 2018, we launched the Fintech Ecosystem Alliance under the “Qianying Zhanyi(千鹰展翼)” program. At the launch ceremony of the program, 30 entities joined the alliance and became our strategic partners.

As the one who started the alliance, CMB will continue to serve as the financing partner and business advisor for businesses in the “Qianying Zhanyi(千鹰展翼)” program. We will provide basic financial services to businesses and private banking services to successful business owners. We will also develop more financial products and characteristic services that can fit the demands of tech firms. Members of the Fintech Ecosystem Alliance included investment institutions, securities exchanges, guarantee companies, industrial parks, incubator, industrial park service providers, securities companies, law firms, accounting firms and other intermediaries. CMB will closely work with members of the alliance to provide the best financial services to small and medium-sized tech firms.



Launch Ceremony for CMB's Fintech Ecosystem Alliance

### **Supporting a Chinese chipmaker through the “Qianying Zhanyi(千鹰展翼)” program**

A Beijing-based chipmaker that was founded in 2013 has focused on manufacturing Wi-Fi SoC chips that are widely used in the Internet of Things areas. Their customers are from sectors including smart furniture, smart home appliances, wireless videos and audios, smart lighting, medical nursing and the Industrial Internet of Things. In 2016, the company was at its start-up stage and still suffered

losses. It was difficult for the company to get a loan. After learning of the company's financial needs, we extended a RMB 1.2 million credit line to the company. In 2018, the company's new product W600 chip was about to be unveiled. A massive production of the new product requires lots of capital. Through the "Qianying Zhanyi(千鹰展翼)" program, we introduced RMB 3 million equity investment into the company, and extended an RMB 5 million credit line to the company. Such capital support enabled the company to realize rapid business growth.

## Helping the startups

We will continue to enhance our service for startups. We will study the loan demand of entrepreneurs and local pro-entrepreneurship policies, and provide customized loan services to entrepreneurs. We will help startups seize business opportunities and achieve growth.

### **The Dongguan Branch launched "Small-sum Startup Loan"**

To encourage entrepreneurship and innovation, and help startups succeed, the Dongguan Branch teamed up with the Dongguan municipal government to launch small-sum startup loans. The loan amount can be as high as RMB 200,000, and can basically meet the capital demand of small businesses in Dongguan. The loan can be offered for as long as 3 years. The Dongguan municipal government will pay the interest. This loan product significantly reduced the burden for businesses. As of the end of 2018, 2,328 small-sum startup loans that are worth a total of RMB 500 million were extended, with a balance of RMB 423 million. The small-sum startup loans created great benefits for the society, and were highly recognized by regulators.

## 2.3 Supporting Regional Development

Achieving coordinated regional development is one of the major strategies of China, and is of great importance to a quality economic growth. China is looking to realize coordinated development of Beijing-Tianjin-Hebei Region. In addition, China plans to build regional economic hubs such as the Yangtze River Economic Zone and Guangdong-Hong Kong-Macao Greater Bay Area. These mega regional development plans will create business opportunities for our Bank. We will launch innovative financial services to facilitate industry structure adjustment and upgrade in related regions, and contribute to sustainable and coordinated regional economic growth.

### Beijing-Tianjin-Hebei Region

#### **The Beijing Branch fully supported coordinated development of the Beijing-Tianjin-Hebei Region**

In 2018, the Beijing Branch actively supported the coordinated development of the Beijing-Tianjin-Hebei Region. It helped local government relocate non-capital functions to other regions and improve the living environment of Beijing.

- The Beijing Branch extended a RMB 800 million credit line to the Universal Beijing Resort, an important cultural tourism project in the Tongzhou District, the sub-center of Beijing. A RMB 35 million loan has been made from the credit line.
- The Beijing Branch extended RMB 2 billion credit line to the land sale project of the Daxing District. A RMB 900 million loan has been made from the credit line.
- Beijing Branch extended a RMB 1 billion credit line to the shanty town renovation project in

the Haidian District. A RMB 780 million loan has been made from the credit line.

- Based on the Beijing government's recommendation, the Beijing Branch extended a RMB 2 billion credit line to Zhongguancun Science City and Beijing Future Science Park.
- Beijing Branch extended RMB 2.4 billion and RMB 2 billion credit lines to the expressway project for the new Beijing airport and PPP (public-private partnership) project for a railway to the new airport, respectively.

## Guangdong-Hong Kong-Macao Greater Bay Area (GBA)

### **We participated in PBoC's blockchain project in Guangdong-Hong Kong-Macao Greater Bay Area**

In October 2018, we completed the first account receivable financing transaction for our strategic partner through the "GBA Trade Finance Blockchain Platform". The "GBA Trade Finance Blockchain Platform" was founded by People's Bank of China (PBoC). It uses blockchain technology and aims to enhance mutual trust between market participants. As one of the core participating banks of the platform, we have taken part in the designing and development of the platform and its application scenarios. We finished the first transaction through the platform within only 3 months after launch. In the account receivable financing transaction, all payment approvals of core companies, suppliers' loan application and banking processes were carried out through the platform. The platform can significantly lower banks' costs for customer investigations and verifications, and enable banks to extend loans to small and medium-sized companies more efficiently.

### **The Guangzhou Branch supported construction of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, which boosted connectivity in the GBA**

The Guangzhou Branch is the leading bank for the syndicated loan extended to the second phase of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL). The Guangzhou Branch contributed RMB 1.55 billion to the syndicated loan. The second phase of XRL includes Shenzhen's Futian Station, which is Asia's biggest underground transportation hub, as well as its auxiliary facilities. After 5 years of construction, the Futian Station was opened on December 30, 2015, while the Hong Kong XRL section was opened on September 23, 2018. In addition, the Guangzhou Branch extended a RMB 600 million credit line to the Guangzhou-Shenzhen-Hong Kong Passenger Dedicated Line Co. Ltd. (the XRL operator) to support daily operations of the company.

## Yangtze River Economic Zone

### **CMB Financial Leasing took part in the first joint financial leasing transaction of the Strategic Alliance of Financial Leasing Companies for Serving the Yangtze River Economic Zone**

In 2018, CMB Financial Leasing was selected as President of the Second Council of the Strategic Alliance of Financial Leasing Companies for Serving the Yangtze River Economic Zone. CMB Financial Leasing joined hands with other members of the alliance to complete the first joint financial leasing transaction of the alliance. The transaction was intended to fund the lease-back project of Chongqing Longtou Port Logistics Co., Ltd. The RMB 500 million joint financial lease



was guaranteed by the Chongqing Fuling Transportation and Tourism Investment Group (the controlling shareholder of Chongqing Longtou Port Logistics Co., Ltd). Longtou Port is one of the “1+3” hub ports in Chongqing, and serves as the west end port of the Yangtze River’s upstream where 5,000 ton ships and 10,000 ton fleets can regularly berth.

## 2.4 Cross-Border Finance

Along with the progress in the Belt & Road Initiative, increasingly more Chinese companies are going abroad, which gives rise to a growing demand for cross-border financial services.

CMB has built a cross-border financial service platform that covers local and foreign currencies, domestic and overseas markets, onshore and offshore markets, as well as investment banking and commercial banking operations. The platform can effectively coordinate CMB’s services at home and abroad. CMB has a diversified product portfolio. Its services include financing solutions, global treasury management, less frequently-used currency transactions, hedging, foreign currency conversion, cross-border RMB transaction, among others. These services effectively help domestic companies tap global financial markets.

### Innovative cross-border financial services

We have used fintech to improve our cross-border financial services, and provide one-stop and integrated financial solutions to help companies operate globally. We help companies build global competitiveness with lower costs and higher efficiency.

#### **We introduced the first globally integrated SaaS treasury management application platform in China**

On the back of our strengths in financial services and technology, we introduced China’s first globally integrated SaaS treasury management application platform.

The platform uses big data, cloud computing, artificial intelligence and other digital technologies, which transformed the traditional account-based service system. It also covered accounts at over 10,000 financial institutions from more than 200 countries through bank-enterprise connectivity and the SWIFT network. The platform enables institutions to reduce payments made to SWIFT facilities and related technical staff. Moreover, it allows fast delivery of account enquiries and trading orders to overseas banks.

#### **We used fintech to accelerate cross-border payments**

GPI (Global Payment Innovation) is a brand-new cross-border payment solution introduced by SWIFT, and aims to increase speed, transparency and end-to-end tracking in cross-border payments. In 2018, our GPI project was put into operation, which significantly boosted customer experience in cross-border payments.

- **Immediate fund transfer.** Except for cases caused by foreign currency conversion, compliance check and regulatory authorization, GPI will significantly shorten the time needed for fund transfers. Taking the euro GPI fund transfer as an example, if the recipient bank is a GPI bank, the transferred money will arrive on average within 2 hours, and as fast as in 2

minutes.

- **Transparent bank fees.** Banks operating cross-border payment transactions will track and give feedback through the GPI system. Therefore, they can show customers fees imposed by any bank at any stage of the process.
- **Display of more payment information.** Intermediary banks cannot change the payment information when using GPI technologies. The GPI technology ensures that accurate payment information is received by the recipient, and avoids lack of information that can cause fund transfer failure.
- **End-to-end tracking.** GPI will upload information onto cloud platforms, which are accessible to all participating banks. Customers can check the progress and estimated arrival time of fund transfers like checking their express mails.

### We introduced the innovative “Bank-Customs-Insurance” product

We have launched the innovative “Bank-Customs-Insurance” product, which represents the outcome of joint efforts made by CMB, insurers and customs to transform the letter of guarantee (L/G) application and handling process. The product is highly recognized by the General Administration of Customs and our business customers.

In the “Bank-Customs-Insurance” product, insurers provide banks with protection against default in duty payments, thereby lowering the guarantee and deposit requirements for companies that apply for L/Gs at banks. This made it easier for companies to obtain credit lines. The product does not require any collateral, can be approved fast and has a low threshold. It effectively helps importers and exporters, and enables them to clear customs quickly. By the end of 2018, the “Bank-Customs-Insurance” product was provided in 30 branches and RMB 3.92 billion worth of L/Gs for duty payments were issued using the product.

## Supporting the Belt & Road Initiative

The Belt & Road Initiative is presenting great opportunities for Chinese companies to go abroad and cooperate with foreign entities. The initiative is also creating a new platform where banks can upgrade their cross-border financial services and enhance their capabilities of operating globally. We are actively promoting cross-border cooperation. In 2018, CMB and Citi entered into memorandum of cooperation under the Belt & Road Initiative. We have actively participated in syndicated loans related to the Belt & Road Initiative, and helped leading Chinese companies (such as CRRC Corporation, China Metallurgical Group Corporation, POWERCHINA, China Railway Group and GE China) to take part in projects under the Belt & Road Initiative. We have prepared credit support documents and letters of lending intent for important projects. In this way, we deeply participate in major projects and explore new service modes under the Belt & Road Initiative



Signing the MOU with Citi for cooperation under the Belt & Road Initiative

**We provided syndicated loans to overseas project under the Belt & Road Initiative**

One of our customers has owned a partial stake in a petrochemical project in Brunei. The Brunei government is the other shareholder in the project. Construction of the project started in 2018. This project was the largest FDI that Brunei received in the past few years. It is expected that the project will generate an output of USD 5.5 billion in 2020 and create nearly 1,000 jobs in Brunei. To help complete the project and ensure that it is put into operation successfully, CMB extended a USD loan to the project through an overseas syndicated loan program. The first tranche of the loan, in the amount of USD 60 million, was made in 2018. This was the first overseas loans directly made by our domestic branch. The loan provided by our bank will help Brunei build a complete petroleum industry chain and diversify the local economic structure.

### 3 Contributing to Livelihood Improvement

#### Sustainable Development Background

Finance involves every aspect of people's lives. A strong financial industry can make people's lives better and create greater convenience. CMB not only provides basic financial services, but also uses fintech to provide innovative products and services. We have cooperated with government agencies, institutions and businesses to diversify our service offerings and boost public services and facilities. CMB's inclusive finance operation has helped citizens receive public services more conveniently, facilitated progress in the healthcare, education and elderly-care sectors, and boosted the services and facilities available to farmers, rural areas and agricultural industries.

#### SDGs



### 3.1 Boosting Public Services and Facilities

Public services and facilities are very important to peoples' happiness. CMB has fully embraced related national strategy, and increased its support for important infrastructure and livelihood projects in areas such as transportation facilities construction, shanty town renovation, sewage treatment and healthcare development. CMB believes these efforts will promote the overall social benefits.

<b>More loans extended</b>	We extended more loans to fund construction of railway and urban rails, municipal infrastructure and healthcare projects. By the end of 2018, we extended RMB 36.7 billion in loans for expressway construction, RMB 24.9 billion for railway construction, RMB 12.4 billion for urban rail construction, RMB 15 billion for municipal infrastructure construction and RMB 14.8 billion for drug production and trading companies and hospitals.
<b>Organizing syndicated loans</b>	We have led the syndicated loans for construction of Guangzhou Asian Games Town and a shanty town renovation project in the Beilun District of Ningbo. We also actively contributed to construction of a new expressway to Guangzhou Baiyun International Airport, the rail construction project in Nantong, the utility tunnel construction project in the Jiangbei New District of Nanjing, and the sewage treatment project in Jiaxing Port Economic Development Zone in Hangzhou. In 2018, we received 5 major awards in the "excellent syndicated loan awarding activity" hosted by <i>China Banking</i> magazine.
<b>Directing investment to public facilities</b>	We have actively directed capital to major strategic regions and projects that have helped improve local livelihood. In 2018, we invested RMB 3.917 billion in two shanty town renovation projects in the Ouhai District and Lucheng District of Wenzhou City. The two projects were included in the shanty town renovation plan of Zhejiang Province in 2018.



Actively supporting China's infrastructure construction

#### **The Foshan Branch supported local infrastructure construction**

The Foshan Branch extended RMB 285 million in fixed-asset loans to the Foshan Shunde Rail Transportation Investment Co., Ltd. and Foshan Urban Rail Line 3 Development Co., Ltd. These loans were used to fund construction of Line 7 of the Guangzhou Metro and the Line 3 of the Foshan Metro. Interest rates of the loans were lower than the benchmark set by the PBoC. Moreover, the Foshan Branch has prioritized these loans over other loan projects. Foshan Branch also extended RMB 117 million in fixed-asset loans to the Guangdong Shunkong Development Co. Ltd. in 2018 to fund construction of a domestic waste incineration project and sludge treatment project in the Shunde District.

## 3.2 Making People's Lives Better

Finance is now part of everyday life. Financial services are facilitating activities in healthcare, elderly care, education, transportation, tourism and cultural sectors. Financial institutions are using rapidly-evolving technologies to change the ways of providing financial services in livelihood areas. CMB has paid close attention to the public's demand, and actively used financial technology and innovative financial services to make people's lives better. We have continued to promote smart banking services to bring greater convenience to the public in their everyday lives.

### Providing great convenience through smart banking services

We are building a "Public Service Cloud Platform" that connects government agencies with the CMB APP. The platform covers four core scenarios including provident fund, social security, pension, non-taxation services, and taxation services. It's linked to a customers' provident fund account, social security account and other non-financial accounts. The platform enables users to receive public services, finish government-related affairs and make related payments on the CMB APP. By the end of 2018, the CMB APP has the functionality to provide online provident fund services in 11 cities. Based on the social security interface and traffic fine payment interfaces of certain regions, CMB has developed social security card-based enquiry and traffic fine enquiry services.



Promoting smart mobility in Hangzhou

#### Our visa agent service received warm response from customers

We have introduced the first visa agent service in China's banking industry. The service enables customers to apply for visas for various countries at home, which is a great convenience. The visa agent service can automatically identify customer data and help customers fill in application forms. It can also detect errors in application documents, which shortens the time spent applying. Customers can conveniently upload their household registration cards and other required documents to the CMB APP, instead of spending lots of time to fill in required information. CMB will inform customers of the progress of the visa application through short messages, and they can also enquire on the CMB APP.

#### The Urumchi Branch used fintech to transform social security services

Residents and freelancers always need to spend lots of time and overcome many obstacles to finish social security payments. To solve this problem, the Urumchi Branch teamed up with the local social security bureau to develop a series of fintech systems and products.

They introduced the **Smart Social Security POS** that is directly connected to the social security

system. All urban and rural residents as well as freelancers in Xinjiang can make social security payments on the POS via WeChat Pay or Alipay.

The Urumchi Branch also launched a **social security enquiry service** on the CMB APP. The CMB APP is connected to local social security system. Contributors to social security funds only need to input their ID information into the CMB APP to make enquiries on their social security accounts. They no longer need to queue for a long time at service counters.

The Urumchi Branch introduced the **“CMB Social Security Service” WeChat mini program**. Customers who bundle their personal ID information with the mini program can make enquiries about their social security accounts and make social security payments.



Screenshot of “CMB Social Security Service”

## Smart healthcare

We are a strategic partner of the National Health Commission in “Innovative Use of E-Health Card”. After signing the agreement, we took part in E-Health card projects in Anhui, Jiangsu, Zhejiang, and other regions. In Wuxi, we ran a pilot project in the 3<sup>rd</sup> People’s Hospital of Wuxi. We managed to realize full connectivity in the hospital and enabled patients to use one E-Health card to complete all procedures. This finally translated into a better experience for patients.



Launch of E-Health card in Jiaxing

We built a healthcare cloud platform that centers on the E-Health card. The cloud platform builds connectivity between the National Health Commission, hospitals, medical insurance system and commercial insurance claim system; creating an ecosystem where users can conveniently manage their personal healthcare matters and purchase medical services. The platform also provides customers with healthcare service, consumer medical services, credit service, insurance service and a health care product shopping mall. The platform also delivers smart healthcare and Internet-based solutions to hospitals. With the help of the platform, CMB enabled credit card pre-authorization for medical bill payments, which allows patients to receive medical services before paying.

## Smart campus

Our educational service cloud platform targets students and graduates, and provides 5 major products, including Campus Wallet, Campus Portal, Alumnus App, Campus Payment and Campus Life. These

products laid a solid foundation for our project of building “Smart Campus”. We are also actively exploring educational and exams-related services. We are now supporting tuition payments at nearly 1,000 schools in China, and worked with renowned training agencies and National Education Examinations Authority to simplify the exam registration and fee payment procedures.

### **Smart service for the elderly**

Elder care is becoming a major livelihood issue along with the ongoing aging of the population in China. CMB is actively improving its enterprise annuity services. CMB is committed to effectively protecting their retirement by providing enterprise annuities and other financial services to the elderly.

We started a pilot sale of tax-deferred pension insurance plans in September 2018. We were the first Chinese bank to sell tax-deferred insurance through the bancassurance channel. In addition, we were the first Chinese bank to work with the Asset Management Association of China to develop a chatbot that specializes in investor education for the elderly. The chatbot is now accessible on the Asset Management Association of China’s official WeChat account and it provides answers to various financial questions for elderly customers.

As of the end of 2018, the size of annuity funds managed by our bank reached RMB 9.022 billion, and we were managing annuity accounts for 1.84 million employees.

#### **The Shanghai Branch launched custom services for retirees.**

The latest edition of Shanghai social security cards is the third generation. The new edition has added three major functions, including payment of medical bills in places other than Shanghai, financial transactions, as well as fees payment and income collection. The Shanghai Branch has been one of the designated banks to issue the new edition of social security cards. The branch started to accept and handle applications from businesses in Shanghai from July 2018. Moreover, dedicated service channels were opened to retirees by the Shanghai Branch. Branch employees even went to some communities, streets and residential care homes in person to help retirees activate their new cards.

## **3.3 Revitalize Rural Areas**

As an important part of its strategy to address the Three Rural Issues, China is looking to revitalize the rural areas to mitigate the inequality between rural and urban areas. Finance, which is a core part of modern economy, plays a key role in addressing the Three Rural Issues. It’s a major social responsibility for CMB to help address the Three Rural Issues and revitalize rural areas. To fulfill this responsibility, CMB has launched various financial solutions to support sustainable growth in rural economies.

#### **CMB helped issue China’s first bond particularly used for rural area revitalization**

CMB acted as an underwriter for the Lu County Rural Area Revitalization Bond, which was China’s first bond specifically used for rural area revitalization and issued by the Sichuan Department of Finance. The bond raised RMB 500 million, with an AAA rating and a term of 5 years. The proceeds from the bond issue will be primarily used for house site system reform, industrial development, infrastructure construction and ecological protection. In 2018, the bond started trading on the Shanghai Stock Exchange, marking a material innovation in local government bonds.



**The Beijing Branch introduced innovative financial products to help farmers and agricultural companies and address the Three Rural Issues**

The Beijing Branch launched innovative financial products that cater to the special needs of agricultural companies and farmers who supply goods to these companies. The branch cooperated with core members of agricultural equity exchanges and gained access to their credit status and transaction data. In the meanwhile, the branch worked with agricultural credit guarantee companies to design supply-chain finance solutions that can meet the demands of a massive amount of farmers. The agricultural loans offered by the Beijing Branch are applied online and can be repaid at any time. Interest is accrued on a daily basis, and annualized interest rate for the loans ranges between 7% and 8% which is much lower than private lending rates for the farmers in their villages. While offering low-cost loans to farmers, the branch also helped agricultural companies grow their businesses.

## 4 Jointly Building a Beautiful Homeland

### Sustainable development background

Sound economic and social conditions and a well-protected environment are indispensable to an enterprises' sustainable development. The development of green industries needs support from financial institutions. Enterprises can give back to society by facilitating social development, supporting charities, helping the underprivileged and joining hands with stakeholders to build harmonious and beautiful homelands. CMB has always attached great importance to management of environmental and social risks, and integrated environmental protection into its strategic decision-making and operations. It also built a platform for charitable activities, encouraged employees to participate in volunteering activities, and joined hands with stakeholders to promote harmonious development of society.

### SDGs



## 4.1 Growing in an Eco-friendly Manner

As a major player in the financial market, CMB has fully upheld the concept of green development and building a more beautiful China as set out in the 13<sup>th</sup> five-year plan. We have actively promoted green finance and strived to support the development of an eco-friendly, low-carbon and recyclable economy.

### Building a green loan portfolio

Promoting green finance is an important part of CMB's development strategy. CMB has consistently improved its green credit policies. To direct more capital into the eco-friendly areas, support development of eco-friendly industries and create value for environmental protection, CMB has developed and formulated various systems and rules, including *CMB Guidelines on Green Loan Marketing* (《招商银行绿色信贷营销指导意见》), *Green Loan Policy* (《绿色金融信贷政策》), and the *Notice on Advancing Credit Structure Adjustment in Overcapacity Industries* (《关于促进产能过剩行业信贷结构优化的通知》), among others.

As of the end of 2018, CMB's green loan balance reached RMB 166.033 billion (up RMB 8.93 billion compared to the previous year).

<b>Boosting green lending</b>	<ul style="list-style-type: none"> <li>• We gave strong support to eco-friendly emerging industries and green projects, including business transformation and upgrade of enterprises, energy saving and emission reduction, recyclable economy, clean energy, green ecology, and clean development mechanism, among others. We actively directed loans to green areas.</li> <li>• We tilted our loan policy toward leaders in environmental protection.</li> </ul>
<b>Supporting the national energy saving project</b>	<ul style="list-style-type: none"> <li>• We supported key energy saving projects, renewable energy projects, water pollution treatment projects, water resource conservation projects, projects for comprehensive use of resources, projects for recycling waste, development of energy saving and emission reduction technologies, role model and promotional projects for commercialization of eco-friendly technologies, and projects for constructing energy saving technology service system, among others.</li> </ul>
<b>Controlling loans made to overcapacity industries or industry with high pollution or high energy consumption</b>	<ul style="list-style-type: none"> <li>• We strictly controlled the amount of new loans made to industries with high pollution or high energy consumption. Related loans must meet our general loan-granting requirements and national environmental protection standards regarding location, production processes, resource consumption and pollutant emission.</li> <li>• We applied different credit policies to different customers in the overcapacity industries or industries with high pollution or high energy consumption. We helped qualified loan applicants in these industries promote energy conservation and reduce emissions.</li> <li>• We spared no effort to distance ourselves from companies that seriously damage the environment and potentially harm the public.</li> </ul>

<b>Investment in energy saving and eco-friendly projects</b>		
Number of supported energy-saving and eco-friendly projects	Balance of loans made to energy-saving and eco-friendly projects (RMB 100 million)	YoY growth in balance of loans made to energy-saving and eco-friendly projects (%)
47	52.42	46.94

<b>Breakdown of green loans</b>			
Balances of loans made to industrial energy-saving, water-saving and eco-friendly projects	Balances of loans made to energy-saving and green buildings	Balances of loans made to energy-saving and eco-friendly service projects	Balances of loans made to eco-friendly transportation projects
RMB 5.437 billion	RMB 2.616 billion	RMB 9.069 billion	RMB 54.866 billion

<b>Energy saving and emission reductions achieved by green loan projects</b>	
Water (ten thousand tons)	667.68
Carbon Dioxide (ten thousand tons)	935.03
Sulfur Dioxide (ten thousand tons)	9.28
Standard Coal (ten thousand tons)	421.57
Chemical Oxygen Demand (ten thousand tons)	67.72
Ammonia-Nitrogen (ten thousand tons)	16.61
Nitrogen oxide (ten thousand tons)	2.96

**The Xiamen Branch promoted green lending and supported development of energy-saving and eco-friendly industries.**

Fujian Longking Co., Ltd is a leading player in China's environmental protection industry. It specializes in development and production of air pollution treatment equipment and other environmental products. It has annual sales of over RMB 7 billion. The Xiamen Branch has built a sound partnership with Longking. In 2018, the Xiamen Branch made about RMB 200 million in loans to Longking to support the company's research and development of innovative products, and manufacturing of desulfuration and denitration equipment. The loans have promoted the development of energy conservation, emission reduction and air pollution treatment industries.

**The Wenzhou Branch supported a waste-to-energy project**

The ongoing urbanization and rising living standards of the public generate increasingly more municipal domestic waste. The society is attaching a growing importance to treatment and recycling of domestic waste. Generating power by burning domestic waste is becoming a solution advocated by many countries, and it can significantly enhance the utilization ratio of waste.

In Zhejiang, the Wenzhou Branch strongly supported the waste-to-energy project of the Wuyi Weiming Environment Protection Co., Ltd (a local environment protection company). The branch

extended a credit line of RMB 250 million to the project, with a term of 10 years (including a 2 year grace period). Upon completion, the project will be able to process 900 tons of waste per day, and nearly 300,000 tons of domestic waste per year. Total investment in the project is expected to reach RMB 370 million. The project will effectively reduce domestic waste, save land resources and help promote eco-friendly and sustainable economic growth.



Waste-to-energy project supported by the Wenzhou Branch

### **The Guangzhou Branch helped Guangzhou Metro register China's first ABN with a green issuer, green use of proceeds and green underlying assets**

In December 2018, the Guangzhou Branch acted as the lead underwriter and custodian bank to help Guangzhou Metro register RMB 5 billion in fare beneficial interest assets-backed notes (ABN). This is China's first ABN with a green issuer, green use of proceeds and green underlying assets.

The project is the first one to be registered through the certification of an issuer in the National Pilot Zone for Green Finance Reform and Innovation. It is also the first green ABN project in National Pilot Zone for Green Finance Reform. Proceeds from the issue of an ABN that will be used to fund construction of an express urban rail transportation system. The successful issue of the ABN marked the opening of a new financing channel for green projects.



### **The Urumchi Branch built a loan portfolio that drives the transition to a green economy**

CMB launched new green loan policies every year to enhance its eco-friendliness assessment standards for loan applications and related environmental risk management system. In 2018, 100% of the Urumchi Branch's proprietary business loans (with a total balance of RMB 16.438 billion) were made to eco-friendly companies that met related environmental protection standards. The branch has extended loans to 12 projects in energy and water conservation, nature conservation, ecological restoration and disaster prevention, renewable and clean energy, and eco-friendly transportation, with a total balance of RMB 2.257 billion.

## Low-carbon operation

We embedded the green concept into the full process of our operation, and vigorously promoted “smart” and “paperless” operations. We strive to save energy and reduce emission and do our best to reduce the resource and energy consumption arising from our services and operations. In 2018, we connected 142 procedures with our paperless platform. We have realized full electronic operation.

We also further improved our online services to encourage customers to go low-carbon. By the end of 2018, 97.74% CMB's customers were using electronic bills. The use of electronic bills saved 1.548 billion pieces of paper in 2018.

### The Chongqing Branch video kiosks helped realize a paperless office

To become a “paperless and light-operation bank”, the Chongqing Branch launched a smart video kiosk in 2018. The video kiosk enabled customers to have video talk with remotely located bank clerks, who serve customers paperlessly with videos and electronic channels. As of the end of 2018, the video kiosk was able to provide 357 services in 57 categories to customers. The video kiosk can also serve customers 24/7. This not only promotes environmental protection, but also brings great convenience to customers.



Remote services on video kiosks

We also tried to become eco-friendly in our internal operations. We have encouraged employees to save on office supplies and batteries, minimized the resource consumption and environmental impact of our work process, and built a low-carbon and eco-friendly workplace culture.

### The Changchun Branch provided paperless services and built green offices

Changchun Branch actively saved on energy and resources in 2018. The branch vigorously promoted paperless service and operations. It issued paperless receipts for deposits and withdrawals, fund transfers, account opening and cancellation; as well as special transactions, which reduced paper consumption. Meanwhile, the branch has overhauled its internal communication system to minimize the use of paper documents. It also encouraged all its employees to recycle paper and choose double-sided printing whenever possible to save paper.

By promoting the low-carbon concept and adopting low-carbon practices in offices, the Changchun Branch saved nearly 500,000 pieces of paper and effectively reduced its energy consumption in 2018, thereby making a substantial contribution to the low-carbon operation.

The accelerated development of smart banking caused growing energy consumption of datacenters. We kept transforming the energy-conservation technologies of our datacenters, and focused on building green datacenters. By adapting datacenters to local conditions, we managed to reduce the power consumption. In 2018, our datacenters consumed 30.35 million kilowatt-hours.

- The newly-built and upgraded datacenters have used natural cooling. At low temperatures, the datacenters will use natural cold sources to power the cooling system in machine rooms, which can shorten the work time of compressors and reduce electricity consumption of datacenters.
- We made the datacenter infrastructure smarter. We have installed smart lighting facilities and used smart equipment management platforms to increase the energy use efficiency of machine rooms.

## Protecting the green homeland

In 2018, we held the “Reforestation in One Hundred Years for China Merchants Bank” for the 14th consecutive year. From March to April, employees of CMB and their family members joined hands with some customers to participate in reforestation activities. Their efforts have made our environment greener.

We were also exploring new ways to promote the green concept. We have teamed up with various institutions to encourage more people to participate in environmental protection.



Reforestation activities held in various regions

### **The Haikou Branch launched the “Reforestation in One Hundred Years for China Merchants Bank” to make Hainan Island a greener place**

On March 31, 2018, Haikou Branch launched the “Reforestation in One Hundred Years for China Merchants Bank” at Fengxiang Garden. Over 20 young employees of the branch grew about 10 banyan, Chinese fan-palm and ceiba in the activity. Haikou Branch has encouraged all its employees to take part in reforestation activities and facilitate constructing a more ecological civilization.

### **CMB joined hands with SEE Foundation to promote environment protection and support reforestation**

In China, 78 square meters of land become desert every second. To promote the importance of protecting vegetation and converting farmlands into forestry, CMB joined hands with SEE Foundation, China’s biggest environmental group, in March 2018 to focus on restoring the ecological environment in the Alashan region.

We participate in the SEE Foundation's “100 Million Haloxylon” project, and have launched a game called H5 on the new media channels. In the game, participants need to escape from 12 Zodiac Deserts. The game seeks to capture the public’s attention and encourage them to help combat desertification. For every person participating in the game, CMB donated RMB 1 to haloxylon planting, and RMB 10 will be enough for planting one haloxylon. The activity has attracted over

300,000 participants, and we donated RMB 300,000 to desertification prevention.



The 12 Zodiac Deserts in Game H5

### **The Guangzhou Branch launched a vertical marathon in subways to promote green commuting.**

To encourage citizens to use stairs as much as possible and reduce the use of elevators, and promote green commuting, the Guangzhou Branch in October 2018 launched a vertical marathon in subways in partnership with Guangzhou Metro. Participants in the marathon will compete in climbing stairs, and whoever climbs the most stairs wins. We invited all Guangzhou citizens to take part in the game, and everyone has a chance to win prizes.

The marathon was held in Guangzhou and Guangzhou-Foshan subways. Over 40,000 people took part in the 13-day marathon. The marathon has covered 233 subway stations and 700 stairs. Participants climbed 9.65 million stairs, equal to the steps needed to reach the top of Canton Tower 610,000 times.



Vertical marathon in Guangzhou subways

## **4.2 Everyone Can Contribute to Charity**

CMB upheld the principle of “everyone can make a contribution to charity”. We have built an innovative charity platform with CMB characteristics. The platform can support charity in various ways and through multiple channels. In 2018, CMB leveraged the “Internet +” concept to upgrade its branded charity platform so as to provide new channels and opportunities for the public to contribute to charity.

### **“Get More Fun from Monthly Donations”**

“Get More Fun from Monthly Donations” is a small monthly donation scheme jointly launched by



CMB and many other charitable institutions. We have set high standards for screening projects that apply to raise funds under the scheme. Prospective projects need to meet our requirements regarding foundation qualification and creditability, as well as project conditions. Customers can choose to make donations to multiple projects under the scheme, or donate monthly. CMB cardholders only need to provide some simple information to sign up to make a monthly donation to the charity. In 2018, 642,031 donations were made under the “Get More Fun from Monthly Donations” scheme.

<b>Project Name</b>	<b>Project Description</b>	<b>Partner</b>
<b>One Family monthly donation plan</b>	Supporting One Foundation in child care and development, disaster relief, and charity support and innovation	Shenzhen One Foundation
<b>Hope Project Library</b>	RMB 10,000 donations can help a village school have a library.	China Youth Development Foundation
<b>Children’s Happy Family</b>	Upgrading or building the “Children’s Happy Family” in unused spaces in villages or towns for children who are left behind.	China Children and Teenagers’ Fund
<b>Care for Veterans Program - Recognition Gifts</b>	Issuing an allowance for Second Sino-Japanese War veterans that are identified by the Shenzhen Longyue Foundation	China Foundation for Poverty Alleviation
<b>220 km Green Great Wall Desertification Control Plan</b>	Planting sand-prevention forests along the Tengger Desert in the Alasan region	China Green Foundation
<b>Love Education Support Plan</b>	Carrying out a pre-school educational support plan in poverty-stricken regions, and providing support in kindergarten construction, teacher training and multi-discipline courses	Chinese Red Cross Foundation
<b>Hope Kitchen</b>	Building Hope Kitchens at village schools	China Youth Development Foundation
<b>Sunflower Children Growth Foundation</b>	Helping improve education in poverty-stricken regions and supporting growth of children left-behind	China Children and Teenagers’ Fund
<b>“A Rose Willow” project</b>	A rose willow costs RMB 10 and can help stabilize sand dunes, which will enhance the safety of residents who live near deserts.	China Environmental Protection Foundation

### “Points for Micro Charity”

"Points for Micro Charity" is a point-to-charity donation platform founded by CMB. The platform encourages customers to convert a limited number of points to items for charitable purposes. It upholds the principle of “many small good deeds accumulate to make a major charitable act”. Cardholders can turn points received from everyday spending into various charity items.

- In 2012, the platform launched courses for helping autistic children integrate into society. Every 500 points from cardholders can be converted into one classroom hour for autistic children.
- In 2013, the platform joined the China Social Welfare Foundation to donate free lunches to children in poverty-stricken regions. 150 points can be converted into a good lunch for kids in poverty-stricken regions.
- In 2015, the “Yangfan Foundation – Book Donation Plan” was launched. 199 points can be

converted into one extracurricular book for children in poverty-stricken regions.

#### Upgrading the platform and Every Cent Counts

April 2 is the World Autism Awareness Day. Every April, we launch a points-to-charity activity to ask the public to help care for autistic children. In April 2018, the “Points for Micro Charity” platform launched the “Every Cent Counts” activity, and the platform became a crowdfunding charity platform.

- Every 500 points can be converted into one class that helps autistic children integrate into society.
- Every 150 points can be converted into a good lunch for kids in poverty-stricken regions.
- Every 199 points can be converted into one extracurricular book for children in poverty-stricken regions.

As of the end of 2018, the “Points for Micro Charity” crowdfunding platform has made 600,000 charitable donations, with over 130 million points donated.



### 4.3 Volunteering Activities

In 2013, CMB launched the child-care volunteering program with the brand name of “Sunflower Garden Full of Love”. Since then, volunteering activities were held every year under the program to demonstrate CMB employee commitment to children’s welfare. They kept conveying a positive spirit to the public and helped promote harmonious social development. CMB as a whole has cared for underprivileged groups and endeavored to contribute to social development.

#### The Shanghai Branch cared for children left-behind

Since 2013, the Shanghai Branch has actively promoted the “Sunflower Garden Full of Love” volunteering program. Under the program, the branch provides educational support for children in villages.

In 2018, the Shanghai Branch joined hands with digital product recycling platform Aihuishou to launch a tablet recycling activity under the “Sunflower Garden Full of Love” volunteering program. In the activity, the Shanghai Branch and Aihuishou collected unused tablets from their customers and employees. Data on the tablets were removed and educational software was installed. 26 tablets were collected and donated to needy children at the Guangnan Wenwu School and the Zhetu Jiulong Primary School at Yunnan. Calligraphy, handcrafts, music and astronomy classes were also provided to children via the tablets as gifts for the June 1<sup>st</sup> Children’s Day. The activity enriched students’ experiences and enabled them to learn in a more interesting way.



Shanghai Branch's charitable event "Love under the Same Sky"

### The Suzhou Branch built the "CMB Love" volunteering brand

As an active supporter for charity, the Suzhou Branch has devoted itself to building the "CMB Love" volunteering brand. Employees also participated in the "Sunflower Garden Full of Love" program and held charitable sales.

In one of the serial activities held under the "CMB Love" brand, Suzhou Branch volunteers visited the Yiyang Residential Care Home in Suzhou on the Double Ninth Festival of 2018. The volunteers staged a cultural and artistic performance themed on the Double Ninth Festival for the elderly at the care home. In addition, volunteers provided anti-fraud education and related brochures to the elderly to tell them how to identify counterfeit banknotes and stay away from scammers.

The Suzhou Branch launched a charitable sale in November 2018. All proceeds from the sale were used to support critically ill kids who came from poor families and were receiving treatment at Children's Hospital of Soochow University, as well as other child health-related publicity programs or charitable programs.



Suzhou Branch launched "CMB Love" volunteering activities

### The Yinchuan Branch launched a blood donation drive

The day of March 5, 2018 marks the 55<sup>th</sup> anniversary of the Learn-From-Lei Feng Activities. The Yinchuan Branch launched a large-scale unpaid blood donation drive under the name of "CMB Always Cares for You". In the activity, the Yinchuan Branch called on all employees and the public to donate blood and show their caring for others. Employees who took part in the activity helped build the blood donation stations, fill in forms and distribute leaflets. In addition, they prepared milk, umbrellas, notebooks and other items for blood donors. 20,700 milliliters of blood were donated in the activity.

The Yinchuan branch has called upon about 7,000 people to donate blood. It has built a brand in charity. As of now, over 650 people have donated more than 260,000 milliliters of blood. The Yinchuan Branch used to hold the blood donation drive in the Ningxia Blood Center and participants

outnumbered the donors at the Ningxia Blood Center on any other day.



Blood donation promotional activity of Yinchuan Branch

### **The Qingdao Branch helped combat natural disasters and provided assistance for post-disaster relief**

Shouguang City in Shandong Province suffered the worst flooding since 1974 due to hits from Tropical Storm Yagi and Typhoon Rumbia in September 2018. To fulfill its social responsibility, the Qingdao Branch actively helped with the post-disaster relief work. As of September 30, employees of the branch donated RMB 25,500 to the disaster area and the donations were sent immediately. In addition, the branch applied to the Qingdao municipal government to become the designated entity to help Qingqiu Village in Jitai Town, which was the most severely hit by the floods. The Qingdao Branch's employees helped local villagers to restore their productivity and normal lives as soon as possible. In more than 3 months following the disaster, the branch actively helped the government to carry out post-disaster research in Qingqiu Village, and completed about 30 tasks that involved visiting disaster-hit villagers, loan coordinating, environment cleaning, promotion of financial knowledge, as well as anti-counterfeit banknote and anti-fraud publicity.



The Qingdao Branch helped disaster recovery

## 5 Investing in Fintech

### Sustainable Development Background

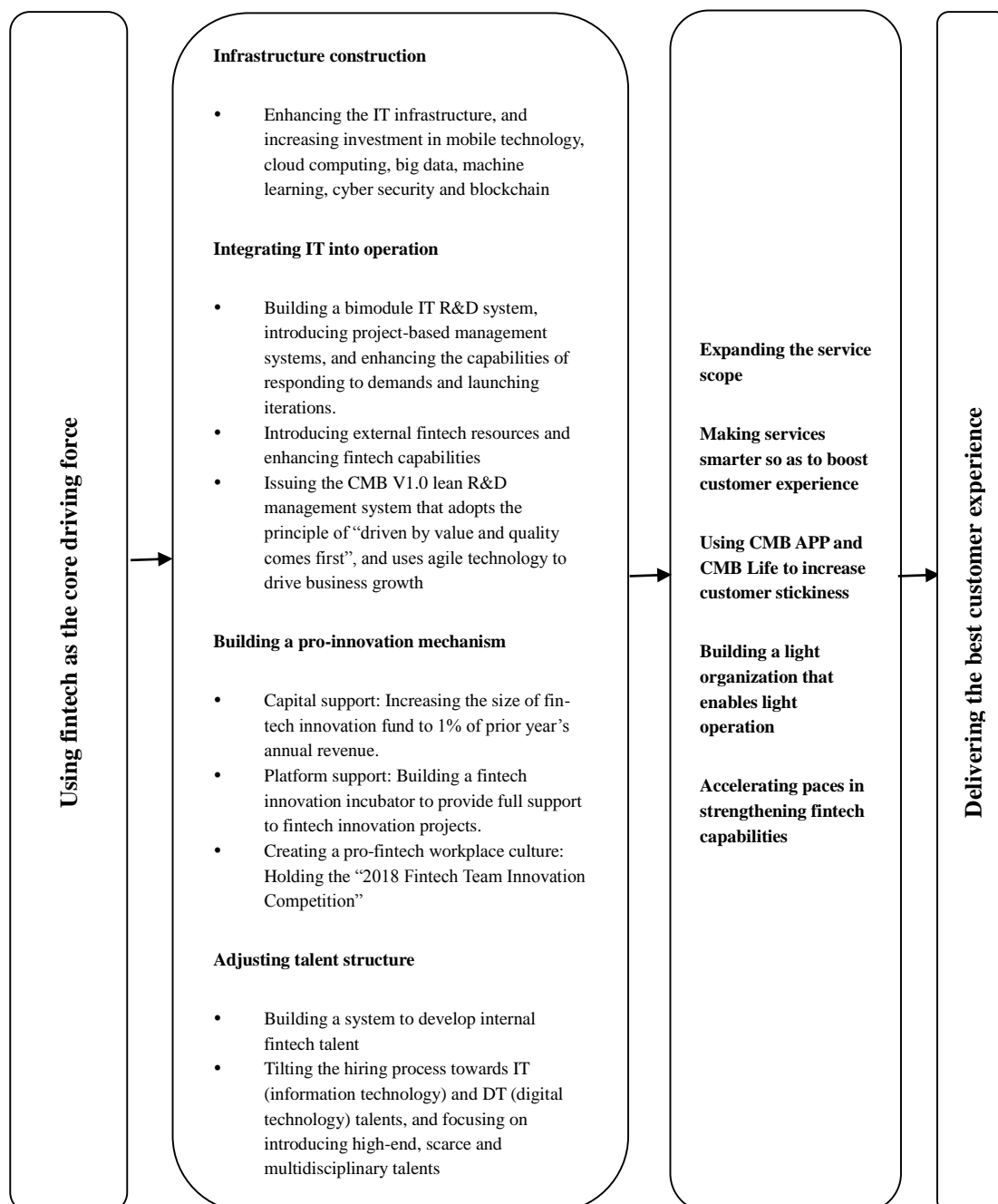
The rapid development of artificial intelligence, big data and blockchain technologies is reshaping the financial industry landscape. The combination of financial technology and finance has generated new capacities, enhanced financial industry service efficiency and risk control, while accelerating the pace of commercial banks in digitalizing their operations. CMB fully seized the opportunities arising from fintech, using it as the core driving force for business transformation. CMB strives to build a fintech-based mindset and culture. It looks to build a new ecosystem with new concepts and further advance its strategic transformation by integrating business with technology and encouraging innovation internally.

### SDGs



## 5.1 Improving Fintech Infrastructure

The rapidly evolving technology is changing people's lifestyles in the digital age. People's financial habits have been changed by new technologies and financial products. CMB has stuck to its strategy of being a "light-operation bank", and responded to customers' needs. Fintech was developed by boosting related infrastructure, integrating information technology into its operation, building a pro-innovation mechanism and adjusting its talent structure. With these efforts, CMB aims to become a fintech bank.



## Key achievements in fintech development

### Infrastructure construction

- Our big data platform processed 40.4 billion messages per day, providing support for bigger marketing, risk control and customer service activities.

### Integrating IT into operations

- As of the end of 2018, nearly 30% of our tech staff integrated technologies into operations in various fields, which significantly boosted our efficiency in responding to customer demand.

### Adjusting talent structure

- About 5,500 IT and DT students signed up for the 2018 Fintech elite training camp. 83 students who will graduate in 2019 became our fintech trainees.
- 93 fresh fintech trainees had job rotations in the Head Office in 2018.

### Using fintech to enable light and smart operation

We plan to facilitate digitalization in our Bank in 2018, and will use various types of fintech to boost our digital capabilities and lighten our operations.

#### Big data technology

- We used operational data to monitor transactions at our outlets. We managed to collect and display real-time data of transactions at our outlets, which enhanced our management and operation.
- **RPA (Robotic Process Automation) technology**
  - We used RPA technology to investigate background information of companies that apply to open business accounts. This increased the efficiency and accuracy of investigation.
  - We also used RPA technology in operations including manual outbound payments, payment notice monitoring, RMB settlement account annual audits, as well as RMB settlement account approval and filing. RPA has replaced 85% of manual work in the RMB settlement account approval and filing procedures.
- **OCR (Optical Character Recognition) technology**
  - OCR technology was used in operations including replacement cheques, income receipts, settlement authorization, and bank acceptance, among others. The average recognition rate of the character positioning model has reached 93%.
  - We launched an OCR platform in our internal OA, which supports form and word recognition to improve internal work efficiency.

- **Machine learning technology**

- We used machine learning technology to automatically process the tasks involving branch name and code in our payment business, which streamlined our procedures.

#### **Fintech facilitates year-end closing**

Year-end closing is a highly complicated integrated task that concludes a financial institutions' operating and financial activities, and assesses their operating results. In the past, the year-end closing requires cooperation between the headquarters and the branches, and employees need to work overnight to complete it. In 2018, we managed to use fintech to finish the year-end closing in only 40 minutes, which marks a major step toward light operation.

- **Less manpower is required for year-end closing.** As our operations become highly automated, we can make forecasts on the data required for year-end closing. We also rehearsed to eliminate any problems that may occur in the actual year-end closing. Employees of branches no longer need to verify the data, and their workload is significantly reduced.
- **Data is visualized.** In the past, the progress was only known by employees in charge of the year-end closing. Now, thanks to the full connectivity between systems and network segments, all employees can know the progress through the monitoring displays, and they can fully know the daily closing, system closure, execution of each step, problems and solutions.



Progress in year-end closing is clear at a glance on the display of the Head Office.

## **5.2 Cooperation in Fintech Innovation**

CMB has always strived to tap into the latest fintech. It has had in-depth communications and cooperation with universities, research institutions and tech companies in emerging technologies such as big data, artificial intelligence and blockchain. CMB has actively promoted the study and application of related technologies.

In 2018, we took part in multiple fintech-related standard setting and study projects. We kept enhancing our innovation capabilities in the fintech field, and successfully obtained 5 patents in the blockchain field.

- **We participated in standard setting.** We took part in the formulation of Standards for Financial Application Technologies of Artificial Intelligence, Standards for Safety Technologies of Open Banks, and Standards for Safe Application Technologies of Voiceprint Recognition under the PBoC.



- **We organized related topical studies.** Our topical studies, including “*Research and Practice of Cognitive Computing in Fintech Field*”(《认知计算在金融科技领域的研究与实践》), “*Study and Application of a Minimal Datacenter Network*”(《极简数据中心网络的研究与应用》) and “*Study on Blockchain-based Personal Customer Data Sharing*”(《基于区块链的个人客户信息共享研究》), were highly recognized in the banking information technology risk management research project selection activities.
- **We enhanced our innovation capabilities.** All our 7 projects were highly recognized in the selection for “Banking Technology Development Awards” hosted by the PBoC.

#### **We joined hands with Shanghai Jiaotong University to establish the first AI laboratory in the Chinese banking industry**

In June 2018, we entered into an agreement with Shanghai Jiaotong University (SJTU) to build the “SJTU-CMB Life Joint AI Laboratory”. The laboratory, which was the first to be jointly built by a bank and a university, will focus on the AI field. Through cooperation between industry, universities and research institutions, the laboratory will fully leverage CMB and SJTU’s advantages, and promote the cooperation between CMB and SJTU in nurturing talent, technology research and development, as well as intellectual property. The laboratory will facilitate the exchange and growth of AI talents, solve problems in the cutting-edge technologies, and promote the application and development of AI technology in the financial industry.



Signing of agreement to build AI lab



CMB had in-depth dialogues with SJTU

#### **We teamed up with Huawei to create a joint innovative laboratory in a distributed database**

On November 27, 2017, we teamed up with Huawei to establish a joint innovative laboratory in distributed database, which is dedicated to developing world-leading database products. In 2018, we launched a fully self-developed, high-performance, and enterprise-level core version, a distributed data version with high availability framework, a version with fast switching and extremely high availability, and a distributed and highly scalable version. These versions were put into use in integrated payment transactions, heavy-asset real-time displays for marketing purposes, ZA24 distributed transaction monitoring and many other systems.

## 6 Delivering the Best Customer Experience

### Sustainable Development Background

Customer service is the cornerstone of a bank's business, and the driving force behind a bank's digital transformation. Banks have been transforming their businesses to ensure good customer service. In face of customers' changing demands and financial habits in the era of mobile Internet, CMB adhered to the principle of "we are here just for you", and continued to be customer-centric. It actively listened to customers' voices, speeded up application of fintech and launched innovative financial services. In the meanwhile, it continuously improved customer experiences, optimized the service mode at outlets, protected customers' rights and interests, and strived to gain further trust from customers.

### SDGs



## 6.1 Mobile and Smart Lifestyle

Along with the rapid development of China's economy, financial services are no longer scarce. The extensive application of big data, cloud computing, artificial intelligence and other technologies are causing customers to shift from offline to online, and promoting the integration between online and offline activities. Given the changes in consumer demand and behavior, CMB continued to "adapt to the evolvement in business and customer needs", seized the opportunities presented by the changing retail banking industry, and stayed customer-centric.

<b>1.0 era for retail banking</b> <b>1990s</b>	We launched the "All-In-One" card, a revolutionary product in China's banking industry, which caused the Chinese banking industry to shift to bank cards from bankbooks.
<b>2.0 era for retail banking</b> <b>2000-2010</b>	We used AUM (assets under management) to replace deposits as the core operating metric, and tried to construct a wealth management operational system.
<b>3.0 era for retail banking</b> <b>Now</b>	We started to adopt the "APP-first" strategy. We used MAU (monthly active users) as the "North Star" metric. We fully implemented the digital transformation by building internal platforms, exploring external scenarios and operating based on traffic. These efforts translated into a service system that covers all product categories, all channels and all customer segments.

In 2018, we continued to promote CMB APP and CMB Life, and further optimized and upgraded the two apps. CMB APP and CMB Life have been changing from transaction tools to digital operating platforms.

<b>Customer-oriented mindset → user-oriented mindset</b>	Both the two apps now support mobile phone number-based registration and can bundle other banks' cards, which put an end to the closed account system.
<b>Card-based operation → app-based operation</b>	The two apps are building ecosystems that deliver rich, smart and convenient product experiences, which enhanced CMB's interaction with users and enabled better customer service.
<b>Transaction-oriented mindset → user lifecycle-oriented mindset</b>	Transactions are no longer the end of interaction with users. Instead, it marks the beginning of interaction with users. CMB aims to serve users throughout the entire lifecycle and build a closed loop of information services.
<b>Asset classification-based operation → customer segmentation-based operation</b>	CMB's goal is to use the two apps to classify users based on their ages, behaviors, channel preferences, scenarios and other dimensions, and thereby provide personalized services.

### CMB APP 7.0: giving you all the beautiful things

In 2018, 149 features on the CMB APP were further optimized which boosted connectivity, smartness and operating efficiency. It aims to build a world-leading fintech ecosystem, and provide

open, considerate and integrated financial services to customers.

- **CMB APP further explored core financial scenarios**

- It upgraded smart wealth management services. After the optimization, the CMB APP can record income and expenditures across different time cycles, and users can share income and expenditure data with family members or in WeChat Moments. It helps users to analyze income and expenditures, manage budgets and make financial planning more convenient. These added features made CMB APP a smart cash flow manager for users.
- Urban services were upgraded. The branch zone that covers all 44 branches enables provision of services with regional characteristics.
- Fund diagnosis and self-service fund selection tools were added to provide professional investment advisory services for users throughout the entire process of wealth management. This formed a closed loop of app-based wealth management services.
- Reference channels were upgraded into an online wealth management knowledge exchange community, providing various information and wealth management advice to users.

- **Upgrading and opening the user system**

- The upgraded CMB APP can output the “All-In-One Net” account, allowing APP users to register easily and pay fast.
- The upgraded CMB APP constructed an open operational support system. The CMB APP WeChat mini program was also opened for use by branches and partner merchants, which enriched the CMB APP ecosystem.

- **Exploring core scenarios**

- “Meal ticket” and “film ticket” scenarios were constructed, and a unified retail points program came online that enabled users to combine and use the points from the CMB APP and CMB Life.
- The upgraded CMB APP focused on important scenarios such as mobility, parking and self-service services to seamlessly connect itself to users’ everyday life.

By the end of 2018, 78.27 million customers downloaded the CMB APP, up 40% year-on-year. Number of monthly active users reached nearly 41.51 million, up 50% year-on-year.



CMB APP 7.0 Smart Wealth Management Services



CMB APP 7.0 Wealth Management Community

### CMB Life App 7.0 brings you simple and quality lives

In 2018, CMB Life App 7.0 was completely transformed to focus on demands, consumption and financial services that are needed by customers in their daily life. It extended to various daily life scenarios, including films, restaurants, and tourism, among others. CMB Life is on its way to become a super app for meeting daily life needs.

- **CMB Life added the “Everyday Life” channel to cover almost all of our daily real-life scenarios**
  - CMB Life focused on self-operated services and provided links to external platforms. It expanded its service coverage to all frequently-occurring scenarios in a customers’ daily life, such as catering, entertainment and shopping, among others.
  - CMB Life launched a handheld steward that provides one-stop services such as mobile phone fee payments, bill payments, vehicle owner services, provident fund enquiries and more.
- **“e-Smart Loans” are optimized to provide customers with more options and enable faster loan approval**
  - The Freedom core engine for “e-Smart Loans” was upgraded to 2.0 version. On back of big data, artificial intelligence and cloud computing technologies, the new version can precisely portray users and deliver differentiated loan services.
  - CMB Life strengthened safety center users’ capabilities to manage safety on their own, which translates into better account safety.
  - CMB Life enables quick bundling with third-party payment platforms and pre-scheduled installments, which allows users to pay at any time without using cards.
- **CMB Life provides a smart assistant to interact with customers and provide navigation services on a real-time basis**
  - CMB Life equips users with smart voice assistants that adopt cutting-edge voice conversion and semantic recognition technologies. The assistants can analyze users’ vocal orders and rapidly respond to user demands, much like in daily chats.
  - CMB Life provided more customized themes to users, and enhanced its ways to interact with and respond to users. It is now able to handle scenarios and questions more professionally and precisely, which translates into better service quality and efficiency.

As of the end of 2018, CMB Life users reached nearly 70.03 million, and the number of monthly active users hit nearly 39.54 million.



CMB Life 7.0 changed page



CMB Life 7.0 Page

### Pay with your face

Customers not only can withdraw cash and transfer money with their faces, but also can pay with their face. CMB has developed face recognition technology that enables customers to pay with their face. Customers only need to download the CMB APP, bundle their cards and activate the “Pay-with-Face” feature. They don’t even need to use mobile phone in payment.

In a Shenzhen-based coffeehouse that partners with CMB in the “Pay-with-Face” business, users only need to point their faces towards the machines at the bar to finish payment. The camera can recognize users’ faces within one second, and after that users can complete the payment by inputting the mobile phone numbers for All-In-One Net accounts registered on CMB’s apps.

The “Pay-with-Face” feature is supported by 3D face recognition technology and is one of the most advanced face recognition algorithms in China. The algorithm has an error rate of only one out of every 100,000 face recognitions. It can even tell the difference between twins, which effectively ensures payment safety.

The “Pay-with-Face” feature provides an alternative payment option for users. The payment option is more convenient than payment by cash, bank cards or mobile phones, as users can use it even without their wallets or mobile phones. In a safe and convenient environment, the “Pay-with-Face” technology can complete a payment within one second.



Pay with face at merchants

### The Nanchang Branch launched the first virtual mobility card from CMB that delivers customized services to commuters.

Leveraging CMB’s highly convenient mobile banking app, the Nanchang Branch launched “CMB Convenience” Mobility Cards on November 1, 2018. The cards were issued in virtual form. Over 10,000 people received the cards within 24 hours after launch on the WeChat mini program.

Holders of the mobility cards can spend only RMB 0.01 to take a bus or subway, or park cars. Each cardholder can save as much as RMB 600 per month.



## 6.2 “Technology + Life” Bank

Our outlets are the places where we build a brand and meet customers’ needs. Customers will have direct contact with our Bank at outlets. CMB has stayed customer-centric, and used fintech to enable outlets to serve customers in a more humanized manner, and deliver more professional, efficient and cozy customer experiences.

In 2018, CMB completed the two-year “Going Cardless” project, and became the first Chinese bank that realizes “cardless operation” in all outlets. All retail banking operations in counters, interactive video kiosks, ATMs and other services available in outlet halls can be completed without using cards (except for those which require using cards to comply with related laws and regulations and other risk control-related requirements). This means customers no longer need to bring their cards in order to enjoy the retail banking services at any CMB outlet.

### Fully upgraded outlets

We actively changed our mindsets, boosted our brand image, rebuilt our procedures, integrated our equipment and advanced our technologies to adapt to the changing customer behavior in the “Internet +” era. We strived to build a 3.0 outlet that integrates technology elements, and put into practice the “Technology + Life” concept that delivers better experiences for both employees and customers at the outlets.

#### CMB’s first 3.0 outlet in China

After 150 days of research, 180 days of discussion and designing, close cooperation between 9 designer teams and 30 days of construction, CMB’s first VI3.0 outlet in China was unveiled at the Central Business Sub-branch of the Shenzhen Branch.

The 3.0 outlet is based on design concept of “Technology + Life”. It used the design elements of “point, line, facet”, and became a more efficient and smarter outlet through module construction and equipment integration.

- **More comfortable environment**
  - The smart lighting system can simulate sunlight, and adjust the lightening intensity and color temperature depending on different time sessions and surroundings, thereby delivering the best lighting experiences to customers.
  - The branch blended the flavors of citrus, mint and elecampane to create a special scent for the “Sunflower” brand.
- **More private talking rooms**
  - The branch set up a wealth management zone that is subdivided into small low cabinets.
  - The talking rooms at the “Golden Sunflower” use switchable glass rather than solid walls. When there are no customers, the glasses will be transparent. When there are customers, the glasses will be switched to opaque, thereby protecting customer privacy.
- **Self-service devices allow customers to handle transactions in a smarter manner**

- The branch's reception desk can be installed quickly and used in a recyclable way. Operational devices were embedded into the VTM counter.

- **More considerate services**

- We placed tea tables along the sofa to allow customers to conveniently set down their cups.
- We provided mobile phone charging services. Phones with wireless charging can be charged when being put on the charging plate.



### 3.0 Outlet Hall



Scan the QR code to learn how the 3.0 outlet concept was invented.

## Quality services

We further improved our services by boosting our hardware, enhancing our employee's capabilities, transforming our service processes and exploring new service scenarios. We launched the "Year of Customer Experience Enhancement" campaign in 2018 to further improve customer experience.

<b>Building the most beautiful hall</b>	To create a safe, comfortable and pleasant environment for customers, we have been upgrading our service facilities, optimizing the ways of placing service items, increasing guidance signs and improving the service and environment management in our outlets. When doing this, we fully factor into local regional conditions, branch network layout, customer characteristics and actual customer demand.
<b>Inspiring frontline employees to deliver the best services</b>	We encouraged our employees to learn, rehearse, share, or innovate their service skills or business knowledge. We asked them to share their experiences in micro classes and overcome one problem every week. The aim is to fully enhance frontline employees' knowledge about their operations and related procedures, and enable them to deliver services that surpass customer expectations.
<b>Designing the smoothest procedures</b>	We have analyzed the system of our engagement with customers. We factored into the layout of our outlets, customer characteristics and manpower availability, with a particular focus on service transitions in high-frequency operations and scenarios. By doing this, we designed accurate, efficient and smooth service procedures.
<b>Delivering the best experience</b>	We innovated our ways of serving based on the scenarios where we provide services. We delivered experiences that are warm and surprise customers. Such efforts strengthened the bond between us and our customers.





### Building the most beautiful halls across China

We also innovated our ways to monitor and assess customer experience. We built a dashboard to scientifically and systematically monitor and assess customer experience on a real-time basis. We also standardized and systematized the training for employees serving customers in the hall. Customer satisfaction surveys are carried out regularly to ensure that customer dissatisfaction is quickly known and addressed in a timely manner.

#### Real time outlet service assessment enables customers to give their opinions on services at any time

In the morning of a Monday in 2018, Mr. Sun completed his business in an outlet of CMB. However, he lost his ID card in the branch. Despite of the heavy rain outside of the branch, the hall manager left the outlet and sent the ID card to Mr. Sun. Later, Mr. Sun received a questionnaire from the CMB APP, asking him to rate the services he just received in the outlet. Mr. Sun expressed gratitude to the hall manager on the CMB APP.

What Mr. Sun has experienced was the real time outlet service assessment feature that was uploaded on the CMB APP in November.

- **We have enabled real-time assessment of full experience in outlets.** After completing their businesses in CMB's outlets, users of All-In-One Net will receive a request for comments from the CMB APP. The system will collect, sort out and analyze assessment results on each service process. This has significantly enhanced service assessment efficiency and validity.
- **The assessment was more comprehensive and reliable.** Compared with the previous one-button service assessment at outlets, customers not only can score the services, but also can give their advice, which makes the assessment more trustworthy and reliable.
- **Questionnaire can be customized.** The system can send questionnaires based on the services that customers received and the channels through which the services were provided. For instance, customers who received wealth management services will be given questions about account managers. Customers who received services on VTM will be given questions about VTM.

Since it began operation, the real time outlet service assessment system received feedback from about 10,000 customers per day, which enabled us to quickly and precisely review our services.



Real time outlet service assessment system page

### The Shanghai Branch provides quality services during the China International Import Expo

The 1st China International Import Expo (CIIE) was held in Shanghai between November 5 and 10, 2018. To provide quality financial services to the CIIE, the Shanghai Branch launched the “Service Pioneer” activity to build a strong brand for service, and better meet the needs of Chinese and foreign customers. The branch aimed to become a window for financial services during the CIIE.

Sub-branches that are located in proximity to a CIIE venue worked out service optimization plans in advance and carried out training for their employees. During the period of CIIE, these sub-branches hired more security guards and checked all security and fire-fighting equipment. Employees of these sub-branches have carried out drills for emergencies and took all necessary measures to ensure the safety of customers and their own.

To deliver “barrier-free”, “pleasant”, “zero-accident” and “uninterrupted” customer experiences, some branches opened counters especially for foreign customers. Moreover, they provided hand-drawn CIIE maps and other conveniences.



Shanghai Branch's Hand-Drawn Maps for the CIIE

### The Zhengzhou Branch installed coin exchangers to help citizens

To help citizens exchange coins and fully use fintech to optimize its operation, the Zhengzhou Branch installed two coin exchangers at two of its outlets in December 2018. The exchangers can exchange RMB 1 coin, RMB 0.5 coin and RMB 0.1 coin, as well as banknotes with face value ranging from RMB 1 to RMB 100.

After installation of the coin exchangers, customers no longer need to go to counters to exchange coins. Small business owners and customers near the sub-branches can now exchange coins through the coin exchangers. In addition, they don't need to provide any certifying documents before exchanging coins. The coin exchangers were a great convenience for customers.

“I run a supermarket, and every day I receive a lot of change and coins. Before they installed the coin exchangers, I needed to queue and wait for a long time to exchange money. Now with the coin exchangers, I don't need to queue. Moreover, the coin exchangers are easy to operate. The service of CMB is so good!”

——Mr. Yang, a customer



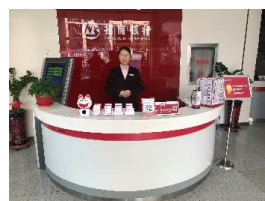
Zhengzhou Branch Coin Exchangers

### **The Hohhot Branch: a small change in procedures brings about a great change in customer experience**

The Hohhot Branch has focused on transforming procedures to resolve customer service problems.

In the past, hall managers at the Hohhot Branch helped users get and activate new cards, and this could be time-consuming. To solve this issue, the branch transferred the account-opening service to the low cabinets, which streamlined the account-opening process. This improved customer experience and reduced the workload for hall employees.

In some outlets with high foot traffic, lots of customers would make enquiries at the reception desks. Sometimes if there were too many customers, hall employees might be unable to handle all of the customers. This can lower service efficiency. To address this problem, branch employees made cards that give the answers to frequently-asked questions, and put them at the reception desks. These cards were also distributed to customers to provide guidance and service efficiency was significantly enhanced.



Information cards placed on reception desks provide guidance to customers

## **6.3 Protecting Financial Customers**

A large amount of financial and phone fraud has transpired in recent years and it has impacted the public. To fulfill our financial and social responsibilities, we have further strengthened the protection for consumers' rights and interests in 2018. We have established connected transaction management and consumer rights and interests protection committees under the Board of Directors. We also incorporated consumer rights protection into our corporate governance, company culture building and business development.

### **Protecting our customers' money**

We are highly wary of phone fraud. We have issued the "CMB Protection" journal and held various topical activities to promote anti-fraud knowledge.

#### **We launched the anti-fraud warning feature to build a "firewall" for daily fund transfers**

It is very difficult to recover losses from fraud. The best way to fight fraud is to be warned before the fraudulent act occurs. We launched the anti-fraud warning feature in the CMB APP as well as the general and professional editions of CMB's personal Internet banking service.

If many victims make complaints against one suspicious account ("direct deceiver"), all accounts with frequent capital transactions with these bank accounts, including the "intermediate fraud account" and "ultimate fraud fund recipient", will be deemed as risky accounts. Customers will

receive the anti-fraud warning when attempting to transfer funds to these risky accounts.

As of the end of 2018, the risk control team in our retail banking operation cancelled 19,800 fund transfer transactions with the warning feature, helping customers avoid RMB 329 million in potential losses.



Anti-fraud warning feature page

### “You gave me hope!”

On October 28, 2018, our customer Ms. Mou called 95555. She received a message alleging that she has defaulted on a credit card payment, and she thought it was true, so she gave her account number and identifying codes to the swindlers. As a result, an unauthorized fund transfer of RMB 5,000 was taken from her account.

After receiving the call, customer service employees tried to calm Ms. Mou down and reminded her to keep her mobile phone and card passwords safe, and carefully use the payment features of her mobile phone to mitigate all risks. Then customer service employees asked Ms. Mou to provide related information to help her recover the money.

After about 10 days, we recovered the money on November 5. Our professionalism ensured the security of the customers' money.

“Thank you so much for recovering my losses! Even the police told me maybe it was hopeless. You gave me hope!”

——Ms. Mou, a customer



Silk banner presented by Ms. Mou to express her gratitude.

## Promoting financial education

We have actively promoted financial consumer education and transmitted financial knowledge to help the public use financial products and services wisely, and enhance their awareness of preventing financial risks. We swiftly responded to the new needs arising from the mobile Internet, and created the new publicity mode of “Internet + Financial Knowledge Promotion and Education”. We have put in place a modern and light financial education system that promotes financial knowledge through our official website, WeChat, and Weibo. We look to build a financial education brand and attract more outside parties to help distribute our financial education content.

As of the end of 2018, we organized 29,709 promotional activities, with an audience of 14.76 million consumers. We have distributed 2.48 million pieces of promotional materials, and our financial education content posted on WeChat was read nearly 4.06 million times. Our financial knowledge promotion and education efforts were reported by the media 832 times.

<b>Distributing original micro films</b>	In order to help university students get the right view of consumption and stay away from high-interest campus loans, CMB issued the original film “ <i>Don't Let Those Expensive Loans Steal Your Youth</i> ” (《别让它，“贷”走了你的青春》) in September on “CMB Xiaobao”, the Bank’s official WeChat account for consumer rights and interests protection. The film was watched over 100,000 times and disclosed to the public 800,000 times.
<b>Building a new platform for knowledge transmission</b>	We launched a mini financial knowledge game called H5. The game integrates knowledge about anti-phone fraud, illegal financial ads and illicit loans into ancient cartoon characters with a harem fight plot. By answering questions and overcoming various challenges, players can gain financial knowledge.
<b>Conveying positive spirits</b>	We have created a short film to promote consumer rights and interests protection. The film was about a story of a mother, her daughter and their pet. The film was distributed through offline outlets, new online media, mainstream websites and multiple other channels in various ways. It reflected CMB’s commitment to protecting financial consumers.

### The Jinan Branch promoted financial knowledge through edutainment

The Jinnan Branch introduced the “Friday Theater” activity intended to promote and transmit financial knowledge. In the activity, employees of the branch created various situation comedies, sketch comedies, singing and dancing, and a talk show in three and a half sentences along with other performances to promote financial knowledge. The branch held 5 joint performances to provide financial knowledge about bank accounts, counterfeit banknotes, illegal fundraising and financial fraud to enterprise employees, residents and students. In addition, quizzes with prizes for correct answers were given to ensure that the audience really grasped the financial knowledge.



*Fake Things will Be Spotted Sooner or Later* (《真的假不了 假的跑不了》) -- a sketch comedy performed by Jinan Branch employees.

### **The Kunming Branch's live stream on March 15<sup>th</sup> for World Consumer Rights Day promoted protecting consumer rights and interests**

To better promote financial knowledge, the Kunming Branch put a promotional activity online themed “CMB Talks with You about Rights and Interests Protection on March 15”. The new promotional mode uses new media which transmits information fast and targets widespread audiences.

In the activity, the moderators (who are branch employees) introduced the most frequently-occurring financial scams to consumers. In addition, through case-by-case analysis, they told the audience in what cases their rights will be violated and how to protect themselves when it happens. The live streaming activity was launched at all outlets of the Kunming Branch, and over 25,000 people watched the livestream.



Poster for “CMB Talks with You about Rights and Interests Protection on March 15”

As per the related requirements of PBoC and CBIRC, we planned and organized various online and offline financial education activities for various customers. Our efforts were highly recognized by regulators. We were awarded the title of “Excellent Entity in Financial Education and Online Financial Knowledge Communication in 2018” by CBIRC, and the title of “Best-Performing Financial Institution in Financial Education in China in 2018” by the China Banking Association.

### **The Qingdao Branch offers financial education to children**

To transmit financial knowledge, the Qingdao Branch launched financial education activities particularly designed for students of different ages. The “Financial Education for Children” courses aim to help children have correct values and mindsets about money, and develop good spending habits. Themes of the courses included “Fighting Fraud on the Campus”, “Knowing RMB” and “Correctly Managing Your Money”. These courses were interesting and disseminated financial knowledge in fun and lively ways.

“In the course I learned lots of knowledge that I had no way to learn elsewhere. Now I have some basic understanding of money. I will learn how to manage my money and enrich my knowledge

about money.”

——An attendee of the “Financial Education for Children” courses



Qingdao Branch employees taught financial knowledge to children



CMB's Ningbo Branch provided financial education in communities



CMB's Jinan Branch provided financial education on campus



CMB spreads financial knowledge

## 6.4 Serving Special Groups

CMB formulated the *Guidelines for Extended Services of Retail Counters* (《招商银行零售柜面业务延伸服务指引》) to further enhance its capabilities of serving special groups such as the elderly, underprivileged customers, customers in poor health, as well as the disabled and handicapped. We actively met these special group's financial needs and provided warm services to them.

### **The Hefei Branch delivered warm-hearted services to the disabled and handicapped**

In the afternoon of November 14, 2018, Hefei Branch's hall manager Zhu Xiaoqian saw a customer keep touching the glass in the hall. It seemed that the customer was trying to find a door. Zhu Xiaoqian asked the customer which services he needed. Zhu Xiaoqian found that the customer was blind and could not hear well. After that, she helped him finish his business in the sub-branch.

After completing the customer's requests, Zhu Xiaoqian ordered an online taxi. It was rainy and he did not have an umbrella, so Zhu Xiaoqian accompanied him to the car, and told the driver his destination. These caring services were deeply appreciated by the customer.

**The Beijing Branch helped elderly customers learn how to use mobile bank services**

The Xisanhuan sub-branch of the Beijing Branch has a group of loyal elderly customers. These elderly customers had difficulty using Internet banking services. As mobile banking became increasingly popular, the Beijing Branch held systematic trainings for the elderly customers to teach them how to use CMB APP. The branch showed them how to make fund transfers and print transaction records on CMB's apps, how to use the services on WeChat and Alipay, how to use mobile bank services, as well as other important things that they shall be wary of. After a long period of training, many elderly customers of the branch grasped how to use the CMB APP and other major apps.

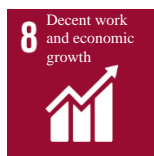


## 7 Growing Together with Our Employees

### Sustainable development background

Employees are our core assets, and every employee's efforts to pursue excellence are indispensable to our success. CMB strives to build a career development platform that enables employees to fully leverage their wisdom and talents. We nurture talents with strong innovation capabilities, and enrich our employees' expertise to facilitate their career development. We also attach great importance to every employee's physical and mental health. We keep improving compensations and benefits for employees, launch diversified employee activities, and create an open, honest and fair communication platform for employees. Our aim is to join hands with our employees to achieve even bigger success.

### SDGs



## 7.1 A Clear Career Path

Employees' self-actualization is a key driving force behind our growth. We treat employees as our partners, reinforce our talent tool and improve the career path for employees. We work hard to become a platform where various kinds of talents can fulfill their potentials.

### Building a solid talent pool

In 2018, we launched the “Dream Factory” internship program for students. The program for 2018 features an intern character assessment program. Each branch mapped out their internship plans based on their own conditions and needs. These program and plans have helped students to grow.

We fully upgraded our Fintech elite training camp. We built special topical study platform and organized summits for Chinese and US universities to strengthen our ties with IT and DT students. By doing this, we managed to build a global IT and DT talent pool of about 1,900 people. 148 of them became our bank's trainees.

We shot the campus recruitment commercial “CMB Wants You”, and used new and more interactive questions in our interviews to improve interview efficiency and give better impressions to candidates. Regarding social recruitment, we continued to operate “Talent Report”, “Talent Seeker” and other special hiring programs on our WeChat platform, and managed to recruit more excellent talents.



Photo of fintech training camp



Online campus talk in 2019

### CMB had in-depth cooperation with universities

We partnered with Zhejiang University to launch summer training courses for fintech product managers, and with Tsinghua University to hold the “Resume Carnival”, “CMB Open Day”, and “Alumnus Mentor Program”. We also participated in the “Warmest Career Season” program from Peking University, and built an internship base in partnership with Guanghua School of Management. We also took part in the “Truth Seeking” an outstanding student development plan from Renmin University of China. Our branches have implemented over 100 campus activities to help university students better understand CMB and its workplace.



Summer training courses for fintech product managers organized by CMB and Zhejiang University

**Our social recruitment focused on professionals**

In 2018, we continued to optimize our “Talent Report” and “Talent Seeker” program to extensively hire talents with strong expertise.

- The “Talent Report” targets Internet product managers and operational managers as well as professionals in algorithm and interface design. We have launched 49 “Talent Reports” to our operational departments, and recommended 290 IT and DT talents. 14 of them were recruited.
- We have introduced the “Project Talent Pool” promotion plan for our “Talent Seeker” recommendation program. We focused on product managers, and outstanding talents in IT development and data analysis. We fully used the WeChat recruitment platform and CMB’s promotion channels at communities to enhance the efficiency and coverage of our hiring activities. We received 200 candidates’ resumes and hired 45 people.

**Improving the career development system**

We put in place dual career paths for our employees. One path is for employees who pursue managerial roles, while the other is for employees who look to develop in-depth technical expertise and are not interested in supervisory or managerial positions. Our career development system has also included backup talent pools, and aimed to give more flexibility and choices to employees with different aspirations and talents.

<b>Managerial path</b>	We put in place manager selection standards and adopted the principle of merit selection in our internal hiring. We optimized our manager selection mechanism and ensured that managers are selected in an open and fair manner. We gave a lot of trust to young people, and encouraged friendly competition in our bank.
<b>Technical path</b>	We have launched a path for technical advancement to encourage employees to vertically develop their technical expertise. We continuously optimized the vertical advancement path and related assessment system, to ensure more standardized, efficient and professional management of talents.
<b>Backup talent pools</b>	We upgraded our backup talent pools in terms of system platform, training mode, as well as operation & maintenance standards. We have built a horizontal development path for employees, and encouraged employees to register in talent pools, study, and apply for positions based on their own interests.

**7.2 Nurturing Talents**

Financial industry knowledge is evolving quickly due to the rapid development of fintech. Since the foundation of CMB University in 2008, we have established a specialized and comprehensive talent development system, and continuously enriched the training courses available in CMB University. In addition, we are offering various online and offline learning channels to provide abundant educational resources and choices to employees.

**Establishing professional colleges**

Our employees accept medium to long-term training in professional colleges. A very important task for CMB University is to construct professional colleges. After carrying out internal and external studies and seeking opinions from various parties, we completed the *Plan for Constructing Professional*

*Colleges in CMB University* (《招银大学专业学院教学体系建设方案》); which set out a professional talent nurturing mode based on teaching plans. In addition, we confirmed the concepts, methods and paths for construction of professional colleges, and operational modes for professional colleges.

### “Five Key Elements” of Professional Colleges

<b>Departments</b>	Professional colleges have 36 departments. Each department has various niche professional development directions.
<b>Teaching plans</b>	Teaching plans will support our medium-to-long term talent development strategy, and keep upgrading our employees' knowledge structure.
<b>Teaching projects</b>	We will coordinate our resources and carry out teaching activities under various teaching projects.
<b>Class database</b>	We built a strong class database to enrich our courses and ensure their quality.
<b>Strong teaching team</b>	We boosted our teaching team to ensure efficient dissemination of knowledge.

We have built five professional colleges specializing in retail finance, corporate finance, risk management, operational management and fintech. Each professional college has its own teaching system. In 2018, these colleges admitted about 3,000 junior and middle-level students. As we continue to develop our university education system, our employees on various technical paths and backup talents will be able to identify the areas that they would like to focus on, and make their own sound study plans for various stages of their careers.



Admission Notice of Risk Management College of CMB University

### The five colleges of CMB Universities launched online courses

College courses are an integral part of our medium to long-term talent development plans. It's very important to ensure quality of each course. When assessing the quality of courses, we deployed various resources, and listened to professional opinions. This allowed us to find a scientific and reasonable way of building a high-quality and progressive course system. Moreover, we can provide new perspectives and directions for future corporate trainings. In 2018, we held 10 sessions to assess and pass 98 courses. We have developed and uploaded 172 online college courses.

### Everybody can be a teacher

We encouraged all employees to teach and contribute to our training system. They can share their knowledge and prepare courses to help train others and further promote their own career development. As of the end of 2018, we assessed and accepted 270 courses and appointed 271 part-time teachers. We also received 1,280 courses and 3,649 part-time teachers recommended by branches.

### Everybody can be a teacher to contribute to our training system

<b>Forming a participation mechanism</b>	<ul style="list-style-type: none"> <li>• We have teamed up professional colleges to plan and organize course and teacher development. We have assigned course development tasks, and encouraged branches to participate in course development to enrich the courses of professional colleges.</li> <li>• We set out requirements for the course and teacher development at branches. This marked the commencement of our construction of a course and teacher development mechanism.</li> </ul>
<b>Building class and teachers database</b>	<ul style="list-style-type: none"> <li>• We formulated the <i>Rules Governing Course Development at CMB University</i> (《招银大学课程开发管理办法》), <i>Rules Governing Course Development and Acceptance at CMB University</i> (招银大学课程开发及入库指引》), <i>Rules Governing Part-Time Teachers at CMB (the third edition)</i> (《招商银行兼职教师管理办法 (第三版)》), and <i>Rules Governing External Teachers for CMB University</i> (《招商银行外部师资管理办法》), among others. These rules ensure that courses and teachers are developed in a normative, well-organized and efficient manner.</li> <li>• We held a “Golden Lecturer” competition, and organized activities including “top 10 among 100 classes for 100 employees”, “top 100 among 1,000 classes for 1,000 employees”. In these activities, we selected the “Golden Lecturers”, “Top 10 Select Practice Cases”, and “Top 100 Micro Class Developers”. In addition, we amassed nearly 1,000 micro classes.</li> <li>• We designed the “Master 100 Elite Training Camp” to help CMB University teach how to develop courses and teachers.</li> <li>• We organized course development and empowerment training. The training included online study, group study, expert guidance and video learning. They helped improve the course management and development capabilities of branches.</li> <li>• We enriched our external teacher reserves and focused on introducing teachers from other universities. We also contacted many senior executives and experts asking to cooperate with them.</li> </ul>
<b>Fostering a culture of respecting teachers</b>	<ul style="list-style-type: none"> <li>• We organized activities on Teachers’ Day to showcase the achievements of our training system, and foster a culture of respecting teachers.</li> </ul>

### Finding the “Golden Lecturers”

The “Golden Lecturer” competition has been held for 6 consecutive years since 2013. About 900 seeded players were developed in the competition. 360 outstanding part-time teachers were selected. There were about 320 select courses and excellent cases, and about 1,000 select micro classes were developed. The competition was viewed 240,000 times.

In 2018, the “Golden Lecturer” competition continued to be held at branches and developed various courses and teachers. The courses submitted for competition are practical and effective, and they can boost the teaching effect by stages. Based on teaching effects and applicable scenarios, the competition was divided into two series, namely “top 10 among 100 classes for 100 employees” and “top 100 among 1,000 classes for 1,000 employees”. Lots of excellent practice cases, micro classes and part-time teachers were developed. Moreover, through the competitions, a batch of employees learned how to effectively share their knowledge.



100 employees from 44 branches and 5 departments of the Head Office attended the “top 10 among 100 classes for 100 employees” series. After 4 months' preparation, they prepared 100 practice cases. These employees went through the initial filtering, preliminary contest training, class presentation, pilot lecturing at branches, content optimization, training for finals and then the finals. 10 employees earned the title of “Golden Lecturer for 2018”, and 31 classes were named the “Best Practice Cases for 2018”.

2,525 employees signed up for the “top 100 among 1,000 classes for 1,000 employees” series. They went through the initial filtering, online study of how to develop micro classes, vetting by internal and external experts and offline training for finals. 1,000 excellent micro classes and 100 “Best Micro Classes” were selected in the series. The first batch of “Top 100 Micro Class Developers” was also selected in the series.



The “Golden Lecturer” competition

## Continuing to optimize the training system

We devised different training programs for employees at different levels and positions. Our trainings include face-to-face teaching, online training and overseas training. We also strived to innovate the

training content and modes. We prefer to train employees with edutainment. In 2018, employees of our bank received 5.943 million trainings, or 73.7 per capita. The length of the training sessions for our employees reached 9.297 million hours in total, or 124.7 hours per capita.

<b>Training system for new employees</b>	<ul style="list-style-type: none"> <li>• We launched and upgraded the training courses for new employees in the form of games. The training courses were studied for nearly 15,000 times.</li> <li>• About 6,000 new employees took part in the new employee exams and assessments.</li> <li>• We continued to carry out training for new employees in the Head Office in 2018. 430 new employees from 22 branches received full-time trainings under semi-militarized management, and they were able to start working right after completion of the training.</li> <li>• We launched 3 phases of onboarding programs for new employees of the headquarters, with a focus on CMB's culture, strategy, service principles and professional ethics.</li> </ul>
<b>Leadership development</b>	<ul style="list-style-type: none"> <li>• We launched 3 phases of young manager training programs targeting excellent branch general managers, sub-branch heads, office directors at the Head Office, newly-appointed deputy directors or assistants. These training programs can boost strategic execution, teamwork spirits and the self-motivation of these young managers.</li> <li>• We implemented topical training at tier-2 branches. Moreover, we strived to enhance leadership and strategic execution of managers at newly-upgraded tier-1 branches and tier-2 branches to reinforce management in these branches.</li> </ul>

We launched the new generation of the 1.0 educational and training platform project in 2018. The new generation platform incorporated newer technologies to deliver the best learning experience. After launch of the new platform, employees can study at any time and any place based on their own needs.

#### **Creating a good learning environment**

We encourage employees to study on their own. We have provided rich online and offline training resources to give lots of flexibility to students.

**Cloud learning platform:** we continued to enrich our online training resources. 270 courses were uploaded online. The platform covered 80% of our employees, who studied on the platform about 5.63 million times. 7,803 exams were carried out online in our Bank, and there were 1.05 million registrations for the exams.

**Innovative online courses:** CMB University developed and launched the innovative online course of “*Customer Experience Scenario Video and Practice*” (《客户体验场景视频及练习》), which was in the form of a VR game. It presented true business scenarios at outlets. The amazing learning experiences of the courses attracted many employees. Over 15,000 employees took the course within only 2 months after its launch.

**CMB University official WeChat account:** since becoming operational in November 2013, we kept enriching the 8 major columns including “Transmitting with Fun”, “Reviewing with Fun”,

“Learning New Knowledge with Fun”, and “Sharing with Fun”, among others. We have planned theme activities such as the “Branch Training Summit”. In 2018, the official WeChat account released 48 issues with 66 articles, which were read 101,230 times.

**CMB University Library:** since its foundation in 2017, the CMB University Library has kept enriching its book collection. The library now has 4,636 paper books, 4.4 million available on computers and 3,000 books available on mobile phones.

#### **Upgrading the “Seashell” program**

The “Seashell” program is an overseas training program for our employees. It aims to broaden the horizon of our backup talents for overseas businesses, and give them more opportunities to put what they have learned into practice. In 2018, we continued to optimize and upgrade the “Seashell” program.

- **Optimizing “Seashell” training**
  - We launched the “Seashell Class” to introduce CMB’s overseas business system and development plans.
  - We organized the “Seashell Salon” to allow members of the “Seashell” program to study the work and living conditions abroad.
  - We held the “Seashell talk show” to showcase the professional skills of members of the “Seashell” program.
  - We organized two rounds of training and selections from “Seashell” members. 424 people signed up, and 95 people took part in the centralized training sessions.
- **Organizing “Seashell” short-term overseas training program**
  - We selected 14 backup talents for overseas businesses to have a half-year training program at 6 overseas institutions. In the program, these backup talents worked under the guidance of local employees.
- **Enriching inhouse training modes for the “Seashell” program**
  - We launched the “Seashell Overseas Challenge” to build a bridge between “Seashell” programs and overseas institutions, and find talents that can better fit the needs of overseas institutions.

## **7.3 Creating a Good Workplace**

An open, fair and pleasant workplace is indispensable to harmony in our Bank. CMB cherishes every employee, and maintains smooth and open communication with employees. We listen to employees’ voices, and make every effort to build a positive atmosphere to promote both the mental and physical health of employees.

### **Building a strong company culture**



CMB was established in Shekou, the forefront of China's reform and opening-up. As the first commercial bank established and wholly owned by business entities, CMB was born with a pioneering spirit. In more than 30 years since its foundation, CMB stuck to the core values of "Service, Innovation and Prudence", and kept evolving to adapt to the ever-changing market and customer needs. We are now striving to become the bank that delivers the best customer experiences. Our pioneering spirit has attracted many people to join us.

After 18 months of designing and construction, the new CMB Museum was opened on April 8, 2018. The new CMB Museum showcased CMB's history of innovation and development, which is characterized by our pursuit of technology, superior service quality and internationalization. As of the end of 2018, the new museum has been visited over 9,000 times by employees and customers. Over 100 groups comprising around 2,000 people visited the museum. The new museum enhanced the internal cohesion and displayed well the spirits and company culture of CMB.



Opening Ceremony of New CMB Museum



New CMB Museum

## Listening to employees' voices

We are committed to building an open workplace for employees. We keep strengthening our communication with employees and listening to their voices. We actively accept and implement good proposals from our employees.

In 2018, CMB launched its first employee opinion collection platform called, "Egg Shell". Our employees can express their opinions on the platform. Good proposals posted on the platform will be adopted, and it ensures the equal importance of communication between employees. As of the end of 2018, the "Egg Shell" platform had about 3 million views. Over 4,400 posts were distributed on the platform. The number of interactions (online discussions, Q&A, etc.) reached 180,000. 20% of the proposals submitted through the platform were adopted. Since the launch of the platform, nearly 1,000 proposals were accepted by related departments and will be implemented in future work plans. The "Egg Shell" ensured that the good proposals of our employees can be put into practice quickly and with high efficiency.



"Egg Shell" Platform

To help employees transfer to other cities or branches, we launched "Intra-City Rail" in 2017. In 2018,

1,503 employees applied for the service. 1,183 of them applied to transfer to other cities. 320 applied to transfer to other branches in the same cities. 623 employees' applications have passed the preliminary vetting process. 224 people agreed to transfer.

## Caring for employees

We continued to optimize our flexible employee benefits system to better meet employees' demand. In 2018, 64,761 employees participated in our flexible benefits plan. 91% of them set their own benefits plans. We also continued to ensure that our employees have enough holidays and leave time to maintain a work-life balance. In addition, we organized various activities to enrich our employees' lives in their spare-time.

### The Chongqing Branch: A different Corporate Family Day

In 2018, the Chongqing Branch launched a Corporate Family Day themed on "Love Readers". Employees were invited to tell stories about their families. 90 CMB employees from 30 family groups attended the event, and listened to readings by 17 readers. The event was highly welcomed by employees and strengthened the bond between employees and their family members.



Talk between Mother and Daughter

### The Shuozhou Branch held various employee engagement activities

In 2018, the Shuozhou Branch launched various employee care activities to show its care for employees.

**Corporate Family Day:** to better communicate with employees' family members, and express gratitude for the contribution of employees and their family members, the branch held the Corporate Family Day themed on "Thanks for Your Accompaniment".

**Employee health lecture** showed our care for employee health, promoted a healthy lifestyle, boosted employees' mental health, and was aimed at preventing occupational and chronic diseases. Health experts from the China Safety and Health Education Network were invited to give lectures to the employees.

**Employee birthday party:** to recognize and express gratitude for employees' hard work, and show that caring for employees, the branch held employee birthday parties. This enhanced employees' sense of belonging and helped build a cohesive and positive team.



Various Employee Engagement Activities at the Shuo Zhou Branch

## 8 Prudential and Stable Operation

### Sustainable Development Background

In 2018, we saw ongoing deleveraging in the economy and further tightened financial regulation. We adhered to the strategic goal of becoming a "Light-operation Bank" and the strategic positioning of "One body with Two Wings", and maintained stable and prudential operation. We made forward-looking studies and sound decision-making to improve corporate governance, and effectively protected shareholders' interests. We are making further progress toward the goal of "becoming the best Chinese commercial bank that drives business through innovation, has a leading position in retail banking, and provides characteristic services"

### SDGs



## 8.1 Enhancing Governance

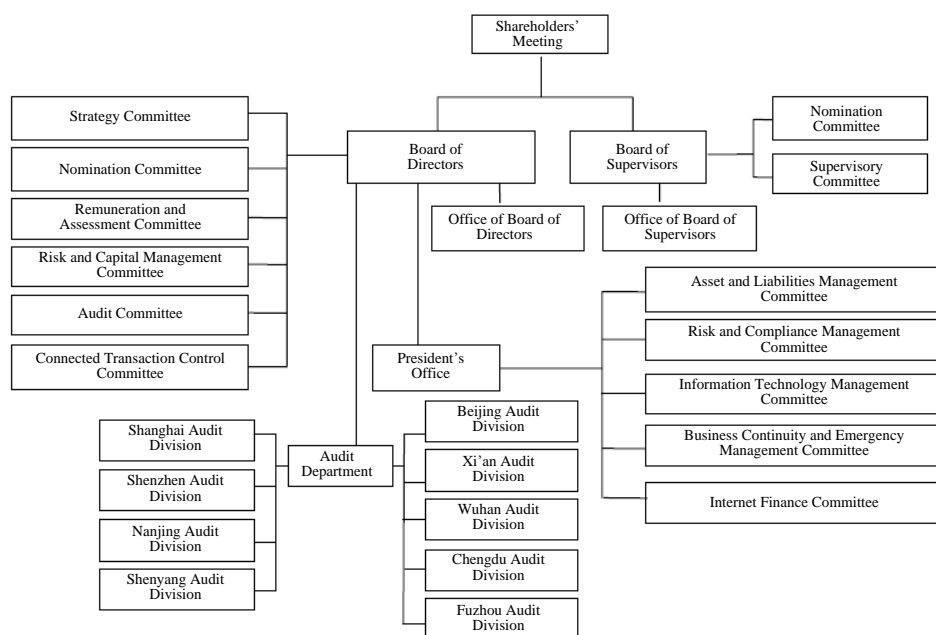
### Corporate governance structure

CMB's Shareholders' Meeting, Board of Directors, Board of Supervisors and various committees under the Board of Directors and Board of Supervisors all properly functioned and fully performed their duties in 2018. They have ensured the prudent operation and healthy development of the Bank. We also carried out various self-checks based on the instructions of China Banking and Insurance Commission (CBIRC). Our system has improved, company culture was strengthened and our procedures were optimized to boost our internal control, compliance and risk management, and ensure that we effectively serve the real economy.

The Board of Directors amended *the Articles of Association*(《公司章程》) in 2018. Content on Party Building, equity management, consumer rights and interests protection were added into the new Articles of Association. Committees under the Board of Directors reviewed and studied the various resolutions and special reports that they received. The committees provided their opinions and advice to the Board of Directors, and helped the Board of Directors make informed decisions.

In 2018, our Bank held 18 Board of Directors meetings to deliberate on 95 proposals, and hear or review 16 reports. 7 Board of Supervisors meetings were held to deliberate on 31 proposals, and hear or review 10 reports.

#### Corporate Governance Structure



### Investor Communication

We ensure that our investors are well informed. We have actively communicated with investors, quickly responded to their questions, and carefully listened to their feedback.

We strengthened our communication with institutional investors in 2018 by visiting investment

institutions, receiving site visits from investors, holding meetings with investors, and attending investor summits. We received 103 visits or phone enquiries by analysts of 230 domestic and foreign securities firms, institutional investors and investment banks. We took part in investor meetings held by 39 domestic and foreign investment banks and securities firms. We had 156 one-to-one or one-to-money meetings with 1,151 institutions.

## Information Disclosure

We have maintained sound corporate governance, and continued to improve our information disclosure mechanism to ensure investors can receive accurate information in a timely and unbiased manner. In 2018, we issued the *Work Standards for Preparation and Review of Periodic Reports and Results Presentations* (《定期报告和业绩推介材料编制与审核工作规范》) in compliance with related regulatory requirements. We have regularly sent reminders and clearly defined the scope and quantitative standards for disclosure of material and sensitive information to improve timeliness of and accuracy in disclosure of material and sensitive information.

We strictly complied with related laws and regulations, and disclosed about 340 documents across the year. We have been disclosing information more actively, and making the disclosed information more transparent. We have adapted our disclosures to investors' needs. In our periodic reports, we made disclosures on industry-specific information and issues that investors care most about.

In 2018, our information disclosure work was assigned Grade A (the highest grade) in the Shanghai Stock Exchange's annual assessment of listed companies' performance in information disclosure.

## 8.2 Strengthening Risk Control

### Improving the risk management system

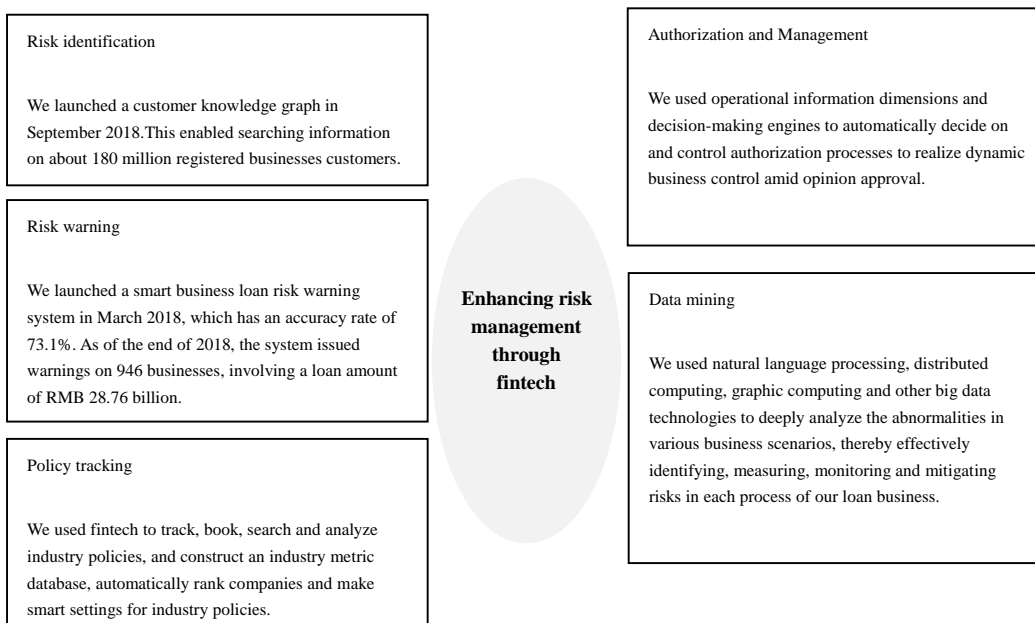
We further strengthened our risk management in 2018, with a particular focus on credit risks. We have actively implemented various oversight systems and complied with regulatory requirements. We also improved our risk management procedures. By doing this, we ensured sound execution of our risk management and enhanced our risk control capabilities.

<b>Centralized management of customer credit risk</b>	We issued the <i>Notice of CMB's Offices on Implementing the Centralized Customer Risk Management Plan on Trial Basis</i> (《招商银行办公室关于试行客户风险扎口管理方案的通知》), which incorporated bonds and asset securitization businesses into our centralized risk management system.
<b>Consolidated management of subsidiaries</b>	We issued the <i>Plan for Fully Consolidated Risk Management in the CMB Group</i> (《招商银行集团全面风险并表管理方案》), which specified the rules, methods and channels for consolidated management of risks in subsidiaries.
<b>Risk management at asset management business</b>	We amended the <i>Committee Work Procedures for Investment Banking and Asset Management Businesses (the second edition)</i> (《招商银行投资银行与资产管理业务委员会工作规程(第二版)》).

<b>Preventing and controlling cross-business financial risks</b>	We have incorporated the cross-business financial risks, as well as cross-business financial products and operations into our overall risk management system. We also incorporated cross-business financial risks into our Bank's overall risk management reports. We built a regular mechanism for risk inspection and assessment in businesses with high exposure to financial markets.
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### Enhancing risk management with fintech

Fintech has fundamentally changed the business model for commercial banks. In 2018, we actively enhanced risk management through fintech.



### Effectively managing significant risks

- **Liquidity risk management:** we have used our in-house asset-debt equilibrium model and dynamic liquidity indicator forecast model to enhance our capabilities of forecasting market liquidities and risks. We have actively taken on medium to long-term liabilities, and explored diversified financing channels. We sorted out and adjusted various indicators in our Bank's liquidity risk limit system to ensure that our liquidity risk assessment system is sensitive to market changes and applies to different market conditions. We also optimized our financing capability assessment mechanism and ways of forecasting capital shortfalls. By doing this, we managed to enhance our day-to-day liquidity risk management.
- **Interest risk management:** we have improved our information collection, analyzing and application framework, and constructed an integrated analysis and responding system. We forecasted changes in the interest rate environment and adjusted our strategy accordingly. We further enhanced our forward-looking and active management system.
- **Foreign exchange risk management:** We closely monitored movements in exchange rates and analyzed the impact of exchange rate changes to ensure the matchup between fund sources and currencies used. In addition, we regularly measure and analyze our foreign exchange exposures

and carried out scenario analysis. We monitored and reported current-period foreign exchange risks within the limit framework on a monthly basis, and strictly controlled our total foreign exchange exposures (trading exposures in particular), in a bid to avoid related foreign exchange risks.

#### Stepping up efforts to control real estate-related risks

We focused on risks in key areas in 2018. Real estate is one of the industries where we strengthened our risk management.

- **We changed our operating strategy in the real estate industry.** We changed our strategy to focus on both real estate development and real estate asset management. We adjusted our portfolio and extended loans to sectors with a promising outlook, such as real estate leasing.
- **We tightened the oversight of disguised real estate businesses.** We improved our risk management measures based on related rules for real estate lending, and reduced or eliminated our exposure to highly risky businesses. We banned any increase in disguised real estate loans to ensure the risks are generally under control.
- **We tilted toward the real estate leasing sector.** We focused on future rental cash flows when making lending decisions. We particularly supported highly cashable projects that are located at prime sites, and have solid operation and stable cash flow.
- **We strengthened the management of all our real estate businesses.** According to CBIRC and its Shanghai branch's regulatory requirements for real estate M&A and policies against irregularities in banking industry, we tightened oversight of our financial activities in relation to real estate M&A and asset securitization.
- **We strengthened the management of strategic customers in real estate industry.** We reviewed the list of our strategic customers in real estate industry, and tightened the control of exposure to real estate industry. We ensured that the exposure was within the target we set at year-beginning.

### Building risk culture

We continued to build a risk culture in 2018. We issued *Manual for Culture of Risk and Compliance* (《风险合规文化手册》), which clearly set out our Bank's visions, values and principles. We prepared many risk cases. In those positive cases where we managed to avoid risks, we analyzed the risk factors in processes before, amid and after loan granting, as well as risks in non-performing loan disposal. We ensured our cases are easy to learn, study, and remember.

We launched a biweekly risk talk that started from September 2018. The talk covered daily risk management in ABS business, default analysis, financial fraud, platform risks, equity pledge and other key areas. By doing this, we aimed to build a strong risk culture in our Bank.

## 8.3 Ensuring Compliance

CMB continued to enhance its internal control and compliance management system and procedures in 2018. It issued the guidelines for internal control, compliance and anti-money laundering work, as well as management systems including *Rules Governing Authorization Management in CMB (the third edition)* (《招商银行授权管理规定 (第三版)》), *Rules Governing Employee Behavior in CMB (the second edition)* (《招商银行员工行为管理规定 (第二版)》), *Rules Governing System*



*Transmission and Trainings* (《制度传导与培训管理办法》) and *Rules Governing Foreign Exchange Policies in CMB* (《招商银行外汇政策管理规定》). These rules and guidelines enhanced our internal control and compliance management system.

As a bank listed in Shanghai and Hong Kong, we placed a heavy focus on compliance with applicable laws, regulations and various regulatory requirements. In 2018, we continued to rectify the irregularities in the banking industry as per CBIRC instructions and based on our own actual operational conditions. We cracked down on irregularities, carried out self-checks, and pursued accountability, which translated into a better business mix and a stronger capability to serve the real economy. We timely interpreted, promoted and implemented new regulations within our Bank, and ensured our operations comply with all regulatory requirements and serve the real economy well.

We also strived to ensure that employees' conducts comply with applicable laws and regulations. We have established an employee conduct management system that has well-defined duties and functions, complete procedures, and a well-organized division of labor and cooperation, while being driven by concerted efforts. We continued to promote employee compliance and education on professional ethics. We also checked on abnormal behavior by employees from time-to-time, and took disciplinary actions against any irregularities. By doing this, we built a strong culture of compliance, and ensured that our employees serve customers with integrity, compliance and professionalism, thereby growing into "the bank delivering the best customer experiences".

#### Major progress in internal control and compliance in 2018

- **"Eagle Eye" system:** To better analyze compliance data, we have launched the "Eagle Eye" system expansion project. We have optimized the supplementary monitoring model and the audit system. In addition, we held training courses for nearly 100 employees from legal compliance departments of branches. By doing this, we enhanced the compliance throughout our Bank.
- **Audit information platform – "E-Audit":** we developed and launched "audit monitoring system" to automatically issue warnings on any abnormality in business structure and development pace of our operational units. We have built a warning and monitoring system that covers all organizations, businesses, products and positions in our Bank. The "Audit Desktop" system is a full-cycle audit office platform that covers audit findings, statistical analysis, rectification and tracking, application of audit results and information sharing.
- **We further improved our anti-money laundering work.** We issued management systems such as *Rules Governing Compliance at Overseas Private Banking Unit of CMB* (《招商银行境外私人银行合规管理办法》). We developed a due diligence module for anti-money laundering work. These efforts facilitated inspections of CBIRC and State Foreign Exchange Administration, as well as special audits from the Head Office Audit Department.

#### Promotion of Offshore Anti-Money Laundering

To further prevent money laundering risk and enhance customers' awareness of compliance, the Offshore Finance Center of CMB organized a promotional activity in September 2018 to publicize our ban on any rental, lending or sale of offshore bank account.

We designed and printed related promotional materials and *Letter of Commitment for Offshore Anti-Money Laundering* (《离岸反洗钱承诺函》). We displayed related posters in all major premises of our Bank. In addition, we assigned employees to transmit related knowledge and information to customers at our business halls. When visiting customers, our account managers have distributed

related brochures. We also asked customers to sign Letter of Commitment for Offshore Anti-Money Laundering. In these activities, 10,000 brochures were distributed and 250 posters were displayed.



Offshore anti-money laundering posters and brochures

#### The Beijing Branch stepped up efforts in anti-money laundering and protected customers' assets

To maintain good order in the financial market, stem money laundering, improve the public's anti-money laundering awareness and protect customers' assets, the Beijing Branch continued to spread anti-money laundering knowledge among the public in 2018. The branch also leveraged its expertise to block money laundering activities and control related risks. These efforts enhanced the public's self-protection abilities.

- Promotional activities themed on anti-money laundering:** The branch has launched promotional activities that were themed on "preventing money laundering, and fighting illegal fundraising, online lending and underground banks". We distributed promotional materials, used LED displays to show electronic posters, and played promotional cartoons. The promotional activities impacted 2,476 people, and 496 pieces of promotional materials were distributed from these activities.
- Blocking and preventing money laundering activities:** employees of the branch have used their anti-money laundering expertise and rich experience to quickly detect money laundering cases. In addition, they intercepted 6 Internet and phone frauds.
- Strengthening the control of money laundering risks:** the branch carried out special inspections into customers involving a P2P platform, illegal fundraising and online gaming. It followed up on the operational status of key platforms, monitored transactions of key accounts and took timely measures to control risks. The branch also checked the ecosystems of these customers to minimize related money laundering risks.

#### The Urumchi Branch held the first compliance micro films competition

To strengthen the culture of compliance, the Urumchi Branch held the first compliance micro film competition in September 2018. All employees of the branch participated in the competition. The micro films were required to be themed on compliance. The competition lasted for 3 months and all performers, photographers and production crew for the films in the competition were employees of the branch. 31 excellent compliance micro films were shot.

The compliance micro film competition showcased the compliance work contents of the Urumchi Branch and improved employees' awareness of compliance. It helped employees further understand that "compliance creates value and promotes development".

## ESG Report

### Economic Performance

In 2018, we saw ongoing deleveraging in the economy and further tightened financial regulation. We adhered to the strategic goal of becoming a “Light-operation Bank” and the strategic positioning of “One body with Two Wings”. Moreover, we further advanced our business transformation and enhanced our abilities to create values. We attached great importance to the expectations and demands of stakeholders. Our products and services generated value for the economy, society and environment. In addition, we carried out various social activities to share value with stakeholders.

Indicator	2016	2017	2018
Total assets (RMB million)	5,942,311	6,297,638	6,745,729
Operating income (RMB million)	209,720	220,897	248,555
Total profit (RMB million)	78,963	90,680	106,497
Net profit (RMB million)	62,380	70,638	80,819
Total taxes (RMB 100 million)	229.45	221.94	278.10
Nonperforming loan ratio (%)	1.87	1.61	1.36
Capital adequacy ratio (%)	13.33	15.48	15.68
Allowance coverage ratio of non-performing loans (%)	180.02	262.11	358.18
Return on Average Assets Attributable to Shareholders (ROAA) (%)	1.09	1.15	1.24
Return on Average Equity Attributable to Common Shareholders (ROAE) (%)	16.27	16.54	16.57
Total charitable donations (RMB 10,000)	2,457.10	2,628.32	3,566.00
Social contribution amount per share (RMB)	7.98	9.08	10.44

### Market Performance

We aimed to build a strong incentive and constraint mechanism, realize our long-term strategic goals, improve our operating efficiency and keep risks under control. We determined employees’ remunerations based on our strategy and overall business performance. In addition, we strived to ensure that employees are fairly paid as compared to their peers inside and outside our Bank. Our employees are paid based on their jobs and performances. Salaries of our employees at all markets are higher than local minimum wage standards. We prohibit any gender discrimination when hiring and paying employees.

### Indirect Economic Impact

We continued to expand our branch network to provide quality financial services to more businesses and people. As of the end of 2018, we had 137 branches and 1,673 sub-branches in over 130 Chinese cities. We owned two subsidiaries, namely CMB Financial Leasing and China Merchants Fund. We are also a shareholder of joint venture CIGNA & CMC Life Insurance Co. Ltd.

CMB Wing Lung Bank and CMB International Capital, two of our subsidiaries, operated in Hong Kong. CMB also has the Hong Kong Branch. Additionally, CMB has opened the New York Branch and representative offices in the US. We also established the Singaporean Branch. CMB has the London Branch and representative offices in the UK, the Sydney Branch in Australia, a representative office in

Taipei, and the Luxembourg branch in Luxembourg.

Indicator	2016	2017	2018
Number of Domestic and Overseas Branches	1,819	1,830	1,822
Number of Self-Service Banks	3,495	3,340	3,259
Number of Self-Service Equipment	11,861	11,382	10,316

## Procurement Practice

We continued to enhance our regulation on our procurement activities, and ensured that our suppliers perform their contractual obligations. We formulated *Rules Governing Outsourcing of Auction of Retired Physical Assets in the CMB Head Office* (《招商银行总行已报废实物资产处置拍卖外包管理办法》), and amended *Rules Governing Procurement at CMB (the second edition)* (《招商银行采购管理规定 (第二版)》), *Management Procedures for Bidding and Tendering at CMB (the second edition)* (《招商银行招标投标管理规程 (第二版)》), and *Operational Procedures for Negotiation and Procurement at CMB (the third edition)* (《招商银行谈判采购操作规程 (第三版)》). In 2018, our bank completed 334 centralized procurement projects through our procurement information system. 12,019 registered online in our Bank. 34,426 orders were placed through our online supermarket, involving a procurement amount of RMB 5.748 billion.

As of the end of 2018, the Head Office entered into procurement contracts with 271 suppliers at home and abroad.

Indicator	2016	2017	2018
Number of Suppliers at mainland China	315	308	271
Number of Overseas suppliers	3	5	0

We launched the “CMB Cloud Procurement Platform” for our centralized procurement activities. We issued *Operation and Management Procedures for CMB Procurement Cloud Platform* (《招商银行招采云平台运营管理规程》), which ensured the compliance, efficiency and low costs of our procurement activities. In addition, the platform has enhanced users’ experiences and our service capabilities. In 2018, CMB completed 64,000 orders through the CMB Cloud Procurement Platform.

We helped our suppliers to overcome the challenges that they encountered amid the process of performing their supply contracts. We have had daily communications and regular meetings, and used information systems, special groups and post-procurement assessment to further understand the demands, procurement activities, use and supplies in the Head Office and branches. We have acquired full details of our suppliers, and identified risks. Based on these risks, we offered advice to suppliers to help them better perform supply contracts.

Indicator	2016	2017	2018
Number of centralized procurement projects	247	269	334
Budget of centralized procurement projects (RMB 100 million)	21.88	16.19	57.48
Average cycle of centralized procurement projects (days)	26	25	26
Ratio of centralized procurement projects that received assistance for ensuring fulfillment of obligations (%)	91.06	100	100
Ratio of suppliers that were inspected (%)	100	100	100

Number of fintech projects	—	—	287
Number of orders placed through the CMB Cloud Procurement Platform	—	—	64,000
Budget of fintech projects (RMB 100 million)	—	—	4.77
Average cycle of fintech projects(days)	—	—	12

We did not receive any complaint from suppliers in 2018.

## Environmental Performance

### Materials

Most of our materials consumption derived from the use of paper in our services and workplaces. In view of this, we provided various digital information services, which enabled customers to make enquiries through Internet bank, mobile app and WeChat service accounts. We further promoted paperless operation in our Bank. In 2018, we launched 80 office systems that can be used on mobile phones. These systems were used 30 million times. They not only enhanced our operating efficiency, but also reduced the paper consumption.

Indicators	2016	2017	2018
Amount of paper used for new card brochures and envelopes (ten thousand pieces)	2,187	1,876	2,030
Ratio of credit card customers using e-bills (%)	93.35	95.94	97.74
Paper saved by using e-bills (100 million pieces)	8.78	11.85	15.48

### Energy

We upheld the concept of “green operation and workplace”. We fully considered environmental sustainability in the process of design and construction of each office building. Additionally, CMB actively renovated its Head Office, R&D center, remote banks and other self-owned properties to make them more energy-efficient and eco-friendly. In addition, CMB further enhanced the energy efficiency of datacenters.

To save energy and reduce emission, CMB’s datacenters will fully use natural cold sources. Our datacenters use the latest smart technologies to improve energy efficiency year after year.

Indicators	2016	2017	2018
Average PUE of datacenters	1.76	1.74	1.72
Electricity consumption of datacenters (kilowatt-hour)	23,274,400	22,508,400	30,353,600

Indicators	2016	2017	2018
Electricity consumption of the Head Office (kilowatt-hour)	13,474,394	13,422,238	13,367,140
Electricity saved by the Head Office (kilowatt-hour)	38,464	52,156	55,098

Indicators	2016	2017	2018
Head Office vehicles gasoline consumption for business (liters)	144,721	141,698	125,852.17

## Water

The Bank's water consumption mainly stems from daily water use in the workplace. We carried out many water conservation education programs to improve employee awareness. We also regularly inspected and maintained our water equipment to prevent evaporating, dripping or leaking.

Indicators	2016	2017	2018
Head Office water consumption (tons)	122,134	103,626	97,998
Water saved by the Head Office (tons)	-4,545	18,508	5,628

## Sewage and Waste

Our sewage and waste were recycled or treated in other ways to minimize their environmental impact. The sewage generated by our daily work and services was sent into the municipal sewage pipelines, and we have not violated any rule for sewage discharge. For wastes generated in the process of equipment updates and phasing-out, we recycled synthetic leather, plastic, timber, hardware, etc. and converted them into useful resources.

## Product and Service

We seized the opportunities in the Internet finance era and used IT technology to develop service channels including online, remote and mobile banking. This greatly reduced customers' travel costs between outlets and queuing time while delivering a great service experience to them.

Indicators	2016	2017	2018
Ratio of transactions that go digital (%)	97.51	98.24	98.24
Number of cities where "Pay with Face" service is available	107	108	108
Number of outlets providing "Pay with Face" self-service equipment	816	821	1,075

## Environmental Compliance

In 2018, we did not receive any punishment for any environmental violation or any environmental complaints.

## Green Procurement

We paid close attention to related products' negative environmental impacts and suppliers' environmental performance in our procurement activities. By calculating total cost of ownership and other indicators, we evaluated the life cycle and energy consumption of procured products and equipment. In addition, we communicated our green procurement policy to suppliers.

## Social Performance

### Employment

We fully complied with laws such as the *Labor Law of People's Republic of China* (《中华人民共和国

劳动法》), *the Law for Women Rights and Interests Protection in People's Republic of China* (《招商银行企业年金管理办法》), among others. We further optimized our annuity management by revising the *CMB Rules Governing Enterprise Annuities* (《招商银行企业年金管理办法》). In addition, based on CBIRC's policies and our own conditions, we issued *Rules Governing Deferred Payment of Remunerations in CMB* (《招商银行薪酬延期支付管理办法》) and *Detailed Rules for Deferred Payment of Remunerations in CMB* (《招商银行薪酬延期支付实施细则》), in a bid to build a better remuneration, incentive and constraint mechanism.

Indicator	2016	2017	2018
Employee number (Including contractors)	70,461	72,530	74,590
Number of female workers	37,879	38,939	40,427
Number of male workers	27,625	28,516	29,560
Number of employees with employment contracts	65,504	67,455	69,987
Number of contractors	4,957	5,057	4,603
Number of employees aged below 30	34,938	33,962	33,401
Number of employees aged between 31 and 50	29,142	31,920	34,453
Number of employees aged above 50	1,424	1,573	2,133
Number of new hires	9,178	7,026	7,096
Employee turnover rate (%)	6.70	6.69	6.29

## Labor/Management Relations

We fully respected and protected the rights and interests of employees, and promoted the Bank's democratic governance by advancing the collective contract system and convening employee representative meetings. We launched the flexible employee benefits system, and further optimized our employee satisfaction survey system. We also launched the employee experience monitoring system. These efforts enabled us to deliver the best employee experience in the banking industry. More than 69,000 questionnaires were completed and 65,740 employees participated in this year's employee satisfaction survey.

We enhanced our flexible benefits system for employees. We further optimized our employee satisfaction survey and 65,740 employees participated in our 2018 survey; an increase of 9,676 from the previous year. 59,498 valid questionnaires were received which showed a year-on-year increase of 7,319, and 95% of our employees participated in the survey. We also set up an employee experience monitoring system and designed the questionnaires based on our actual conditions. We developed an employee experience research system, and completed the first research in September 2018.

## Occupational Health and Safety

We advocated the philosophy of "happy work and healthy life" among employees. We provided annual free physical check-ups, and organized health seminars and various cultural and sports activities to advocate a healthy lifestyle and help employees cultivate an optimistic attitude.

To ensure employees' health and safety, we upgraded the insurance products in our flexible employee benefits system. The insurance coverage for critical diseases was expanded. We continued to ensure that our employees have enough holidays and leave time to maintain a work-life balance. In 2018, overall holiday coverage in our Bank reached 74.98% in 2018, up 1 percentage point from 2017. Holiday coverage in all institutions of our Bank reached 60%.

## Training and Education

We established a training system covering all employees to provide tailor-made training programs on business and product knowledge, ethics and safety, management skills, leadership and other aspects. In 2018, we implemented 12,016 rounds of training projects, an increase of 2,390 rounds compared with the previous year. Total learning time reached 9.297 million hours. “Cloud Learning Platform” were used by our employees for 4.9 million times.

Indicator	2016	2017	2018
Number of training rounds	7,165	9,626	12,016
Number of employees who accept trainings	73,005	72,374	74,559
Number of employees' participations in trainings (ten thousand)	35.7	49	59.8
Number of employees' participations in online study (ten thousand)	290	579	491
Per-capita learning time (hours)	61.5	125	125

## Diversity and Equal Opportunity

We placed emphasis on governance structure and employee diversity, and have put in place related policies. According to such policies, the Nomination Committee of the Board of Directors will review the structure, size and composition of the Board of Directors on an annual basis. By the end of 2018, the Bank's Board of Directors had two female members, who together with other directors provided professional advices to the Bank.

We are an equal opportunity employer that does not discriminate against any candidate based on their race, sex, marital status, religion or other factors. Our employees are paid based on their jobs and performance. We prohibit any gender discrimination when hiring employees.

Indicator	Male	Female
Employee gender ratio (%)	42.24	57.76
Gender ratio in senior and middle-level managers (%)	79	21

Indicator	2016	2017	2018
Number of ethnic minority employees	2,732	2,896	3,020

## Grievance Mechanisms for Labor Practices

We formulated the *Methods for Communication at CMB* (《招商银行沟通管理办法》). We encouraged the Head Office and some branches to collect and respond to employees' questions through the labor dispute mediation committee, employee mailboxes and other channels. We also encouraged all employees to use the established communication management system. We monitored and assessed employee coverage at branches in some key communication projects that were set out by the *Methods for Communication at CMB* (《员工沟通管理办法》). We further optimized our employee communication channels, and managed employee communication in a more standardized, systematic and regularized manner.

## Local Communities



We continued to serve communities and small businesses in 2018. In the year, we opened 9 small-sized community branches, growing the number of our small-sized community branches to 243. We also continued to facilitate the growth of China's county economy. We opened 1 county sub-branch in the year, growing the total number of our county sub-branches to 98. In addition, we strongly supported the economic growth in China's central and western regions. We built 25 new outlets in central and western regions, sending the total number of outlets in China's central and western regions to 655.

## Anti-corruption

We strived to create an anti-corruption atmosphere, increase employees' self-discipline and prevent employees from breaking any laws or regulations, thereby promoting the sustainable development of both the Bank and the society. In addition, we carried out disciplinary inspections and held offenders accountable for their misconduct. A corruption prevention system was constructed that includes day-to-day monitoring, special inspection, whistle blowing, integrity talks and written enquiries. We also held various education programs to promote compliance and discipline. These efforts enhanced employees' anti-corruption awareness. In 2018, we imposed 891 disciplinary penalties and actions (including 850 disciplinary penalties and 41 disciplinary actions) for violations discovered in inspections, audits, service checks and the process of pursuing accountability for misconduct.

Indicator	2016	2017	2018
Number of pre-appointment integrity talks with managers	2,339	2,346	2,410
Number of managers' briefings on anti-corruption efforts	2,835	3,118	3,953

## Anti-competitive Behavior

As a law-abiding and compliant business entity and a member of the China Banking Association, we strictly abided by the *Anti-Unfair Competition Law* (《反不正当竞争法》) and the *China Banking Convention against Unfair Competition* (《中国银行业反不正当竞争公约》). We managed and constrained our practices in accordance with related laws, prevented anti-competitive behavior, and actively protected financial consumers' rights and interests.

## Marketing and Labeling

We have provided detailed and standardized brochures for all our wealth management products in CMB's official website or other service channels. Such brochures have described the investment vehicle type, sales channels, expected investment returns, risk ratings and other information of wealth management products. In addition, the brochures have disclosed risks in our wealth management products. We also continued to innovate our small business loan products. We have built a rich product portfolio for small businesses, and provided detailed descriptions of these products.

Indicator	2016	2017	2018
95555 Customer satisfaction (%)	99.63	99.68	99.69
95555 Service satisfaction (%)	99.84	99.85	99.87
Quantity of manual remote banking services (ten thousand)	9,063	10,238	11,175
Quantity of services provided by an online interactive robot (ten thousand)	3,274.57	3,275.32	7,972
Average respond time (second)	3.42	2.94	2.38
Number of customer praises	31,497	33,272	31,073

## **Market Promotion**

We strictly complied with applicable laws and regulations. Employees are required to market products in a compliant manner. Employees are not allowed to attract depositors with overly high interest rates, or disguise wealth management products as deposits. CMB has joined hands with other financial institutions to ensure fair competition and sound financial order in the market.

## **Customer Privacy**

We placed heavy emphasis on customer privacy. We have promoted our data security management system and innovated our ways of identifying risks to protect customers' privacy.

## Our Outlook

The Chinese economy will transition to “quality-oriented” growth stage in 2019. The financial market will become increasingly complicated and undergo lots of changes. However, we also see tremendous opportunities ahead. We will adhere to the strategic goal of becoming a “Light-operation Bank” and the strategic positioning of “One body with Two Wings”, further advance our fintech strategy, and integrate fintech into our products and services. This will help prevent financial risks and make even bigger contributions to sustainable development in economy, society and environment.

**We will leverage fintech to further improve customer experience.** In 2019, we will drive our business through fintech, and make further progress toward the goal of “becoming the bank with the best customer experience”. To achieve this goal, we will further strengthen our operations, and develop fintech at a faster pace. While innovating our products and improving customer experiences, we will also strictly prevent and mitigate financial risks, ensure prudential operation and compliance in our organization, and create sustainable value for stakeholders.

**We will fulfill our social responsibilities and share the fruits of development with others.** In 2019, we will continue to support the real economy and promote inclusive finance to make our quality financial services available to more people. We will step up our efforts in poverty alleviation, and encourage our employees and those in all walks of life to support charity. We will also further strengthen talent management, actively listen to employees’ voices, provide great career development opportunities to employees and grow together with employees.

**We will continue to grow in an eco-friendly way to protect the clear water and green mountains.** In 2019, we will further develop green finance and support the growth of low-carbon economy. In the meanwhile, we will continuously improve our internal environmental management system and further advance toward the paperless office. We will use new technologies to help our datacenters save energy and reduce emissions while cutting our overall carbon footprint. We will also promote the environmental awareness of our employees, customers and the public, so that we can join hands with all stakeholders to protect the environment.

CMB will continue to uphold the CSR concept of “taking root in and giving back to society”. We will fully listen to and respond to the demands and expectations of stakeholders, further combine our CSR and business strategies, and join hands with stakeholders to move forward towards a more sustainable and better future.

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<b>GRI 403: Occupational Health and Safety</b>		
NO.	Content	Page Number
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<b>GRI 405: Diversification and Equal Opportunities</b>		
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405-2	Ratio of basic salary and remuneration for men and women	97
<b>GRI 406: Anti-discrimination</b>		
NO.	Content	Page Number
406-1	Discrimination incidents and corrective actions taken	97
<b>GRI 407: Freedom of Association and Collective Bargaining</b>		
NO.	Content	Page Number
407-1	Operating sites and suppliers that may face obstacles in getting freedom of association and rights of collective bargaining	-
<b>GRI 408: Child Labor</b>		
NO.	Content	Page Number
408-1	Operating sites and suppliers with significant child labor risks	-
<b>GRI 409: Forced or Compulsory Labor</b>		
NO.	Content	Page Number
409-1	Operating sites and suppliers with significant risks of forced or forced labor events	-
<b>GRI 410: Security Practice</b>		
NO.	Content	Page Number
410-1	Security personnel received training on human rights policies or procedures	-
<b>GRI 411: Aboriginal Rights</b>		

NO.	Content	Page Number
411-1	Incidents involving rights violations of indigenous people	-
<b>GRI 412: Human Rights Assessment</b>		
NO.	Content	Page Number
412-1	Operating sites that accept human rights reviews or impact assessments	-
412-2	Employee training on human rights policies or procedures	-
412-3	Important investment agreements and contracts that include human rights provisions or have undergone human rights review	97-98
<b>GRI 413: Local Community</b>		
NO.	Content	Page Number
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413-2	Operating sites that have actual or potential major negative impact on the local community	-
<b>GRI 414: Supplier Social Assessment</b>		
NO.	Content	Page Number
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414-2	The negative impact of supply chain on society and actions taken	-
<b>GRI 415: Public Policy</b>		
NO.	Content	Page Number
415-1	Political contributions	-
<b>GRI 416: Customer Health and Safety</b>		
NO.	Content	Page Number
416-1	Assessment on the impacts of product and service categories on people's health and safety	-
416-2	Violation events that involve health and safety implications of products and services	-
<b>GRI 417: Marketing and Logo</b>		
NO.	Content	Page Number
417-1	Requirements for product and service information and labeling	98-99
417-2	Violations of product design, service information and logo	-
417-3	Violations involving marketing	-
<b>GRI 418: Customer Privacy</b>		
NO.	Content	Page Number
418-1	Complaints relating to infringement of customer privacy and loss of customer data	-
<b>GRI 419: Social and Economic Compliance</b>		
NO.	Content	Page Number
419-1	Violation of laws and regulations in social and economic fields	-



**HKEx Environmental, Social and Governance Reporting Guide Content Index**

Level	Main Performance Indicators		Page Number
<b>A. Environment</b>			
<b>Level A1: Emissions</b>			
General disclosure	Policies on emissions of waste gas and greenhouse gas emissions, discharges into water and land, generation of harmful and non-hazardous wastes, and materials about compliance with relevant laws and regulations that have a significant impact on the issuer.	•	44, 47-49, 94-95
A1.1	Types of emissions and related emissions data.	•	94-95
A1.2	Total greenhouse gas emissions (in tons) and (if applicable) density.	•	The company has not set up a statistical system for greenhouse gas emissions, and plans to set it up in the future.
A1.3	Total amount of hazardous wastes generated (in tons) and (if applicable) density.	•	94-95
A1.4	Total non-hazardous wastes generated (in tons) and (if applicable) density.	•	94-95
A1.5	Describe the measures to reduce emissions and the results.	•	44-49, 94-95
A1.6	Describe ways to treat hazardous and non-hazardous wastes, measures to reduce production, and results obtained.	•	44-49, 94-95
<b>Level A2: Resource Use</b>			
General disclosure	Policies for effective use of resources (including energy, water and other raw materials).	•	44-49, 94-95
A2.1	Total consumption and density of direct and/or indirect energy (such as electricity, gas or oil) by type.	•	9, 94-95
A2.2	Total water consumption and density.	•	9, 94-95
A2.3	Describe energy use efficiency program and results.	•	9, 47-49, 94-95
A2.4	Describe any problems in withdrawing potable water, as well as plans/implementation to improve water use efficiency and the results.	•	94-95
A2.5	Total amount of packaging materials used for finished products and the amount of per unit of production.	•	The company is a financial service enterprise, this indicator is not applicable.
<b>Level A3: Environment and Natural Resources</b>			
General disclosure	Policies that are formulated to reduce the issuer's policies that have a significant impact on the environment and natural resources.	•	47-49, 94-95
A3.1	Describe the significant impact of business activities on the environment and natural resources and measures taken to manage the impact.	•	47-49, 94-95
<b>B. Society</b>			
<b>Employment and Labor Practices</b>			
<b>Level B1: Employment</b>			
General disclosure	Policies on salary and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other treatment and benefits, and	•	95-97

	materials on compliance with relevant laws and regulations that have a significant impact on the Issuer.		
B1.1	Total number of employees by gender, type of employment, age group and region.	○	96
B1.2	Employment loss ratios by gender, age group and region.	○	96
<b>Level B2: Health and Safety</b>			
General disclosure	Policies on providing a safe working environment and protecting employees from occupational hazards, and materials; policies on compliance with relevant laws and regulations that have a significant impact on the Issuer.	●	96
B2.1	The number and rate of deaths due to work relationships.	○	The company plans to gradually disclose it in the future
B2.2	Lost workdays due to work-related injuries.	○	The company plans to gradually disclose it in the future
B2.3	Describe the occupational health and safety measures adopted, as well as the relevant implementation and inspection methods.	○	83-84, 96
<b>Level B3: Development and Training</b>			
General disclosure	Policies on improving employees' knowledge and skills in performing job duties. Describe training activities.	●	76-81, 97
B3.1	Percentage of employees that received training by gender and category of employees (such as senior management, middle management).	○	97
B3.2	Average training hours completed by each employee by gender and employee category.	○	97
<b>Level B4: Labor Standards</b>			
General disclosure	Policies on preventing child labor or forced labor and materials on compliance with relevant laws and regulations that have a significant impact on the Issuer.	●	96-97
B4.1	Describe measures to review recruitment practices to avoid child labor and forced labor.	○	96-97
B4.2	Describe the steps taken to eliminate the situation when a violation is found.	○	There is no child labor or compulsory labor in the company.
<b>Operating Practices</b>			
<b>Level B5: Supply Chain Management</b>			
General disclosure	Environmental and social risk policies to manage the supply chain.	●	95
B5.1	Number of suppliers in different regions.	○	93-94
B5.2	Describe the practice of hiring suppliers, the number of suppliers to whom the relevant practices are implemented, and the methods of implementing and monitoring relevant practices.	○	93-94, 95
<b>Level B6: Product Liability</b>			
General disclosure	Policies on health and safety, advertising, labeling and privacy issues and remedies for the products and services provided, and materials on compliance with relevant laws and regulations that have a significant impact on the Issuer.	●	68-69, 98-99
B6.1	Percentage of sold or delivered items that must be recovered	○	The company is a

	due to safety and health reasons.		financial service enterprise, this indicator is not applicable.
B6.2	Number of complaints received about products and services, and the methods for handling them.	○	66, 98
B6.3	Describe practices related to the maintenance and protection of intellectual property.	○	The company maintains and guarantees intellectual property in accordance with the provisions of Chinese laws.
B6.4	Describe the quality verification process and product recovery procedure.	○	The company is a financial service enterprise, this indicator is not applicable.
B6.5	Describe consumer data protection and privacy policies, and related implementation and monitoring methods.	○	99
<b>Level B7: Anti-corruption</b>			
General disclosure	Policies to prevent bribery, extortion, fraud and money laundering, and materials on compliance with relevant laws and regulations that have a significant impact on the Issuer.	●	89-91, 98
B7.1	The number of corruption lawsuits filed against the Issuer or its employees during the reporting period and the results of lawsuits.	○	89-91, 98
B7.2	Describe preventive measures and whistle-blowing procedures, as well as related implementation and monitoring methods.	○	89-91, 98
<b>Community</b>			
<b>Level B8: Community Investment</b>			
General disclosure	Policies on community participation to understand the needs of the communities in which they operate and to ensure that their business activities take into account interests of the community.	●	18-25, 49-53, 97-98
B8.1	Focus on the scope of contribution (e.g. education, environmental issues, labor needs, health, culture, sports).	○	18-25, 49-53, 97-98
B8.2	Resources (e.g. money or time) used for the focus area.	○	18-25, 49-53, 95

Note: ● refers to “explain if it does not follow” ○ refers to “suggested disclosure”.

# Independent Limited Assurance Report



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## China Merchants Bank Company Limited Corporate Social Responsibility Report for 2018 Independent Limited Assurance Report

安永华明（2019）专字第60621222\_A01号

To the Board of Directors of China Merchants Bank Company Limited:

We have been engaged by the management of China Merchants Bank Company Limited (the "China Merchants Bank"), to perform a limited assurance engagement on the information the 2018 Corporate Social Responsibility Report (the "CSR Report").

### I. Management's Responsibility

The CSR Report has been prepared by management of China Merchants Bank (the "Management"), who are responsible for the collection and presentation of the information within the Report in accordance with the reporting criteria as set out in AA1000 Accountability Principles Standard 2008 (the "AA1000APS(2008)") issued by AccountAbility, the "Core Option" of the GRI Sustainability Reporting Standards (the "GRI Standards") issued by the Global Reporting Initiative, and Appendix 27: Environmental, Social and Governance Reporting Guide of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, and for maintaining adequate records and internal controls that are designed to support the corporate social responsibility reporting process.

### II. Assurance Practitioner's Responsibility

Our responsibility is to carry out limited assurance procedures in accordance with (1) "AA1000 Accountability Principles Standard 2008" ("AA1000") and (2) International Standard on Assurance Engagements 3000 ("ISAE3000"): "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Federation of Accountants, on 22 Assurance Indicators and issue the assurance statement for the year ended 31 December 2018 in accordance with the Management's instructions. Our work was limited to these stated above and our report is made solely to you, as a body, and for no other purpose. We do not therefore accept or assume any

responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the CSR Report is entirely as its own risk.

### III. Work Performed

Our review has been planned and performed in accordance with AA1000 and ISAE3000. In order to form our conclusions, we carried out the following procedures:

According to the Management's instructions, we performed limited assurance procedures in:

- Head Office of China Merchants Bank in Shenzhen

We did not perform limited assurance procedures on other sites. The limited assurance procedures were performed over the following key performance indicators and assurance indicators in the CSR Report for the year 2018:

#### GRI Report Content:

- (1) Materiality analysis
- (2) Stakeholder communication

#### 22 Assurance Indicators:

- Number of centralized procurement projects
- Average cycle of centralized procurement projects (days)
- Electricity saved by the headquarters (kilowatt-hours)
- Water saved by the headquarters (tonnes)
- Number of transactions that go digital
- Employee number (including contractors)
- Number of new hires
- Employee turnover rate (%)
- Number of employees who accept trainings

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- Number of employees who study online (ten thousand)
- Employee gender ratio (%)
- Gender ratio in senior and middle-level managers (%)
- Number of ethnic minority employees
- 95555 Customer satisfaction (%)
- Online Interactive robot (In ten thousand)
- Number of customers downloading CMB app
- Electricity consumption of datacenters (ten thousand kilowatt-hours)
- Average PUE of datacenters
- Number of supported energy-saving and eco-friendly projects
- Loans made to energy-saving and eco-friendly projects (hundred million RMB)
- Full-year points on the "Points for Micro Charity" crowdfunding platform
- Ratio of credit card customers using e-bills (%)

#### IV. Limitations of Our Scope

Our scope of work did not include:

- Assessing the accuracy or fairness of information (including financial information) other than the selected key performance information.
- Reviewing the forward-looking statements made by the Management.
- Reviewing and consequently providing assurance on historical data.

#### V. Level of Assurance

Our evidence gathering procedures have been designed to obtain a limited level of assurance (as set out in ISAE 3000) on which to base our conclusion. The procedures conducted do not provide all the evidence that would be required in a reasonable assurance engagement and, accordingly, we do not express a reasonable assurance opinion or an audit opinion. While we considered the effectiveness of the Management's internal controls when determining the

nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

#### VI. Our Conclusions

Subject to the limitations of scope and based on the procedures specified above for this limited assurance engagement, we provided the following conclusions:

Nothing has come to our attention that causes us to believe that the selected indicators were not presented fairly in all material respects in the 2018 Corporate Social Responsibility Report of China Merchants Bank Company Limited.

#### VII. Supplementary observations

We have also gained an understanding of China Merchants Bank's application of the AccountAbility Principles with respect to stakeholder dialogue by making inquiries and holding interviews with management representing the different functions in China Merchants Bank in respect of China Merchants Bank's application of the principles of inclusivity, materiality and responsiveness in the preparation of the CSR Report. Our work was restricted to gaining an understanding of China Merchants Bank's application of the AccountAbility principles and hence we do not express any assurance opinion as to whether China Merchants Bank has adhered to the AccountAbility Principles.

We have the following observations:

##### Inclusiveness

China Merchants Bank identified key stakeholders and understanding their needs and concern. China Merchants Bank also considered stakeholders' expectations and their impact while developing corporate strategy, action plan and business policy as well as daily operation. We suggested that China Merchants Bank should further establish and improve corporate social responsibility management system; strengthen stakeholder identification process; develop and implement an appropriate, effective, comprehensive and objective stakeholder



engagement strategies, plans and methods; and provide various channels for stakeholders to participate in the decision of China Merchants Bank's long-term sustainability performance improvement.

#### Materiality

For the information disclosed in the CSR Report, China Merchants Bank considered factors of stakeholders' needs and concerns, financial performance, industry characteristics, policy requirements and social impact, etc. China Merchants Bank qualitatively and quantitatively disclosed key issues and key performance in the CSR Report. We suggest that China Merchants Bank may consider to make relevant policies and guidelines, and to develop standards and procedures for guiding the management and staff to identify, evaluate, report and prioritize the key issues which are relevant to the CSR Report and is important to the stakeholders.

#### Responsiveness

China Merchants Bank developed relevant policies objectiveness and action plans in accordance with its business characteristics. China Merchants Bank improved its governance structure, management systems and processes, established various communication channels, strengthened the communication with stakeholders, and responded to the main needs of stakeholders. We suggest that China Merchants Bank should further clarify and improve the responsibilities and processes responding to stakeholders for timely and appropriately implementing the pre-committed responses.

#### VIII. Our Independence

We are in compliance with the Ernst & Young Global Independence Policy which was designed to comply with the requirements of the IFAC Codes of Ethics for Professional Accountants (the IFAC Code). We believe that there were no events or prohibited services provided which could impair our independence.

安永华明 (2019) 专字第 60621222\_A01 号

#### IX. Our Assurance Team

Our assurance team has been drawn from our sustainability assurance service network, which undertakes similar engagements to this with a number of domestic or international businesses. Our assurance team has met the requirements of competence and work experience of this engagement.

Ernst & Young Hua Ming LLP  
Ernst & Young Hua Ming LLP

Beijing, China

8 March, 2019



## Reader Feedback

Dear readers:

Thank you for reading this report. To continuously improve our social responsibility work, increase our social responsibility fulfillment ability, level of management, and optimize the quality of preparing social responsibility reports, we sincerely hope you can take time out of your busy schedule to put forth your valuable opinions and suggestions.

**Please make assessments by answering the following questions:**

1 Do you think the report provided the information you need to know?	Yes___ Somewhat___ No___
2 Do you think the report has fully reflected the economic, social and environmental performance of China Merchants Bank?	Yes___ Somewhat___ No___
3 Do you think the report can comprehensively respond to the expectations and demands of China Merchants Bank's stakeholders?	Yes___ Somewhat___ No___
4 Do you think the quantitative information disclosure in the report is positive, true and effective?	Yes___ Somewhat___ No___
5 Do you think the writing in the report is well organized, uses common language and easy to understand?	Yes___ Somewhat___ No___
6 Do you think the format design of the report can help you understand relevant information?	Yes___ Somewhat___ No___
7 If you have a more detailed assessment and/or feedback, please write and let us know:  _____	

**You can give your opinion to us through the following methods:**

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*The English version is the translation of Corporate Social Responsibility Report of China Merchants Bank Co., Ltd. for 2018(Chinese version). Should there be any inconsistencies between Chinese and English versions, the Chinese version shall prevail.*