



中国民生银行

CHINA MINSHENG BANKING CORP., LTD.

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

STOCK CODE : 01988



2012 ANNUAL REPORT

Important Notice

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

The annual report was considered and approved on 28 March 2013 at the 8th meeting of the 6th session of the Board of the Company. 18 Directors were entitled to attend the meeting. 16 Directors attended the meeting in person (including four Directors attended by teleconference) and two Directors entrusted other Directors, in writing, to exercise their voting rights at the meeting.

According to the profit distribution plan for the second half of 2012 considered by the Board, on the basis of a total of 28,365,585,227 issued shares as at 31 December 2012, a cash dividend of RMB1.5 (before tax) for every 10 shares will be distributed to shareholders of the Company.

For the purpose of this annual report, China Minsheng Banking Corp., Ltd. shall be referred to as the “Company”, the “Bank”, “China Minsheng Bank” or “Minsheng Bank”, whereas China Minsheng Banking Corp., Ltd. and its subsidiaries together shall be referred to as the “Group”.

The financial data and indicators contained in this annual report are prepared in accordance with the IFRS. Unless otherwise specified, all amounts are the consolidated data of the Group and stated in RMB.

Auditors of the Company, KPMG Huazhen Certified Public Accountants (Special General Partnership) and KPMG Certified Public Accountants, have audited the financial reports of 2012 prepared under the CAS and the IFRS respectively, and issued standard auditors’ reports with unqualified opinions.

Board of Directors
China Minsheng Banking Corp., Ltd.

Mr. Dong Wenbiao (Chairman), Mr. Hong Qi (President), Mr. Zhao Pinzhang and Ms. Bai Dan (Senior Management responsible for finance and accounting) warrant the truthfulness, accuracy and completeness of the financial reports included in this annual report.

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Definitions

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

“Bank” or “Company” or “China Minsheng Bank” or “Minsheng Bank”	China Minsheng Banking Corp., Ltd.
“Board”	the Board of Directors of the Company
“Director”	a director of the Company
“Supervisory Board”	the Supervisory Board of the Company
“Supervisor”	a supervisor of the Company
“CEO”	Chief Executive Officer of the Company
“CFO”	Chief Financial Officer of the Company
“Minsheng Leasing”	Minsheng Financial Leasing Co., Ltd.
“Minsheng Fund”	Minsheng Royal Fund Management Co., Ltd.
“CPPCC”	中國人民政治協商會議全國委員會 (The National Committee of the Chinese People’s Political Consultative Conference)
“ACFIC”	中華全國工商業聯合會 (All-China Federation of Industry and Commerce)
“CAS”	Accounting Standards for Business Enterprises — Basic Standard and 38 Specific Standards issued by the Ministry of Finance of the PRC on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently
“CCCPS”	中國民間商會 (All-China General Chamber of Commerce of the Private Sector)
“CBRC”	China Banking Regulatory Commission

“CSRC”	China Securities Regulatory Commission
“KPI”	Key Performance Indicators
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Model Code”	Model Code for Securities Transactions by Directors of listed Issuers, Appendix 10 to the Hong Kong Listing Rules
“IT”	Information Technology
“NSOE”	Non-state-owned Enterprise
“%”	percent
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC at this time
“IFRS”	International Financial Reporting Standards, which include standards and interpretations issued by the International Accounting Standards Board, and the International Accounting Standards and interpretations issued by the International Accounting Standards Committee
“MSE”	Small and Micro Enterprise
“NDRC”	中華人民共和國國家發展和改革委員會 (the National Development and Reform Commission of the PRC)
“PRC”	the People’s Republic of China, but, for the purposes of this document only, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan, unless otherwise indicated

Definitions

“RMB”	Renminbi
“PBOC”	People’s Bank of China
“SBU”	Strategic Business Unit
“SME”	Small and Medium Enterprise

Material Risk Warning

The Company has no foreseeable material risk. For potential risks, please refer to “XI. Prospects and Measures – (III) Potential risks” under “Management Discussion and Analysis”.

Message from the Chairman



Chairman **Mr. DONG Wenbiao**

2012 was a year of challenges for China's economy. It also saw the reform of China's financial industry and the successful strategic transformation of China Minsheng Bank.

In 2012, China's economy experienced the slowest growth over the past decade. Various SMEs and MSEs encountered operation difficulties, resulting in business failure and runaway of entrepreneurs. The overall economy faced tough challenges as certain industries incurred thorough loss and some areas were mired in economic downturn. Meanwhile, the PBOC adjusted the floating range of interest rates of deposits and loans twice during 2012, marking a crucial step towards the liberalization of interest rates. As the financial disintermediation continued, trust companies, securities companies, small loan companies and third-party payment companies have been competing for customers and businesses with banks. Enhancing capabilities of loan pricing, risk identification and integrated services and accelerating reform and transformation were the major challenges for the whole banking industry.

Notwithstanding the downward trend of economic growth in China, the rapid reform progress of the financial industry and the unfavourable market environment of the banking industry, China Minsheng Bank managed to present outstanding results to its investors in 2012. The net profit attributable to equity shareholders of the Bank for the year amounted to RMB37,563 million, representing an increase of 34.54% as compared with the corresponding period of the previous year. Return on average shareholders' equity reached 25.67%, representing an increase of 1.78 percentage points as compared with 2011. Basic earnings per share amounted to RMB1.34, representing an increase of RMB0.29 as compared with 2011. As at the end of 2012, net assets per share attributable to equity shareholders of the Bank amounted to RMB5.75, representing an increase of RMB0.90 as compared with the end of 2011.

The brilliant performance was attributable to the prominent result of the strategic transformation of China Minsheng Bank. In the second half of 2009, the Board of China Minsheng Bank brought forward the strategic positioning of being a "bank for NSOEs, MSEs and high-end customers" to comprehensively promote the strategic transformation. In 2012, the strategic transformation proved to be effective with remarkable results in the adjustment on customer structure and business profile.

As at the end of 2012, the Bank had 13,680 NSOE loan customers with outstanding general loans amounting to RMB537,505 million, accounting for 85.05% of the number of corporate loan customers and 61.57% of the outstanding corporate loan balance, respectively. The SBU mode, the stewardship service and the professional and integrated financial service solution were the core competitiveness of the Bank in serving the NSOEs. As at the end of 2012, the outstanding MSE loans of the Bank amounted to RMB316,951 million, accounting for 23.07% of the total loans of the Bank. The number of MSE customers was 992,300. The Bank launched the updated version of MSE Finance Version 2.0 in 2012 for the shift of business focus from MSE loans to MSE financial services. The Bank provided comprehensive financial services, including loans, settlement and wealth management, to MSEs through the major platform comprised of 50 special MSE finance sub-branches and over 2,000 MSE urban commercial cooperatives. In 2012, China Minsheng Bank launched the Wealth Growth Storm for private banking business in an effort to provide high-end retail customers with comprehensive financial services based on asset allocation and achieved


Message from the Chairman

rapid growth. As at the end of 2012, the number of private banking customers of China Minsheng Bank was 9,389 and the financial assets under management amounted to RMB128,170 million. In addition, China Minsheng Bank further explored the entire industry chains of featured industries, such as stone materials, marine fishery, tea, Chinese liquors, dairy and beef and mutton, and provided all-round financial services for the large enterprises, SMEs and MSEs of these industry chains in order to establish the brand image of financial services to the entire industry chains.

The adjustment in customer structure and business structure has brought about significant restructuring of income structure. In 2012, the Group recorded net non-interest income of RMB25,585 million, accounting for 24.90% of the total operating income. Both volume and percentage of the above ranked top among the national joint-stock commercial banks in China. Most importantly, in this year, the savings deposits in China Minsheng Bank recorded a net increase of more than a hundred billion Renminbi for the first time, ranking the top among the national joint-stock commercial banks. The track record reflected China Minsheng Bank's adequate capability and foundation to cope with the challenges brought by the interest rate liberalization and financial disintermediation.

The strategic transformation and outstanding achievements of the Bank were highly recognized in the capital market. During the year, the growth of A Shares of China Minsheng Bank surpassed the Shanghai Stock Index again by approximately 40 percentage points. The stable growth of the Bank's corporate value has brought remarkable returns to its investors and enhanced its brand image.

In response to the challenges arising from the rapid reform in China's financial industry, the Board of China Minsheng Bank has considered and passed the second Five-Year Development Outline, which instructed the Bank to accelerate its transformation, deepen its reform, propel the development of two businesses of traditional retail banking and industry chain finance by using MSE finance as a breakthrough and focusing on MSE finance and achieve transformation of its branches. In 2013, China Minsheng Bank will speed up the transformation of branches and deepen its SBU reform to build itself into the best commercial bank in China with core competitiveness and unique business characteristics, in an aim to bring larger value and higher returns to the investors, the society and employees.



DONG Wenbiao

**Chairman of the Board of Directors
China Minsheng Banking Corp., Ltd.**

28 March 2013

Strategic Positioning and Targets of the Company

I. Mission

In the coming five years, the Company aims to establish clear business positioning and strategic target to speed up its transformation and deepen its reform. It will focus on NSOE and MSE financial services in order to cater for the needs of the real economy and the industries of the national interests and people's livelihood. Differentiated operation strategies will be adopted to facilitate its brand building as a distinctive financial institution and fully enhance its corporate value.

II. Strategic Positioning and Targets

(I) Strategic positioning

Consolidating its positioning as a bank for NSOEs, MSEs and high-end retail customers, the Company will put its strategic emphasis on MSE financial services to further fulfil its strategic positioning.

(II) Strategic target

Striving for its strategic target of being a distinctive bank and efficient bank, the Company will accelerate its branch transformation and deepen the SBU reform to develop itself as the best commercial bank in the PRC with core competitiveness and distinctive operational characteristics.

Annual Awards



During the reporting period, the Company's brand value and recognition from the society were further improved. With its outstanding operating results, good corporate culture and excellent management, the Company obtained 382 awards, which mainly include the followings:

- 1 Mr. Dong Wenbiao, Chairman of the Board, won the award of 2012 People of the Year (2012年度人物大獎) at the 2012 Annual Conference of Chinese Business Leaders and Award Ceremony (2012華商領袖年會暨頒獎典禮) hosted jointly by All Leaders Publication Group (領袖傳媒集團), Chinese-No1.com (華商門戶網) and New Evening Post Group (《新晚報》集團);
- 2 Mr. Dong Wenbiao, Chairman of the Board, won the award of Outstanding Entrepreneur in the 2012 Corporate Social Responsibility ranking in China (2012年度中國企業社會責任傑出企業家獎) at the Fifth Corporate Social Responsibility Summit in China and the Second Press Conference of the White Paper of Corporate Social Responsibility in China (第五屆中國企業社會責任峰會暨第二屆中國企業報告白皮書發布會);
- 3 Mr. Dong Wenbiao, Chairman of the Board, was honored as the 2012 Leader of Chinese Corporate Culture (2012年度中國企業文化領軍人物) at the 2012 Annual Conference of Chinese Corporate Culture Management (2012中國企業文化管理年會) held by the Corporate Culture Management Committee (企業文化管理專業委員會) under the China Culture Administration Society (中國文化管理學會);
- 4 Mr. Dong Wenbiao, Chairman of the Board, won the Best Asian CEO Award (Investor Relations) (亞洲最佳CEO (投資者關係) 獎) in the Second Election of the Best Listed Companies (第二屆最佳上市公司評選) organized by Corporate Governance Asia (《亞洲企業管治》), a well-known journal in Asia;
- 5 Mr. Dong Wenbiao, Chairman of the Board, was honored as the Best CEO (最佳CEO) in the Twelfth Election of the Best Asian Companies (第十二屆亞洲最佳公司評選) held by FinanceAsia;
- 6 The Board of the Company won the Excellent Board Award (最佳董事會獎) perennially in the Golden Round Table Forum (金圓桌論壇) and the Eighth Golden Round Table Award (第八屆金圓桌獎) for the Boards of Listed Companies in China in 2012, and Mr. Dong Wenbiao, the Chairman of the Board, and Mr. Wan Qingyuan, the Board Secretary, won the awards of Chairman with the Best Social Responsibility (最具社會責任董事長) and The Most Innovative Board Secretary (最具創新力董秘), respectively;
- 7 The Company was ranked seventeenth among the Top 50 Best Chinese Brands 2012 (2012年度最佳中國品牌50強) by Interbrand, an international leading integrated brand strategy consultancy and design company;
- 8 The Company was ranked No.1 in the Social Responsibility Development Index of the Chinese Banking Industry (中國銀行業社會責任發展指數) in the Blue Paper of Corporate Social Responsibilities (2012) (企業社會責任藍皮書(2012)) issued by Chinese Academy of Social Sciences;
- 9 The Company was the first non-state-owned bank to receive the 2012 Rising Star Domestic Bank Award (中國最佳本土銀行 — 新秀獎) at the Triple A Country Awards 2012 (2012年AAA國家獎項) by The Asset magazine;
- 10 The Company won the Golden Tripod Award (金鼎獎) at the Eighth Annual Conference of the Securities Market in China (第八屆中國證券市場年會) organized by Securities Daily (《證券日報》);
- 11 The Company was honored the Best Joint-stock Banks at the 2012 Gold Medals for Financial Institutions in China (2012中國金融機構金牌榜年度最佳股份制銀行) organized by Financial Times (《金融時報》) and the Institute of Finance and Banking of Chinese Academy of Social Sciences (中國社會科學院金融研究所);
- 12 The Company was selected as the Private Enterprise of Highest Market Value (最大市值民企大獎) at the Ranking of Hong Kong Listed Chinese Enterprises (中國大陸企業香港股市排行榜) by Yazhou Zhoukan (《亞洲周刊》);
- 13 The Company was elected the 2012 Model Enterprise with Best Human Resources (2012年中國最佳人力資源典範企業) by 51job.com (前程無憂網站);



- 14 The Company received the Best Investor Relations Award for Listed Companies in the Financial Industry (金融行業最佳投資者關係上市公司), Excellent Investor Relations Award for Officers (優秀投資者關係官員) and Excellent Investor Relations Award for Listed Companies in China (中國優秀投資者關係上市公司) in the 2012 Greater China Award Election (大中華區2012年度獎項評選) organized by IR magazine;
- 15 The Company won the Best Investor Relations Award (最佳投資者關係獎) and the Best Investor Relations Website Award (最佳投資者關係網站獎) in the Second Election of the Best Listed Companies (第二屆最佳上市公司評選) organized by Corporate Governance Asia, a well-known journal in Asia;
- 16 The Company won the 2012 Top 10 MSE Products Awards (服務小微企業十佳特優產品獎) by China Banking Association (中國銀行業協會);
- 17 The Company was awarded the Best Small Business Lending Bank (最佳小企業貸款銀行獎) for 2012 in the Stars of China Award (中國之星) by Global Finance of the U.S. for the second consecutive year since 2011;
- 18 The Company won the award of 2012 Best SME Bank in China (2012年度中國最佳中小企業銀行) in the Election of Outstanding Financial Service (卓越金融服務評選) organized by The Asian Banker (《亞洲銀行家》) magazine in 2012;
- 19 The Company was named the 2012 Best Trade Finance Bank in China (2012中國卓越貿易金融銀行獎) by the Financial Times of the U.K.;
- 20 The Company received the Best Trade Finance Service Brand Award (最佳貿易金融服務產品品牌獎) by Global Entrepreneur (《環球企業家》);
- 21 The Company was honored as the Best Bank with Excellent Overseas Development Services (最佳海外拓展服務銀行) and the Best Trade Finance Innovation Bank (最佳貿易融資創新銀行) in the award ceremony of the First International Financial Annual Champion Awards 2012 (2012年第一屆海外財經風雲榜) jointly organized by hexun.com (和訊網) and The Financial Club of China (財經中國會);
- 22 The Company was named the Best Asset Management Bank in the 2012 Financial Value Ranking (2012年第一財經金融價值榜最佳資產管理銀行) by China Business News (《第一財經日報》);
- 23 The Company received the Asset Management Bank of Excellent Competitiveness Award (卓越競爭力資產管理銀行獎項) in the 2012 (the Fourth) Election on Financial Institutions of Excellent Competitiveness (2012 (第四屆) 卓越競爭力金融機構評選) from China Business (《中國經營報》);
- 24 The Company was named China's Best Private Bank of High Net Worth Customer Services (中國最佳高淨值客戶服務私人銀行) by Euromoney;
- 25 The Company received the Award of Outstanding Contribution for Development of Chinese Investors (LP) (中國投資人(LP)發展卓越貢獻獎) by the Venture Capital Committee of the NDRC (發改委創業投資專業委員會);
- 26 The Company was honored as the 2012 Best VC/PE Custodian Bank (2012年度VC/PE最佳託管銀行) by the 21st Century Business Herald (《21世紀經濟報道》);
- 27 The Company won the 2012 Best Electronic Bank Marketing Award (2012年電子銀行最佳營銷獎) with its comprehensive and innovative marketing model and outstanding marketing results in the List of Leaders in Financial Industry in China (領航中國金融行業卓越榜), an evaluation campaign organized by J.R.J.com (金融界);
- 28 The Company's mobile banking was honored with the China's Best Mobile Banking Award (中國最佳手機銀行獎) by China Financial Certification Authority (CFCA) (中國金融認證中心);
- 29 The Company's risk forecast research on loss of high-end customer supported by data identification technology received the Second Prize of 2012 Banking Technology Development Awards (2012年度銀行科技發展獎二等獎) by the PBOC.

Bank Profile

1. Registered Chinese Name: 中國民生銀行股份有限公司
(Abbreviation: 「中國民生銀行」)
Registered English Name: CHINA MINSHENG BANKING CORP., LTD.
(Abbreviation: “CMBC”)
2. Legal Representative: Dong Wenbiao
3. Authorized Representatives: Qin Rongsheng
Soon Yuk Tai
4. Board Secretary: Wan Qingyuan
Joint Company Secretaries: Wan Qingyuan
Soon Yuk Tai
Representatives of Securities Affairs: He Qun
Wang Honggang
5. Mailing Address: Building VIII, Beijing Friendship Hotel,
No. 1 Zhongguancun Nandajie, Beijing, China
Postal Code: 100873
Telephone: 86-10-68946790
Facsimile: 86-10-68466796
Email: cmbc@cmbc.com.cn
6. Registered Address: No. 2 Fuxingmennei Avenue, Xicheng District,
Beijing, China
Postal Code: 100031
Website: www.cmbc.com.cn
Email: cmbc@cmbc.com.cn
7. Branch office and Place of Business in Hong Kong: 36/F, Bank of America Tower, 12 Harcourt Road,
Central, Hong Kong
8. Newspapers selected by the Company for information disclosure: China Securities Journal,
Shanghai Securities News and Securities Times
Website for publishing the A Share annual report designated by the CSRC: www.sse.com.cn
Website for publishing the H Share annual report designated by the Hong Kong
Stock Exchange: www.hkexnews.hk
Annual reports are available at Office of the Board of Directors of the Company
9. Legal Adviser as to PRC Law: Grandall Law Firm (Beijing)
Legal Adviser as to Hong Kong Law: Clifford Chance

10. Domestic Auditor: KPMG Huazhen Certified Public Accountants
(Special General Partnership)
("KPMG Huazhen (Special General Partnership)")
Office Address: 8th Floor, Tower E2, Oriental Plaza,
No. 1 East Chang An Avenue, Beijing, China
International Auditor: KPMG Certified Public Accountants ("KPMG")
Office Address: 8th Floor, Prince's Building, 10 Chater Road,
Central, Hong Kong
Signing Accountants: Pu Hongxia, Shi Jian
11. A Share Registrar: China Securities Depository and
Clearing Corporation Limited (Shanghai Branch)
Office Address: 36/F, China Insurance Building,
No. 166 Lujiazui East Road,
Pudong New Area, Shanghai, China
H Share Registrar: Computershare Hong Kong Investor Services Limited
Office Address: 17M Floor, Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
12. Places of Listing, Stock Names and Stock Codes:
A Share: Shanghai Stock Exchange; Stock Name: MINSHENG
BANK; Stock Code: 600016
H Share: The Hong Kong Stock Exchange; Stock Name:
MINSHENG BANK; Stock Code: 01988
13. Initial Date of Registration: 7 February, 1996
Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14. Date of Registration for Subsequent Change: 20 November, 2007
Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District,
Beijing, China
15. Registration Number of Corporate Business License: 100000000018983
16. Registration Number of Tax Certificate: Jing Guo Shui Dong Zi 110101100018988
Di Shui Jing Zi 110101100018988000

The above was the profile of the Bank as of 31 December 2012.

Financial Summary

I. Major Financial Data and Indicators

	2012	2011	Changes from 2011 to 2012	2010	2009	2008
For the reporting period						
Operating Results (RMB million)			Increase (%)			
Net interest income	77,153	64,821	19.02	45,873	32,240	30,380
Net non-interest income	25,585	17,375	47.25	8,794	9,797	4,593
Operating income	102,738	82,196	24.99	54,667	42,037	34,973
Operating expenses	42,889	35,449	20.99	25,452	20,539	17,817
Impairment losses on assets	9,197	8,376	9.80	5,504	5,307	6,518
Profit before income tax	50,652	37,175	36.25	22,976	15,656	10,488
Net profit attributable to equity shareholders of the Bank	37,563	27,920	34.54	17,581	12,104	7,885
Data per share (RMB/share)			Increase (%)			
Basic earnings per share	1.34	1.05	27.62	0.66	0.53	0.35
Diluted earnings per share	1.34	1.05	27.62	0.66	0.53	0.35
Net cash flow per share from operating activities	-0.70	3.78	-118.52	1.40	2.56	2.96
			Changes in percentage points			
Profitability indicators (%)						
Return on average assets	1.41	1.40	0.01	1.09	0.98	0.80
Return on average shareholders' equity	25.67	23.89	1.78	18.30	17.06	15.15
Net interest spread	2.75	2.96	-0.21	2.82	2.49	3.00
Net interest margin	2.94	3.14	-0.20	2.94	2.59	3.15
Net fee and commission income to operating income ratio	19.98	18.37	1.61	15.16	11.09	12.76
Cost-to-income ratio	34.13	37.14	-3.01	40.90	43.47	43.04
As at the end of the reporting period						
Scale indicators (RMB million)			Increase (%)			
Total assets	3,212,001	2,229,064	44.10	1,823,737	1,426,392	1,054,350
Gross balance of loans and advances to customers	1,384,610	1,205,221	14.88	1,057,571	882,979	658,360
Total liabilities	3,043,457	2,094,954	45.28	1,718,480	1,337,498	999,678
Deposits from customers	1,926,194	1,644,738	17.11	1,417,877	1,128,830	786,987
Share capital	28,366	26,715	6.18	26,715	22,262	18,823
Equity attributable to equity shareholders of the Bank	163,077	129,597	25.83	104,108	88,034	53,880
Net assets per share attributable to equity shareholders of the Bank (RMB/share)	5.75	4.85	18.56	3.90	3.95	2.86
			Changes in percentage points			
Assets quality indicators (%)						
Impaired loan ratio	0.76	0.63	0.13	0.69	0.84	1.20
Allowance to impaired loans	314.53	357.29	-42.76	270.45	206.04	150.04
Allowance to total loans	2.39	2.23	0.16	1.88	1.73	1.81
			Changes in percentage points			
Capital adequacy ratio indicators (%)						
Capital adequacy ratio	10.75	10.86	-0.11	10.44	10.83	9.22
Core capital adequacy ratio	8.13	7.87	0.26	8.07	8.92	6.60
Total equity to total assets ratio	5.25	6.02	-0.77	5.77	6.23	5.19

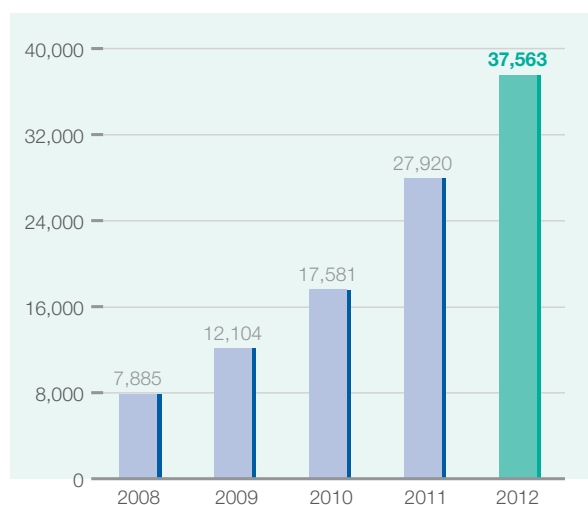
- Notes: 1. Return on average assets = Net profit/average balance of total assets at the beginning and the end of the period.
2. Return on average shareholders' equity = Net profit attributable to equity shareholders of the Bank for the period/average balance of equity attributable to equity shareholders of the Bank at the beginning and the end of the period.
3. Net interest spread = Average return on interest-earning assets – average cost of interest-bearing liabilities.
4. Net interest margin = Net interest income/average balance of interest-earning assets.
5. Cost-to-income ratio = (Operating and other operating expenses – business tax and surcharges)/operating income.
6. Impaired loan ratio = Balance of impaired loans/gross balance of loans and advances to customers.
7. Allowance to impaired loans = Allowance for impairment losses/balance of impaired loans.
8. Allowance to total loans = Allowance for impairment losses/gross loans and advances to customers.

II. Supplementary Financial Indicators

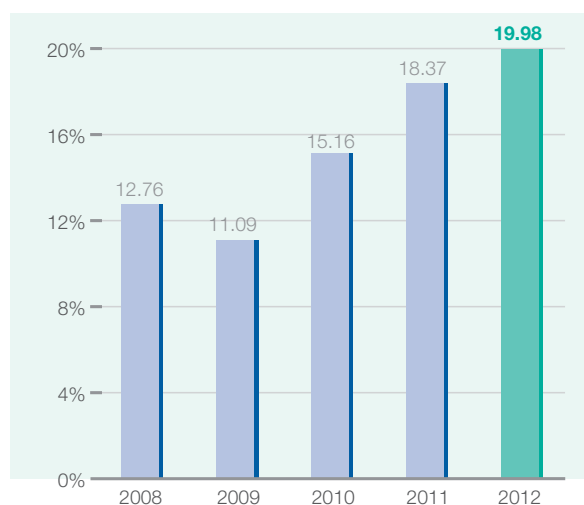
Major Indicators		Benchmark	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
Liquidity ratios (%)	Consolidated in RMB	≥25	36.01	40.90	33.24
Loan-to-deposit ratio (%)	Consolidated in RMB	≤75	71.93	72.85	72.78
Inter-bank lending/borrowing ratio (%)	Bank borrowing ratio	≤4	2.16	0.99	0.77
	Bank lending ratio	≤8	4.22	2.29	2.64
Total loans to the single largest borrower to net capital (%)		≤10	3.20	3.86	4.11
Total loans to the top ten borrowers to net capital (%)		≤50	17.39	20.93	28.45

- Notes: 1. The above data are information of the Company. The indicators were calculated based on the relevant regulations of the Chinese banking regulators.
2. Total loans to the single largest borrower to net capital = Total loans to the single largest borrower/net capital.
3. Total loans to the top ten borrowers to net capital = Total loans to the top ten borrowers/net capital.

Net Profit Attributable to Equity Shareholders of The Bank (RMB million)



Net Fee and Commission Income to Operating Ratio (%)



Management Discussion and Analysis



Management Discussion and Analysis

I. Review of Economic and Fiscal Conditions and Government Policies: Changes, Impacts and Responses

In 2012, the growth of global economy slowed down in the face of the challenging and uncertain international economic environment. China implemented the “12th Five-Year Plan” which emphasized on rational development by expediting the transformation of economic development mode, strengthening and refining the control over macro-economy and introducing sound financial and currency policies. The PBOC reduced the deposit reserve ratio and interest rates twice. The issuance of the “12th Five-Year Plan” for the Development and Reform of Financial Industry (《金融業發展和改革「十二五」規劃》) and IT development facilitated the liberalization of interest rates as well as financial and technological disintermediation. The regulatory authorities imposed stricter requirements on operation management to minimize the risks arising from local financing vehicles, real estate markets and excessive production capacity of industries. In response to the changes in the economic and financial environment, regulatory policies and market competitions, the Company has taken the following measures:

(i) Strategic guidance was reinforced as the Board formulated the second Five-Year Development Outline (《五年發展綱要》) which defined the strategic goals to strengthen the transformation and accelerate the reformation; (ii) The Company expedited the strategic transformation and facilitated smooth business operation by adhering to the customer-oriented approach in accordance with the business strategy of adherence to characteristics, overcoming difficulties, strengthened foundation, and enhanced management; (iii) The Company developed its three major strategic businesses to achieve breakthroughs in business modes, market status and profitability. It also focused on developing businesses arising from industry chains based on regional characteristics and enhanced integrated financial service capability in respect of Financial Stewardship (金融管家), Host Bank, MSE finance and private banking to integrate resources and speed up structural adjustment; (iv) The Company stressed on asset and liability management, strengthened pricing management and improved efficiency in capital utilization. It also enhanced the awareness of capital saving and raised capital efficiency in resources allocation; (v) The Company enhanced the management through expediting the reform of process-based bank and meticulous management. The new core system was launched successfully and the SBU reforms were continued to maximize value for customers. The Company pushed forward the application of three strategic management tools, namely Voice of Customer, Six Sigma Management System and Balanced Scorecard in daily operation to improve services and optimize procedures; (vi) The Company continued to improve the establishment of overall risk management system to ensure the stability of asset quality and smooth implementation of strategic transformation; (vii) The Company continued the standardization of job responsibilities, provided training and improved career prospects of its employees to build up a stable, professional and high quality work force.

II. Overview of Operations

In 2012, in view of the adjustment and changes in macro-economic environment and regulatory policies, the Company adhered to its strategy of becoming a “bank for NSOEs”, “bank for MSEs” and “bank for high-end retail customers” and consistently strengthened its business goal of “distinctive” and “efficient” bank under the guidance of the Board. Adhering to the overall policy of adherence to characteristics, overcoming difficulties, strengthened foundation, and enhanced management which was formulated at the beginning of the year, the Company achieved breakthroughs in strategic business development. The operational structure was refined and risk prevention capability was enhanced, thereby improving the operational efficiency and profitability significantly.

(I) Higher profitability and return to shareholders

During the reporting period, net profit attributable to the equity shareholders of the Bank amounted to RMB37,563 million, representing an increase of RMB9,643 million, or 34.54%, as compared with the corresponding period of the previous year. Return on average assets was 1.41%, representing an increase of 0.01 percentage point as compared with the corresponding period of the previous year. Return on average shareholders’ equity increased by 1.78 percentage points from the corresponding period of the previous year to 25.67%. The basic earnings per share was RMB1.34, representing an increase of RMB0.29, or 27.62%, as compared with the corresponding period of the previous year.

(II) Rapid growth of asset and liability business as well as remarkable strategic business development

As at the end of the reporting period, the total assets and liabilities of the Group exceeded RMB3,000,000 million respectively. As at the end of the reporting period, the total assets of the Group reached RMB3,212,001 million, representing an increase of RMB982,937 million, or 44.10%, from the end of the previous year. The total liabilities amounted to RMB3,043,457 million, representing an increase of 948,503 million, or 45.28%, from the end of the previous year. Gross balance of loans and advances to customers amounted to RMB1,384,610 million, representing an increase of RMB179,389 million, or 14.88%, from the end of the previous year. Total deposits from customers amounted to RMB1,926,194 million, representing an increase of RMB281,456 million, or 17.11%, as compared with the end of the previous year. The strategic business of the Company was further deepened with loans to MSEs exceeding RMB300,000 million to RMB316,951 million, representing an increase of RMB84,456 million, or 36.33%, from the end of the previous year. The percentage of loans to MSEs to the total personal loans and advances was 68.78%, representing an increase of 4.46 percentage points as compared with the end of the previous year. The number of MSE customers was 992,300, representing an increase of 116.66% as compared with the end of

the previous year. Outstanding general loans to NSOEs reached RMB537,505 million, representing an increase of 11.02% as compared with the end of the previous year, and there were 13,680 customers of NSOEs with outstanding balances, representing an increase of 20.50% as compared with the end of the previous year. The Company had 9,389 private banking customers, representing an increase of 101.91% as compared with the end of the previous year, and the financial assets managed by the Company increased to RMB128,170 million.

(III) Further optimization of income structure and higher operational efficiency

During the reporting period, operating income of the Group exceeded RMB100,000 million to 102,738 million, representing an increase of RMB20,542 million, or 24.99%, as compared with the corresponding period of last year. Among others, net interest income increased by RMB12,332 million, or 19.02%, to RMB77,153 million, as compared with the corresponding period of the previous year. Net non-interest income amounted to RMB25,585 million, representing an increase of RMB8,210 million or 47.25% as compared with the corresponding period of the previous year. Net non-interest income accounted for 24.90% of the total operating income, representing an increase of 3.76 percentage points as compared with the corresponding period of the previous year. Net fee and commission income amounted to RMB20,523 million, representing an increase of RMB5,422 million or 35.90% as compared with the previous year. The cost-to-income ratio was 34.13%, representing a decrease of 3.01 percentage points as compared with the corresponding period of the previous year, with tightened cost control and elevated operational efficiency.

(IV) Enhanced risk management and control and consistently improved risk management capabilities

As at the end of the reporting period, the impaired loan ratio of the Group was 0.76%, representing an increase of 0.13 percentage point as compared with the end of the previous year. Allowance to impaired loans ratio was 314.53% and the allowance to total loans ratio was 2.39%, representing an increase of 0.16 percentage point as compared with the end of the previous year. The risk prevention capacity was further enhanced.

III. Analysis of Major Items of Income Statement

During the reporting period, the Group further improved its profitability and realized a net profit attributable to equity shareholders of the Bank of RMB37,563 million, representing an increase of 34.54% as compared with the corresponding period of the previous year. The improvement in the operating results was mainly driven by the increase of operating income and the effective control of cost.

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

(Unit: RMB million)

Item	2012	2011	Increase (%)
Operating income	102,738	82,196	24.99
Of which: Net interest income	77,153	64,821	19.02
Net non-interest income	25,585	17,375	47.25
Operating expenses	42,889	35,449	20.99
Impairment losses on assets	9,197	8,376	9.80
Other operating expenses	0	1,196	income for the year
Profit before income tax	50,652	37,175	36.25
Income tax expense	12,344	8,732	41.37
Net profit	38,308	28,443	34.68
Of which: Net profit attributable to equity shareholders of the Bank	37,563	27,920	34.54
Net profit attributable to non-controlling interests	745	523	42.45

(I) Net interest income and net interest margin

During the reporting period, net interest income of the Group was RMB77,153 million, representing an increase of RMB12,332 million, or 19.02%, as compared with the corresponding period of the previous year. The increase was primarily attributable to the increase in the size of interest-earning assets. The increase in interest-earning assets and interest-bearing liabilities contributed RMB11,109 million to the increase in net interest income and the increase in return contributed RMB1,223 million to the increase in net interest income.

The net interest margin of the Group for 2012 was 2.94%, representing a decrease of 0.20 percentage point as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in interest spread, the increase in size of interest-bearing assets and the change in asset structure.

The table below sets out the analysis of the net interest income of the Group:

(Unit: RMB million)

Item	2012			2011		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Interest-earning assets						
Loans and advances to customers	1,304,935	98,202	7.53	1,130,746	80,958	7.16
Of which: Corporate loans and advances	908,712	67,896	7.47	811,097	58,112	7.16
Personal loans and advances	396,223	30,306	7.65	319,649	22,846	7.15
Debt securities	223,157	8,690	3.89	195,419	6,553	3.35
Balances with central bank	360,121	5,303	1.47	289,304	4,261	1.47
Balances and placements with banks and other financial institutions (including financial assets held under resale agreements)	675,905	34,365	5.08	402,886	21,981	5.46
Finance lease receivables	56,989	5,327	9.35	44,476	3,528	7.93
Total	2,621,107	151,887	5.79	2,062,831	117,281	5.69
Item	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	1,743,522	41,386	2.37	1,491,616	30,977	2.08
Corporate deposits	1,419,258	34,081	2.40	1,242,977	26,256	2.11
Of which: Demand	573,719	4,096	0.71	558,064	4,361	0.78
Time	845,539	29,985	3.55	684,913	21,895	3.20
Personal deposits	324,264	7,305	2.25	248,639	4,721	1.90
Of which: Demand	86,242	369	0.43	68,471	329	0.48
Time	238,022	6,936	2.91	180,168	4,392	2.44
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	593,387	27,042	4.56	370,650	18,319	4.94
Debt securities issued	67,013	3,159	4.71	28,676	1,408	4.91
Borrowings from banks and other financial institutions	54,764	3,147	5.75	33,650	1,756	5.22
Total	2,458,686	74,734	3.04	1,924,592	52,460	2.73
Net interest income		77,153			64,821	
Net interest spread			2.75			2.96
Net interest margin			2.94			3.14

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

Management Discussion and Analysis

The table below sets out the breakdown of the impact on the changes in interest income and interest expenses of the Group owing to changes in scale and changes in interest rate for the periods indicated:

(Unit: RMB million)

Item	Changes from 2011 to 2012 in scale	Changes from 2011 to 2012 in interest rate	Changes
Changes in interest income:			
Loans and advances to customers	12,471	4,773	17,244
Debt securities	930	1,207	2,137
Balances with central bank	1,043	-1	1,042
Balances and placements with banks and other financial institutions (including financial assets held under resale agreements)	14,896	-2,512	12,384
Finance lease receivables	993	806	1,799
Subtotal	30,333	4,273	34,606
Changes in interest expenses:			
Deposits from customers	5,231	5,178	10,409
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	11,009	-2,286	8,723
Debt securities issued	1,882	-131	1,751
Borrowings from banks and other financial institutions	1,102	289	1,391
Subtotal	19,224	3,050	22,274
Change in net interest income	11,109	1,223	12,332

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

1. Interest income

During the reporting period, the interest income of the Group was RMB151,887 million, representing an increase of RMB34,606 million, or 29.51%, as compared with the corresponding period of the previous year. The increase in size of interest-earning assets and return on interest-earning assets contributed RMB30,333 million and RMB4,273 million respectively to the increase in interest income. Interest income from loans and advances and balances and placements with banks and other financial institutions (including financial assets held under resale agreements) accounted for 64.65% and 22.63% of the total interest income respectively.

(1) Interest income from loans and advances to customers

During the reporting period, interest income from loans and advances to customers of the Group amounted to RMB98,202 million, representing an increase of RMB17,244 million, or 21.30%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances accounted for 30.86% of total loan interest income from loans, representing an increase of 2.64 percentage points as compared with the corresponding period of the previous year, mainly due to the significant growth of micro lending business of the Group. During the reporting period, given the strategic transformation, the effective adjustment of business structure and the implementation of differential pricing strategies, return on average loans and advances to customers was 7.53%, representing an increase of 0.37 percentage point as compared with the corresponding period of the previous year.

(2) Interest income arising from balances and placements with banks and other financial institutions

During the reporting period, the interest income arising from balances and placements with banks and other financial institutions (including financial assets held under resale agreements) of the Group was RMB34,365 million, representing an increase of 56.34% as compared with the corresponding period of the previous year. The increase was mainly due to the increased utilization of inter-bank funds and the expansion of inter-bank business.

(3) Interest income from debt securities

During the reporting period, the interest income from debt securities of the Group was RMB8,690 million, representing an increase of 32.61% as compared with the corresponding period of last year. The increase was mainly due to the adjustment of investment portfolio and the increase in investment.

Management Discussion and Analysis

(4) Interest income from balances with central bank

During the reporting period, the interest income of the Group from balances with the central bank amounted to RMB5,303 million, representing an increase of 24.45% as compared with the corresponding period of last year. The increase was mainly due to the increase in deposits in the central bank.

(5) Interest income from finance lease receivables

During the reporting period, the interest income from finance lease receivables of the Group for the reporting period amounted to RMB5,327 million, representing an increase of RMB1,799 million, or 50.99%, as compared with the corresponding period of the previous year. The increase was mainly due to business growth and improvement in pricing of Minsheng Leasing, a subsidiary of the Group.

2. Interest expenses

The interest expenses of the Group for the reporting period was RMB74,734 million, representing an increase of RMB22,274 million, or 42.46%, as compared with the corresponding period of the previous year. An increase of RMB19,224 million and RMB3,050 million was due to the increase in expansion of interest-bearing liabilities and cost ratio of liabilities respectively. As to the components of interest expenses, the interest expenses on deposits from customers accounted for 55.38% of the total interest expenses while interest expenses on deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements) accounted for 36.18% of the total interest expenses.

(1) Interest expenses on deposits from customers

During the reporting period, interest expenses of the Group on deposits from customers amounted to RMB41,386 million, representing an increase of RMB10,409 million, or 33.60%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion in the size of deposits from customers and the increase in the costs of deposits.

(2) Interest expenses on deposits and placements from banks and other financial institutions

During the reporting period, interest expenses of the Group on deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements) amounted to RMB27,042 million, representing an increase of RMB8,723 million, or 47.62%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in the amounts of deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements) of the Group.

(3) Interest expenses on debt securities issued

During the reporting period, interest expenses of the Group on debt securities issued amounted to RMB3,159 million, representing an increase of 124.36% as compared with the corresponding period of the previous year, which was mainly due to the Group's issuance of MSE financial bonds of RMB50,000 million during the reporting period.

(4) Interest expenses on borrowings from banks and other financial institutions

During the reporting period, the interest expenses of the Group on borrowings from banks and other financial institutions amounted to RMB3,147 million, representing an increase of 79.21% as compared with the corresponding period of the previous year. The increase was mainly due to the increase in the size of borrowings of Minsheng Leasing, a subsidiary of the Group, and the increase in interest rates in the market.

(II) Net non-interest income

During the reporting period, the net non-interest income of the Group amounted to RMB25,585 million, representing an increase of RMB8,210 million, or 47.25%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2012	2011	Increase (%)
Net fee and commission income	20,523	15,101	35.90
Other net non-interest income	5,062	2,274	122.60
Total	25,585	17,375	47.25

Management Discussion and Analysis

1. Analysis of net fee and commission income

During the reporting period, the net fee and commission income of the Group amounted to RMB20,523 million, representing an increase of RMB5,422 million, or 35.90%, as compared with the corresponding period of the previous year. The increase was mainly due to significant increases of fee income from agency business, bank card services, custody and other fiduciary services and settlement services.

(Unit: RMB million)

Item	2012	2011	Increase (%)
Trust and other fiduciary services	6,431	4,072	57.93
Bank card services	5,331	2,124	150.99
Settlement services	2,734	1,686	62.16
Agency services	2,573	857	200.23
Credit commitments	2,491	2,362	5.46
Financial advisory services	1,734	3,614	-52.02
Finance lease services	721	670	7.61
Others	76	606	-87.46
Fee and commission income	22,091	15,991	38.15
Less: Fee and commission expense	1,568	890	76.18
Net fee and commission income	20,523	15,101	35.90

2. Other net non-interest income

(Unit: RMB million)

Item	2012	2011	Increase (%)
Net trading gain	509	484	5.17
Loss/gain on exchange rate instruments	-93	352	-126.42
Gain on precious metals and other products	349	98	256.12
Gain on interest rate instruments	253	34	644.12
Net gain arising from disposals of securities and discounted bills	4,407	1,790	146.20
Other operating income	146	0	expenses for the corresponding period of the previous year
Total	5,062	2,274	122.60

(III) Operating expenses

The operating expenses of the Group for the reporting period increased by 20.99% as compared with the corresponding period of the previous year to RMB42,889 million. The increase was mainly due to the increases in staff costs, business tax and business development expenses. The cost-to-income ratio of the Group has been further improved by 3.01 percentage points down as compared with the corresponding period of the previous year to 34.13% due to continuous increase of operating income and effective cost control.

(Unit: RMB million)

Item	2012	2011	Increase (%)
Staff costs	18,851	15,603	20.82
Business tax and surcharges	7,825	6,116	27.94
Business development expenses	3,720	2,716	36.97
Office expenses	2,231	1,878	18.80
Others	10,262	9,136	12.32
Total	42,889	35,449	20.99

(IV) Impairment losses on assets

During the reporting period, the Group recorded an impairment loss on assets of RMB9,197 million, representing an increase of RMB821 million, or 9.80%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in loans and the increase of non-performing assets of the Group.

(Unit: RMB million)

Item	2012	2011	Increase (%)
Loans and advances to customers	8,331	7,973	4.49
Finance lease receivables	774	396	95.45
Other assets	92	7	1,214.29
Total	9,197	8,376	9.80

(V) Income tax expenses

During the reporting period, the income tax expenses of the Group amounted to RMB12,344 million, representing an increase of RMB3,612 million as compared with the corresponding period of the previous year, and accounting for 24.37% of the profit before tax.

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

At the end of the reporting period, total assets of the Group amounted to RMB3,212,001 million, representing an increase of RMB982,937 million, or 44.10%, from the end of the previous year. The increase of total assets was mainly due to the increase of loans and expansion of inter-bank business.

The table below sets out the components of the Group's total assets as at 31 December 2012.

(Unit: RMB million)

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Gross balance of loans and advances to customers	1,384,610	43.11	1,205,221	54.07
Less: Allowance for impairment losses on loans	33,098	1.03	26,936	1.21
Net balance of loans and advances to customers	1,351,512	42.08	1,178,285	52.86
Balances and placements with banks and other financial institutions (including financial assets held under resale agreement)	1,048,905	32.66	411,103	18.44
Cash and balances with central bank	420,418	13.09	332,805	14.93
Investments	243,520	7.58	212,072	9.51
Property and equipment	13,631	0.42	9,971	0.45
Other assets	134,015	4.17	84,828	3.81
Total assets	3,212,001	100.00	2,229,064	100.00

Note: Investments include trading financial assets, available-for-sale securities, held-to-maturity securities, loans and receivables and positive fair value of derivatives.

1. Loans and advances to customers

As at the end of the reporting period, gross balance of loans and advances to customers of the Group amounted to RMB1,384,610 million, representing an increase of RMB179,389 million as compared with the end of the previous year. Loans and advances to customers accounted for 43.11% of the total assets, representing a decrease of 10.96 percentage points as compared with the end of the previous year. For the structure of loan business, as at the end of the reporting period, personal loans and advances accounted for 33.63% of the total loans, representing an increase of 3.42% as compared with the end of the previous year due to the increase in the scale of the MSE loans.

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

(Unit: RMB million)

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Corporate loans and advances	919,034	66.37	841,118	69.79
Of which: Discounted bills	15,764	1.14	13,960	1.16
Personal loans and advances	465,576	33.63	364,103	30.21
Total	1,384,610	100.00	1,205,221	100.00

Of which, breakdown of personal loans and advances business is as follows:

(Unit: RMB million)

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Micro lending (MSE loans)	317,470	68.19	232,495	63.85
Residential mortgage	71,518	15.36	83,337	22.89
Credit cards	66,305	14.24	38,551	10.59
Other	10,283	2.21	9,720	2.67
Total	465,576	100.00	364,103	100.00

2. Balances and placements with banks and other financial institutions

As at the end of the reporting period, the total balances and placements of the Group with banks and other financial institutions (including financial assets held under resale agreements) increased by 155.14% from the end of the previous year to RMB1,048,905 million. The increase was mainly due to the efforts the Group made in interbank fund allocation to improve capital utilization efficiency.

Management Discussion and Analysis

3. Investments

As at the end of the reporting period, the balance of the Group's investments was RMB243,520 million, representing an increase of 14.83% as compared with the end of the previous year. The increase was mainly due to the expanded scale of available-for-sale securities and receivables investment.

(1) Breakdown of investments and other financial assets

Breakdown of investments of the Group by purpose of holding is as follows:

(Unit: RMB million)

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Trading financial assets	26,318	10.81	20,423	9.63
Available-for-sale securities	117,275	48.16	64,857	30.58
Held-to-maturity securities	83,653	34.35	117,886	55.59
Loans and receivables	15,040	6.18	8,319	3.92
Positive fair value of derivatives	1,234	0.50	587	0.28
Total	243,520	100.00	212,072	100.00

(2) Holdings of material government bonds

The table below shows the major government bonds held by the Group as at the end of the reporting period:

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date
2003 Book-entry T-bonds	2,565	2.8	9-4-2013
2006 Book-entry T-bonds	1,122	2.51	27-2-2013
2007 Book-entry T-bonds	1,693	3.9	23-8-2014
2008 Book-entry T-bonds	1,110	2.71	24-11-2015
2009 Book-entry T-bonds	2,989	2.26-2.29	2-4-2014 to 4-6-2014
2010 Book-entry T-bonds	12,820	2.23-3.67	18-3-2013 to 28-10-2020
2011 Book-entry T-bonds	8,259	2.82-3.6	10-3-2014 to 17-2-2016
2012 Book-entry T-bonds	1,600	3.14	16-2-2017
Total	32,158		

(3) Holdings of material financial bonds

The table below shows the major financial bonds held by the Group as at the end of the reporting period:

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Provision for impairment
2003 Financial bonds	3,860	Floating, 3.74-3.97 for the period	9-5-2013 to 16-6-2013	—
2010 Financial bonds	6,490	2.7-floating, 3.59 for the period	12-8-2013 to 25-2-2020	—
2011 Financial bonds	3,820	Floating, 3.59-4.2 for the period	12-5-2013 to 28-12-2016	—
2012 Financial bonds	19,180	3.15-4.2	13-3-2013 to 28-2-2017	—
Total	33,350			—

(4) Major types and amount of derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate swaps	94,231	324	-297
Foreign exchange forwards	12,940	69	-75
Currency swaps	146,872	716	-895
Precious metal derivatives	6,320	125	-68
Credit derivatives	81,102	—	—
Extension options	8,300	—	—
Total		1,234	-1,335

(II) Liabilities

As at the end of the reporting period, the Group's total liabilities amounted to RMB3,043,457 million, representing an increase of 45.28% as compared with the end of the previous year. Total deposits from customers amounted to RMB1,926,194 million, representing an increase of 17.11% as compared with the end of the previous year, accounting for 63.29% of the total liabilities.

Management Discussion and Analysis

The table below sets out the breakdown of the Group's total liabilities as at 31 December 2012.

(Unit: RMB million)

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Deposits from customers	1,926,194	63.29	1,644,738	78.51
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	910,597	29.92	333,135	15.90
Borrowings from banks and other financial institutions	71,804	2.36	40,825	1.95
Debt securities issued	74,969	2.46	31,030	1.48
Other liabilities	59,893	1.97	45,226	2.16
Total liabilities	3,043,457	100.00	2,094,954	100.00

1. Deposits from customers

As at the end of the reporting period, gross balance of deposits from customers of the Group amounted to RMB1,926,194 million, representing an increase of RMB281,456 million, or 17.11%, as compared with the end of the previous year. As to the structure of customers, the proportion of corporate deposits, personal deposits and other deposits in total deposits were 79.36%, 20.44% and 0.20%, respectively. The proportion of personal deposits increased by 2.89 percentage points as compared with the end of the previous year. As to the structure of time, the proportion of demand deposits, time deposits and other deposit in total deposits were 37.87%, 61.93% and 0.20%, respectively.

(Unit: RMB million)

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Corporate deposits	1,528,562	79.36	1,352,991	82.26
— Demand	621,592	32.27	609,850	37.08
— Time	906,970	47.09	743,141	45.18
Personal deposits	393,774	20.44	288,622	17.55
— Demand	107,861	5.60	85,198	5.18
— Time	285,913	14.84	203,424	12.37
Outward remittance and remittance payables	3,230	0.17	3,125	0.19
Certificates of deposit	628	0.03	—	—
Total	1,926,194	100.00	1,644,738	100.00

2. Deposits and placements from banks and other financial institutions

As at the end of the reporting period, the total deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements) of the Group amounted to RMB910,597 million, representing an increase of 173.34% as compared with the end of the previous year. The increase was mainly due to the efforts the Group made in improving the utilization of inter-bank funds by capturing market opportunities.

(III) Equity

As at the end of the reporting period, total equity of the Group amounted to RMB168,544 million, representing an increase of RMB34,434 million, or 25.68%, as compared to the end of the previous year. Total equity attributable to equity shareholders of the Bank was RMB163,077 million, representing an increase of RMB33,480 million, or 25.83%, as compared to the end of the previous year. The significant increase in shareholders' equity was mainly attributable to the additional issuance of H-shares and the increase of net profits. Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) (《金融企業準備金計提管理辦法(財金[2012]20號》)) issued by the Ministry of Finance, the Company appropriated 1.5% of the year-end balance of risk-bearing assets to the general risk reserve. The general risk reserve increased significantly as compared with the end of the previous year.

(Unit: RMB million)

Item	31 December 2012	31 December 2011	Increase (%)
Share capital	28,366	26,715	6.18
Capital reserve	45,714	38,360	19.17
Surplus reserve	12,330	8,647	42.59
General reserve	39,480	16,740	135.84
Investment revaluation reserve	-427	-110	negative figure for the previous year
Exchange reserve	-1	—	nil for the previous year
Retained earnings	37,615	39,245	-4.15
Total equity attributable to equity shareholders of the Bank	163,077	129,597	25.83
Non-controlling interests	5,467	4,513	21.14
Total equity	168,544	134,110	25.68

Management Discussion and Analysis

(IV) Off-balance sheet items

As at the end of the reporting period, balances of major off-balance sheet items of the Group were as follows:

(Unit: RMB million)

Item	31 December 2012	31 December 2011	Increase (%)
Bank acceptances	586,654	462,638	26.81
Guarantees	68,488	67,321	1.73
Letters of credit	134,985	66,368	103.39
Re-factoring	33,600	0	nil for the previous year
Trade refinancing	0	56,334	nil for the year
Unused credit card commitments	25,722	12,578	104.50
Finance lease commitments	3,850	2,808	37.11
Irrevocable loan commitments	4,001	2,046	95.55
Capital commitments	11,881	10,068	18.01
Operating lease commitments	8,534	6,549	30.31

(V) Market share of major products and services

According to the Summary of Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) (《金融機構本外幣信貸收支表》) released by the PBOC in December 2012, among nine national joint-stock commercial banks in China, the market shares of total deposits and savings deposits of the Company were 12.89% and 12.48% respectively as at the end of the reporting period. As at the end of the reporting period, the market shares of total loans, general loans without discounted bills and personal loans of the Company were 12.96%, 13.14% and 16.13% respectively.

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	208,160	15.03	186,664	15.49
Real estate	147,958	10.69	129,740	10.76
Wholesale and retail	123,031	8.89	94,756	7.86
Leasing and commercial services	98,453	7.11	116,510	9.67
Mining	81,405	5.88	64,586	5.36
Transportation, storage and postal service	63,936	4.62	62,208	5.16
Construction	39,411	2.85	31,202	2.59
Water, environment and public utilities management	31,551	2.28	36,578	3.03
Public administration, social security and social organizations	30,014	2.17	28,972	2.40
Education and community services	23,158	1.67	19,904	1.65
Production and supply of electric power, heat, gas and water	20,132	1.45	26,818	2.23
Financial services	18,415	1.33	19,331	1.60
Information transmission, software and IT services	6,313	0.46	4,574	0.38
Others	27,097	1.94	19,275	1.61
Subtotal	919,034	66.37	841,118	69.79
Personal loans and advances	465,576	33.63	364,103	30.21
Total	1,384,610	100.00	1,205,221	100.00

Management Discussion and Analysis

(II) Geographical distribution of loans

(Unit: RMB million)

Region	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Northern China	399,760	28.87	335,145	27.81
Eastern China	476,551	34.42	446,079	37.01
Southern China	147,305	10.64	130,601	10.84
Other locations	360,994	26.07	293,396	24.34
Total	1,384,610	100.00	1,205,221	100.00

Note: Northern China includes Minsheng Leasing and Ningjin Minsheng Township Bank Co., Ltd., the head office and the branches in Beijing, Taiyuan, Shijiazhuang and Tianjin; Eastern China includes township banks in Cixi, Songjiang, Jiading, Penglai, Funing, Taicang, Ningguo, Guichi, Tiantai and Tianchang and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang; Southern China includes Minsheng Fund, and township banks in Anxi and Zhangpu, and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen and Nanning; Other regions include township banks in Pengzhou, Qijiang, Tongnan, Meihekou, Ziyang, Jiangxia, Changyuan, Yidu, Zhongxiang, Puer, Jinghong, Zhidan, Yuyang and Tengchong and the branches in Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang and Hong Kong.

(III) Type and percentage of collateral of loans and advances to customers

(Unit: RMB million)

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Unsecured loans	195,313	14.11	179,185	14.87
Guaranteed loans	474,570	34.27	368,321	30.56
Loans secured by				
— tangible assets other than monetary assets	548,463	39.61	519,191	43.08
— monetary assets	166,264	12.01	138,524	11.49
Total	1,384,610	100.00	1,205,221	100.00

(IV) Top ten loan borrowers

As at the end of the reporting period, the aggregate outstanding loans to the top ten borrowers of the Group was RMB34,980 million, accounting for 2.53% of the total loans. The top ten borrowers of the Group were Chaoyang Branch of Beijing Centre for Land Consolidation Reserve (北京市土地整理儲備中心朝陽分中心), Ordos State-owned Assets Investment and Management Co., Ltd. (鄂爾多斯市國有資產投資經營有限責任公司), Shenzhen Brightoil Group Co., Ltd. (深圳光匯石油集團股份有限公司), Yunnan Zhonghao Real Estate Co., Ltd. (雲南中豪置業有限責任公司), Beijing Centre for Land Consolidation Reserve (北京市土地整理儲備中心), Tianjin Jinyuan Investment and Development Co., Ltd. (天津市津源投資發展有限公司), Chengdu Investment Holding Group Co., Ltd. (成都投資控股集團有限公司), Shanghai Lingang New City Land Reserve Centre (上海臨港新城土地儲備中心), Shunyi District Branch of Beijing Centre for Land Consolidation Reserve (北京市土地整理儲備中心順義區分中心) and Zoomlion Finance and Leasing (Beijing) Co., Ltd. (中聯重科融資租賃(北京)有限公司).

(V) Five-category classification of credit assets*(Unit: RMB million)*

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Performing loans	1,374,087	99.24	1,197,682	99.37
Of which: Pass	1,356,997	98.01	1,184,347	98.27
Special-mention	17,090	1.23	13,335	1.10
Non-performing loans	10,523	0.76	7,539	0.63
Of which: Substandard	6,444	0.47	3,915	0.32
Doubtful	2,676	0.19	2,399	0.20
Loss	1,403	0.10	1,225	0.11
Total	1,384,610	100.00	1,205,221	100.00

Management Discussion and Analysis

(VI) Migration ratio of loans

The table below sets forth the migration ratio of loans of the Company in the recent three consecutive years:

Item	31 December 2012	31 December 2011	31 December 2010
Pass	1.98%	1.20%	1.25%
Special-mention	11.99%	26.79%	20.26%
Substandard	8.78%	17.50%	21.15%
Doubtful	19.29%	2.96%	5.18%

(VII) Subsidized loans

As at the end of the reporting period, the Group had no subsidized loans.

(VIII) Rescheduled loans and past due loans

(Unit: RMB million)

Item	31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Rescheduled loans	1,227	0.09	1,777	0.15
Past due loans	18,924	1.37	10,323	0.86

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

2. Past due loans are loans of which the principal or any interest is overdue for 1 or more days.

(IX) Changes in allowance for impairment losses*(Unit: RMB million)*

Item	2012	2011
Balance as at 1 January	26,936	19,848
Charge for the year	9,537	9,048
Release during the year	-1,206	-1,075
Transfer out	-402	-2
Write-offs	-1,881	-861
Recoveries	448	222
Unwinding of discount	-334	-234
Exchange difference	0	-10
Balance as at 31 December	33,098	26,936

Method for assessing allowances for impairment losses:

On reviewing the book values of the Group's loans as at the balance sheet date, if evidence shows a loan impairment occurring to a loan and the event triggering such loan impairment will have an adverse effect on the expected future cash flow that can be reliably assessed, the Group will recognize the impairment loss of the loan and write down the value of the loan to its recoverable amount. The reduced amount will be charged to the income statement of the relevant period as impairment losses. Besides an individual evidence-based impairment assessment for each loan of significant amount, the Group reviews its loan portfolio as a whole to assess impairment for loans which are not of significant amount individually. If no evidence shows there is loan impairment to a loan when assessed individually, whether the amount of the loan in question is substantial or not, it will be included in a portfolio of loans of similar risk profile for collective impairment assessment. If a loan has been individually assessed and recognized at its impaired value, no general impairment provision is required.

Management Discussion and Analysis

(X) Non-performing loans and related measures

As at the end of the reporting period, the Group had non-performing loans of RMB10,523 million. The non-performing loan (the “NPL”) ratio was 0.76%, up by 0.13 percentage point from the end of the previous year.

To effectively control and ensure the stability of asset quality, the Group mainly adopted the following measures during the reporting period:

- (1) Enhancing credit planning, proactively adjusting loan distribution, and continuously optimizing asset structure in line with the changing economic environment and requirements of macro-economic policies;
- (2) Continuing to optimize the risk management system, improving the risk management policies and imposing multidimensional risk limit management for various industries and regions;
- (3) Proactively developing and optimizing the system of risk monitoring and early-warning, and conducting focused stress testing, risk identification and special examination in order to effectively control NPLs while strengthening routine post-loan management;
- (4) Closely monitoring loans with potential risk factors and problems in order to formulate contingency plans in an early and timely manner to properly move recovery process to an earlier stage;
- (5) Further enhancing collection and disposal of NPLs by reviewing and adjusting the asset quality management of credits, developing innovative recovery measures, comprehensively utilizing all available recovery and disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off, improving the management of regional risk and abnormal and spontaneous loan, conducting specific recovery and disposal activities and enhancing assessment so as to reinforce the accountability mechanism for nonperforming assets and to improve the efficiency and effectiveness of recovery; and
- (6) Strengthening training programs to improve the professional skills and the comprehensive qualities of the risk management team and foster the philosophy of compliance.

VI. Analysis of Capital Adequacy Ratio

As at the end of the reporting period, capital adequacy ratio of the Group was 10.75%, representing a decrease of 0.11 percentage point as compared with the end of the previous year and core capital adequacy ratio of the Group was 8.13%, representing an increase of 0.26 percentage point as compared with the end of the previous year. The changes in capital adequacy ratio in 2012 were mainly due to a number of factors. Total risk-weighted assets increased in line with the organic growth of all businesses. The core capital of the Group was replenished by the capitalization of net profits and direct issuance of RMB1.651 billion H Shares, resulting in the increase in core capital size.

(Unit: RMB million)

Item	31 December 2012	31 December 2011	31 December 2010
Net capital	217,219	174,034	133,772
Of which: Core capital	164,288	126,086	103,488
Supplementary capital	53,056	48,073	30,408
Deductions	125	125	124
Total risk-weighted assets and adjustment to market risk	2,020,011	1,602,301	1,280,847
Core capital adequacy ratio (%)	8.13	7.87	8.07
Capital adequacy ratio (%)	10.75	10.86	10.44

VII. Segment Report

The Group's businesses can be analyzed by geographical region and business segment. In respect of geographical locations, the Group mainly operates its business in four main regions, namely, Northern China, Eastern China, Southern China and others. In respect of business lines, the Group provides different types of financial services in four major business segments, namely corporate banking, personal banking, treasury and others.

Management Discussion and Analysis

(I) Segment operating results by geographical region

(Unit: RMB million)

Region	Total assets (excluding deferred income tax assets)	Operating income	Profit before tax
Northern China	1,673,286	41,692	18,848
Eastern China	1,058,803	26,969	13,133
Southern China	420,792	10,308	4,661
Other locations	766,756	23,769	14,010
Inter-segment elimination	-716,453	0	0
Total	3,203,184	102,738	50,652

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

(II) Segment operating results by business line

(Unit: RMB million)

Type of Business	Total assets (excluding deferred income tax assets)	Operating income	Profit before tax
Corporate banking	1,530,106	43,418	22,420
Personal banking	460,749	29,078	14,742
Treasury	1,110,420	27,624	12,354
Others	101,909	2,618	1,136
Total	3,203,184	102,738	50,652

VIII. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk management and protect the legitimate interests of investors and all relevant parties, the Company has formulated the Administrative Measures regarding Fair Value (《公允價值管理辦法》) based on the CAS, which expanded the scope of fair value measurement to cover the initial measurement of assets and liabilities, including part of the financial assets, financial liabilities, foreclosed assets and the initial measurement of liabilities; and clarified and refined the principles, methods and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Company has assigned relevant departments to specific responsibilities for fair value management so as to continuously strengthen research into the valuation of its asset and liability businesses and improve internal valuation capabilities. The Company will also refine in stages its valuation models and systems to verify prices obtained externally. Moreover, the Company has implemented internal control measures over the process of fair value measurement, including double-checking on price enquiry and confirmation, and adopting a dual signature mode by person-in-charge and reviewer for the fair value measurement process to be effected. In the meantime, the Internal Audit Department plays an active role in the rectification of identified issues through monitoring and examination of fair value scoping, methodology and procedures, so as to improve internal control within the Company.

2. Items measured at fair value

The Company's financial instruments measured at fair value include: trading financial assets, derivative financial instruments and available-for-sale financial assets. Debt securities in trading financial assets and available-for-sale financial assets were valued using the following methods: for RMB bonds, in principle the valuation provided by China Government Securities Depository Trust & Clearing Co. Ltd. would apply; for bonds denominated in foreign currencies, market value was determined through a combination of BLOOMBERG quotes, DATASCOPE quotes and enquiries; and the fair value of most derivative financial instruments was obtained directly from quotes of market prices, while the fair value of certain derivative financial instruments with customers was obtained from market enquiries. Derivative financial instruments mainly consisted of interest rate swap contracts with customers and proprietary interest rate swap contracts, the market risks of which had been hedged. The changes in fair value had little impact on the profit of the Company. Changes in fair value of available-for-sale financial assets were considered when calculating shareholders' equities.

Management Discussion and Analysis

(Unit: RMB million)

Item	Opening balance	Gain/Loss from fair value changes for the period	Accumulated fair value changes charged to equity	Impairment allowance for the period	Closing balance
Financial assets					
Of which:					
1. Trading financial assets	20,423	-87	—	—	26,318
2. Positive fair value of derivatives	587	647	—	—	1,234
3. Available-for-sale financial assets	64,732	—	-427	—	117,150
Investment properties	—	—	—	—	—
Bio-assets for production	—	—	—	—	—
Others	—	—	—	—	—
Total	85,742	560	-427	—	144,702
Financial liabilities	787	548	—	—	1,335

(II) Overdue and outstanding liabilities

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

IX. Performance of Key Business Lines

(I) Corporate banking

In the reporting period, the Company took initiatives to respond to changes in operating and regulatory environments. Targeting on building itself into a distinctive and efficient bank, the Company focused on the implementation of strategies relating to NSOEs and promotion of the Financial Stewardship services and adopted intensive management under capital restraint. The Company continued to strengthen its customer base, core business foundation and professional team building, and enhanced product and service innovation. It also continued to promote structural adjustment and growth method transformation along with its development.



1. Customer base of corporate banking

In the reporting period, the Company adopted the strategy of positioning itself as a “bank for NSOEs” and continued to expand its customer base with the following measures: (1) the Company took various means and measures to expand into new markets and develop new customers to further enhance the corporate customer base; and (2) leveraging the needs arising from the transformation of the national economy and its business, the Company sped up the development of a strategic NSOE customers and continuously refined and popularized its Financial Stewardship services pattern. The Company also exerted its efforts in developing SME customers in a batch manner to increase the number of customers and further optimize its customer structure.

Management Discussion and Analysis

As at the end of the reporting period, the Company had 16,085 customers with outstanding general loans, and 0.2878 million corporate deposit accounts with outstanding balance, representing significant increases of 18.45% and 22.62% as compared with the end of the previous year, respectively. The average balance of outstanding loans per corporate account further decreased to RMB54 million from RMB59 million as at the end of the previous year, primarily due to the rapid increase in the number of SME customers under the effective customer development strategy. Loan concentration was further reduced and the customer structure continued to be optimized.

In the reporting period, the Company continued to cooperate with the ACFIC, CCCPS, local chambers of commerce and industry associations for implementing its NSOE strategy. NSOEs which were able to satisfy the requirements of “professional team building, strategy recognition, integrated finance and value creation” were selected as the Company’s target customers. The Company set up dedicated Financial Stewardship service team to provide planning and integrated financial service schemes, including industry chain financing, issuance of debt financing instruments, structured financing and cash management, for its customers, based on their strategic development and demands for financial services, in order to cultivate the core NSOE customer base of long-term strategic partnership. In the reporting period, the Company and the ACFIC jointly organized the “Press Conference on China’s Top 500 NSOEs” (中國民營企業500強發佈會) again and announced the top 500 NSOEs, top 500 manufacturers and top 100 service providers of service industry in China. The Company provided integrated financial service scheme, including industry chain financing, issuance of debt financing instruments, structured financing, and cash management to many of those customers.

As at the end of the reporting period, the Company had 13,680 NSOE customers with outstanding loan balances, and outstanding general loans amounted to RMB537,505 million, representing increases of 20.50% and 11.02% respectively as compared with the end of the previous year. In corporate banking business, the number of NSOE customers with outstanding general loans accounted for 85.05% and the relevant general loan amount accounted for 61.57%.

2. Corporate loans

In the reporting period, being committed to its mission of “developing distinctive businesses, restructuring, preventing risks and maintaining steady development”, the Company closely monitored the macro-economic environment and market changes in response to the risks associated with cyclical economic downturn. The Company enhanced the risk management of key businesses and controlled the growth and extension of loans on a rational basis to boost its distinctive business development and optimize its loan structure. The size of corporate loans recorded steady growth and the asset quality remained stable.

As at the end of the reporting period, outstanding corporate loans (including discounted bills) of the Company amounted to RMB913,097 million, representing an increase of RMB76,191 million, or 9.10%, as compared with the end of the previous year. Outstanding general corporate loans amounted to RMB873,037 million, representing an increase of RMB68,020 million, or 8.45%, as compared with the end of the previous year. Non-performing corporate loan ratio of the Company was 0.90%.

The major business strategies and measures of the Company's loan business include the followings:

- (1)** According to the direction of the "12th Five-Year Plan" and the industrial and financial policies of China, the Company focused its attention on industries and business areas related to urbanization, industrial transformation and upgrade, and customer consumption upgrade. Via innovating business models, the Company further expanded the development of distinctive businesses such as stone materials, marine fishery and tea for advancing the business transformation.
- (2)** The Company strictly restricted the extension of loans to industries with high pollution and energy consumption and excessive production capacity, overlapping construction projects with low quality and government financing platform business in accordance with the requirements of the government's macro-economic readjustment and control and regulatory policies to control credit risks effectively.
- (3)** The Company targeted on four major customer groups, namely industry-concentrated customers, related customers of core corporate customers, customers engaging in resources industries and customers with weak cycles. It focused on developing customers with outstanding operating results for main business, excellent management, sound financial position, high operational efficiency and bright prospects in order to further optimize customer structure.
- (4)** The Company enhanced the integration and innovation of credit products and promoted the development of self-liquidating credit business to mitigate its risks effectively through closed operation of funds and self-liquidating procedures. It also provided flexible credit product portfolios including commercial bills, transaction finance and trade finance as well as integrated credit facilities to meet the financing demand of customers. In these ways, the Company continued to optimize its credit structure and steadily increase the revenue from credit business.

Management Discussion and Analysis

In the reporting period, the Company established a professional risk prevention and control platform. While constantly strengthening its stable and standardized operation, the Company also increased its efforts in the innovation of the bill business and the construction of bill products, services and processes in order to satisfy the financial needs of industrial corporate customers as the central task. It strengthened its services to cater for the bill financing and settlement needs of the real economy and SMEs. It further satisfied customers' needs for diversified financial products and provided an effective bill solution to reduce the overall financing cost of customers. In the reporting period, the business volume of direct discounted bills amounted to RMB1,005,692 million, of which, the business volume of direct discounted commercial bills amounted to RMB190,822 million, representing increases of 140.37% and 47.92% respectively as compared with the corresponding period of the previous year.

3. Corporate deposits

In the reporting period, aside from further consolidating the deposit customer base, the Company also exerted efforts in conducting research on liability business models. Focusing on the cash flows of customers, the Company explored new channels. Furthermore, the Company enhanced the establishment of settlement platform and refined the system for cash management business. The Company continued to increase the balance of its deposits through the development of key businesses and services, such as traditional settlement, transaction finance, trade finance and cash management.

As at the end of the reporting period, the balance of corporate deposits of the Company was RMB1,517,954 million, representing an increase of RMB172,696 million, or 12.84%, as compared with the end of the previous year. In the reporting period, 61,954 new corporate deposit accounts of the Company brought a growth of RMB137,265 million in deposits, which accounted for 79.48% of the net increase in corporate deposits.

In the reporting period, the Company continued to strengthen its transaction finance business. The Company formulated specific plans and introduced innovative models for the business development and restructuring. It proactively expanded the customer base in a batch-based manner. Overall sales to large customers, SME and MSE customers were boosted by streamlining industry chains, which contributed to rapid growth of all businesses of the Company. The transaction finance business has become a brand business of the company in improving business structure, stabilizing growth of deposits and increasing integrated revenue. In the reporting period, the transaction finance business volume of the Company amounted to RMB1,112,214 million with 11,288 regular customers and the balance of derivative deposits was RMB229,209 million, representing increases of 64.72%, 60.07% and 40.31% respectively as compared with the corresponding period of the previous year. As at the end of the reporting period, the Company maintained its leading position among its peers with the balance of its transaction finance business amounting to RMB321,391 million.

In the reporting period, the Company sped up the development of cash management products and systems. It successfully developed and launched various new product systems such as “Settlement System” (結算通), cash pool (現金池), virtual account (虛擬賬戶) (new version) and corporation overdraft (法人賬戶透支) (new version). The Company emphasized the development of core customers in industry chains, major business circles, trading places and electronic settlement platforms, major trading and logistics industries and their upstream and downstream customers. As at the end of the reporting period, the number of customers of key cash management products of the Company was 9,135 and the daily average customer deposits amounted to RMB215,161 million.

4. Corporate non-interest income business

In the reporting period, the Company integrated the development of intermediary business with organizational restructuring in accordance with applicable laws and regulations. The Company strengthened its service-oriented intermediary business and expanded the scale of trade settlement, custody and fund monitoring services so as to secure the stable growth of revenue on basic intermediary business. It also used the issuance of debt



financing instruments, trust wealth management and led syndicated loans to boost the continuous growth of fee income from its direct financing business. In addition, the Company actively developed its intelligence-based intermediary business by integrating commercial bank's investment banking products and services. The integration of structured financing and financial advisory business as well as asset management and financial advisory business diversified and enhanced its service portfolio under a sophisticated business model of smart financing services. The combined effect of innovative products and services and the diversified business model boosted rapid increase in net fee and commission income of the corporate business segment in the reporting period. The aggregated amount of net fee and commission income was RMB9,960 million, representing an increase of 11.33% as compared with the correspondent period of the previous year.

Management Discussion and Analysis

In respect of the commercial bank's investment banking business, the Company offered customers, particularly strategic NSOEs, comprehensive financial services focusing on investment and financing. The Company continued to improve and carry out innovation of its product and service systems and expand the span of its products and services. It focused on broadening varieties of direct financing and asset management products in the capital market and enriching consultation and financial advisory services. It also enhanced its capacities of program integration and design and strengthened the integrated efficiency of professional platforms. The Company established its professional teams, and further standardized the business management and operation model. The Company accelerated the replication and promotion of well-developed business models. It also focused on the trial operation of "Listing Express" (上市直通車) business to establish a new financial service model.

In respect of debt financing instruments, by grasping market opportunities, the Company targeted at medium-sized quality customers, particularly strategic NSOEs, and exerted its efforts to develop collective notes, short-term notes and medium-term notes for SMEs. In the reporting period, 153 short-term financing bonds, medium-term bills, super short-term financing bonds, targeted instruments and regional optimized notes, totalling RMB108,307 million were issued, which satisfied the financing demand of customers and also boosted the steady growth of net non-interest income.

In respect of the asset custody business, the Company focused on key products in industry chain and cash chain by integrating internal resources and establishing external platforms, maintaining a rapid growth in segmented markets namely, securities investment fund, wealth management custody for fund customers, asset management plans for customers of securities companies, insurance bond plans, equity investment fund and transaction fund custody in bulk commodity exchange. As at the end of the reporting period, the assets held by the Company as custodian (including safekeeping) amounted to RMB989,763 million, representing an increase of 159.67% as compared with the end of the previous year. Revenue from the custody business was RMB997 million, representing an increase of 153.69% as compared with the corresponding period of the previous year. The size and performance of custody business of the Company achieved rapid growth. In the reporting period, the asset custody business of the Company was honored as the "2012 Best VC/PE Custodian Bank" (2012年度VC/PE最佳託管銀行) by the 21st Century Business Herald, the 2012 Best Custodian Services Bank (2012年度金牌服務力託管銀行) by Financial Money (《金融理財》) and one of the "2012 Top Five VC/PE Custodian Bank in the PRC" (2012年中國VC/PE最佳託管銀行5強) by the Zero2IPO Group with increasing brand influence.

In respect of pension business, the Company put strategic emphasis on the development of pension business and implemented segmented target markets strategy. It put more efforts into the integration of resources of the Bank to build comprehensive financial service platform for pension service, so as to facilitate the rapid development of pension business of the Bank. As at the end

of the reporting period, 121,315 corporate annuity accounts were managed by the Company, representing an increase of 13.70% as compared with the end of the previous year. The corporate annuity funds under custody amounted to RMB6,933 million, representing an increase of 49.03% as compared with the end of the previous year.

5. Operation of the SBUs

In the reporting period, all SBUs of the Company took proactive measures in response to the domestic and overseas economic and financial environment and market changes by enhancing risk prevention, exploring business opportunities in emerging markets, developing the Financial Stewardship service model and implementing NSOE strategies. All lines of business at SBUs achieved steady growth and asset quality continued to improve.

(1) Real Estate Finance SBU

In the reporting period, the Real Estate Finance SBU actively responded to the market condition in real estate industry under the government's austerity measures. It strived to maintain a stable and prudent operation and strengthened market monitoring and risk control. Efforts were also made to facilitate the development of commercial investment banking businesses.



By ways of granting merger and acquisition facilities, establishing bank syndicate loan and recommending real estate fund and trust business to financial partners, the Real Estate Finance SBU enhanced the level of professional services and consolidated its cooperation with core customers. Through optimizing its business, customer and revenue structure, its asset quality was maintained.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Real Estate Finance SBU amounted to RMB56,656 million and RMB111,463 million, representing increases of 20.69% and 4.66% as compared with the end of the previous year, respectively. The NPL ratio was 0.41%, representing a decrease of 1.31 percentage points from the beginning of the year. The net non-interest income amounted to RMB661 million.

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(2) Energy Finance SBU

In the reporting period, the Energy Finance SBU adopted strategies that were in line with the characteristics of specific industries, regions, customers and products. Based on in-depth study of the development trend of the industry, it actively explored new business opportunities and identified potential risks. The Energy Finance SBU effectively promoted a customer structure emphasizing strategic NSOE customers and a business structure focusing on industry chain financing for customers in coal mining and processing industries. It also encouraged investment banking business innovations and diversification of products of commercial banks in order to explore the business model as an integrated service provider for the energy industry. In the reporting period, the Energy Finance SBU issued 21 short-term financing bonds and medium-term bills, totalling RMB24.6 billion. It also carried out investment bank businesses such as merger and acquisition facilities, and trusts and funds through cooperation with financial institutions, which amounted to RMB22.8 billion in aggregate.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Energy Finance SBU amounted to RMB67,758 million and RMB105,996 million, representing increases of 8.31% and 5.94% as compared with the end of the previous year, respectively. The NPL ratio was 0.56% and the net non-interest income amounted to RMB883 million.

(3) Transportation Finance SBU

In the reporting period, in light of the slowing growth of the automobile industry and the gloomy conditions of the vessel manufacturing and shipping segments, the Transportation Finance SBU focused on expansion of customer base of Financial Stewardship, and implemented integrated professional development and strengthened comprehensive risk



management. The Transportation Finance SBU established development strategies for the automobile industry to focus on supporting the group distributors which engaged in high-end brand business and had steady performance growth. Development strategies for the railway industry

were also formulated to focus on supporting the railway material enterprises and railway locomotive enterprises at the downstream of the industry chain. As for the development strategies for the port shipping segment, the focus was on facilitating port logistics transaction financing. It carried out business model innovation and business structure optimization. Through granting loan to quality NSOEs and providing financial services including debt financing, trust wealth management and matching businesses, the Transportation Finance SBU maintained its asset quality while enhancing the profitability.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Transportation Finance SBU amounted to RMB47,383 million and RMB47,979 million, representing increases of 16.06% and 4.12% as compared with the end of the previous year, respectively. The NPL ratio was 0.62% and the net non-interest income amounted to RMB547 million.

(4) Metallurgy Finance SBU

In the reporting period, in the face of unfavourable external conditions including the sluggish metallurgy industry, sharp shrinkage of profitability and increasing losses of operations, the Metallurgy Finance SBU optimized its business and management process and enhanced the ability of its professional team. It continued to expand core customer base, such as NSOEs, and put efforts in improving customers' value. Catering for the needs of the transaction chain, it developed trade finance and electronic transaction platform businesses. By fully utilizing resources from the community, it also actively expanded wealth management and bond issuance business to further broaden customer financing channels. Continuous efforts were made to the steady improvement of effectiveness of the mining industry finance business, achieving steady growth in its benefits.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Metallurgy Finance SBU amounted to RMB44,871 million and RMB40,932 million, representing a decrease of 0.12% and an increase of 0.27% as compared with the end of the previous year, respectively. The NPL ratio was 0.69%, and the net non-interest income amounted to RMB628 million.

(5) SME Finance SBU

In the reporting period, under the backdrop of unfavourable factors, namely macro economic austerity measures, sluggish growth of real economies and expansion of private lending crisis, the SME Finance SBU carried out its operations in a legal, compliant and honest manner in strict compliance with requirements pursuant to the “three forbidden rules” (三不准) regarding loans and the “four public disclosure rules” (四公開) regarding services issued by the CBRC. Under the marketing and management concept of “regional specialties, batch development and name list-

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based sales”, it organized “batch plan design workshops” to facilitate “service enhancement, innovation and training”. As such, the SME Finance SBU has formed a “distinctive, batch-based and professional” business model to develop the Company as a professional SME financial service provider in the market.

As at the end of the reporting period, the outstanding loans of the SME Finance SBU amounted to RMB126,076 million, representing an increase of RMB20,859 million, or 19.82% as compared with the end of the previous year. The NPL ratio was 1.55%. The SME Finance SBU had 12,202 customers, representing an increase of 2,490 customers, or 25.64%, as compared with the end of the previous year.

(6) Trade Finance SBU

In the reporting period, the Trade Finance SBU continued to develop with the concept of “becoming a professional service provider of distinctive trade finance” and the brand of “Trade Financier” (貿易金融家), and the objective of “emphasizing on smart financing services”. The Trade Finance SBU expanded room for its business development through distinctive operations and established customer base comprising strategic customers from the top 500 international enterprises and leading domestic NSOEs, and basic customers from medium-sized NSOEs. As at the end of the reporting period, the Trade Finance SBU established 31 branches in 31 cities in



China. Outstanding loans denominated in RMB and foreign currencies of the Trade Finance SBU amounted to RMB13,112 million and US\$4,204 million respectively. The net non-interest income amounted to RMB4,081 million.

In the reporting period, focusing on “going international” (走出去) financing, long-term order financing, shipping financing and bulk commodity trade financing, the structured trade finance business of the Trade Finance SBU maintained a rapid growth. A series of unprecedented initiatives under the “going international” financing business were launched and received overwhelming responses from both domestic and international markets. In the face of the gloomy shipping market, the Trade Finance SBU proactively explored new ideas and methods to maintain its distinctive brand feature of “shipping financing bank”. The long-term order financing business has developed in a steady pace. A sophisticated model for contracted energy management and import credits has been gradually developed. New initiatives and directions of bulk commodity trade financing were further explored in accordance with its existing sophisticated business model.

In the reporting period, key featured businesses of the Trade Finance SBU including factoring and structured trade finance business continued to take the leading position among domestic banks. The volume of factoring business in 2012 amounted to RMB136,608 million, representing an increase of 58.66% as compared with the corresponding period of the previous year, and a total of 0.1713 million transactions were recorded. The volume of international dual factoring business amounted to US\$2,277 million, representing an increase of 135.96% as compared with the corresponding period of the previous year and ranking the second among domestic banks, and a total of 4,993 transactions were recorded, ranking the third among domestic banks. It continued to carry out innovative businesses patterns including cross-border RMB factoring, back-to-back factoring, maturity factoring, re-factoring, supply chain factoring, and wealth management trust factoring scheme.

In the reporting period, the Trade Finance SBU further improved the organization structure and operation system of Hua Shan Club (華山俱樂部) (the former “Trade Financier Club” (貿易金融家俱樂部)) and proactively studied the operation of “risk-sharing fund” (風險共擔基金) in the club with an aim to nurture the future Asian and even world-class corporate leaders. At present, the club, consisting of 30 core NSOE customers of trade finance business, fully demonstrates the strategy of being a “bank for NSOEs” and the advantages of the “Financial Stewardship” service model of the Bank.

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In the reporting period, the rapid and healthy growth of the Company's trade finance business attracted wide attention of domestic and overseas financial media. It was awarded various prizes including the "2012 Best Trade Finance Bank of China" (2012年中國卓越貿易金融銀行獎) by Financial Times of the UK, "Best Trade Finance Bank of China"(中國最佳貿易融資銀行獎) by The Asset (《企業財資》), a financial press in Hong Kong, and the "Best Trade Finance Service Brand Award" (最佳貿易金融服務產品品牌) by Global Entrepreneur (《環球企業家》).

(II) Retail Business

In the reporting period, the retail business of the Company implemented the upgrade strategy for MSE Finance Version 2.0 (小微金融2.0) pursuant to the strategic guideline of "Second Take-off" (二次騰飛) for the transformation of MSE finance business. Focusing on MSE specialized branches, the Company effectively expanded its service to key commercial areas and featured industries. It capitalized on the synergetic development of MSE business through the platform of urban commercial cooperatives. "Seven New Measures for MSEs" (七新耀小微) were launched to boost the growth of MSE business. Upon implementation of the above transformation strategies, the retail business of the Company recorded remarkable development. In the reporting period, the Company maintained its leading position for MSE finance business in the industry. In addition, the growth in deposit business and the value of financial assets set a record high.

As at the end of the reporting period, total retail loans of the Company increased by RMB99,391 million, or 27.50%, to RMB460,840 million, as compared with the end of the previous year. The balance of MSE loans increased by RMB84,456 million, or 36.33%, to RMB316,951 million as compared with the end of the previous year. The balance of savings deposits of the Company increased by RMB102,882 million, or 35.93%, to RMB389,238 million as compared with the end of the previous year.

In 2013, the Company will continue to focus on the MSE finance business to boost the growth of both traditional retail business and industry chain finance and facilitate the strategic transformation of retail business through the MSE finance business.

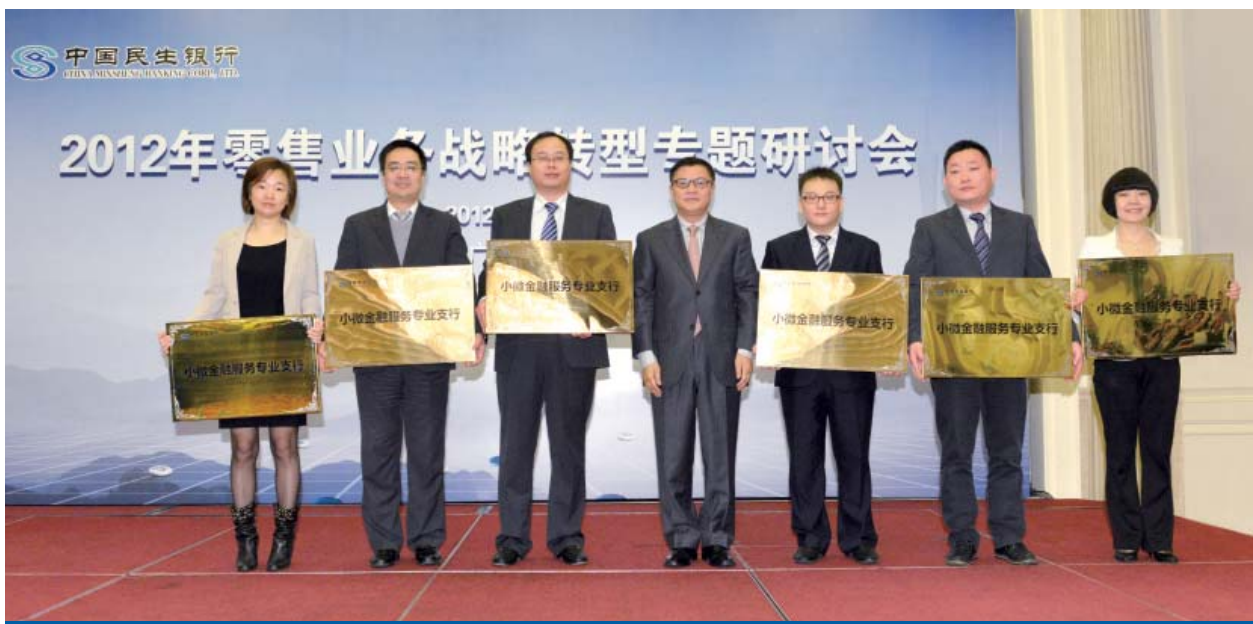
1. MSE finance

In the reporting period, the MSE loan of the Company maintained a rapid growth. In particular, since the third quarter of 2012, the Company had launched the "Seven New Measures for MSEs" nationwide, which stimulated the increase of MSE loans of the Bank and satisfied various MSE needs with new business processes, products and brand image. As a result, the balance of MSE

loans exceeded RMB300 billion with the increase in both number and class of customers. As at the end of the reporting period, the total number of MSE customers was 992,300. Of which, the number of VIP customers increased by over 60,000 as compared with the end of the previous year. The customer structure was further optimized. In respect of return on loans, the interest rates of newly-issued loans in the reporting period floated by over 30% in average, showing continuously stronger profitability.

In the reporting period, the Company innovated the organization forms of MSE customers by establishing China Minsheng Bank MSE urban commercial cooperatives (中國民生銀行小微企業城市商業合作社), in an aim to build a national platform for the communication, sharing and collaboration among MSEs. In addition, the Company started to develop special sub-branches for MSE business and had granted licenses to the first 50 special MSE finance sub-branches.

In respect of the risk control over MSE loans, the Company persisted in following the principle of the “Law of Large Numbers” (大數法則) to estimate the risk probabilities of specific industries. Risks have been effectively controlled by prudent selection of industries suitable for MSE loans. The core concept of Minsheng MSE finance based on the “Law of Large Numbers” has proved to be practical after the launch of MSE Finance Version 2.0. As at the end of the reporting period, the NPL ratio of MSE loans of the Company slightly increased as compared with the previous year, but remained at a low level of only 0.40%.



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During the reporting period, the Company won the award of “2012 Best SME Bank in China” (2012年度中國最佳中小企業銀行) from The Asian Banker and the “2012 ‘Best Bank for Small Enterprise Financing’” (2012年度‘最佳小企業貸款銀行’) from Global Finance of the U.S.. It also received the title of the “Advanced MSE Financial Service Unit in the Beijing Banking Industry” (北京銀行業小微企業金融服務先進單位) by the regulatory authorities.



2. Traditional finance

The Company offers various loan products to the retail banking customers. As at the end of the reporting period, the balance of mortgage amounted to RMB71,518 million, representing 15.52% of total retail loans.

In the reporting period, retail deposits of the Company increased rapidly. The Company's balance of retail deposits amounted to RMB389,238 million, representing an increase of RMB102,882 million, or 35.93%, as compared with the end of the previous year. The retail deposits ratio accounted for 20.37% of the total, representing an increase of 2.85 percentage points as compared with the end of the previous year.

The Company offers agency services of wealth management products, funds and insurance. The number of funds offered under its agency services reached 964, a leading number among its peers in the industry. The Company also cooperated with 29 insurance companies to optimize its insurance agency selling platform.

As at the end of the reporting period, the Company had a total of 31.9410 million debit cards in issue, including 3.9544 million cards issued in the year. The featured cards issued by the Company, such as Markor Furnishings Co-Branded Card (美克美家聯名卡) and Kunming Meat and Vegetables Circulation Service Card (昆明肉類蔬菜流通服務卡) received positive market response.

3. Credit card business

In the reporting period, aiming to create the “year of management, efficiency, services and safety”, the Credit Card Centre further improved the business model of “operation group of three and cooperative operations” (三人小組、聯合作業) to strengthen the cooperation among card issuance, commerce and collection units. The Company boosted card issuance, commerce and



asset, the “three major business lines” (三駕馬車) of the credit card business, through innovations of products and services, operation model, sales channels and risk management.

As at the end of the reporting period, the aggregate number of credit cards in issue was 14.62 million, including 3.0856 million cards issued in the year. Transaction volume of credit card business was RMB293,769 million, representing an increase of 65.49% as compared with the corresponding period in the previous year. The balance of account receivables at the end of the year amounted to RMB66,305 million, representing an increase of 71.99% as compared with the end of the previous year.

During the reporting period, the Credit Card Centre issued two major high-end credit cards to build up high-end credit card brand. In April 2012, the Company and Delta Air Lines, the second largest worldwide airline, jointly launched the Minsheng-Delta SkyMiles Co-branded Credit Card (民生•達美SKYMILES聯名信用卡), which became the first credit card in China jointly issued with a US airline company. The card is a RMB/USD dual-currency card and can be used globally for domestic and overseas bill settlement and cash advance. It also features the functions of both the Minsheng credit card and the “SkyMiles” membership card of Delta. Cardholders can accumulate “SkyMiles” mileage when travelling on applicable flights of Delta or those of its cooperative partners. The Company, Shangri-La Hotels and Resorts and American Express launched an initial issuance ceremony to introduce the Minsheng Shangri-La Co-branded Credit Card in Malaysia in November 2012, which was the first co-branded credit card in China jointly issued with a world-class luxury hotel. With the two brands of American Express and China Unionpay on, the card was the first credit card of the Company jointly issued with American Express. Available in two grades of Platinum Card

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and Deluxe Platinum Card, it offers exclusive privileges at hotels under the Shangri-La Group and allows cardholders to earn extra Golden Circle Award Points.

In the reporting period, the brand of Minsheng Credit Card was widely recognized by the social community. The Credit Card Centre won the “Employee Training and Development Award” (人員培養與發展獎) as a Special Award of the Excellent Customer Service Centre (優秀客戶服務中心) and the “Best Data Collection and Analysis Awards” (最佳數據挖掘和分析項目獎), the highest award for data analysis in the financial industry in Asia-Pacific region. It was also honored with the Most Influential Brand in Consumer Market of China (Comprehensive Strength Awards) (中國消費市場最具影響力品牌 (綜合實力獎)) by the Committee of the 3rd Session of China Consumer Economy High-level Forum (第三屆中國消費經濟高層論壇組委會), which further enhanced the core competitiveness of the Credit Card Centre.

4. Customers and related activities

As at the end of the reporting period, the Company had 24.9056 million retail customers. In the reporting period, driven by the increase in the sales of wealth management products, the financial assets of the Company’s retail customers had grown rapidly. As at the end of the reporting period, the financial assets of retail customers reached RMB652,380 million, representing an increase of 39.23% as compared with the end of the previous year. Among the retail customers, 0.2336 million customers had individual financial assets of more than RMB0.5 million, and their total deposits amounted to RMB243,260 million, accounting for 62.50% of total retail deposits of the Company.

In the reporting period, the Company continued to offer VIP customers the “5+N” VIP service package, covering services at airports, golf clubs, train stations, medical access and roadside rescue services. The VIP services of traditional Chinese medical healthcare were also launched in 2012. During the reporting period, the Company organized the “Wealth Management Classes” (財富大課堂), golf tournaments and special sales of luxury products exclusively for our VIP and MSE customers, which received positive responses as it brought the customers with direct experiences of comprehensive financial services.

During the reporting period, the Company was named the “Best Wealth Management Brand in the Tenth China Finance Billboard” in 2012 (2012年度第十屆中國財經風雲榜最佳財富管理品牌) by hexun.com.

(III) Private banking business

As at the end of the reporting period, the financial assets under private banking managed by the Company amounted to RMB128,170 million and the number of private banking customers was over 9,300 with income from intermediary business amounting to RMB762 million. The size of financial assets managed by the Company increased by 87.38%, while the number of private banking customers recorded a growth of 101.91%. Income from intermediary business recorded a growth of 163.67%.



The Company provided comprehensive financial and non-financial services for customers to actively cater for their needs. It continued to optimize and carry out innovation of asset allocation, high-end insurance and trust financing products. It was also committed to asset protection and enhancing family wealth value. Non-financial services covered eight premium lifestyle services, including Private Banking Business School (私人銀行商學院), Health Stewardship (健康管家), Business Travel Express (商旅通), Traveller (旅行家), Art Gallery (藝術館), Sports Fan (愛體育), Luxury (奢生活) and Clubhouse (俱樂部), which offered high-end services with exceptional quality.

During the reporting period, the private banking business of the Company was highly recognized in the industry. The Company published the Report on Private Banking in China 2012 (《2012中國私人銀行市場報告》) jointly with McKinsey & Company, which was covered by over 300 media around the world. The Company was named “China’s Best Private Bank with High Net Worth Customer Services” (中國最佳高淨值客戶服務私人銀行) by Euromoney. It also received awards such as the “Golden Shell Award of Most Potential Chinese Private Bank for 2011–2012” (2011–2012年度最具成長力中資私人銀行) from the 21st Century Business Herald, the “Annual Private Bank with the Best Brand Influence (最佳品牌影響力私人銀行) from China Business News, the “Outstanding Development and Contribution for Chinese Investors (LP)” (中國投資人 (LP) 發展卓越貢獻獎) from the Venture Capital Committee of the NDRC (發改委創業投資專業委員會), the “Best VC/PE Fund Raising Private Bank of China” (中國VC/PE基金募集最佳私人銀行) from the Zero2IPO Group and the “Best Private Bank” (最佳私人銀行) from Shanghai Securities News (《上海證券報》).

(IV) Treasury business

1. Transactions

In the reporting period, the transaction volume of RMB denominated bonds of the Company amounted to RMB3,297,096 million, ranking the fifth in the market. In 2012, forward settlement and RMB foreign exchange swap transaction volume also reached US\$146,077 million, representing an increase of 164.81% as compared with corresponding period of the previous year. The transaction volume of spot settlement and sales amounted to US\$217,036 million, representing a significant increase of 69.25% as compared with the corresponding period of the previous year.

2. Investments

As at the end of the reporting period, the balance of the Company's investments amounted to RMB247,166 million, representing an increase of 14.71% as compared with the end of the previous year. In 2012, the Company's debt securities assets were on a stable growth track. The Company increased the gain from



price differences of RMB debt securities investment through band operations based on accurate estimation of the domestic debt securities market trend. In addition, the Company sold part of its foreign currency denominated debt securities by taking advantage of the market price hike of international debt securities and effectively mitigated potential investment risk.

3. Wealth management

During the reporting period, the wealth management business of the Company strictly complied with all the relevant regulatory requirements. It focused on promoting the brand value of “Apex Asset Management” (非凡資產管理) by strengthening its asset management and positioning itself as Financial Stewardship. The Company strived to develop its business model as the “Smart Choice of Customer for Wealth Growth” (大智之選, 大有之道). It encouraged innovation of wealth management products for expanding its product portfolio. It also developed new sale channels to ensure the rapid growth of its wealth management business. In the reporting period, the size of wealth management products grew rapidly. The sales volume of new wealth management products launched was over RMB1 trillion, representing an increase of 42.88% as compared with the corresponding period of the previous year.

4. Trading in gold and other precious metals

In the reporting period, the Company’s trading volume of gold in the precious metals market (the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 176.41 tons, and the trading volume of silver amounted to 6,015.63 tons. In terms of on-floor trading value, the Company was the sixth largest dealer at the Shanghai Gold Exchange and also one of the most active proprietary dealers at the Shanghai Futures Exchange. During the reporting period, the Company leased 4 tons of gold to corporate customers, ranking seventh in the market. The outlook of further progress in the market remained positive.

(V) E-banking services

During the reporting period, the e-banking business of the Company grew rapidly. With the launch of mobile banking, the customer size of mobile banking increased rapidly. The e-banking business maintained its development and significantly reduced operating cost by mitigating workload of counters. It maintained the leading status in the inter-bank fund integration industry and the growth in the number of customer and fund integration was strong. All indicators of customer services of the Company remained at higher level than its peers. An “Online Banking Business Platform” (空中營業廳) was to be established to strengthen the sales capability of its electronic channels.

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1. Mobile banking

On 11 July 2012, the Company officially rolled out mobile banking applications with significant breakthroughs in functions, products, services and customer experience. Special services such as queue reservation at banking operating sites, inter-bank account management, inter-bank funds integration, money transfer by mobile phone



number and special wealth management product for mobile banking users outperformed its peers. In order to cater for the payment and settlement needs of MSE customers, the Company introduced the MSE mobile banking applications in mid December which offered featured functions such as centralized management of accounts, bulk transfer, salary payment and corporate administrative payment office. The service capability of MSE customer financial service was enhanced. With the introduction of the innovative two-dimensional barcode for convenient money collection and payment outside the bank, the Company became the first commercial bank in China to provide money collection and payment service through two-dimensional barcode via mobile banking. The number of customers and transaction volume had increased significantly since the launch of mobile banking applications. As at the end of the reporting period, the number of mobile banking customers reached 995,800 and the total turnover of the year amounted to RMB41,040 million. The Company was honored with the “2012 China’s Best Mobile Banking Award” (2012年中國最佳手機銀行獎) at the Annual Award Ceremony of China E-Banking (中國電子銀行年度金榜頒獎) by China Financial Certification Authority (中國金融認證中心) and the “2012 Best Mobile Bank” (2012年度最佳手機銀行) at the Fifth Golden Cup Awards (金爵獎) by the China Electronic Commerce Association (中國電子商務協會).

2. Online banking

As the Company continued to strengthen the innovation, application and promotion of online banking products, optimize functions of online banking products and launch marketing activities, the size of its customer base and transaction volume increased significantly. As at the end of the reporting period, the number of personal online banking customers was 4.8058 million. The number of transactions was 104.3468 million, representing an increase of 163.31% as compared with the corresponding period of the previous year, while the annual transaction turnover amounted to RMB5,734.305 billion, representing an increase of 71.52% as compared with the corresponding

period of the previous year. The number of corporate online banking customers was 244,900. The number of transactions was 17.4364 million, representing an increase of 52.18% as compared with the corresponding period of the previous year, while the annual transaction turnover amounted to RMB13,062.711 billion, representing an increase of 53.13% as compared with the corresponding period of the previous year. Online transaction replacement rate was 90.35%, representing an increase of 9.86 percentage points as compared with the corresponding period of the previous year. The number of transactions of online banking was 9 times that of the counters. The Company exerted efforts to promote wealth management products via electronic channels. The sales of wealth management products via electronic channels for the year amounted to RMB629.817 billion, representing an increase of 32.45% as compared with the corresponding period of the previous year. Of which, sales of personal wealth management business recorded over RMB590 billion, accounting for over 80% of the sales of the Company's personal wealth management business.

3. Inter-bank fund integration

Inter-bank fund integration is an original online banking product of the Company maintaining a leading position among its peers and is welcomed by customers. It also boosts payment and settlement of MSE customers. In 2012, the Company continued to develop its inter-bank fund integration business by introducing it to the new mobile banking applications, which further consolidated the leading status of the Company in inter-bank fund integration. It launched product promotion and marketing activities to promote products such as fund integration, mobile banking and online banking as a featured product package. It also introduced the e-banking businesses to commercial circles to provide integrated marketing and services to MSE customers. As at the end of the reporting period, 228,200 customers were involved in the transactions of inter-bank fund integration with a total amount of RMB179.715 billion, representing 5.8 times the fund integrated in 2011.

4. "95568" customer hotline service

The Company expedited the establishment of a new generation customer service system by applying new version of voice menu and introducing services including reservation of account opening, reservation of bulk cash withdrawal, wealth management agency and new version of online customer service for the MSE customers. The allocation of customer service structure was adjusted and remote hotline backup offices of the three call-in lines of "95568", "400" corporate customer hotline and "400" MSE customer hotline were established, which realized reasonable human resources allocation and enhanced peak capacity of the hotlines. The total incoming-calls through hotlines amounted to 37.78 million, among which 7.6224 million calls were manually answered, representing an increase of 47.50% as compared with the corresponding period of the previous year. The Company recorded customer satisfaction rate of 98.11%. The Company was awarded "Integrated Role Model Unit" (綜合示範單位獎) at the 2012 Election of Excellent Customer Service Centre (2012年度優秀客服中心評選) by the China Banking Association.

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In addition to improving call-in service, the Company also strengthened call-out service and contacted over 5.61 million customers in the year. According to its MSE customer strategy, the Company also set up a standardized “95568” after-sales service interview system to collect the feedback from MSE customers and enhance the effectiveness and efficiency in retaining customers. A total of 0.43 million after-sales service interviews were conducted in the year and the customer satisfaction rate was 98.83%. The Company continued the upgrade of “95568” customer hotline services by establishing stable relationship with the customers and introducing proactive services such as notification, birthday calls and product due date notices. It also launched targeted marketing of financial products to maximize value for customers. It contacted 2.80 million customers in total in the year. In addition, the Company conducted cold calls on fund, sales of wealth management products and electronic channel promotions for different types of customer. A total of 2.03 million customers were called in the year. A customer satisfaction survey and surveys on loss of VIP customers and Happy Payment (樂收銀) customers were carried out. A total of 0.35 million customers were surveyed in the year and over 0.03 million valid questionnaires were collected, which provided important evidence for decision making under scientific and meticulous management.

(VI) Investment analysis

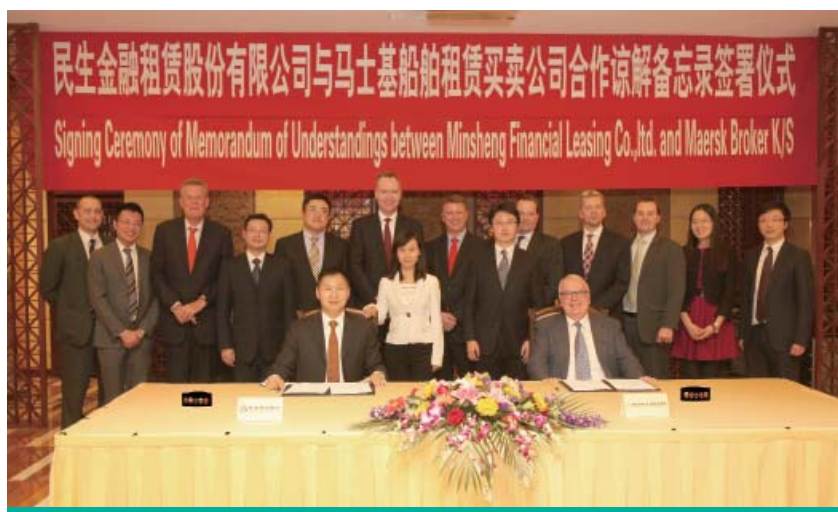
1. Equity investment

The equity interests of non-listed financial institutions held by the Group are as follows: The initial investment costs of China Unionpay amounted to RMB125 million and the carrying amount of audited available-for-sale financial assets as at the end of the reporting period was RMB125 million. In the reporting period, the Bank received RMB2.80 million cash dividend distribution from China Unionpay in 2011.

2. Operations and management of consolidated financial statements of major subsidiaries and investee companies

(1) Minsheng Leasing

Minsheng Leasing, one of the first five financial leasing companies in the banking sector approved by the State Council, was established in April 2008 with a registered capital of RMB5,095 million. 51.03% equity interest of Minsheng Leasing was held by the Company. As at the end of



the reporting period, the total assets and net assets of Minsheng Leasing amounted to RMB96,106 million and RMB8,492 million respectively. Net profit amounted to RMB1,221 million and return on average shareholders' equity was 15.49%. The capital adequacy ratio and NPL ratio were 10.24% and 0.47% respectively.

Minsheng Leasing has strived for “distinctive and efficient” development mode focusing on major featured businesses such as aviation and shipping. At present, it became the largest business jet leasing company in Asia and the largest ship leasing company in China. It boasts 118 various types of business jets and helicopters, 132 ships with a total deadweight capacity of 5.15 million tonnages, ranking top in the shipping leasing industry in China. It was rated “AAA” in the bond and issuer credit rating by professional credit rating authorities recognized by the PBOC. The business of Minsheng Leasing and the Company complemented each other with increasing coherence in terms of sharing customer base and synergic marketing. As such, the Company's integrated competitiveness was effectively improved.

The healthy and sustainable development of Minsheng Leasing received strong recognition from the industry. The awards it obtained included “The Best Financial Leasing Company of the Year” (年度最佳金融租賃公司) under the Chinese Financial Institutions Gold Medal List and Gold Dragon Prize 2012 (2012年中國金融機構金牌榜•金龍獎), “Financial Leasing Company Award in 2012” (2012年度金融租賃公司) by 21st Century Annual Finance Summit of Asia (21世紀亞洲金融年會), the “Best Financial Leasing Company for Industry Innovation” (最佳行業創新金融租賃公司) by CBN Financial Value Ranking (第一財經金融價值榜) (CFV) and the “Best Financing Channel Innovation for 2012 Marketing” (2012年度贏銷•最佳融資渠道創新獎) by China Marketing Ceremony (中國營銷盛典).

(2) Minsheng Fund

Minsheng Fund is a Sino-foreign fund management joint venture established in November 2008 under the approval of the CSRC. As at the end of the reporting period, according to the 12th meeting of the second session of the board of directors and relevant resolutions in the third shareholders' general meeting of Minsheng Fund of 2012, upon reporting to the CSRC and approval of the Ministry of Commerce of the PRC (Shang Wai Zi Zi Shen Zi [2008] No. 0296), the registered capital of Minsheng Fund increased from RMB0.2 billion to RMB0.3 billion. Capital contribution from the Company amounted to RMB70 million, representing an increase of its equity interest in Minsheng Fund from 60% to 63.33%. Minsheng Fund grasped the industry opportunities and obtained the approval of the CSRC to establish a wholly-owned subsidiary, Minsheng Royal Asset Management Co., Ltd. (民生加銀資產管理公司), which laid the foundation for commencing special asset management business and built up a diversified asset management platform for the Group.

As at the end of the reporting period, the size of asset managed under Minsheng Fund with a total of ten open-end funds and one closed-end fund amounted to RMB21,088 million, representing an increase of 308.21% as compared with the end of the previous year. In 2012, Minsheng Fund

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issued five public funds in total, with an initial offer of RMB24,495 million, and four special products, with an offer size of RMB362 million. Among which, the initial offer of Double Interest Credit (信用雙利), bonus reward (紅利回報) and currency fund (貨幣基金) ranked the first among the same type of funds. As at the end of the reporting period, the total assets and net assets of Minsheng Fund were RMB175 million and RMB151 million, respectively. Net profit was RMB10.5910 million.

According to statistics of Galaxy Securities Fund Research Centre (銀河證券基金研究中心), the ranking of Minsheng Fund in terms of total investment in 2012 increased from the bottom 10% in the previous year to the top 40% in the reporting period, representing a significant improvement of investment and research capacity. In particular, the funds of Minsheng Prosperity (民生景氣), Minsheng Choice (民生精選) and Minsheng Stability (民生穩健基金) outperformed other major funds. As at the end of the reporting period, Minsheng Fund ranked the 38th among 70 fund companies in China in terms of company size, representing an advancement of 17 places as compared with the end of the previous year.

Minsheng Fund was awarded the “New Fortune Most Insightful Fund Company Award” (新財富最具慧眼基金公司獎) by New Fortune (《新財富》) magazine, the “Golden Abacus Outstanding Contribution Award of 2012” (2012年金算盤突出貢獻獎) in the Eighth Annual Meeting of China’s Securities Market (第八屆中國證券市場年會) of Securities Daily and the “Fund Company of the Highest Growth Potential in 2012” (2012年最具成長性基金公司獎) in the Tenth China Finance and Economics Ranking. Minsheng Strong Bond Fund was rated as a five-star fund by Haitong Securities Financial Products Research Centre (海通證券金融產品研究中心) and Ji’an Financial Information (濟安金信).

(3) Minsheng township banks

Minsheng township banks are collectively referred to as the township banks initiated and established by the Company. Based on the management requirements of township bank of the Company, Minsheng township banks actively explored MSE and rural financial service models with local characteristics. As an effective extension of the Company’s business strategies for NSOEs and MSEs, it boosted market shares of the Company in various counties, villages and towns. The Company accelerated the establishment of township banks in the reporting period, with 9 Minsheng township banks set up in Yunnan, Shaanxi, Anhui and Zhejiang. As at the end of the reporting period, the Company established a total of 27 Minsheng township banks, balance of deposits and outstanding loans of which in aggregate were RMB15.572 billion and RMB10.673 billion, respectively. 18 township banks had satisfactory track record after operation for more than a year. Net profit after tax in aggregate amounted to RMB289 million, ranking the top in China.

In the reporting period, the Company further implemented the township bank development and management principle of “consolidated and standardized development, centralized risk control, sharing of resources and flexible operation with its own characteristics” of township banks, and prioritized risk control in township bank management. As at the end of the reporting period, assets quality of the township banks was satisfying.

(4) Management of consolidated financial statements

Pursuant to the Provisional Guidelines on Supervision over Consolidated Financial Statements of Banks (《銀行併表監管指引(試行)》), as at the end of the reporting period, the Company was responsible for the management of consolidated financial statements of 29 subsidiaries in total, including Minsheng Leasing, Minsheng Fund, and 27 Minsheng township banks. To meet regulatory requirements, prevent risks and improve the Group's management and control, the Company consolidated the financial statements of the 29 designated subsidiaries under the support of the Board and executives of the Bank.

1. The Company improved the regulations and rules on consolidated financial statements. The Company amended the Terms of Reference of Strategic Development and Investment Management Committee under the Board (《董事會戰略發展與投資管理委員會工作細則》) and the Measures on the Management of Consolidated Financial Statements (《併表管理辦法》) to specify the management duties, structures and the items of consolidated financial statements. The Measures on the Management of Consolidated Financial Statements are the general regulations and rules of the Company on the management of consolidated financial statements.
2. The Company developed a platform of consolidated financial statements management of the Group, which has been in service since early June. It covers four major areas of assets and liabilities, risks, finance and accounting and integrated information. Effective information exchange between the parent bank and its subsidiaries was ensured.
3. The Company established a comprehensive reporting system of consolidated financial statements management. In accordance with regulatory requirements, the Company issued the Provisional Reporting Rules on Consolidated Financial Statements Management of the Group (《集團併表管理報告制度(試行)》) which required regular report to the Board and senior management, and prepared and submitted the 2012 Interim Report on Consolidated Financial Statement Management of the Group (《關於集團併表管理的2012年半年度報告》) to the regulatory authorities, the Board and senior management.
4. The Company conducted performance evaluation on the management of consolidated financial statements. The Company formulated the Rules on the Assessment of Consolidated Financial Statements Management (《併表管理考核實施細則》), which required assessment on the consolidated financial statements management at relevant management departments and subsidiaries. The assessment of consolidated financial statement management in 2012 will be completed by the first quarter of 2013.

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5. The Company strengthened the implementation of requirements on the management of consolidated financial statements by subsidiaries. To ensure the full implementation of consolidated financial statements management, the Company advised subsidiaries to submit the Proposal on Implementation of Consolidated Financial Statements Management of the Group by Subsidiaries of Minsheng Bank (《關於民生銀行附屬機構落實集團併表管理工作要求的議案》) to their respective boards of directors for consideration.
6. The Company organized training on consolidated financial statements management. The Company organized two training programs on consolidated financial statements management explaining the relevant overview, requirements and issues related to finance, risks and capital, which proved to be successful.

3. Use of proceeds

On 26 March 2012, the Company completed the additional issuance of overseas listed foreign shares (H shares), which was approved for listing and trading by the Hong Kong Stock Exchange on 29 March. The shares were successfully listed and the proceeds were settled on 2 April. The offer price was HKD6.79 per share and the number of share in issue was 1,650,852,240. The total proceeds were approximately HKD11,209 million (equivalent to approximately RMB9,087 million) and the total proceeds net of issue expenses were approximately HKD11,114 million (equivalent to approximately RMB9,005 million). The amount of the above total proceeds net of issue expenses was used to supplement the working capital of the Company for business development.

X. Risk Management

The guiding principle of the Company's risk management regime is "creating value by managing risks" (風險管理創造價值). Its risk management system focuses on coordinated growth on quality, effectiveness and scale. The objective of the risk management of the Company is to enhance its risk management capability by actively promote the joint implementation of Basel II and Basel III and the establishment of a comprehensive risk management system, to support its business development and strategic transformation, to strengthen its core competitiveness, to safeguard the long term interests of its employees and customers so as to maximize its shareholders value.

(I) Credit risk

Credit risk is the risk that a borrower or a counterparty defaults in making repayments in full amount in a timely manner for whatever reasons. Under the coordination of the Risk Management Committee, the Risk Management Department, Credit Assessment Department, Asset Monitoring and Control Department, Legal Affairs and Compliance Department and Asset Custody Department jointly developed a risk management system based on the Bank's credit policy and technical support platform. The system covers the procedures of pre-approval investigation, approval review,

post-loan management, collection and preservation of collaterals. Credit risks of on and off-balance sheet businesses are also strictly controlled.

At the beginning of the year, the Company issued its 2012 Guiding Opinion on Risk Policy (《2012年風險政策指導意見》), pursuant to which, the Company formulated its basic policy direction of “developing distinctive businesses, facilitating integration, restructuring, preventing risks, consolidating foundation and maintaining steady development” in connection with the need of strategic transformation of the Company according to the comprehensive and systematic analysis and forecast of the economic and financial trend of the world and China in 2012 as well as major risks in the macro-economic and financial functioning and the impacts on the Company contained thereto. The guiding opinion specified the minimum criteria for approval as bottom line and established a policy system covering issues relating to industries, regions, products and customers based on the rating of different industries and regions. The Company explored business opportunities with special regional industries, further optimized its business structure and strengthened its financial product innovation. By strictly preventing various operational risks, it ensured the sustainable, healthy and smooth development of all lines of businesses.

In the reporting period, substantive progress was made in the establishment and application of credit risk internal rating system. The rating and credit limit management system of non-retail customers such as legal persons of corporations and financial institutions, had been in use for two years, and fully complied with the requirement of “Rating before granting credit” (先評級、後授信). The rating results were gradually applied in the entire risk management processes including formulation of risk policies, credit limit management, risk authorization, credit assessment, loan pricing and economic capital management. The development of a debt rating model as well as relevant policy system was successfully completed and has commenced operation. A full-life cycle rating model and pool separation system covering MSEs, credit card and traditional retailing businesses were established. Its IT development was also in good progress. The establishment and application of the above risk measurement tools effectively enhanced the level of credit risk management of the Bank.

(II) Liquidity risk

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds at reasonable costs in a timely manner to cope with increase in assets or fund debt obligations despite its ability to settle the debt. In 2012, the Company’s objective in liquidity risk management was to ensure that it would be able to sufficiently identify, effectively measure, continuously monitor and appropriately control its liquidity risk to strike a balance between risk and income in accordance with its business development strategy. At the beginning of the year, the Company confirmed that the liquidity risk resistance capacity for the year should remain at a relatively stable level and the capital usage efficiency should be improved under acceptable risk exposure level with appropriate expansion of maturity mismatch limit.

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In 2012, the Company further improved its liquidity management system and process, refined current asset and debts portfolio liquidity management and cash flow limit management. It continued to introduce new management measures and methods. Subject to effective risk control, the Company enhanced efficiency of capital deployment and expedited the rapid development of its treasury business. During the year, it established a liquidity monitoring system for daily, weekly, monthly and quarterly risk identification to provide early warning in a timely manner. As such, the Company can promptly adopt relevant measures and effectively monitor and prevent potential liquidity risk. The Company optimized the daily cash management allocation process by leveraging the capital management system and internal communication platform, in an aim to make cash allocation management more efficient and flexible to enhance daily liquidity control efficiency.

(III) Market risk

Market risk refers to the risk of market changes having adverse effects on the values of assets and liabilities or the net income. The Company manages its interest rate risk, exchange rate risk and precious metal transaction risk in accordance with the requirements of the Guidelines of Market Risk Management (《市場風險管理指引》), the Guidelines of Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Guidelines of Stress Tests of Commercial Banks (《商業銀行壓力測試指引》), and the Guidelines of Fair Value Supervision of Commercial Banks (《商業銀行公允價值監管指引》) promulgated by the CBRC and based on the rules of Basel II and Basel III. The Company has also established and further improved a management system for market risks through regulating, monitoring and reporting measures to govern authorization, credit extension and risk limit of credit.

Interest rate risk is the major market risk in connection with banking accounts. The Company periodically measures the interest rate sensitivity gap position to assess the interest rate exposure. The Company further evaluates the effect of interest rate change on net interest income and net value of the Company under different scenarios.

The Company measures the interest rate risk of its trading accounts by using duration analysis, sensitivity analysis, stress test, risk value and scenario analysis. The Company effectively controls the interest rate risk of its transaction accounts by establishing risk limit in respect of sensitivity, duration, exposure and stop-loss, etc. As the measurement of the risk of trading accounts was improved and in view of the development of trading business, the Company optimized and adjusted the risk approval procedures of trading accounts in 2012 to allow the risk limit and approval procedures to be more effective in market risk control and management.

The Company measures the exchange rate risk mainly by using foreign exchange exposure analysis, sensitivity analysis, stress test and risk value. The foreign exchange exposure of the Company comprises structural exposure and trading exposure. Structural exposure arises from

mismatch of capital, assets against liabilities and unavoidable foreign exchange position such as foreign currency profits. Trading exposure arises mainly from exchange exposure formed under foreign currency business (including bullion).

The Company endeavours to match amounts and duration of loans denominated in different currencies to control structural exposure of foreign exchange in its business operations. Mismatch may be hedged in the foreign exchange market when necessary. With respect to exchange rate risks arising from structural exposure of capital denominated in foreign currencies, the value of such capital can be maintained and enhanced by increasing the utilization of foreign currencies. With respect to trading exposure in foreign exchange transactions, the Company mitigates exchange rate risks by establishing exposure limits and stop-loss limits.

(IV) Operational risk

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

In 2012, under the opportunity of jointly implementing Basel II and Basel III, the Company further improved operational risk management framework and system, and strengthened overall operational risk management in terms of policies, tools and system for better operational risk management efficiency. In the reporting period, the major duties included: (1) formulating and implementing policies and measures, namely Operational Risk Management System of China Minsheng Banking Corp., Ltd. (《中國民生銀行操作風險管理制度》), Measures on Management of Outsourcing Risk of China Minsheng Banking Corp., Ltd. (《中國民生銀行外包風險管理辦法》) and Provisional Measures on Operational Risk Monitoring and Capital Measurement (《中國民生銀行操作風險監管資本計量管理辦法(試行)》); (2) applying advanced operational risk management tools to identify, evaluate, control and monitor risks, preparing user guide of operational risk management tools and providing guidance on the usage of tools; (3) establishing overall operational risk management system throughout the Bank to standardize and computerize all procedures of operational risk management in order to enhance the efficiency of operational risk management; (4) in terms of the key business such as SME finance, organizing operational risk check to strengthen daily management of the operational risk and to prevent and pre-control significant operational risks; and (5) organizing operational risk management training for all units of the Bank so as to enhance their awareness of operational risk management and cultivate good operational risk management culture.

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In terms of IT risk management, in 2012, the Bank completed the reform of IT management and control model and achieved vertical management to facilitate the integrated management and allocation of its IT resources. The Risk Management Committee designated risk directors to the IT Development Department for assisting and supervising IT risk management. The Bank set long-term IT development targets and major directions and targets for the coming three years. The new core system successfully went live in one branch and will be applied in all others accordingly to strongly improve its IT core competitiveness and IT management level. The Company further implemented the establishment of “three centres in two locations” (Production and data centre, intra-city backup centre for disaster recovery and inter-city emergency backup centre for disaster recovery) to strengthen its continuous risk prevention. The establishment of IT risk management system was further improved and streamlined to enhance its risk monitoring and control. The implementation of different risk management measures ensured safe operation of production system and no operation accident was recorded throughout the year.

(V) Anti-money laundering

During the reporting period, the Company adhered to the mission of “risk prevention and value enhancement” in carrying out anti-money laundering work. It strictly implemented customer identification as the foundation and focused on detecting suspicious transactions and improving the quality of suspicious transaction reports. Together with its employee and customer risk assessment measures, the Company made outstanding achievements in anti-money laundering work. Its successful experiences were introduced as an outstanding example at a meeting of the PBOC. At the award ceremony of financial institutions in China, four subsidiaries of the Company were honored as the “National Advanced Collective for Anti-Money Laundering” (全國反洗錢工作先進集體) and seven employees as the “Outstanding Anti-Money Laundering Individuals in China” (全國反洗錢先進個人), and 13 branches were granted the highest grade in a comprehensive assessment by local anti-money laundering administrative authorities.

Firstly, the Company enhanced its leadership organization structure by appointing new members for its anti-money laundering leader panel. Secondly, the customer identification system was optimized with the application of credit institution code and the establishment of relevant administrative measures. Thirdly, the Company enhanced the anti-money laundering management of township banks through surveys and training and formulated the administrative measures and guideline on anti-money laundering for township banks. Fourthly, the Company reinforced the guidance on anti-money laundering for employees. Anti-money laundering manuals of different standards were issued as guidance for staffs according to their positions. Fifthly, the Company encouraged and guided branches to carry out innovative anti-money laundering initiatives through guidance in the forms of circulars, key work instructions for different phases and risk warnings. As such, successful innovative initiatives were launched in various branches. Sixthly, the Company conducted money laundering risk assessments on staff and customers on a quarterly basis to prevent money laundering risks. Seventhly, the expertise of its anti-money laundering team was further enhanced. As at the end of 2012, a total of 1,803 employees of the Company were

qualified to carry out anti-money laundering duties while 2,650 employees obtained the elementary qualifications for conducting anti-money laundering work from the PBOC. The Company also established an anti-money laundering expert group consisting of 50 members with 18 research papers published in journals of the PBOC in 2012. Eighthly, the Company optimized its anti-money laundering system with over 90 maintenance projects completed. Ninthly, the Company was selected by the PBOC under a pilot scheme to report large sums and suspicious transactions, laying a solid foundation for the improvement of its anti-money laundering efficiency and prevention of money laundering risks in 2013.

XI. Prospects and Measures

(I) Industrial competition and development trend

In 2013, global economic recovery will still be restrained by various uncertain factors such as the Euro zone economic crisis, U.S. financial problems and slowdown of economic growth in major developing countries. Under its prudent monetary policy and proactive financial policy, the Chinese economy will maintain its growth on a steady and progressive basis under “four new aspects of modernization”, especially urbanization. China has begun to implement the “12th Five-Year Plan” and accelerated its economic and financial reforms. Financial regulations will be improved while competitions among financial institutions will be intensified. In general, the banking industry will face both opportunities and challenges.

(II) Development Strategies

In 2013, the Company will fully implement the second Five-Year Development Outline. To become a “distinctive and effective bank and achieve three specific positioned targets”, the Company will strive for “six areas of advancement” by taking advantage of the economic conditions through reforms and innovation and accelerating the transformations of its operation and management. Targeting at MSEs, freeing up two wings, the Company will focus on all three main strategic businesses to pursue a synergistic breakthrough. It will seek to control costs, increase returns and control risks to ensure healthy development of each business and lay a solid foundation for the strategic transformation under its “Second Take-off”. Specific measures are as follows:

Firstly, the Company will improve corporate governance by optimizing governance structure and operation mechanism. According to the latest progress of its corporate governance and relevant policies and regulations, the Company will capitalize on its experience and existing practices to refine the regulations, procedures and mechanisms related to corporate governance, such as the Articles of Association of the Company and the rules of procedures. It will specify the functions of the shareholders’ meeting, the Board, the Supervisory Board and the senior management and prepare the standardized corporate governance manual to further enhance corporate governance in a regulated and normative manner.

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Secondly, based on the second Five-Year Development Outline, the Company will further unify its operation concepts and lead all works of the Bank by implementing the closed-loop procedures of planning, division, supervision, assessment and evaluation to ensure their smooth implementation of strategic initiatives.

Thirdly, focusing on MSEs, the Company will create a distinctive financial service model through the combination of industry chain and traditional retail business. For MSE financial services, the Company will speed up the business transformation of branches and sub-branches and the establishment of credit factories. It will manage customers by levels and will further improve the services for urban cooperatives services to maintain its competitive edges. Financial Stewardship service models and products and services for NSOEs will be enhanced. The Company will also strengthen and improve private banking business through product and service innovation. In addition, to coordinate its three major strategies, the Company will further optimize its cross-selling and services based on its enhanced understanding of customers.

Fourthly, the Company will comply with regulatory requirements to prevent risks. The Company will enhance risk management and the establishment of overall risk management system. The Company will conduct further studies on featured businesses and carry out innovation of assessment models to meet the needs of business on a batch and distinctive basis. The Company will carry out early-stage risk control and will strengthen risk management of the entire operation process. It also will assess risks of key areas and key businesses in advance and improve asset monitoring and disposal to ensure asset quality.

Fifthly, the Company will prudently carry out reform programs to further enhance the process-based banking establishment. Various reform measures will be implemented effectively to facilitate the transformation of SBU into a “Financial Stewardship team with quasi-corporation nature, professional operations and integrated financial resources”. Operation and service models of featured SBUs in culture, modern agriculture and stone materials will be summarized and consolidated. The Company will continue to optimize the investment banking management system to bring its characteristics of “commercial bank plus investment bank” into full play. Centralized operation reform programs will be steadily promoted for lower costs and higher efficiency.

Sixthly, the Company will strengthen its management and coordination to further improve resources allocation efficiency. The deposit size will maintain steady growth with optimized structure. The Company will make full use of its existing loans under flexible internal arrangements. Capital consumption will be reduced to improve capital allocation efficiency and returns. The Company will also enhance its input-output management by manage expenses on a standardized and dynamic basis. Integration and investment of resources will be coordinated to create communal platforms for customer cultivation, IT application and channel expansion.

Seventhly, the Company will refine its management to establish an efficient strategic implementation system. Based on the going live of the new core banking system, the Company will accelerate its system upgrade and reformation to build an integrated resources and data sharing platform. System building and supervision and evaluation management will be enhanced to establish an incentive system of the new era. With optimized innovation management, its successful practices will be applied in its production. The Company will also promote the application of the three major strategic management tools to put its concepts into practice.

Eighthly, the Company will strengthen its soft power construction to facilitate its strategic transformation. Adhering to the core concept of the “six areas of advancement”, the Company will enhance the establishment of grass-root party organizations, teams, corporate culture and brand to further develop the culture of Minsheng homeland.

(III) Potential risks

In the face of opportunities and challenges in 2013, China’s overall economy is likely to recover. External environment will remain complicated with various existing and new risk factors, bringing new challenges to its overall risk management.

The future slowdown of China’s economic growth and the changes of the external economic environment will bring up new requirements to the asset quality management of the Company. For example, MSE customer risks may expand during the economic recovery. Risks for loans to industries under austerity macro-economic control or industries with excessive production capacity, such as real estate, steel, photovoltaic, automobiles and ship manufactory industries, will remain. There will be a significant increase in indirect financing vehicles for platform loans. The Company will continue to strengthen the pre-approval review, approval review and post-loan management through prior planning and careful deployment, in an aim to control the asset quality of existing loans. The Company will also cautiously extend new loans and further improve risk management capability.

Due to impact of interest rate liberalization and the financial disintermediation, commercial banks are competing for SME and MSE loans with a decreasing resource of quality retail customers. In order to ensure the development of retail banking as its strategic business, the Company will focus its risk management on strengthening differentiated risk control over MSE businesses and improving the orientation and risk management and control capability of its MSE businesses in 2013. Besides, the Company will deepen its SBU reform. With optimized risk structure, enhanced specialization of risk management and professionalized risk management team, the Company is expected to achieve all targets of reform smoothly.

Changes in Share Capital and Information on Shareholders

I. Changes in Shares

(I) Changes in shares:

(Unit: Share)

	31 December 2011		Changes over the reporting period (+,-)		31 December 2012	
	Number of shares	Percentage (%)	Issue of new shares	Release of restriction on sales	Number of shares	Percentage (%)
I. Shares subject to restriction on sales	—	—	—	—	—	—
1. State-owned shares	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—
Of which:	—	—	—	—	—	—
Domestic legal person shares	—	—	—	—	—	—
Domestic natural person shares	—	—	—	—	—	—
4. Foreign investor shares	—	—	—	—	—	—
Of which:	—	—	—	—	—	—
Overseas legal person shares	—	—	—	—	—	—
Overseas natural person shares	—	—	—	—	—	—
II. Shares not subject to restriction on sales	26,714,732,987	100	—	—	28,365,585,227	100
1. Ordinary shares in RMB	22,587,602,387	84.55	—	—	22,587,602,387	79.63
2. Domestic listed foreign invested shares	—	—	—	—	—	—
3. Overseas listed foreign invested shares	4,127,130,600	15.45	1,650,852,240	—	5,777,982,840	20.37
4. Other	—	—	—	—	—	—
III. Total number of shares	26,714,732,987	100	1,650,852,240	—	28,365,585,227	100

(II) Shares subject to restriction on sales and restrictions

During the reporting period, no shareholder of the Company held shares subject to restriction on sales.

II. Sufficiency of Public Float

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

III. Issuance and Listing of Securities

(I) Issuance of securities in the three years immediately before the end of the reporting period

The Company successfully issued additional overseas-listed foreign-invested shares (H shares) on 26 March 2012 and obtained approval for listing and trading from the Hong Kong Stock Exchange on 29 March. On 2 April, the shares were listed and the proceeds were settled. A total of 1,650,852,240 shares were issued at an issue price of HKD6.79 per share. The total proceeds was approximately HKD11,209 million (equivalent to approximately RMB9,087 million) and the total net proceeds, net of expenses of issue, amounted to approximately HKD11,114 million (equivalent to approximately RMB9,005 million).

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

During the reporting period, the Company issued additional 1,650,852,240 H shares and the proportion of overseas-listed foreign-invested shares increased from 15.45% as at the beginning of the year to 20.37%, while the proportion of RMB ordinary shares decreased from 84.55% as at the beginning of the year to 79.63%.

(III) During the reporting period, the Company had no employee shares

IV. Issuance of Financial Bonds, Subordinated Bonds and Hybrid Capital Bonds

Pursuant to the approval by the PBOC in its administrative permission (Yin Shi Chang Zhun Yu Zi [2006] No.3) and the approval by the CBRC (Yin Jian Fu [2006] No. 18), financial bonds with a total of RMB22,000 million were issued by the Company through a public offering in the interbank bond market in two instalments in 2006 and 2007 respectively. Of which, the financial bonds totalling RMB10,000 million at a fixed interest rate of 2.88% for a term of three years were issued in 2006. As at 22 May 2006, proceeds from the RMB10,000 million financial bonds, net of expenses of issuance, were fully credited to the account of the Company, and this public offering was thus completed. As at 22 May 2009, the RMB10,000 million financial bonds issued in 2006 were due and repaid in full.

The financial bonds totalling RMB12,000 million were issued in 2007, of which the financial bonds of RMB6,000 million for a term of three years and the financial bonds of RMB6,000 million for a term of five years were not redeemable by the issuer before expiry. These bonds had floating interest rates and the par interest rate per annum was based on the sum of a benchmark interest rate plus a basic spread. The benchmark interest rate was the one-year deposit rate on the

Changes in Share Capital and Information on Shareholders

previous interest payment date, as published by the PBOC. The initial interest rate and the current benchmark interest rate of the three-year floating interest rate financial bonds were 3.67% and 3.06% respectively, with an initial basic spread of 0.61%. The value date of the financial bonds was 22 June 2007 and the expiry date fell on 22 June 2010. The interests were paid on an annual basis. The initial interest rate and the current benchmark interest rate of the five-year floating interest rate financial bonds were 3.82% and 3.06% respectively, with an initial basic spread of 0.76%. The value date of the financial bonds was 22 June 2007 and the expiry date fell on 22 June 2012. The interests were paid on an annual basis. As at 22 June 2007, the proceeds from the RMB12,000 million financial bonds, net of expenses of issue, were fully credited to the account of the Company, and this issuance was thus completed. As at 22 June 2010, the RMB6,000 million financial bonds of the Company issued in 2007 for a term of three years were due and repaid in full. As at 22 June 2012, the RMB6,000 million financial bonds of the Company issued in 2007 for a term of five years were due and repaid in full.

Pursuant to the approval by the PBOC (Yin Fu [2005] No.112) and the approval by the CBRC (Yin Jian Fu [2005] No.309), the Company issued subordinated bonds totalling RMB1,400 million at fixed interest rate for a term of 10 years through a private placement in the interbank bond market. Such bonds are redeemable at the discretion of the issuer at the end of the fifth year, with an initial interest rate of 3.68%. If the Company does not exercise any redemption option at the end of the fifth year, the interest rate for the remaining five years would be increased by 300BP on top of the initial interest rate applicable to the first five years, and the interests are paid on an annual basis. As at 26 December 2005, the proceeds from the RMB1,400 million subordinated bonds, net of expenses of issue, were fully credited to the account of the Company, and this private placement was thus completed. According to applicable rules, these proceeds of RMB1,400 million were fully accounted as supplementary capital of the Company. On 23 December 2010, the Company exercised the early redemption option to redeem the subordinated bonds of RMB1,400 million in full.

Pursuant to the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2006] No.27) and the approval by the CBRC (Yin Jian Fu [2006] No.80), the Company issued a total of RMB4,300 million hybrid capital bonds for a term of 15 years through a public offering in the interbank bond market. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the tenth year but before the maturity date of the bonds. The bonds comprised fixed rate bonds and floating rate bonds. The fixed rate bonds amounted to RMB3,300 million and were issued at an initial interest rate of 5.05% and the interest rate for the remaining five years will increase by 300BP on top of the initial interest rate applicable to the first ten years if the Company does not exercise any redemption option. The floating interest rate bonds amounted to RMB1,000 million and the par interest rate per annum was based on the sum of a benchmark interest rate plus a basic spread. The benchmark interest rate was the one-year deposit rate published by the PBOC and the initial basic spread was 2%. If the Company does not exercise the early redemption option, an extra premium of 100BP will apply to

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the basic spread on a year-on-year basis from the 11th interest payment year. As of 28 December 2006, the proceeds from the RMB4,300 million hybrid capital bonds, net of expenses of issue, were fully credited to the account of the Company and this issue of bonds was thus completed. According to applicable rules, these proceeds of RMB4,300 million were fully accounted as supplementary capital of the Company.

Pursuant to the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2009] No.8) and the approval by the CBRC (Yin Jian Fu [2009] No.16), the Company issued a total of RMB5,000 million hybrid capital bonds for a term of 15 years through a public offering in the interbank bond market. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the 10th year but before the maturity of the bonds. The bonds comprised fixed interest rate bonds and floating rate bonds. The fixed interest rate bonds, amounting to RMB3,325 million, were issued at an initial interest rate of 5.70% and the interest rate for the remaining five years will increase by 300BP on top of the initial interest rate applicable to the first ten years if the Company does not exercise any redemption option. The floating interest rate bonds amounted to RMB1,675 million and the par interest rate per annum was based on the sum of a benchmark interest rate plus a basic spread. The benchmark interest rate was the one-year deposit rate published by the PBOC and the initial basic spread was 3%. If the Company does not exercise the early redemption option, an extra premium of 300BP will apply to the basic spread on a year-on-year basis from the 11th interest payment year. As of 26 March 2009, proceeds from the RMB5,000 million hybrid capital bonds, net of expenses of issue, were fully credited to the account of the Company and this issue of bonds was thus completed. According to applicable rules, these proceeds of RMB5,000 million were fully accounted as supplementary capital of the Company.

Pursuant to the approval by the CBRC (Yin Jian Fu [2004] No.159) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2010] No.31), the Company issued another batch of revolving subordinated bonds at fixed interest rate totalling RMB5,800 million through a public offering in the interbank bond market. These subordinated bonds were issued for a term of ten years and the interests were paid on an annual basis. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of the bonds. The initial interest rate was 4.29% and the interest was paid on an annual basis. As of 17 June 2010, the proceeds from the RMB5,800 million subordinated bonds, net of expenses of issue, were fully credited to the account of the Company and thus this issue of bonds was completed. According to applicable rules, the proceeds from RMB5,800 million were fully accounted as supplementary capital of the Company.

Pursuant to the approval by the CBRC (Yin Jian Fu [2010] No.625) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2011] No.64), the Company

Changes in Share Capital and Information on Shareholders

issued a total of RMB10,000 million subordinated bonds at fixed interest rates through a public offering in the interbank bond market. The interests were paid on an annual basis. The subordinated bonds were issued for a term of 10 years and 15 years respectively. The 10-year bonds, amounting to RMB6,000 million, were issued at the nominal interest rate of 5.50% while the 15-year bonds, amounting to RMB4,000 million, were issued at the nominal interest rate of 5.70%. These subordinated bonds granted the issuer a one-off early redemption option, that is, subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of the 10-year bonds or after the expiry of the tenth year but before the maturity date of the 15-year bonds. The exercise of the early redemption option by the issuer is not subject to the consent of bond holders. As of 28 March 2011, the proceeds from the RMB10,000 million subordinated bonds, net of expenses of issue, were fully credited to the account of the Company and this issue of bonds was thus completed. According to applicable rules, these proceeds of RMB10,000 million were fully accounted as supplementary capital of the Company.

Pursuant to the approval by the CBRC (Yin Jian Fu [2011] No.480) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2011] No.119), the Company issued special financial bonds for MSEs with a total amount of RMB50,000 million in the interbank bond market in two instalments in February and May 2012, respectively, and applied all the proceeds from the issuance for supporting loans to MSEs. Of which, the first instalment of the financial bonds of China Minsheng Banking Corp., Ltd. in 2012 of RMB30,000 million was issued in February 2012 with five-year fixed interest rate at the nominal interest rate of 4.30%. The interest was paid on an annual basis. As of 14 February 2012, the proceeds from the RMB30,000 million financial bonds, net of expenses of issuance, were fully credited to the account of the Company. The second instalment of the financial bonds of China Minsheng Banking Corp., Ltd. in 2012 of RMB20,000 million was issued in May 2012 with five-year fixed interest rate at the nominal interest rate of 4.39%. The interest was paid on an annual basis. As of 10 May 2012, the proceeds from the RMB20,000 million financial bonds, net of expenses of issuance, were fully credited to the account of the Company and thus the issuance of RMB50,000 million special financial bonds for MSEs was completed.

V. Shareholders

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

(Unit: share)

Total number of shareholders at the end of the reporting period	691,909
Total number of shareholders at the end of the fifth trading day prior to the disclosure of the annual report (22 March)	644,921

Particulars of shareholdings of the top ten shareholders

Name of shareholders	Type of shareholder	Shareholdings	Shares	Shares subject to restriction on sales
HKSCC Nominees Limited	/	20.22%	5,735,573,544	—
New Hope Investment Co., Ltd.	Domestic legal person	4.70%	1,333,586,825	—
China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001, SH	Domestic legal person	4.06%	1,151,307,314	—
China Shipowners Mutual Assurance Association	Domestic legal person	3.19%	905,764,505	—
Orient Group Incorporation	Domestic legal person	3.13%	888,970,224	—
Shanghai Giant Lifetech Co., Ltd.	Domestic legal person	2.85%	809,600,038	—
China SME Investment Co., Ltd.	Domestic legal person	2.60%	737,955,031	—
China Oceanwide Holdings Group Co., Ltd.	Domestic legal person	2.46%	698,939,116	—
South Hope Industrial Co., Ltd.	Domestic legal person	1.97%	558,306,938	—
Fuxin Group Co., Ltd.	Domestic legal person	1.94%	550,151,500	—

Changes in Share Capital and Information on Shareholders

Shareholdings of top ten holders of shares not subject to restriction on sales		
Name of shareholders	Shares not subject to restriction on sales	Classes of shares
HKSCC Nominees Limited	5,735,573,544	Overseas listed foreign invested shares (H shares)
New Hope Investment Co., Ltd.	1,333,586,825	Ordinary shares dominated in RMB
China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001, SH	1,151,307,314	Ordinary shares dominated in RMB
China Shipowners Mutual Assurance Association	905,764,505	Ordinary shares dominated in RMB
Orient Group Incorporation	888,970,224	Ordinary shares dominated in RMB
Shanghai Giant Lifetech Co., Ltd.	809,600,038	Ordinary shares dominated in RMB
China SME Investment Co., Ltd.	737,955,031	Ordinary shares dominated in RMB
China Oceanwide Holdings Group Co., Ltd.	698,939,116	Ordinary shares dominated in RMB
South Hope Industrial Co., Ltd.	558,306,938	Ordinary shares dominated in RMB
Fuxin Group Co., Ltd.	550,151,500	Ordinary shares dominated in RMB
Statement on the related relationship or concert actions among the aforesaid shareholders	Both New Hope Investment Co., Ltd. and South Hope Industrial Co., Ltd. are controlled by New Hope Group Co., Ltd.. The Company is not aware of any other related relationship among the shareholders.	

Note: The number of shares held by H-share holders was recorded in the Register of Members as kept by the H Share Registrar of the Bank.

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

As at 31 December 2012, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware:

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,891,893,763	1 & 4	8.38	6.67
New Hope Liuhe Co., Ltd. (formerly known as: Sichuan New Hope Agri-Business Co., Ltd.)	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,333,586,825*	1	5.90	4.70
New Hope Investment Co., Ltd.	A	Long	Beneficial Owner	1,333,586,825*	1	5.90	4.70
Li Wei	A	Long	Interest held by the corporation controlled by the spouse of this substantial shareholder	1,891,893,763	2 & 4	8.38	6.67
Liu Chang	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,891,893,763	3 & 4	8.38	6.67
Morgan Stanley	H	Long	Interest held by the corporation controlled by this substantial shareholder	379,871,369	5	6.57	1.34
		Short	Held by the corporation controlled by this substantial shareholder	350,801,062	5	6.07	1.24
BlackRock, Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	545,797,454	6	9.45	1.92
		Short	Held by the corporation controlled by this substantial shareholder	86,940,340	6	1.50	0.31

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Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
UBS AG	H	Long	Beneficial Owner	318,208,754			
		Long	Person having a security interest	14,462,000			
		Long	Interest held by the corporation controlled by this substantial shareholder	7,560,620			
				<hr/>			
				340,231,374	7	5.89	1.20
		Short	Beneficial Owner	166,960,533			
		Short	Held by the corporation controlled by this substantial shareholder	5,576,000			
				<hr/>			
				172,536,533	7	2.99	0.61
	JPMorgan Chase & Co.	H	Long	Beneficial Owner	44,025,036		
Long			Investment Manager	384,285,500			
Long			Custodian	154,129,770			
				<hr/>			
		Short	Beneficial Owner	582,440,306	8	10.08	2.05
			7,449,000	8	0.13	0.03	
Citigroup Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	342,816,212			
		Long	Custodian	148,791,570			
		Long	Person having a security interest	37,524,000			
				<hr/>			
				529,131,782	9	9.16	1.87
	Short	Held by the corporation controlled by this substantial shareholder	400,311,107	9	6.93	1.41	
Vogel Holding Group Limited	H	Long	Beneficial Owner	342,079,500*	10 & 11	5.92	1.21
		Short	Beneficial Owner	37,600,000	10 & 11	0.65	0.13

Changes in Share Capital and Information on Shareholders

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
Shi Jing	H	Long	Interest held by the corporation controlled by this substantial shareholder	342,079,500*	10 & 11	5.92	1.21
		Short	Held by the corporation controlled by this substantial shareholder	37,600,000	10 & 11	0.65	0.13
Fosun International Limited	H	Long	Beneficial Owner	254,316,500*			
		Long	Interest held by the corporation controlled by this substantial shareholder	104,015,500			
				358,332,000*	12 & 13	6.20	1.26
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation controlled by this substantial shareholder	358,332,000*	12 & 13	6.20	1.26
Waddell & Reed Financial, Inc.	H	Long	Investment Manager	406,493,740	14	7.04	1.43

* As far as the Company is aware, the above numbers of shares reflected the interests and short positions of the relevant substantial shareholders as at 31 December 2012. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Notes:

- The 1,891,893,763 A shares comprised 558,306,938 A shares directly held by South Hope Industrial Co., Ltd. and 1,333,586,825 A shares directly held by New Hope Investment Co., Ltd.. South Hope Industrial Co., Ltd. was wholly-owned by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. New Hope Group Co., Ltd. held 45.7% of the issued share capital of New Hope Liuhe Co., Ltd.

According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 558,306,938 A shares held by South Hope Industrial Co., Ltd. and in the 1,333,586,825 A shares held by New Hope Investment Co., Ltd.. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,333,586,825 A shares held by New Hope Investment Co., Ltd..
- Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,891,893,763 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this annual report in the section headed "Interests or Short Positions of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
- Ms. Liu Chang held 36.35% of the issued share capital of New Hope Group Co., Ltd. (see note (1) above). According to the SFO, Ms. Liu was deemed to have interests in the 1,891,893,763 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).
- The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 1,891,893,763 A shares, as set out in the above table, were from the same block of shares.

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5. Morgan Stanley had a long position in 379,871,369 H shares and a short position in 350,801,062 H shares of the Company by virtue of its control over the following corporations:
- 5.1 Morgan Stanley & Co. International plc., an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 294,936,987 H shares and a short position in 266,123,410 H shares of the Company.
- 5.2 Morgan Stanley & Co. LLC, an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 81,354,652 H shares and a short position in 81,349,652 H shares of the Company.
- 5.3 MSDW Equity Finance Services I (Cayman) Limited, an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 2,400,000 H shares and a short position in 2,400,000 H shares of the Company.
- 5.4 Morgan Stanley Capital Services Inc., an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 871,500 H shares and a short position in 622,000 H shares of the Company.
- 5.5 Morgan Stanley Capital (Luxembourg) S.A. had a long position in 306,000 H shares of the Company. Morgan Stanley Capital (Luxembourg) S.A. was owned as to 93.75% by Morgan Stanley International Incorporated, which was an indirect wholly-owned subsidiary of Morgan Stanley.
- 5.6 Morgan Stanley Smith Barney LLC had a long position in 2,230 H shares of the Company. Morgan Stanley Smith Barney LLC was a wholly-owned subsidiary of Morgan Stanley Smith Barney Holdings LLC, which was owned as to 47% and 4% by Morgan Stanley JV Holdings LLC and MS Gamma Holdings LLC respectively. Morgan Stanley JV Holdings LLC and MS Gamma Holdings LLC were indirectly wholly-owned subsidiaries of Morgan Stanley.
- 5.7 Morgan Stanley Capital (Cayman Islands) Limited, a wholly-owned subsidiary of Morgan Stanley, had a short position in 306,000 H shares of the Company.
- Besides, 148,125,830 H shares (Long position) and 48,453,500 H shares (Short position) were held through derivatives as follows:
- | | |
|---|---|
| 2,230 H shares (Long position) | — through physically settled derivatives (on exchange) |
| 306,000 H shares (Short position) | — through physically settled derivatives (off exchange) |
| 148,123,600 H shares (Long position) and 48,147,500 H shares (Short position) | — through cash settled derivatives (off exchange) |
6. BlackRock, Inc. had a long position in 545,797,454 H shares (in which 600,000 H shares were held through physically settled derivatives (on exchange)) and a short position in 86,940,340 H shares of the Company through a number of wholly-owned subsidiaries.
7. UBS AG had a long position in 340,231,374 H shares and a short position in 172,536,533 H shares of the Company through a number of wholly-owned subsidiaries. Besides, 49,097,838 H shares (Long position) and 172,536,533 H shares (Short position) were held through derivatives as follows:
- | | |
|---|---|
| 14,128 H shares (Long position) | — through physically settled derivatives (on exchange) |
| 12,700,830 H shares (Long position) and 18,124,120 H shares (Short position) | — through physically settled derivatives (off exchange) |
| 36,382,880 H shares (Long position) and 148,836,413 H shares (Short position) | — through cash settled derivatives (off exchange) |
8. JPMorgan Chase & Co. had a long position in 582,440,306 H shares and a short position in 7,449,000 H shares of the Company by virtue of its control over the following corporations:
- 8.1 JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 169,714,770 H shares of the Company.
- 8.2 JF Asset Management Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 149,095,000 H shares of the Company.
- 8.3 JF International Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 2,059,000 H shares of the Company.
- 8.4 JPMorgan Asset Management (Singapore) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 6,814,000 H shares of the Company.
- 8.5 JPMorgan Asset Management (Taiwan) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 18,450,000 H shares of the Company.

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- 8.6 JPMorgan Asset Management (UK) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 88,864,000 H shares of the Company.
- 8.7 China International Fund Management Co Ltd had a long position in 14,524,500 H shares of the Company. China International Fund Management Co Ltd was owned as to 49% by JPMorgan Asset Management (UK) Limited (see note (8.6) above).
- 8.8 J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 88,894,000 H shares of the Company.
- 8.9 J.P. Morgan Whitefriars Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 44,025,036 H shares and a short position in 7,449,000 H shares of the Company.

The entire interest and short position of JPMorgan Chase & Co. in the Company included a lending pool of 154,129,770 H shares. Besides, 1,496,000 H shares (Long position) and 7,449,000 H shares (Short position) were held through derivatives as follows:

6,115,000 H shares (Short position)	— through cash settled derivatives (on exchange)
1,496,000 H shares (Long position) and 1,334,000 H shares (Short position)	— through cash settled derivatives (off exchange)

9. Citigroup Inc. had a long position in 529,131,782 H shares and a short position in 400,311,107 H shares of the Company by virtue of its control over the following corporations:
- 9.1 Umbrella Asset Services Hong Kong Limited, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 174,209,652 H shares and a short position in 160,529,685 H shares of the Company.
- 9.2 Citigroup Global Markets Limited, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 132,337,621 H shares and a short position in 176,915,723 H shares of the Company.
- 9.3 Citigroup Global Markets Inc., an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 65,884,719 H shares and a short position in 62,865,699 H shares of the Company.
- 9.4 Morgan Stanley Smith Barney Holdings LLC had a long position in 2,230 H shares of the Company. Morgan Stanley Smith Barney Holdings LLC was owned as to 49% by Citigroup Global Markets Inc. (see note (9.3) above).
- 9.5 Citibank N.A., an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 148,806,330 H shares of the Company.
- 9.6 Citigroup Trust – Delaware, National Association, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 790 H shares of the Company.
- 9.7 Citicorp Trust, National Association, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 7,210 H shares of the Company.
- 9.8 Citicorp Trust South Dakota, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 10,230 H shares of the Company.
- 9.9 Citigroup Global Markets Asia Limited, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 7,873,000 H shares of the Company.

The entire interest and short position of Citigroup Inc. in the Company included a lending pool of 148,791,570 H shares. Besides, 6,305,740 H shares (Long position) and 30,222,003 H shares (Short position) were held through physically settled derivatives (off exchange).

10. Vogel Holding Group Limited, wholly-owned by Ms. Shi Jing, had a long position in 342,079,500 H shares (all held through cash settled options) and a short position of 37,600,000 H shares (all held through cash settled options) of the Company. According to the SFO, Ms. Shi Jing was deemed to have interests in the 342,079,500 H shares and short position of 37,600,000 H shares of the Company in which Vogel Holding Group Limited had interests. Ms. Shi Jing is the daughter of Mr. Shi Yuzhu (a Non-executive Director of the Company). Mr. Shi Yuzhu's interests in shares are disclosed in this annual report in the section headed "Interests or Short Positions of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations".
11. The 342,079,500 H shares (long position) and 37,600,000 H shares (short position) that Vogel Holding Group Limited and Ms. Shi Jing held, as set out in the above table, were from the same block of shares.

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12. The 358,332,000 H shares (Long position) held by Fosun International Limited comprised 254,316,500 H shares directly held by itself, 29,660,500 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 74,355,000 H shares directly held by Topper Link Limited. As the Company is aware, Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 79.08% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd.. Mr. Guo Guangchang (a Non-executive Director of the Company) held 58% of the issued share capital of Fosun International Holdings Ltd..

According to the SFO, Fosun International Limited was deemed to have interests in the 29,660,500 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 74,355,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 358,332,000 H shares held by Fosun International Limited. Mr. Guo Guangchang's interests in shares are disclosed in this annual report in the section headed "Interests or Short Positions of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations".

13. The interests that Fosun International Limited and Fosun International Holdings Ltd. had in the 358,332,000 H shares, as set out in the above table, were from the same block of shares.
14. Waddell & Reed Financial, Inc. had a long position in 406,493,740 H shares of the Company through two wholly-owned subsidiaries.

Save as disclosed above and the section headed "Interests or Short Positions of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations", the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 31 December 2012 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

(III) Share pledge and lock-up in respect of shares held by shareholders with 5% or more equity in the Company

As at 31 December 2012, no shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited).

(IV) Controlling shareholder and ultimate controller

The Company does not have any controlling shareholder or ultimate controller.

(V) Shareholders with 5% or more equity in the Company

As at 31 December 2012, no shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited).

Directors, Supervisors, Senior Management and Employees

I. Directors, Supervisors and Senior Management

(I) Basic information

Name	Gender	Year of Birth	Position	Term of office	Shares hold at beginning of the period (share)	Shares hold at end of the period (share)	Aggregate remuneration before tax payable during the reporting period (RMB ten thousand)	Remuneration received from shareholders (RMB ten thousand)
DONG Wenbiao	M	1957	Chairman & Executive Director	2012.4.10-2015.4.10	0	0	550.23	0
HONG Qi	M	1957	Vice Chairman, Executive Director & President of the Bank	2012.4.10-2015.4.10	0	0	534.48	0
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	2012.4.10-2015.4.10	0	0	93.00	70
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	2012.4.10-2015.4.10	0	0	89.50	299.52
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	2012.4.10-2015.4.10	0	0	86.00	108
LIANG Yutang	M	1958	Vice Chairman & Executive Director	2012.4.10-2015.4.10	0	0	481.85	0
WANG Yugui	M	1951	Non-executive Director	2012.4.10-2015.4.10	0	0	82.50	100
SHI Yuzhu	M	1962	Non-executive Director	2012.4.10-2015.4.10	0	0	84.92	0
WANG Hang	M	1971	Non-executive Director	2012.4.10-2015.4.10	0	0	87.50	0
WANG Junhui	M	1971	Non-executive Director	2012.4.10-2015.4.10	0	0	79.00	0
WU Di	M	1965	Non-executive Director	2012.6.15-2015.4.10	0	0	36.75	300
GUO Guangchang	M	1967	Non-executive Director	2012.12.17-2015.4.10	0	0	0	660
QIN Rongsheng	M	1962	Independent Non-executive Director	2012.4.10-2015.4.10	0	0	0	0
WANG Lihua	M	1963	Independent Non-executive Director	2012.4.10-2015.4.10	0	0	87.00	0
HAN Jianmin	M	1969	Independent Non-executive Director	2012.4.10-2015.4.10	0	0	91.50	0
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	2012.6.15-2015.4.10	0	0	44.50	0
BA Shusong	M	1969	Independent Non-executive Director	2012.6.15-2015.4.10	0	0	42.88	0
YOU Lantian	F	1951	Independent Non-executive Director	2012.12.17-2015.4.10	0	0	0	0
DUAN Qingshan	M	1957	Chairman of the Supervisory Board & Employee Supervisor	2012.4.10-2015.4.10	0	0	428.29	0
LI Huaizhen	M	1957	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10-2015.4.10	0	0	227.78	0
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10-2015.4.10	633,100	633,100	295.95	0
ZHANG Ke	M	1953	External Supervisor	2012.4.10-2015.4.10	0	0	46.42	0
LI Yuan	M	1954	Supervisor	2012.4.10-2015.4.10	0	0	41.08	0
ZHANG Disheng	M	1955	Supervisor	2012.4.10-2015.4.10	0	0	64.00	0
LU Zhongnan	M	1955	Supervisor	2012.4.10-2015.4.10	0	0	69.00	0
WANG Liang	M	1942	External Supervisor	2012.4.10-2015.4.10	0	0	67.58	0
HU Ying	F	1963	Employee Supervisor	2012.4.10-2015.4.10	0	0	88.14	0
XING Benxiu	M	1963	Vice President of the Bank	2012.4.10-2015.4.10	0	0	330.31	0
ZHAO Pinzhang	M	1956	Vice President of the Bank	2012.4.10-2015.4.10	0	0	385.55	0
MAO Xiaofeng	M	1972	Vice President of the Bank	2012.4.10-2015.4.10	0	0	380.54	0
WAN Qingyuan	M	1965	Board Secretary	2012.4.10-2015.4.10	0	0	251.24	0
BAI Dan	F	1963	Chief Financial Officer	2012.4.10-2015.4.10	0	0	251.81	0
SHI Jie	M	1965	Assistant to President	2012.8.7-2015.4.10	0	0	128.90	0
LI Bin	F	1967	Assistant to President	2012.8.7-2015.4.10	0	0	115.21	0
LIN Yunshan	M	1970	Assistant to President	2012.8.7-2015.4.10	0	0	128.90	0
CHEN Jian	M	1958	Resigned as a Non-executive Director of the Sixth Session of the Board of Directors	2012.4.10-2012.9.28	0	0	59.00	-
WONG Hei	F	1962	Resigned as a Non-executive Director of the Sixth Session of the Board of Directors	2012.4.10-2012.6.15	0	0	43.25	-

Directors, Supervisors, Senior Management and Employees

Name	Gender	Year of Birth	Position	Term of office	Shares hold at beginning of the period (share)	Shares hold at end of the period (share)	Aggregate remuneration before tax payable during the reporting period (RMB ten thousand)	Remuneration received from shareholders (RMB ten thousand)
WANG Songqi	M	1952	Resigned as an Independent Non-executive Director of the Sixth Session of the Board of Directors	2012.4.10–2012.12.17	0	0	98.00	0
LIANG Jinqun	M	1940	Resigned as an Independent Non-executive Director of the Sixth Session of the Board of Directors	2012.4.10–2012.6.15	0	0	0	0
Andrew WONG	M	1957	Resigned as an Independent Non-executive Director of the Sixth Session of the Board of Directors	2012.4.10–2012.6.15	0	0	76.63	0
QIAO Zhimin	M	1952	Retired as Chairman & Employee Supervisor of the Fifth Session of the Supervisory Board	2009.3.23–2012.4.10	0	0	179.40	0
XING Jijun	M	1964	Retired as Vice Chairman of the Fifth Session of the Supervisory Board	2009.3.23–2012.4.10	0	0	28.97	–
XU Rui	M	1945	Retired as External Supervisor of the Fifth Session of the Supervisory Board	2009.3.23–2012.4.10	0	0	25.50	0
CHEN Jinzhong	M	1960	Retired as Employee Supervisor of the Fifth Session of the Supervisory Board	2009.3.23–2012.4.10	0	0	134.97	0
WANG Lei	F	1961	Retired as Employee Supervisor of the Fifth Session of the Supervisory Board	2009.3.23–2012.4.10	0	0	120.71	0
SHAO Ping	M	1957	Retired as Vice President of the Bank	2012.4.10–2012.9.26	0	0	292.33	0
Total							6,831.07	

Notes: 1. Mr. Qin Rongsheng and Mr. Liang Jinqun, the Independent Non-executive Directors of the Company, are government officials under direct management of central government (中管幹部). In accordance with the 2008 No.22 Circular issued by Central Commission for Discipline Inspection of the Communist Party of China (中紀委) and based on their personal requests, Mr. Liang and Mr. Qin have waived their directors' remuneration for 2012;

2. As at the end of the reporting period, the Company had not implemented any incentive share option scheme;

3. The total pre-tax remunerations for Executive Directors, Chairman of the Supervisory Board, Vice Chairmen of the Supervisory Board, Employee Supervisors and senior management members are still in confirmation process and further disclosure regarding such unconfirmed part will be made by the Company;

4. Remunerations of retired Directors, Supervisors and senior management members were referred to their remunerations during their terms;

5. Chen Jian and Wong Hei, former Directors of the Company, and Xing Jijun, former Supervisor of the Company, resigned or retired during the reporting period, and the Company has no information of the remuneration they received from shareholders.

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

Name	Name of the Company's shareholder company	Position	Term of Office
Zhang Hongwei	Orient Group Incorporation	Chairman	1993 – Present
Lu Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman and President	May 1999 – Present
Liu Yonghao	New Hope Investment Co., Ltd.	Chairman	2002 – Present
Wang Yugui	China Shipowners Mutual Assurance Association	General Manager	1993 – Present
Shi Yuzhu	Shanghai Giant Lifetech Co., Ltd.	Ultimate Controller	April 2001 – Present
Wang Junhui	China Life Investment Holding Company Limited	President	2011 – Present
Wu Di	Fuxin Group Co., Ltd.	President, Chief Executive Officer and General Manager	2003 – Present
Guo Guangchang	Fosun International Limited	Executive Director and Chairman	December 2004 – Present
	Shanghai Fosun Industrial Technology Development Co., Ltd.	Director	August 2003 – Present
	Nanjing Iron & Steel United Co., Ltd.	Deputy Chairman	March 2003 – Present
	Nanjing Nangang Iron & Steel Industry Development Co., Ltd.	Deputy Chairman	September 2009 – Present

(III) Major working experience of Directors, Supervisors and senior management

Directors

Executive Directors

Mr. Dong Wenbiao, has been an Executive Director since 30 April 2000. He is also the Chairman of the Board and the chairman of Strategic Development and Investment Management Committee under the Board. Mr. Dong is also a member of the standing committee of the Twelfth CPPCC, the vice chairman of the ACFIC and the vice president of China Association for Public Companies. Mr. Dong was previously a member of the Tenth and Eleventh CPPCC, vice chairman of the Committee for Economic Affairs of the CPPCC and vice chairman of the CCCPS. Mr. Dong joined the Company as a vice president at the establishment of the Company and has been an Executive Director since April 2000. Mr. Dong was the President of the Company from April 2000 to July 2006, and became the Chairman in July 2006. Prior to joining the Company, Mr. Dong was the chairman and president of Haitong Securities Co., Ltd. from 1993 to 1995, a director of the Bank of Communications from 1992 to 1995, the general manager and secretary of the party committee of the Zhengzhou branch of the Bank of Communications from 1991 to 1994 and a deputy director

Directors, Supervisors, Senior Management and Employees

of Henan Finance and Management College from 1988 to 1991. Mr. Dong has over 31 years of experience in banking management and the financial and securities industries. Mr. Dong obtained a master's degree in economics from Xiamen University in 1993. He was appointed as an Honorary Fellow by Judge Business School, the University of Cambridge in 2012 and is a senior economist.

Mr. Hong Qi, has been an Executive Director since 8 January 2004. He is also the Vice Chairman, President and a member of Strategic Development and Investment Management Committee and Nomination Committee under the Board. Mr. Hong is the vice president of China Chamber of International Commerce, a committee member of China Society for Finance and Banking, an executive committee member of China Society for International Finance and Banking and a council member of Financial Planning Standard Council of China. Mr. Hong was a vice president of the Company from 2000 to March 2009 and became the President in March 2009. He was a director of the Business Department, Head Office of the Company from January 1996 to September 1996. Mr. Hong acted as the vice general manager of our Beijing Administrative Department from September 1996 to April 1998 and promoted to the general manager from 1998 to 2000. Prior to joining the Company, Mr. Hong was the managing director and secretary of the party committee of the Beihai branch of the Bank of Communications from 1994 to 1995, a deputy director of the securities research institute of the Renmin University of China from 1993 to 1994, and a section chief at the headquarters of the PBOC from 1985 to 1991. Mr. Hong has over 27 years of experience in banking management and finance. Mr. Hong obtained his doctorate in economics from Renmin University of China in 1996.

Mr. Liang Yutang, has been an Executive Director since 23 March 2009. He is also the Vice Chairman of the Company and a member of Related Party Transactions Supervision Committee, Compensation and Remuneration Committee and Risk Management Committee under the Board. Mr. Liang joined the Company as a deputy general manager of the funds planning department at the establishment of the Company and was the general manager of the funds planning department and the general manager of the financial institutions department of the Company from 1996 to 2002. Mr. Liang was an assistant to the President of the Company from 2003 to 2005, the general manager of the Beijing Administrative Department of the Company from 2002 to 2007 and became the Vice President of the Company in February 2005. Before joining the Company, Mr. Liang was the manager of the integrated planning department of the Bank of Communications from 1994 to 1995, and the general manager of Yutong Real Estate Development and Investment Company of the Bank of Communications, Zhengzhou branch from 1992 to 1994. Mr. Liang was the deputy head of the academic secretariat of Henan Finance and Management College from 1991 to 1992, and the deputy director, director of the management teaching and researching department of Henan Finance and Management College from 1985 to 1991. Mr. Liang has over 31 years of experience in finance. Mr. Liang obtained a master's degree in banking and finance from Xiamen University in 1993 and is a senior economist.

Non-executive Directors

Mr. Zhang Hongwei, has been a Vice Chairman of the Board of the Company since 30 April 2000. Mr. Zhang is a Non-executive Director and also a member of Strategic Development and Investment Management Committee and Nomination Committee under the Board. Mr. Zhang is the chairman of the board of Orient Group Industrial Co., Ltd., Orient Group Incorporation (listed on the Shanghai Stock Exchange (SSE: 600811)) and Jinzhou Port Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 600190/900952)), the chairman of the board of directors of United Energy Group Limited (listed on the Hong Kong Stock Exchange (stock code: 00467)) and Orient Group Investment Holding Co., Ltd. and a director of China Minzu Securities Co., Ltd.. Mr. Zhang is also a member of the CPPCC and was previously a member of the Standing Committee of the 10th CPPCC. Mr. Zhang was the vice chairman of the ACFIC from 1997 to 2007. Mr. Zhang obtained a master's degree in economics from Harbin Institute of Technology in 1997 and is a senior economist.

Mr. Lu Zhiqiang, has been a Vice Chairman of the Board of the Company since 16 July 2006. Mr. Lu is a Non-executive Director and also a member of Strategic Development and Investment Management Committee and Compensation and Remuneration Committee under the Board. Mr. Lu had been a Director since the establishment of the Company until June 2003 and was re-elected as a Director in 2006. Mr. Lu is the chairman of the board and president of Oceanwide Group Co. Ltd. and China Oceanwide Holdings Group Co., Ltd., the chairman of Oceanwide Real Estate Group Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 000046)), a director of China Oceanwide International Investment Company Limited and a director of Legend Holdings Limited. Mr. Lu is also a member of the Standing Committee of the CPPCC, a member of the Committee for Economic Affairs of the CPPCC, the vice council chairman of China Foundation for Glory Society and a vice chairman of the CCCPS in 2012. Mr. Lu was the chief supervisor of the Company from June 2003 to December 2004 and a deputy chief supervisor of the Company from December 2004 to June 2006. He was also a director of Haitong Securities Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 600837)). Mr. Lu was a member of the standing committee and vice chairman of the ACFIC from 1998 to 2012. Mr. Lu obtained a master's degree in economics from Fudan University in 1995 and is a research fellow.

Directors, Supervisors, Senior Management and Employees

Mr. Liu Yonghao, has been a Vice Chairman of the Board of the Company since 23 March 2009. Mr. Liu is a Non-executive Director, a member of Strategic Development and Investment Management Committee under the Board and was previously our Vice Chairman of the Board since the establishment of the Company until 2006. Mr. Liu is currently the chairman of the board of New Hope Group Co., Ltd. (the substantial shareholder of the Company), New Hope Liuhe Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 000876), the substantial shareholder of the Company), New Hope Investment Co., Ltd. (the substantial shareholder of the Company) and Shandong Liuhe Group Co., Ltd.. Mr. Liu has been a member of the CPPCC since 1993 and a vice chairman of Committee for Economic Affairs of the CPPCC since 2003. Mr. Liu was previously the vice president of the China Society for Promotion of the Guangcai Program and vice chairman of the ACFIC.

Mr. Wang Yugui, was appointed on 3 December 1995 and has been a Non-executive Director since the establishment of the Company. Mr. Wang is also a member of Risk Management Committee and Nomination Committee under the Board. He is the managing director of China Shipowners Mutual Assurance Association, an executive member of China Maritime Law Association and the China Association of Trade in Services, a supervisor of Haitong Securities Co., Ltd. (listed on Shanghai Stock Exchange (stock code: 600837)) and an arbitrator of the maritime arbitration commission of the China Council for the Promotion of International Trade. Mr. Wang graduated from Beijing Second Foreign Language Institute in 1977 and is a senior economist.

Mr. Shi Yuzhu, has been a Non-executive Director of the Company since 16 July 2006. He is also a member of Strategic Development and Investment Management Committee, Audit Committee and Related Party Transactions Supervision Committee under the Board. Mr. Shi is the chairman of the board of Giant Investment Co., Ltd. and Shanghai Giant Network Science Technologies Co., Ltd., the chairman of the board and the chief executive officer of Giant Interactive Group Inc. (listed on New York Stock Exchange (NYSE: GA)), an independent director of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 600895)), a director of Shanghai Zhengtu Information Technology Co., Ltd. and the ultimate controller of Shanghai Giant Lifetech Co., Ltd.. Mr. Shi was previously the chief executive officer of Stone Group Holdings Limited from 2004 to 2007 and an executive director of Stone Group Holdings Limited from 2004 to 2009. Mr. Shi obtained his bachelor's degree in mathematics from Zhejiang University in 1984. He also graduated as a research student from Shenzhen University in software science in 1990.

Directors, Supervisors, Senior Management and Employees

Mr. Wang Hang, has been a Non-executive Director of the Company since 16 July 2006. He is also a member of Compensation and Remuneration Committee, Risk Management Committee and Nomination Committee under the Board. Mr. Wang is a director and vice president of New Hope Group Co., Ltd. (the substantial shareholder of the Company), the general manager of Beijing Shouwang Asset Management Co. Ltd. and the vice chairman of China Youth Entrepreneurs Association. Mr. Wang has been a non-executive director of New Hope Liuhe Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 000876), the substantial shareholder of the Company) since 29 November 2011. Mr. Wang was previously a civil servant at the general office of the PBOC, the chairman of the board of Kunming O-Park Co., Ltd., the consultant and chief operating officer of the corporate finance department of New Hope Group Co., Ltd., the vice chairman of the board of Union Trust & Investment Ltd, the chairman and president of Sichuan South Hope Industrial Co., Ltd.. Mr. Wang has a master's degree in economics from Peking University.

Mr. Wang Junhui, a senior economist, has been a Non-executive Director of the Company since 23 March 2009. He is also a member of Strategic Development and Investment Management Committee and Related Party Transactions Supervision Committee under the Board. Mr. Wang has been the secretary of the party committee and president of China Life Investment Holding Company Limited since February 2011. Prior to this, Mr. Wang was the vice president of China Life Asset Management Company Limited from 2007 to September 2012 and was the assistant to the president of China Life Asset Management Company Limited from 2004 to 2007. He was also a director of investment department and assistant chief executive at Harvest Fund Management Co., Ltd. from 2000 to 2004. Mr. Wang was a committee member and standing committee member of the 10th and 11th sessions of All-China Youth Federation and the 9th and 10th sessions of Beijing Youth Federation. Mr. Wang obtained his doctorate in finance from Research Institute for Fiscal Science, Ministry of Finance in 2008.

Mr. Wu Di, has been a Non-executive Director of the Company since 15 June 2012. He is also a member of Audit Committee and Related Party Transactions Supervision Committee under the Board. Mr. Wu is the president and chief executive officer of Fuxin Group Co., Ltd., and the director of Hangzhou United Rural Commercial Bank. In addition, Mr. Wu is the chairman of China International Chamber of Commerce for the Private Sector, an executive member of Fujian Province Industrial and Commercial Confederation, the deputy chairman of Xiamen Economics Society (廈門經濟學會), Federation of Industry and Commerce of Xiamen (廈門工商聯) and Xiamen Association of Cross-strait Exchanges. Mr. Wu was the assistant director of Dalian Ocean Fishery Group and the deputy general manager of Shenzhen Tianma New Construction Material Co., Ltd. (深圳天馬新型建材實業有限公司). Mr. Wu obtained a bachelor's degree from Xiamen Fisheries College (廈門水產學院) in 1986. He is a senior economist and a part-time professor of Huaqiao University.

Directors, Supervisors, Senior Management and Employees

Mr. Guo Guangchang, has been a Non-executive Director since 17 December 2012. He is also a member of Compensation and Remuneration Committee and Risk Management Committee under the Board. Mr. Guo is currently the executive director and chairman of Fosun International Limited (listed on the Hong Kong Stock Exchange (stock code: 00656)), a vice chairman of Nanjing Nangang Iron & Steel United Co., Ltd., a director of Club Méditerranée SA (listed on NYSE Euronext Paris (symbol: CU)), a non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (listed on the Hong Kong Stock Exchange (stock code: 002196) and listed on the Shanghai Stock Exchange (SSE: 600196)) and director of Shanghai Forte Land Co., Ltd., the shares of which were withdrawn from listing on the Hong Kong Stock Exchange in May 2011. In addition, Mr. Guo is currently a member of the Eleventh National People's Congress of the PRC, a member of the 9th session of the CPPCC, the vice council chairman of China Foundation for Glory Society, the vice chairman of Shanghai Federation of Industry and Commerce and the honorary chairman of Zhejiang Chamber of Commerce in Shanghai. Mr. Guo was previously the non-executive director of Sinopharm Group Co., Ltd. (listed on the Hong Kong Stock Exchange (stock code: 01099)). Mr. Guo obtained a bachelor's degree in philosophy and a master's degree in business administration from Fudan University in 1989 and 1999 respectively.

Independent Non-executive Directors

Mr. Qin Rongsheng, has been an Independent Non-executive Director of the Company since 9 September 2009. He is also a member of Compensation and Remuneration Committee and Nomination Committee and the chairman of Audit Committee and Related Party Transactions Supervision Committee under the Board. Mr. Qin is a professor of the Beijing National Accounting Institute, the vice president of the China Audit Society and the vice president of the China Association of Chief Financial Officers, as well as a member of the examination committee of Chartered Public Accountants of the Ministry of Finance and a member of the Auditing Standards Committee of China. He is also a part-time professor of Tsinghua University, Renmin University of China, Zhongnan University of Economics and Law, Jiangxi University of Finance and Economics.

Mr. Wang Lihua, has been an Independent Non-executive Director of the Company since 9 September 2009. He is also a member of Related Party Transactions Supervision Committee, Compensation and Remuneration Committee and Nomination Committee under the Board. Mr. Wang is currently the president of the 1st session of Beijing Xicheng Lawyers Association, the chief partner of Beijing Tian Yuan Law Firm and executive councilor of the All China Lawyers Association. He is also the vice president of the Beijing Xicheng Social Organization Association (北京市西城區社會組織聯合會), vice president of the 1st session of Beijing Xicheng Enterprises and Entrepreneurs Association, a member of Listing Committee of Shenzhen Stock Exchange (深圳證券交易所上市委員會委員), an independent director of Shandong Xingmin Wheel Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 002355)) and Shenyang Transformer Research Institute Co., Ltd. (瀋陽變壓器研究院股份有限公司). Mr. Wang was previously the director of the research office of the law school of Peking University, the vice president of the 7th session Beijing Lawyers Association, a member of the 7th and 8th sessions examination committee for security issuance under CSRC, a member of the 3rd, 4th (the 1st session of the new series), 2nd and 3rd sessions examination committee for mergers, acquisitions and restructurings of listed companies under CSRC, an advisor of the consultant group to the Beijing Municipal Government, an expert of the Affiliate of International Chamber of Commerce in China and an independent director of Xinjiang Chalkis Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 000972)). Mr. Wang obtained a master's degree in economic law from Peking University in 1993.

Mr. Han Jianmin, has been an Independent Non-executive Director of the Company since 9 September 2009. He is also a member of Audit Committee, Related Party Transactions Supervision Committee, Compensation and Remuneration Committee and Nomination Committee under the Board. Mr. Han is currently a member of management committee (管理委員會委員) and managing partner of Da Hua CPA (Special General Partnership), an independent director of Tianjin Bohai Commodity Exchange Ltd and has served as an independent director of Dongxing Securities Co., Ltd. since December 2011. Mr. Han has previously served in the Mudanjiang branch of the Bank of China, and a director and deputy accountant in-chief of Beijing Zhongzhou Accounting Firm, a part-time supervisor of Industrial and Commercial Bank of China commissioned by Finance Commission of China, a director and partner of Beijing Zhongzhou Guanghua Accounting Firm, a director and managing partner of Ascenda Certified Public Accountants, and a member of the 1st, 2nd and 3rd sessions of examination committee for security issuance on the growth enterprise board under the CSRC. Mr. Han obtained a master's degree in business administration from Peking University in 2008, and is a senior accountant, certified public accountant in PRC, certified public asset appraiser in PRC and certified tax agent in PRC.

Directors, Supervisors, Senior Management and Employees

Mr. Cheng Hoi-chuen, has been an Independent Non-executive Director of the Company since 15 June 2012. He is also the chairman of Compensation and Remuneration Committee and a member of Nomination Committee and Audit Committee under the Board. Mr. Cheng is currently serving as the independent non-executive director of CLP Holdings Limited (listed on the Hong Kong Stock Exchange (stock code: 00002)), Great Eagle Holdings Limited (listed on the Hong Kong Stock Exchange (stock code: 00041)), MTR Corporation Limited (listed on the Hong Kong Stock Exchange (stock code: 00066)), Hui Xian Asset Management Limited (listed on the Hong Kong Stock Exchange (stock code: 87001)) and Shanghai Industrial Holdings Limited (listed on the Hong Kong Stock Exchange (stock code: 00363)). Mr. Cheng was awarded the Justice of the Peace in Hong Kong, Officer of the Order of the British Empire and Hong Kong Gold Bauhinia Star and was appointed as a member of the 11th CPPCC. Mr. Cheng was the chief economist and chief financial officer of HSBC, the vice-president and chief executive officer of Hang Seng Bank Limited (listed on the Hong Kong Stock Exchange (stock code: 00011)), the chairman of HSBC and the chairman of HSBC Bank (China) Company Limited. In addition, Mr. Cheng served as an adviser to the Central Policy Unit of the Government of the Hong Kong Special Administrative Region, a member of the executive council and legislative council as well as the Hong Kong Affairs Adviser to the PRC. Mr. Cheng received a bachelor of social science degree from The Chinese University of Hong Kong in 1973 and a master of philosophy degree from The University of Auckland in New Zealand in 1979. Mr. Cheng was conferred Honorary Fellowship by The Chinese University of Hong Kong in 2002 and a degree of Doctor of business administration, honoris causa, by the Open University and the degree of Doctor of social science, honoris causa, by The Chinese University of Hong Kong in 2005.

Mr. Ba Shusong, has been an Independent Non-executive Director of the Company since 15 June 2012. He is also a member of Strategic Development and Investment Management Committee, Nomination Committee and Related Party Transactions Supervision Committee and the chairman of Risk Management Committee under the Board. Mr. Ba is currently serving as the deputy head of Financial Research Institute of Development Research Centre of the State Council, the independent director of GuoYuan Securities Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 000728)) and Avic Investment Holdings Co., Ltd (listed on the Shanghai Stock Exchange (SSE: 600705), formerly known as Beiya Industrial (Group) Co., Ltd and was renamed on 17 July 2012)) and the independent non-executive director of China Chengtong Development Group Limited (listed on the Hong Kong Stock Exchange (Stock code: 00217)). He was the deputy division director of development and planning department of Bank of China Limited (listed on the Shanghai Stock Exchange (SSE: 601988) and listed on the Hong Kong Stock Exchange (Stock code: 03988)) head office, the vice president of Bank of China Limited's Hangzhou Branch, senior manager of Bank of China Limited Hong Kong-Macau Regional Office, assistant general manager of Risk Management

Directors, Supervisors, Senior Management and Employees

Department of BOC Hong Kong (Holdings) Limited (listed on the Hong Kong Stock Exchange (Stock code: 02388)), officer of Development and Planning Committee of Securities Association of China and the deputy head of the Economic Affairs Department of the Liaison Office of the Central People's Government in HKSAR. Mr. Ba was the independent director of Da An Gene Co., Ltd. of Sun Yat-sen University (listed on the Shenzhen Stock Exchange (SHE: 002030)), Industrial Bank Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 601166) and Shanghai Great Wisdom Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 601519)) and the independent non-executive director of China Investment Development Limited (listed on the Hong Kong Stock Exchange (Stock code: 00204)). Mr. Ba obtained a doctor degree from the Central University of Finance and Economics in 1999. He is a research fellow and PhD tutor.

Ms. You Lantian, has been an Independent Non-executive Director of the Company since 17 December 2012. She is also the chairwoman of Nomination Committee, a member of Compensation and Remuneration Committee and Audit Committee under the Board. Ms. You is a member of the Eleventh National Committee of CPPCC and the deputy director of the Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese and vice chairwoman of China Soong Ching Ling Foundation. Ms. You was previously the deputy head of United Front Work Department, the party secretary of Beijing Institute of Planning Labour Administration and the deputy head and head of Beijing Municipal Labour Bureau, the head of Beijing Municipal Labour and Social Security Bureau, a member of the standing committee of Beijing Municipal Committee, the secretary of Chongwen District Committee, the head of United Front Work Department, the secretary of Health Committee and the chairwoman of Municipal Labour Union. Ms. You obtained her master's degree in economic administration from the Party School of the Central Committee of Communist Party of China and is a senior economist.

Supervisors

Mr. Duan Qingshan, has been an employee Supervisor of the Company since 10 April 2012. Mr. Duan is the Chairman of the Supervisory Board. He is also the Chairperson of Supervisory Committee and a member of the Nomination and Remuneration Committee under the Supervisory Board. Mr. Duan joined the Company in 1996 and has been appointed as the chief financial officer of the Company from 2010 to April 2012. Mr. Duan has also been appointed as the general manager of the Human Resources Department and director of Organization Department of Party Committee from November 2007 to 2012. He served as the president and secretary of Party Committee of Taiyuan branch of the Company from 2002 to 2007, and served as a vice president, the president and secretary of Party Committee of Taiyuan sub-branch of the Company from 1998 to 2002. He was the member of the Preparatory Committee of Taiyuan sub-branch of the Company from 1996 to 1998. Prior to joining the Company, Mr. Duan successively served as a director of Auditing Division of Taiyuan branch of PBOC and served as a director of the Credit Division and Accounting Division of Yangqu sub-branch of PBOC. Mr. Duan has over 35 years experience in banking management.

Directors, Supervisors, Senior Management and Employees

Mr. Duan obtained a master's degree in business management from Wuhan University in 2006. Mr. Duan was awarded as "National Excellent Innovative Entrepreneurs", "Best Corporate Culture Leader" and "Meritorious Entrepreneurs in Shanxi" in 2007, "Top Ten Best Financial Figures in Shanxi" in 2006, and "National Financial May 1st Labour Medal" and "Model Workers in Shanxi Province" in 2004.

Mr. Li Huaizhen, has been an employee Supervisor of the Company since 10 April 2012. Mr. Li is the Vice Chairman of the Supervisory Board. He is also a member of the Nomination and Remuneration Committee and Supervisory Committee under the Supervisory Board. Mr. Li joined the Company in February 2012. Mr. Li served as a director of Finance and Accounting Department of CBRC from 2008 to February 2012, and served as a director general and a secretary of Party Committee of Hubei Office of CBRC from 2005 to 2008. He also served as the deputy director general and vice secretary of Party Committee of Shandong Office of CBRC from 2003 to 2005. Mr. Li has been the vice president of Ji'nan branch of PBOC and deputy director general of State Administration of Foreign Exchange Shandong (Ji'nan) Branch from 1998 to 2003, the vice president of Henan branch of PBOC and deputy director general of State Administration of Foreign Exchange Henan Branch from 1997 to 1998, and the president and secretary of Party Committee of Zhengzhou branch of PBOC from 1993 to 1997. Mr. Li was elected as a delegate of 11th session of National People's Congress in 2008. Mr. Li obtained a master's degree in finance from Dongbei University of Finance and Economics and he is a senior economist.

Mr. Wang Jiazhi, has been an employee Supervisor of the Company since 10 April 2012. Mr. Wang is the Vice Chairman of the Supervisory Board. He is also a member of the Supervisory Committee under the Supervisory Board. Mr. Wang joined the Company in 1998 and is currently appointed as the president and secretary of Party Committee of Shijiazhuang branch of the Company, and was the president and secretary of Party Committee of Shijiazhuang sub-branch of the Company from 2001 to 2002. He was a member of the Preparatory Committee of Fuzhou branch of the Company from 2000 to 2001, and a director of Credit Division I of the Company from 1998 to 2000. Prior to joining the Company, Mr. Wang served as a deputy director (directed the operation) of Shinan Office and a vice president (directed the operation) of Development Department of Qingdao branch of China Everbright Bank from 1996 to 1998. He also served as a director of Qingdao branch of China Citic Bank from 1992 to 1996, an officer and a deputy director (division level) of Linyi Economic and Trade Commission and Commission for Economic Restructuring from 1987 to 1992, and a loan officer of Credit Division of Linyi centric sub-branch of Industrial and Commercial Bank of China from 1986 to 1987. He studied full-time in Shangdong TV University from 1983 to 1986. Mr. Wang has been a planned statistician of Linyi centric sub-branch of PBOC from 1981 to 1983 and also worked as a statistician and loan officer of Feixian sub-branch of PBOC from 1980 to 1981. Mr. Wang obtained a PhD degree in finance philosophy from Shanghai University of Finance and Economics and he is a senior economist.

Mr. Zhang Ke, has been an external Supervisor of the Company since 10 April 2012 and is also a chairperson of Nomination and Remuneration Committee and a member of the Supervisory Committee under the Supervisory Board. Mr. Zhang is the chairman and chief partner of Shinewing Certified Public Accountants and the chairman of Shinewing Management and Consulting Company Limited. Mr. Zhang is also the vice president of the Chinese Institute of Certified Public Accountants and Beijing Association of Forensic Science. Mr. Zhang was an independent Director of the Company from 2003 to 2009. He was the general manager of Shinewing Certified Public Accountants, vice executive director of Coopers & Lybrand (China), deputy general manager of Zhongxin Yongdao Accountants Firm, a partner of Coopers & Lybrand International, deputy executive officer of Zhongxin Accountants Firm, and the department manager of China International Economics Consultants Co., Ltd. of the CITIC Group. Mr. Zhang obtained his bachelor's degree in economics from Renmin University of China. He is a senior accountant and certified public accountant.

Mr. Li Yuan, has been a Shareholder Supervisor of the Company since 10 April 2012 and also a member of the Supervisory Committee under the Supervisory Board. Mr. Li is a member of the party committee, the secretary of discipline inspection committee and chief supervisor of China Life Asset Management Company Ltd.. He was the general manager of the financial department of China Life Insurance Company Limited (listed on the Hong Kong Stock Exchange (stock code: 02628) and listed on the Shanghai Stock Exchange (stock code: 601628)), the general manager of accounting department of China Life Insurance Company, general manager and deputy director cadre of the Financial Bureau of the Ministry of Finance, deputy director and then director of Ministry of Foreign Trade and Economic Cooperation, and the deputy director secretary of the Secretary Bureau of the General Office of the State Council. Mr. Li obtained his bachelor's degree in economics from Peking University and obtained his postgraduate's degree from the Party School of the Central Committee of Communist Party of China.

Mr. Zhang Disheng, has been a Shareholder Supervisor of the Company since 15 January 2007. He is a member of the Nomination and Remuneration Committee of the 6th session of the Supervisory Board. Mr. Zhang is currently the chief executive officer and an executive director of Stone Group Holdings Limited. Prior to that, Mr. Zhang was the deputy executive officer and vice president of Stone Group Company from 1994 to 2000. Mr. Zhang is also a director of Stone Resources Limited, a company listed on Toronto Stock Exchange (stock code: SRH). Mr. Zhang obtained a master's degree from Ryutsu Keizai University in Japan and is a senior economist.

Directors, Supervisors, Senior Management and Employees

Mr. Lu Zhongnan, has been a Shareholder Supervisor of the Company since 15 January 2007. He is a member of the Supervisory Committee and the Nomination and Remuneration Committee under the Supervisory Board. Mr. Lu is currently the chairman of Shenzhen New Industry Venture Capital Co., Ltd.. Prior to that, Mr. Lu was the vice chairman and president of China Minzu Securities Co., Ltd.. Mr. Lu was also the independent director and director of New China Life Insurance Co., Ltd. from 2001 to 2008, and was a director of Orient Group Industrial Co., Ltd. from 2001 to 2005, and served at various positions at the Heilongjiang, Harbin and Shenyang branches of the PBOC from 1979 to 2001. Mr. Lu graduated from the class of graduate course for advanced studies in economics management and is a senior economist.

Mr. Wang Liang, has been an external Supervisor of the Company since 23 March 2009. He is also a member of the Nomination and Remuneration Committee under the Supervisory Board. Mr. Wang is currently a director of Dongguan Fenggang Yantian Corporate Development Co., Ltd.. Prior to that, Mr. Wang was a Supervisor of the Company from 3 December, 1995 to 22 March, 2009. Mr. Wang was the chairman of Guangzhou Xinlian Co., Ltd. and Guangzhou Shanghui Economic Development Corporation and vice chairman of the Guangzhou Federation of Industry and Commerce from 1993 to 2003. Mr. Wang also served as vice dean of the Guangzhou Academy of Economic Research from 1991 to 1993. Mr. Wang obtained a bachelor's degree in accounting from Beijing School of Posts and Telecommunications (now Beijing Jiaotong University) in 1968. Mr. Wang is a senior accountant and a certified public accountant.

Ms. Hu Ying, has been an employee Supervisor of the Company since 10 April 2012 and a member of the Supervisory Committee under the Supervisory Board. Ms. Hu joined the Company in 2005 and is currently appointed as a deputy director of Preparatory Committee of College of Finance of the Company, and has been appointed as a vice president of Training College of the Company from 2005 to 2011. Prior to joining the Company, Ms. Hu has served as a teaching assistance and a lecturer of sub-college of Beijing Normal College from 1986 to 1993. She has also served as an associate professor of Capital Normal University from 1993 to 2004, and a visiting scholar of Rensselaer Polytechnic Institute from 2002 to 2003. Ms. Hu obtained a PhD degree in applied mechanics from Beijing Institute of Technology and the title of professor.

Senior Management

Mr. Hong Qi is an Executive Director and the President of the Company. Please refer to his biography under the paragraph “Directors — Executive Directors”.

Mr. Liang Yutang is an Executive Director and a Vice Chairman of the Company. Please refer to his biography under the paragraph “Directors — Executive Directors”.

Mr. Xing Benxiu, has been appointed as a Vice President of the Company since July 2010. Mr. Xing joined the Company in 2010. Prior to joining the Company, Mr. Xing served as a deputy principal staff member of the General Planning Directorate of the PBOC from 1988 to 1991. He worked as a principal staff member of the Interest Rate Administration Directorate and deputy division director of the Savings Division of the PBOC from 1991 to 1994. He served as a deputy division director of the Banking Operation and Management Division of the PBOC from 1994 to 1998. He was a deputy director of Chinese Banking Supervision Division of the Supervision Directorate I of the PBOC and director of the Supervision Directorate from 1998 to 2003. He served as a division director of the Chinese Banking Supervision Division of the Banking Supervision Department I of the CBRC from April 2003 to July 2003. He worked as the leader of the Preparatory Team for Xiamen Bureau of the CBRC, the Director-General and Secretary of the CPC Committee of Xiamen Bureau of the CBRC from July 2003 to 2006. He also served as the Director-General and Secretary of the CPC Committee of Liaoning Bureau of the CBRC from 2006 to 2008 and the Director of the Human Resources Department of the CBRC from 2008 to June 2010. Mr. Xing obtained a master’s degree in business administration from Liaoning University.

Mr. Zhao Pinzhang, is a Vice President of the Company, appointed in April 2008. Mr. Zhao is also the chairman of our Asset and Liability Management Commission. Mr. Zhao was previously an assistant to our President from 2005 to 2008, the chief credit officer and a Supervisor of the Company from 2003 to 2007, the general manager of the Credit Assessment Department of the Company from 2001 to 2007, a deputy general manager of the Risk Management Department of the Company from 2000 to 2001, and the deputy general manager of our Beijing Administrative Department from 1998 to 2000. Prior to joining the Company, Mr. Zhao was a deputy managing director of Liaoyuan branch of Bank of Communications, and a section chief of the Liaoyuan centre sub-branch of China Construction Bank. Mr. Zhao has over 25 years of experience in banking management. Mr. Zhao obtained a master’s degree in business administration and is a senior economist.

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Mr. Mao Xiaofeng, is a Vice President of the Company, appointed in April 2008. Mr. Mao is also the chairman of our Retail Banking Management Commission of the Company. Mr. Mao currently serves as an independent non-executive director of Modern Media Holdings Limited (listed on Hong Kong Stock Exchange (Stock Code: 00072)). Mr. Mao joined the Company as a deputy director of the general office of the Company in 2002 and has been the Board Secretary and Company Secretary of the Company since June 2003 and March 2004, respectively. Prior to joining the Company, Mr. Mao was a director of the general office of the Central Committee of Youth League Central Committee from 1999 to 2002, a deputy secretary of the Party Committee of the Zhijiang Dongzu Autonomous County of Hunan Province from 1995 to 1996, an assistant to the governor of the Zhijiang Dongzu Autonomous County of Hunan Province from 1994 to 1995 and the executive vice chairman of the All-China's Students Federation from 1992 to 1993. Mr. Mao obtained a master's degree in industrial and foreign trade from Hunan University in 1995, a doctorate in management from Hunan University in 1998, and a master's degree in public administration from the John F. Kennedy School of Government at Harvard University in the U.S.A. in 2000.

Mr. Wan Qingyuan, was appointed as the Board Secretary and the Joint Company Secretary of the Company in April 2012. Mr. Wan is currently serving as the chief director of the office of the Board of the Company. He is also the secretary of party committee and chairman of Minsheng Fund. Since joining the Company in 2001, Mr. Wan has been appointed as the head of public relation planning department of the executive office of the Company's head office, the assistant to director, the deputy director and the vice president of corporate culture department (person in charge). Mr. Wan has worked in the financial industry for 26 years and is a member of the Communist Party of China and a senior editor. Mr. Wan obtained a master degree in business administration from Wuhan University.

Ms. Bai Dan, appointed as the Chief Financial Officer of the Company in September 2012. Ms. Bai is also the chairman of Financial Management Committee and the general manager of the Finance and Accounting Department of the Company. Ms. Bai joined the Company in 2000 and served as the deputy general manager of the Accounting and Settlement Department. She also served as the deputy general manager and general manager of the Accounting and Settlement Department of the Company since March 2001 and December 2008 respectively. She has worked as the general manager of the Finance and Accounting Department of the Company since December 2008. Prior to joining the Company, Ms. Bai served as the assistant to general manager, deputy general manager and general manager of the finance and accounting department of Dalian branch of the Bank of Communications from 1993 to 2000, and the accountant and deputy head of Dalian Development Zone branch of the Bank of Communications from 1988 to 1993. Ms. Bai obtained a master degree in business administration from Beijing Jiaotong University in 2008 and is an accountant.

Mr. Shi Jie, appointed as the assistant to the President and general manager of the Credit Assessment Department and the Risk Management Department of the Company in September 2012. Mr. Shi joined the Company in 1998 and served as the general manager of the Financial and Planning Department of Shijiazhuang Sub-branch. He served as the general manager of the Business Department of Shijiazhuang Branch from March 2001, and the deputy director (person-in-charge), senior assistant to the general manager and deputy general manager of the Credit Assessment Department of the head office from July 2001. He served as the head of preparation team for the Changchun Branch of China Minsheng Bank in June 2008, President and secretary of party committee of Changchun Branch in February 2009 and general manager of the Credit Assessment Department in August 2009. Prior to joining the Company, Mr. Shi served as the director of the Finance Department of Hebei University of Economics and Business from 1995 to 1998, and the executive members of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995. Mr. Shi obtained a master degree in management from Tianjin Institute of Finance and Economics in 1999.

Ms. Li Bin, appointed as the assistant to the President of the Company in July 2012. Ms. Li joined the Company in 1995 and served as the person-in-charge and director of the Fund Division of the International Business Department, deputy general manager of the Funds and Capital Market Department in October 2000, general manager of the Derivative Products Department in May 2007, secretary of party committee of the Financial Market SBU of the Company in May 2009 and President and secretary of party committee of the Financial Market SBU of the Company in June 2009. Prior to joining the Company, Ms. Li worked in the international department of Beijing branch of Agricultural Bank of China from August 1990 to July 1995. Ms. Li obtained a doctorate degree in Finance from the School of Finance of Renmin University of China in January 2006.

Mr. Lin Yunshan, the assistant to the President of the Company since September 2012. Mr. Lin was also the chairman of the Retail Banking Management Commission. Mr. Lin served as the general manager of the Corporate Banking Department of the Company from 2009 to 2012, director of the office of the Corporate Banking Management Commission of the Company from 2007 to 2009, member of the party committee and Vice President of Shenzhen Branch of the Company from 2005 to 2007, assistant to general manager of the Business Department of the Company from 2003 to 2005, and director of bills business office under the Business Department of the Company from 2002 to 2003. Prior to joining the Company, Mr. Lin served as a principal staff member of the Regulatory Department I of the PBOC from 1999 to 2001, principal staff member of the payment system office under the Payment Technology Department of PBOC from 1998 to 1999, and deputy principal staff member and principal staff member of the Accounting Department of PBOC from 1993 to 1998. Mr. Lin obtained a master degree in Finance from the Renmin University of China.

Joint Company Secretaries

Mr. Wan Qingyuan is the Board Secretary and the Joint Company Secretary of the Company. Please refer to his biography under the paragraph “Senior Management”.

Ms. Soon Yuk Tai, aged 47, is the Joint Company Secretary of the Company appointed on 2 November 2009. Ms. Soon is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Prior to joining Tricor Group in 2002, she was a senior manager of company secretarial services at Ernst & Young and Tengis Limited in Hong Kong. Ms. Soon is a chartered secretary and an associate of both the Institute of Chartered Secretaries and Administrators in United Kingdom and the Hong Kong Institute of Chartered Secretaries. Ms. Soon has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many listed companies.

(IV) Changes of information of Directors and Supervisors

During the reporting period, the changes of information of Directors were as follows:

1. Mr. Dong Wenbiao, an Executive Director of the Company, became a member of the standing committee of the Twelfth CPPCC, the vice chairman of the ACFIC and the vice president of China Association for Public Companies. Mr. Dong Wenbiao resigned as the vice chairman of the Committee for Economic Affairs of the CPPCC and the vice chairman of the CCCPS.
2. Mr. Zhang Hongwei, a Non-executive Director of the Company, resigned as the vice chairman of the CCCPS.
3. Mr. Lu Zhiqiang, a Non-executive Director of the Company, was appointed a director of China Oceanwide International Investment Company Limited, a director of Legend Holdings Limited, a member of the Committee for Economic Affairs of the CPPCC, the vice council chairman of China Foundation for Glory Society and the vice chairman of the CCCPS. Mr. Lu Zhiqiang resigned as the vice chairman of the ACFIC.
4. Mr. Wang Yugui, a Non-executive Director of the Company, resigned as a director of Minsheng Securities Co., Ltd..

Directors, Supervisors, Senior Management and Employees

5. Mr. Wang Hang, a Non-executive Director of the Company, resigned as a non-executive director of Hebei Baoshuo Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 600155)).
6. Mr. Wang Junhui, a Non-executive Director of the Company, resigned as the vice president of China Life Asset Management Company Limited and a director of China Life Franklin Asset Management Company Limited. Mr. Wang Junhui was appointed a member of the standing committee of the 10th session of Beijing Youth Federation.
7. Mr. Wu Di, a Non-executive Director of the Company, resigned as a director of Yong An Insurance Co., Ltd..
8. Mr. Guo Guangchang, a Non-executive Director of the Company, was appointed the vice chairman of Nanjing Nangang Iron & Steel United Co., Ltd., a member of the 9th National Committee of the CPPCC and the vice council chairman of China Foundation for Glory Society.
9. Mr. Wang Lihua, an Independent Non-executive Director of the Company, was appointed the vice president of the Beijing Xicheng Social Organization Association, the vice president of the 1st session of Beijing Xicheng Enterprises and Entrepreneurs Association, a member of the Listing Committee of Shenzhen Stock Exchange, an independent director of Shenyang Transformer Research Institute Co., Ltd.. Mr. Wang Lihua resigned as an advisor of the consultant group to the Beijing Municipal Government and an expert of the Affiliate of International Chamber of Commerce in China.
10. Mr. Han Jianmin, an Independent Non-executive Director of the Company, was appointed a member of management committee and managing partner of Da Hua CPA (Special General Partnership). Mr. Han Jianmin resigned as a member of the examination committee for security issuance on the growth enterprise board under the CSRC.
11. Mr. Cheng Hoi-chuen, an Independent Non-executive Director of the Company, was appointed an independent non-executive director of Shanghai Industrial Holdings Limited (listed on the Hong Kong Stock Exchange (stock code: 00363)).

Directors, Supervisors, Senior Management and Employees

12. Mr. Ba Shusong, an Independent Non-executive Director of the Company, resigned as an independent director of Shanghai Great Wisdom Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 601519)).
13. Ms. You Lantian, an Independent Non-executive Director of the Company, was appointed the vice chairwoman of China Soong Ching Ling Foundation.

(V) Appointment and resignation of Directors, Supervisors and senior management in the reporting period and the reasons therefor

1. During the reporting period, Liang Jinqun, Andrew Wong and Wang Songqi tendered their resignations as Independent Directors of the Company on the ground that they have served as Independent Directors of the Company for six consecutive years. Wong Hei tendered her resignation as the Director of the Company due to other work commitments. Chen Jian tendered his resignation as the Director of the Company due to his long-term living abroad. The Company appointed Wu Di, Guo Guangchang, Cheng Hoi-chuen, Ba Shusong and You Lantian as the Directors of the Company.
2. During the reporting period, Qiao Zhimin, Xing Jijun, Xu Rui, Chen Jinzhong and Wang Lei tendered their resignations as the Supervisors of the Company due to the expiry of their terms. The Company appointed Duan Qingshan, Li Huaizhen, Wang Jiazhi, Zhang Ke, Li Yuan, Wang Liang and Hu Ying as Supervisors of the Company.
3. During the reporting period, Shao Ping tendered his resignation as Vice President and other related positions of the Company due to the change of working allocation. The Company appointed Shi Jie, Li Bin and Lin Yunshan as assistants to the President of the Company.

(VI) Service contracts of Directors and Supervisors

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

(VII) Directors' interests in competing business

Mr. Wu Di, a Non-executive Director of the Company, is a director of Hangzhou United Rural Commercial Bank Co., Ltd. (杭州聯合農村商業銀行股份有限公司) ("Hangzhou United Bank") and has no interest in the equity in Hangzhou United Bank. To the best knowledge of the Company, Hangzhou United Bank was established on 5 January 2011 and its registered capital is RMB1.312 billion. Hangzhou United Bank is a local joint-stock bank of limited liabilities. The customers of Hangzhou United Bank are mainly customers from rural area and local community as well as SMEs. As at the end of June 2012, the total assets, outstanding deposits, outstanding loans and equity of Hangzhou United Bank were RMB110.4 billion, RMB69.6 billion, RMB51.2 billion and RMB8.6 billion. Hangzhou United Bank is very different from the Company in terms of scale and geographical coverage of business. Hangzhou United Bank has 13 directors in accordance with its articles of association. Mr. Wu Di is one of the directors and not the chairman of Hangzhou United Bank. In accordance with the Article 149 of the Articles of Association of the Company, Mr. Wu Di shall abstain from voting in respect of resolutions in relation to Hangzhou United Bank. The interest of Mr. Wu Di in Hangzhou United Bank is not in conflict of its responsibilities as a Director of the Company.

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

Directors, Supervisors, Senior Management and Employees

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

(I) As at 31 December 2012, the following Directors of the Company had the following interests in the shares of the Company:

Name	Position	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued shares (%)
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporations	1,891,893,763	1	8.38	6.67
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporations	931,073,370	2	4.12	3.28
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporations	698,939,116	3	3.09	2.46
		H	Long position	Interest held by his controlled corporations	3,220,500	3	0.06	0.01
Shi Yuzhu	Non-executive Director	A	Long position	Interest held by his controlled corporations	809,600,038	4	3.58	2.85
		H	Long position	Interest held by his controlled corporations	349,479,500	4	6.05	1.23
		H	Short position	Held by his controlled corporations	37,600,000	4	0.65	0.13
Guo Guangchang	Non-executive Director	A	Long position	Interest held by his controlled corporations	308,037,298	5	1.36	1.09
		H	Long position	Interest held by his controlled corporations	358,332,000	6	6.20	1.26

Directors, Supervisors, Senior Management and Employees

Notes:

1. The 1,891,893,763 A shares comprised 558,306,938 A shares directly held by South Hope Industrial Co., Ltd. and 1,333,586,825 A shares directly held by New Hope Investment Co., Ltd.. South Hope Industrial Co., Ltd. was wholly-owned by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. New Hope Group Co., Ltd. held 45.7% of the issued share capital of New Hope Liuhe Co., Ltd.. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 558,306,938 A shares held by South Hope Industrial Co., Ltd. and the 1,333,586,825 A shares held by New Hope Investment Co., Ltd..

As Mr. Liu Yonghao held 63.65% (in which 1.31% was personally held by his spouse, Ms. Li Wei) of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,891,893,763 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. Liu Yonghao and the interests held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang, the details of which are disclosed in the section headed "Substantial Shareholders' and Other Persons' Interests or Short Positions in Shares and Underlying Shares of the Company under Hong Kong Laws and Regulations" in this annual report, were the same block of shares.

2. The 931,073,370 A shares comprised 888,970,224 A shares directly held by Orient Group Incorporation and 42,103,146 A shares directly held by Orient Group Industrial Co., Ltd.. 27.98% of the issued share capital of Orient Group Incorporation was held by Orient Group Industrial Co., Ltd., of which 32.58% of the issued share capital was held by Mr. Zhang Hongwei and 31.20% of the issued share capital was held by him indirectly through Orient Group Investment Holdings Co., Ltd.. 94% of the issued share capital of Orient Group Investment Holdings Co., Ltd. was held by Mingze Orient Investment Co., Ltd., which is wholly-owned by Mr. Zhang Hongwei.
3. The 698,939,116 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 96.7% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly owned by Oceanwide Holdings Co., Ltd.. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Oceanwide Holdings Co., Ltd..

The 3,220,500 H shares were held by Oceanwide International Resources Investment Co., Ltd., which was wholly-owned by China Oceanwide Holdings Group Co., Ltd.. 96.7% of the issued share capital of China Oceanwide Holdings Group Co., Ltd. was held by Oceanwide Group Co., Ltd., which was wholly owned by Oceanwide Holdings Co., Ltd.. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Oceanwide Holdings Co., Ltd.

4. The 809,600,038 A shares were held by Shanghai Giant Lifetech Co., Ltd.. 95.14% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 95% of the issued share capital was held by Mr. Shi Yuzhu.

The 349,479,500 H shares (long position) and 37,600,000 H shares (short position) comprised 7,400,000 H shares (long position) held directly by Union Sky Holding Group Limited and 342,079,500 H shares (long position) and 37,600,000 H shares (short position) held directly by Vogel Holding Group Limited. Union Sky Holding Group Limited was wholly-owned by Mr. Shi Yuzhu. Vogel Holding Group Limited was wholly-owned by Ms. Shi Jing, daughter of Mr. Shi Yuzhu. Mr. Shi Yuzhu is the de facto controller of Vogel Holding Group Limited and was therefore deemed to have interests in the 342,079,500 H shares (long position) and 37,600,000 H shares (short position) held by Vogel Holding Group Limited. Besides, 291,350,000 H shares (long position) and the short position of the 37,600,000 H shares were held through cash settled options.

5. Mr. Guo Guangchang had 308,037,298 A shares by virtue of his control over the following corporations:
 - 5.1 Tebon Securities Co., Ltd. held 14,861,215 A shares of the Company. Tebon Securities Co., Ltd. was owned as to 91.86% by Shanghai Xingye Investment Development Co., Ltd.. 90% of the issued share capital of Shanghai Xingye Investment Development Co., Ltd. was held by Shanghai Guangxin Technology Development Co., Ltd., of which 58% of the issued share capital was held by Mr. Guo Guangchang.
 - 5.2 Nanjing Iron & Steel Industry Development Co., Ltd., a wholly-owned subsidiary of Nanjing Iron & Steel Co., Ltd., held 5,105,200 A shares of the Company.

Directors, Supervisors, Senior Management and Employees

- 5.3 Nanjing Iron & Steel Co., Ltd. held 173,880,823 A shares of the Company and was deemed to have interest in the 5,105,200 A shares held by Nanjing Iron & Steel Industry Development Co., Ltd.. Nanjing Iron & Steel Co., Ltd. was owned as to 56.33% by Nanjing Nangang Iron & Steel United Co., Ltd..
- 5.4 Nanjing Iron & Steel United Co., Ltd., a wholly-owned subsidiary of Nanjing Nangang Iron & Steel United Co., Ltd., held 15,690,060 A shares of the Company. 30% of the issued share capital of Nanjing Nangang Iron & Steel United Co., Ltd. was held by Shanghai Fosun High Technology (Group) Co., Ltd..
- 5.5 Shanghai Fosun Industrial Technology Development Co., Ltd., a wholly-owned subsidiary of Shanghai Fosun Industrial Investment Co., Ltd., held 98,500,000 A shares of the Company. Shanghai Fosun Industrial Investment Co., Ltd. is a wholly-owned subsidiary of Shanghai Fosun High Technology (Group) Co., Ltd..
- 5.6 Shanghai Fosun High Technology (Group) Co., Ltd., a wholly-owned subsidiary of Fosun International Limited, was deemed to have interest in a total of 293,176,083 A shares of the Company by virtue of its control over Nanjing Iron & Steel Industry Development Co., Ltd. (see note (5.2) above), Nanjing Iron & Steel Co., Ltd. (see note (5.3) above), Nanjing Iron & Steel United Co., Ltd. (see note (5.4) above) and Shanghai Fosun Industrial Technology Development Co., Ltd. (see note (5.5) above). 79.08% of the issued share capital of Fosun International Limited was held by Fosun Holdings Limited, which was a wholly-owned subsidiary of Fosun International Holdings Ltd.. Mr. Guo Guangchang held 58% of the issued share capital of Fosun International Holdings Ltd..
6. The 358,332,000 H shares comprised 254,316,500 H shares directly held by Fosun International Limited, 29,660,500 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 74,355,000 H shares directly held by Topper Link Limited. As the Company is aware, Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 79.08% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd.. Mr. Guo Guangchang held 58% of the issued share capital of Fosun International Holdings Ltd..

According to the SFO, Fosun International Limited was deemed to have interests in the 29,660,500 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 74,355,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 254,316,500 H shares held by Fosun International Limited.

- (II) As at 31 December 2012, the following Director of the Company had the following interests in Pengzhou Minsheng Township Bank Co., Ltd., a subsidiary of the Company:

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

Note:

1. New Hope Group Co., Ltd. is interested in RMB2,000,000 of the registered capital of Pengzhou Minsheng Township Bank Co., Ltd.. As Mr. Liu Yonghao held 63.65% (in which 1.31% was personally held by his spouse, Ms. Li Wei) of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Township Bank Co., Ltd. according to the SFO.

Directors, Supervisors, Senior Management and Employees

(III) As at 31 December 2012, the following Director of the Company had the following interests in Shanghai Songjiang Minsheng Township Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/short position	Capacity	Interest in share capital	Note	Percentage of the total share capital (%)
Shi Yuzhu	Non-executive Director	Long position	Interest held by his controlled corporations	RMB6,000,000	1	6.00

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB6,000,000 of the total share capital of Shanghai Songjiang Minsheng Township Bank Co., Ltd.. 95.14% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., while Mr. Shi Yuzhu in turn held 95% of the issued share capital of Giant Investment Co., Ltd.. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Township Bank Co., Ltd. according to the SFO.

Save as disclosed above, as at 31 December 2012, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

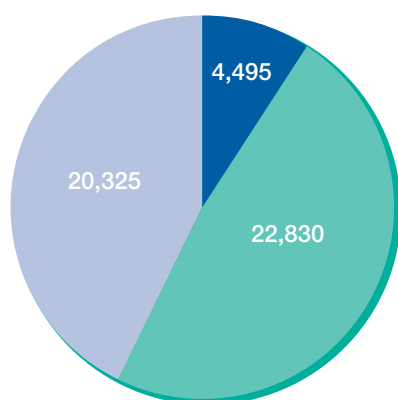
(IX) Contractual rights and service contracts of Directors and Supervisors

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

II. Employees

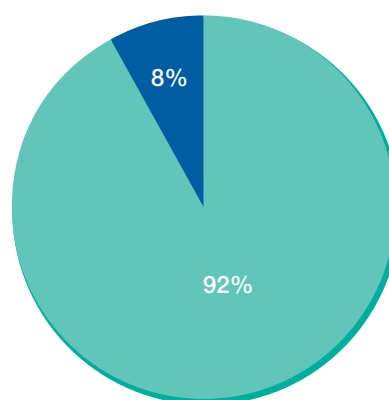
As at the end of the reporting period, the Group had 49,227 employees, of which 47,650 were employees of the Company and 1,577 were employees of the subsidiaries of the Company. Divided by professional specialties, 4,495 were categorized as management team, 22,830 as marketing team, and 20,325 as technical team. The Company had 44,023 employees with degrees of diploma and above, accounting for 92% of the total. In addition, the Company had 88 retired employees.

Breakdown of employees by professional specialties (Unit: person)



● Manage ● Marketing ● Technical

Breakdown of employees by academic qualification



● degrees of diploma and above ● below degrees of diploma

The guiding principles of the Company's remuneration policy in 2012 were to effectively determine and allocate remuneration and resources with an aim to improve operating results strategically, enhance capital control, streamline business structure and enhance the core competitiveness of the Company and to reinforce cost-effective management of operations according to the requirements of strategic transformation of the Company and the needs for core business development, as well as to provide full protection and incentives to staff under the Company's welfare policy by further improving the welfares and protections of staff and developing and exploring new welfare management mechanism so as to establish an all-round, multi-level, short-term and long-term combined welfare and incentive system.

The Company highly emphasizes on employee training. With the combination of training systems of “strategic development” and “staff cultivation”, the Company introduces unified strategic transformation concept, tools and methods and strengthens the relationship between training and personal career so as to enhance the capability of its employees and consolidate the team spirit. “Strategic development” aims to support the strategic transformation through the development of organizing capability of the employees and to solve specific issues arising from the implementation of strategic policies and business growth. “Staff cultivation” aims to enhance the relationships between training and personal career, improve the leadership of management members, and cultivate professional, specific and technical staff. By providing various training programs, the Company strives to effectively enhance the quality and capability of its employees and increase the value of its human resources in order to support the business growth of the Bank. In 2012, the Bank organized various training programs with the attendance figures of 208,525, with a total of 1,920,000 hours of face-to-face training and 960,000 hours of web-based training.

III. Business Network

As at the end of the reporting period, the Company had set up 33 branches in 33 cities across China, with 702 banking outlets in total.

Directors, Supervisors, Senior Management and Employees

Major entities of the Company as at the end of the reporting period are shown as follows:

Name of entity	Number of outlets	Headcount	Total assets (excluding deferred income tax assets) (in RMB million)	Address
Head Office	1	15,922	802,184	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	53	2,898	559,219	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	61	2,735	370,780	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	37	1,737	144,840	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	38	1,317	130,492	CMBC Building, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	32	1,403	90,485	CMBC Building, No. 396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	28	1,230	87,508	No. 2, Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	38	1,780	93,446	No. 10, Xidajie, Shijiazhuang
Dalian Branch	22	821	84,558	No. 28, Yan'an Road, Zhongshan District, Dalian
Nanjing Branch	41	1,953	168,376	No. 20, Hongwu Bei Road, Nanjing
Hangzhou Branch	29	1,429	143,327	Yuanyang Building, No. 25, Qingchun Road, Hangzhou
Chongqing Branch	21	902	116,953	Tongjuyuanjing Building, No. 9, Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	19	911	61,570	CMBC Building, No. 78, Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	20	741	35,936	CMBC Building, No. 280, Hudong Road, Gulou District, Fuzhou
Jinan Branch	28	1,364	74,436	No. 229, Leyuan Street, Jinan
Ningbo Branch	17	763	41,992	No. 348, Min'an Road, Jiangdong District, Ningbo
Chengdu Branch	26	1,082	106,666	Building No. 6, No. 966, Tianfu Avenue North, Hi-Tech Zone, Chengdu
Tianjin Branch	20	711	38,654	13/F, Xinda Plaza, No. 188, Jiefang North Road, Heping District, Tianjin
Kunming Branch	16	666	50,046	Chuntian Yinxiang Building, No. 331, Huancheng Nan Road, Kunming
Quanzhou Branch	11	485	28,257	No. 689, Citong Road, Fengze District, Quanzhou
Suzhou Branch	15	966	91,750	Minsheng Financial Plaza, Block 23, Suzhou Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	20	888	41,423	No. 18, Fuzhou Nan Road, Shinan District, Qingdao



Directors, Supervisors, Senior Management and Employees

Name of entity	Number of outlets	Headcount	Total assets (excluding deferred income tax assets) (in RMB million)	Address
Wenzhou Branch	10	604	40,714	Development Building, No. 335, Xincheng Road, Lucheng District, Wenzhou
Xiamen Branch	12	529	55,725	Lixin Plaza, No. 90, Hubin Nan Road, Xiamen
Zhengzhou Branch	22	778	71,002	CMBC Building, No. 1, CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	14	649	47,783	No. 669, Furong Zhong Road 1 Duan, Changsha
Changchun Branch	11	431	52,413	No. 500, Changchun Street, Changchun
Hefei Branch	10	441	36,886	Tian Qing Building, No. 135, Bozhou Road, Hefei
Nanchang Branch	11	452	40,308	No. 237, Xiangshan Bei Road, Donghu District, Nanchang
Shantou Branch	7	329	9,981	1-3/F, Huajing Plaza, No. 17, Hanjiang Road, Longhu District, Shantou
Nanning Branch	4	252	15,034	East Wing, Guangxi Development Tower, No. 111-1 Minzu Avenue, Nanning
Hohhot Branch	4	237	32,496	Block D and 1-3/F, Block A, Fortune Building, Xinhua East Road, Saihan District, Hohhot
Shenyang Branch	3	145	26,528	Block A, Royal Wan Xin International Mansion, No. 390, Qingnian Street, Heping District, Shenyang
Hong Kong Branch	1	99	21,447	36/F, Bank of American Tower, 12 Harcourt Road, Central, Hong Kong
Inter-regions adjustment			(716,453)	
Total	702	47,650	3,096,762	

Notes: 1. The number of outlets takes into account all types of banking establishments, including the head office, tier-one branches, business departments of branches, tier-two branches and sub-branches.

2. Total headcount of the Head Office is the total number of the employees in Real Estate Finance SBU, Energy Finance SBU, Transportation Finance SBU, Metallurgy Finance SBU, Trade Finance SBU, Credit Card Centre, Financial Market SBU and other SBUs.

3. Inter-region adjustments arise from the reconciliation and elimination of inter-region balances.

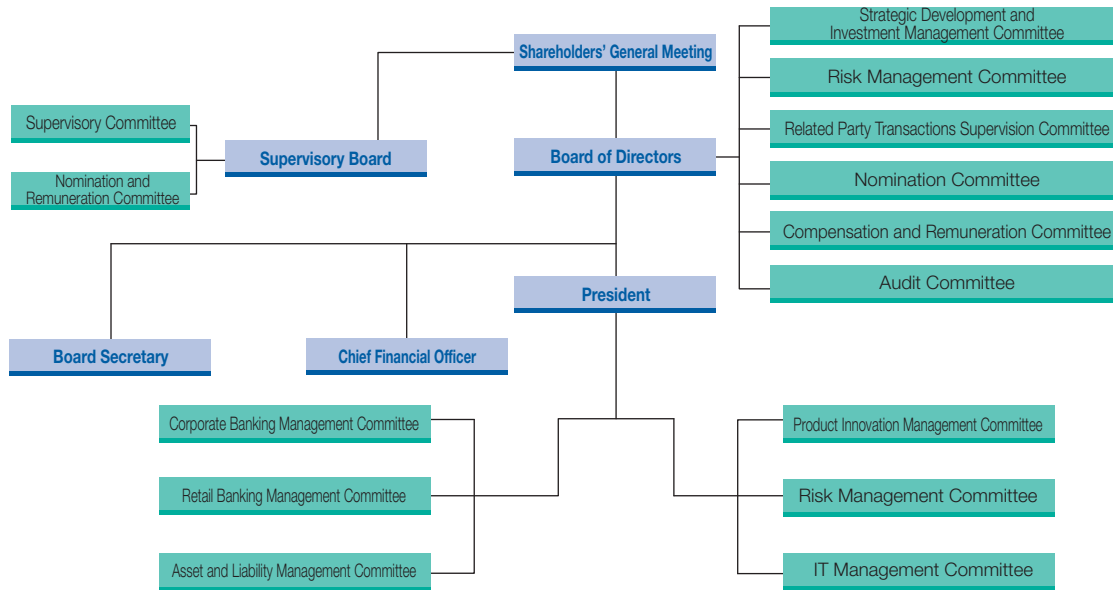
4. Transactions between the Company and its subsidiaries were eliminated on consolidation.



Corporate Governance



I. Corporate Governance Structure



II. Corporate Governance Overview

During the reporting period, the Company focused on establishing a transparent and efficient corporate governance system and structure, refining its systems, strengthening its strategic management, promoting its internal control, conducting due diligence assessment and examination of the Directors and senior management, and enhancing the understanding of the Directors and Supervisors on the operation of the Company through various means including internal research and investigation of the Bank. Details are as follows:

1. During the reporting period, the Company had coordinated and prepared a total of 80 meetings, including 4 Shareholders' General Meetings, 12 Board meetings, 44 meetings of the special committees of the Board, 10 meetings of the Supervisory Board and 10 meetings of the special committees of the Supervisory Board. Over 236 resolutions such as the re-election of the Board of Directors, the Company's periodical reports, working reports of the Board of Directors and the Supervisory Board, working report of the President, financial budgets and final accounts, profit distribution proposals, major related party transactions, the write-off of significant bad debts and establishment of organisations were approved in these meetings.

Corporate Governance

2. During the reporting period, the Company completed the election of new sessions of the Board and the Supervisory Board, and appointed the new session of senior management, marking a smooth transition of the management. The composition of various special committees of the Board of Directors was also reorganized to improve the efficiency so as to enhance the coordination, efficiency and transparency of the Board.
3. In accordance with the domestic and overseas regulatory requirements, the Company has formulated the Provisional Administrative Measures on the Sustainability of Business (《業務連續性管理辦法(試行)》), Administrative Measures on Internal Transactions (《內部交易管理辦法》), Basic Rules for Internal Control (《內部控制基本規定》), Rules for Insider Registration and Management (《內幕信息知情人登記管理規定》), Administrative Measures on Risk Evaluation of the Board of Directors (《董事會風險評估管理辦法》), Operational Risk Management System (《操作風險管理制度》), Administrative Measures on Liquidity Risk (《流動性風險管理辦法》), Liquidity Contingency Plan (《流動性應急計劃》) and has amended the Articles of Associations, Terms of Reference of the Special Committees of the Board of Directors (《董事會專門委員會工作細則》), Rules for Investor Relationship Management (《投資者關係管理工作制度》), Provisional Administrative Measures on Consolidation Management (《併表管理辦法(試行)》), Administrative Measures on Related Party Transactions (《關聯交易管理辦法》), Implementation Rules for the Administrative Measures on Related Party Transactions (《關聯交易管理辦法實施細則》), Terms of Reference of the Supervisory Board (《監事會議事規則》), Responsibilities and Working Procedures of the Supervisory Board (《監事會職責權限及工作細則》), Terms of Reference of the Nomination and Remuneration Committee of the Supervisory Board (《監事會提名與薪酬委員會工作細則》), Terms of Reference of the Supervision Committee of the Supervisory Board (《監事會監督委員會工作細則》) and Provisional Measures on the Retaining of External Entity by Supervisory Board (《監事會聘用中介機構管理暫行辦法》). The corporate governance system of the Company has been further improved by the formulation and amendment of the above rules and regulations. The Board of Directors and Supervisory Board will continue to improve the corporate governance of the Company by enhancing the implementation of the rules.
4. During the reporting period, the Company further strengthened its strategic management. Based on the analysis, studies and discussions on the first Five-Year Development Outline, the Company has formulated its second Five-Year Development Outline to set out the strategic objectives and directions of the long-term sustainable development of the Company in the next five years.

5. Pursuant to the Provisional Measures on Performance Appraisal of Senior Management (《高級管理人員盡職考評試行辦法》), the Board of Directors of the Company evaluated the performance of the senior management, and determined their remunerations and appointments in accordance with the results to improve their capabilities in fulfilling duties, and to optimize the systematic, standardized and regular performance evaluation system for the senior management.

Pursuant to the Provisional Measures on Performance Appraisal of Directors (《董事履職評價試行辦法》), the Company has completed the annual appraisal of Directors' performance under the guidance of the Compensation and Remuneration Committee under the Board and promoted due diligence and self-discipline of the Directors.

6. During the reporting period, the Company made full use of the public education platforms and training programs provided by regulatory authorities and arranged Directors and Supervisors to participate in the directors and supervisors training programs provided by regulatory authorities. All of our Directors and Supervisors satisfied the training requirements in relation to their qualifications by the regulatory authorities and improved their capabilities in carrying out duties.
7. During the reporting period, the Company further strengthened and promoted its internal control and has made significant achievements. The Company has issued a Three Year Internal Control Plan (《內控三年規劃》) to set out the directions of internal control for the next three years. In accordance with the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》), Application Guidelines for Corporate Internal Control (《企業內部控制應用指引》) and Appraisal Guidelines for Corporate Internal Control (《企業內部控制評價指引》), the Company conducted the annual self-assessment on internal control based on the standard construction of internal control.
8. During the reporting period, the Company has endeavoured to improve its management of related party transactions, in particular the transactions within the Group, by optimizing its systems, strengthening the implementation of its policies and introducing innovative management and control measures to ensure management efficiency on the basis of compliant operations.

Corporate Governance

9. During the reporting period, the Supervisory Board of the Company held various meetings to consider relevant resolutions on the Company's major works, attended the meetings of the Board and important business meetings of the senior management, supervised and advised on major issues including legal operation, financial reporting and internal control, continued to improve the mechanism of the Supervisory Board and enhanced the supervision and evaluations on the performance of Directors, Supervisors and senior management in accordance with the Company Law of the PRC, the Company's Articles of Association and the requirements of regulatory authorities. The Supervisory Board has assessed the implementation of the strategies (MSE strategies) of the Board of Directors. It also carried out specific examinations, inspections and researches and performed its responsibilities in supervision seriously and effectively, which facilitates the regulated operation and sustainable development of the Company.
10. During the reporting period, the Supervisory Board monitored the operation and management of the Company in accordance with its responsibilities and regulatory requirements. It organized and conducted specific examinations on the off-balance sheet business and the self-examination on the compliant operations as a listed company. The Supervisory Board also organized supervisory teams to pay inspection visits to 4 branches. Based on the results of the inspections and visits, the Supervisory Board submitted 10 management proposals to the Board and senior management, which ensured the compliance of operation and healthy development of the Company.
11. A total of 6 issues of Newsletter of the Board of Directors (《董事會工作通訊》), 50 issues of Internal Reference (《內部參考》) and 12 issues of Newsletter of the Supervisory Board (《監事會通訊》) were published during the reporting period, serving as a convenient and effective communication platform of corporate governance among the Board of Directors, the Supervisory Board and the senior management, and among the Directors and Supervisors.
12. During the reporting period, the Company has disclosed all material information in a timely, accurate, true and complete manner and continued to enhance the transparency of the Company, ensuring all shareholders have equal opportunity to access the information of the Company. The Company improved its relationship with investors through the continuous improvement of company value, promotion of the strength of the Company, the adoption of innovative operation model and the introduction of major achievements to affect the revolution and development of the Bank. Please refer to "Information Disclosure and Investor Relations" in this section for details.

13. On 22 March 2012, Rules for Insider Registration and Management (《內幕信息知情人登記管理規定》) was adopted at the 22nd meeting of the 5th session of the Board of Directors. The Company completed the registration of insiders strictly in accordance with the measures. According to the internal inspection of the Company, no leakage of important information of the Company has been found as at the end of the reporting period. No insiders have dealt in shares of the Company with the knowledge of any share price sensitive inside information before the disclosure of such information.
14. Compliance of regulatory requirements regarding corporate governance of listed companies issued by CSRC

The Company has conducted a thorough internal inspection and was not aware of any non-compliance of the Company's corporate governance with the regulations regarding corporate governance of listed companies promulgated by the CSRC. There were no irregularities of corporate governance and no information has been provided to substantial shareholders or beneficial owners before such information being published.

15. Compliance of Appendix 14 to the Hong Kong Listing Rules

During the period from 1 January 2012 to 31 March 2012, the Company has fully complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules and most of the recommended best practices contained therein.

Save as disclosed below, during the period from 1 April 2012 to the date of this report, the Company has fully complied with the amended code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and most of the recommended best practices contained therein.

For the purpose of Rule A.6.7 under the Corporate Governance Code, Andrew Wong and Wang Songqi, the Directors, failed to attend the First Extraordinary General Meeting in 2012 held on 10 April 2012 due to business trips; Zhang Hongwei and Lu Zhiqiang, the Directors, failed to attend the Second Extraordinary General Meeting in 2012, the First A Share Class Meeting in 2012 and the First H Share Class Meeting in 2012 held on 3 May 2012 (collectively the "Second General Meetings of 2012") due to business trips; Wang Yugui, a Director, failed to attend the Second General Meetings of 2012 due to other work arrangements; Chen Jian, a Director, failed to attend the 2011 Annual General Meeting held on 15 June 2012 due to business trip; and Lu Zhiqiang, a Director, failed to attend the Third Extraordinary General Meeting in 2012 held on 17 December 2012 due to work arrangements.

III. Board of Directors

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

(I) Composition of the Board

As at the end of the reporting period, the Board of the Company has 18 members, of which 9 are Non-executive Directors, 3 are Executive Directors and 6 are Independent Non-executive Directors. All Non-executive Directors held key positions in renowned enterprises and are experienced in management, finance and accounting, while the 3 Executive Directors have been engaged in banking operation and management for a long time with extensive professional experience. The 6 Independent Non-executive Directors are experts in economic, finance, accounting, law and human resources. One of the Independent Non-executive Directors is from Hong Kong and has been familiar with the IFRS and practices of the Hong Kong capital market.

The members of the Board are professional and independent and have a wide range of experiences which help to ensure that the Board can make decision in a rational manner.

The list of Directors of the Company and their profiles are shown in "Directors, Supervisors, Senior Management and Employees" of this report. Among the members of the Board of the Company, Mr. Liu Yonghao is the chairman and substantial shareholder of New Hope Group Co., Ltd.. Mr. Wang Hang is a director and the vice president of New Hope Group Co., Ltd.. Save for the above, the members of the Board are not related in terms of finance, business, family or other material or relevant relations. The status of Independent Non-executive Director has been indicated clearly in all communication of the Company which lists the name of Directors to comply with the provisions of the Hong Kong Listing Rules.

Mr. Wu Di, Mr. Cheng Hoi-chuen and Mr. Ba Shusong were elected by the shareholders to act as Directors from 15 June 2012 to 10 April 2015; Mr. Guo Guangchang and Ms. You Lantian were elected to act as Directors from 17 December 2012 to 10 April 2015. The term of office of all other current Directors commenced on 10 April 2012 and shall expire on 10 April 2015.

(II) Powers of the Board

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

1. to convene shareholders' general meetings and to report its performance to shareholders;
2. to implement the resolutions passed at the shareholders' general meetings;
3. to decide on the Company's operational plans and investment plans;
4. to formulate the Company's proposed annual budget and annual final accounts;
5. to formulate the Company's profit distribution plans and plans for recovery of losses;
6. to formulate proposals for increases or reductions of the Company's registered share capital, issuance of bonds or other securities and listing plans;
7. to formulate proposals for material acquisitions, the purchase of the Company's shares, merger, division, dissolution and change of Company form;
8. to decide on external investments, purchases and sales of assets, pledges of assets, material guarantees, and related party transaction matters within the scope authorized by the Company's shareholders' general meetings;
9. to decide on the establishment of the Company's internal management structure;
10. to appoint or remove the Company's President and CFO based on the recommendations of the Nomination Committee; to appoint or remove Board Secretary based on the recommendations of the Chairman of the Board; to appoint or remove the senior management, such as Vice Presidents and financial officers of the Company based on the recommendations of the President and to decide on matters relating to their remunerations, reward and the imposition of any disciplinary measures;
11. to approve the appointment or dismissal of President, Vice Presidents and other senior management of branches whose qualifications had been accredited by the CBRC;
12. to establish the Company's basic management system;
13. to formulate proposals for any amendment to the Company's Articles of Association;

Corporate Governance

14. to manage the Company's disclosure of information;
15. to propose at the shareholders' general meetings for the appointment or replacement of the Company's accounting firms for audit purpose;
16. to review working reports of the President of the Company and to examine the President's performance;
17. the Board shall establish a supervisory system to ensure that the management body will formulate a code of conduct and working principles for the management staff and the business personnel at all levels and that the regulatory documents will specifically require employees at all levels promptly report any possible conflict of interests, provide detailed rules and establish corresponding mechanism;
18. the Board shall establish an information reporting system that requires the senior management to report to the Board and Directors the operational issues of the Company regularly, and the reporting system shall cover provisions for the following issues: the scope of the information reported to the Board and Directors and the lowest reporting standards, the reporting frequency, the reporting method, the responsible body and liabilities arising from delayed or incomplete reporting and the confidentiality requirements; and
19. to exercise any other powers prescribed by the applicable laws, administrative regulations and departmental rules, as well as any other powers conferred by the Company's Articles of Association.



(III) Board meetings and contents of resolutions

During the reporting period, 12 board meetings were held by the Board of Directors to consider and approve major resolutions in relation to strategies, policies, finance and operation of the Company.

Meeting	Date	Publication	Date of disclosure
9th Extraordinary Meeting of the 5th Session of the Board	22 February 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	23 February 2012
22nd Meeting of the 5th Session of the Board	22 March 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	23 March 2012
1st Meeting of the 6th Session of the Board	10 April 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	11 April 2012
2nd Meeting of the 6th Session of the Board	26 April 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	27 April 2012
3rd Meeting of the 6th Session of the Board	21 May 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	22 May 2012
1st Extraordinary Meeting of the 6th Session of the Board	27 June 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	28 June 2012
2nd Extraordinary Meeting of the 6th Session of the Board	7 August 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	8 August 2012
4th Meeting of the 6th Session of the Board	23 August 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	24 August 2012
3rd Extraordinary Meeting of the 6th Session of the Board	30 September 2012	(Exempted from announcement requirement according to relevant provisions)	
5th Meeting of the 6th Session of the Board	30 October 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	31 October 2012
6th Meeting of the 6th Session of the Board	21 November 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	22 November 2012
7th Meeting of the 6th Session of the Board	31 December 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	1 January 2013

In the above 12 meetings, 80 resolutions in respect of 4 periodical reports, working reports of the Board of Directors, working reports of the President, financial budgets and final account reports, profit distribution proposals, major related party transactions and the write-off of significant bad debts were approved.

Corporate Governance

The following table sets out the attendance record of Directors of the Company in the meetings of the Board in 2012:

Directors	Attendance/ Number of Meetings
Dong Wenbiao	12/12
Hong Qi	12/12
Zhang Hongwei	12/12
Lu Zhiqiang	12/12
Liu Yonghao	12/12
Liang Yutang	12/12
Wang Yugui	12/12
Shi Yuzhu	12/12
Wang Hang	12/12
Wang Junhui	12/12
Wu Di	7/7
Guo Guangchang	1/1
Qin Rongsheng	12/12
Cheng Hoi-chueng	7/7
Ba Shusong	7/7
You Lantian	1/1
Wang Lihua	12/12
Han Jianmin	12/12
Chen Jian	9/9
Wong Hei	5/5
Liang Jinquan	5/5
Wang Songqi	11/11
Andrew Wong	5/5

Note: Wu Di, Guo Guangchang, Cheng Hoi-chuen, Ba Shusong, You Lantian, Chen Jian, Wong Hei, Liang Jinquan, Wang Songqi and Andrew Wong were appointed or resigned during the year and were not counted in the quorum of all of the 12 meetings.

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

1. Implementation of the profit distribution plan

The Board of the Company has distributed dividends to the shareholders according to the 2011 profit distribution plan approved at the 2011 Annual General Meeting. On the basis of a total of 28,365,585,227 issued shares as at 25 June 2012, a cash dividend of RMB3.00 (before tax) for every 10 shares, for a total of cash dividend of approximately RMB8,510 million, was distributed to the shareholders whose names appeared on the share register as at the record date. The cash dividend was denominated and declared in Renminbi. The holders of A Shares were paid in Renminbi and the holders of H Shares were paid in Hong Kong dollars. The Company distributed cash dividend to the holders of A Shares and H Shares on 29 June 2012 and 10 July 2012, respectively.

The Board of the Company has distributed dividends to the shareholders according to the 2012 interim profit distribution plan approved at the 2011 Annual General Meeting. On the basis of a total of 28,365,585,227 issued shares as at 31 August 2012, a cash dividend of RMB1.50 (before tax) for every 10 shares, for a total of cash dividend of approximately RMB4,255 million, was distributed to the shareholders whose names appeared on the share register as at the record date. The cash dividend was denominated and declared in Renminbi. The holders of A Shares were paid in Renminbi and the holders of H Shares were paid in Hong Kong dollars. The Company distributed cash dividend to the holders of A Shares and H Shares on 6 September 2012 and 19 September 2012, respectively.

For details of implementation, please refer to the announcements issued by the Company.

2. Attendance records of Directors of the Company in the shareholders' general meetings

The following table sets out the attendance records of Directors in the shareholders' general meetings in 2012:

Directors	Attendance/ Number of Meetings
Dong Wenbiao	4/4
Hong Qi	4/4
Zhang Hongwei	3/4
Lu Zhiqiang	2/4
Liu Yonghao	4/4
Liang Yutang	4/4
Wang Yugui	3/4
Chen Jian	2/3
Wong Hei	3/3
Shi Yuzhu	4/4
Wang Hang	4/4
Wang Junhui	4/4
Liang Jinqun	3/3
Wang Songqi	3/4
Andrew Wong	2/3
Qin Rongsheng	4/4
Wang Lihua	4/4
Han Jianmin	4/4
Wu Di	1/1
Cheng Hoi-chueng	1/1
Ba Shusong	1/1

Note: Chen Jian, Wong Hei, Liang Jinqun, Andrew Wong, Wu Di, Cheng Hoi-chuen and Ba Shusong were appointed or resigned during the year and were not counted in the quorum of all of the four meetings.

(V) Performance of Independent Non-executive Directors

The Board of the Company comprises 6 Independent Non-executive Directors. The qualification, number and proportion of Independent Non-executive Directors are in compliance with the provisions of the CBRC, CSRC, and the Listing Rules of the Shanghai Stock Exchange and Hong Kong Listing Rules. During the reporting period, these Independent Non-executive Directors have duly performed their duties by maintaining communication with the Company through various means, such as on-site visits, investigation and conferences, attending the Board meetings and meetings of the special committees conscientiously, making suggestions actively and emphasizing on minority shareholders' interests.

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

To better perform the duties of Independent Non-executive Directors and improve the effectiveness of the Board, the Board of the Company has adopted an on-duty policy since March 2007 pursuant to which Independent Non-executive Directors are required to work in the Bank for 1 to 2 days per month. The Company provided offices and facilities for Independent Non-executive Directors. All Independent Non-executive Directors have complied with the on-duty policy. The main duties of the Independent Non-executive Directors while they are on duty are: to study the works of their respective committees; to consider and determine the proposals put forwarded by the committees; to review working reports of the senior management or various departments of the head office; and to discuss and determine or amend any relevant corporate governance policy. During the reporting period, the Independent Non-executive Directors had worked in the Bank for 43 working days in aggregate, had 85 meetings with the management and the relevant department staff and made more than 39 proposals. It is an innovative policy of the Company to allow the Independent Non-executive Directors to conduct professional study and provide professional advice to the Board, which greatly helped the Board to make rational and independent decisions.

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

To further improve the corporate governance of the Company and have Independent Non-executive Directors closely involved in information disclosure to ensure the truthfulness, accuracy, completeness and timeliness of the information disclosed in the annual report of the Company, the Resolution on Involvement of Independent Non-executive Directors in the Preparation of Annual Report (《獨立董事年報工作制度》) was considered and approved at the 16th Meeting of the 4th session of the Board on 29 February 2008.

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

Pursuant to the resolution, Independent Non-executive Directors have performed their responsibilities and duties diligently and strictly comply with the relevant rules and regulations of the Company and the regulatory authorities in preparation and disclosure of the 2012 Annual Report of the Company. Independent Non-executive Directors have reviewed reports of the management on the operating results and material issues in 2012, maintained communication with the accounting firm in respect of the annual audit and reviewed audit plans, report on pre-audit and audit from the accounting firm, and examined the actual operating results of the Company.

3. Other duties of Independent Non-executive Directors

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

- (1) Nomination, appointment and removal of Directors;
- (2) Appointment or removal of senior management;
- (3) Remuneration of Directors and senior management;
- (4) Major and very substantial related party transactions between the shareholders, ultimate controllers and their respective related companies and the Company, and whether the Company has taken effective measures to collect outstanding payments;
- (5) Issues that Independent Non-executive Directors considered may damage the interests of minority shareholders;

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(6) Other issues stipulated in the Articles of Association of the Company.

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

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

All Independent Non-executive Directors of the Company were responsible and diligent in attending the Board meetings during the reporting period.

Attendance record of the Independent Non-executive Directors to the Board meetings in 2012

Directors	Number of meetings	Attendance in person	Attendance by proxy	Remarks
Qin Rongsheng	12	12	0	
Ba Shusong	7	7	0	
Cheng Hoi-Chuen	7	7	0	
You Lantian	1	1	0	
Wang Lihua	12	12	0	
Han Jianmin	12	12	0	
Liang Jinquan	5	5	0	
Wang Songqi	11	9	2	Andrew Wong was appointed as a proxy to attend the 9th Extraordinary Meeting of the 5th Session of the Board. Liang Jinquan was appointed as a proxy to attend the 1st Meeting of the 6th Session of the Board
Andrew Wong	5	4	1	Qin Rongsheng was appointed as a proxy to attend the 1st Meeting of the 6th Session of the Board

Note: Ba Shusong, Cheng Hoi-chuen, You Lantian, Liang Jinquan, Wang Songqi and Andrew Wong were appointed or resigned during the year and were not counted in the quorum of all of the 12 meetings.

(VI) Confirmation of the Independence of Independent Non-executive Directors

All six Independent Non-executive Directors of the Company are not subject to Rule 3.13 of the Hong Kong Listing Rules regarding their independence. Moreover, the Company has received the annual confirmation of independence from each of the Independent Non-executive Directors in accordance with the Hong Kong Listing Rules. The Company believes that all Independent Non-executive Directors are independent.

(VII) Chairman of the Board and President

The roles and duties of the Chairman of the Board and the President of the Company are performed by different persons with clearly defined responsibilities as provided by the Hong Kong Listing Rules. The Chairman of the Board, Mr. Dong Wenbiao, is responsible for leading the Board and acting as the Chairman of the Board meetings. He shall ensure that all Directors are well informed of the issues to be discussed during the Board meetings. He is also responsible for the management of the operation of the Board and ensures that the Board shall discuss all major and relevant issues in a timely and constructive manner. In order to allow the Board to discuss all major and relevant issues in time, the Chairman of the Board maintains close contact with relevant senior management to ensure that the Directors can promptly receive appropriate, complete and reliable information for their consideration and review.

Mr. Hong Qi is the President of the Company. He is responsible for the business operation of the Company and implementation of the strategies and business plans of the Company.

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

The Company has adopted its own code of conduct regarding Directors' and Supervisors' dealings in the securities on terms no less exacting than the Model Code as set out in the Appendix 10 to the Hong Kong Listing Rules. The Company has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above-mentioned Code for the year ended 31 December 2012. The Company also formulated the guidelines on dealings in securities of the Company by employees, which are no less strict than the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

(IX) Responsibility statement of Directors regarding preparation of account

All Directors of the Company had committed their responsibilities for the preparation of the Company's account for the year ended 31 December 2012.

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

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

The major works of corporate governance performed by the Board of the Company in 2012 were as follows: the Board had conducted due diligence assessments of Directors and senior management, and formulated and amended various administration policies of the Company in accordance with domestic and overseas regulatory requirements, including Administrative Measures on Internal Transactions, Basic Rules for Internal Control, the Articles of Association, Terms of Reference of the Special Committees of the Board of Directors, Rules for Investor Relationship Management, Provisional Administrative Measures on Consolidation Management, Administrative Measures on Related Party Transactions and Implementation Rules for the Administrative Measures on Related Party Transactions. The Board also confirmed that, save as disclosed in this report, the Company had complied with the code provisions of Appendix 14 to the Hong Kong Listing Rules throughout 2012 based on its review.

Members, functions and powers of the 6 special committees of the Board and their works in 2012 are as follows:

(I) Strategic Development and Investment Management Committee

1. Composition of the Strategic Development and Investment Management Committee and meetings in 2012

The Strategic Development and Investment Management Committee of the 5th session of the Board had 7 members. The chairman was Dong Wenbiao and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Junhui, Hong Qi and Wang Songqi.

According to the Resolution on the Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 1st meeting of the 6th session of the Board of Directors on 10 April 2012, the members of the Strategic Development and Investment Management Committee of the 6th session of the Board of Directors increased to 8, including Dong Wenbiao (chairman), Hong Qi, Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Shi Yuzhu, Wang Junhui and Wang Songqi.

According to the Resolution on the Changes of Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 7th meeting of the 6th session of the Board of Directors on 31 December 2012, the composition of the Strategic Development and Investment Management Committee of the Board of Directors was changed to have 8 members, including Dong Wenbiao (chairman), Hong Qi, Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Shi Yuzhu, Wang Junhui and Ba Shusong.

In 2012, the Strategic Development and Investment Management Committee convened 8 meetings, considered 23 proposals, reviewed 2 reports and had 3 special discussions. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	8/8
Lu Zhiqiang	8/8
Liu Yonghao	8/8
Shi Yuzhu	7/7
Wang Junhui	8/8
Executive Directors	
Dong Wenbiao (chairman of the committee)	8/8
Hong Qi	8/8
Independent Non-executive Director	
Wang Songqi	7/7
Ba Shusong	0/0

Note: Due to their appointment or resignation during the year or the adjustment of members of Strategic Development and Investment Management Committee, Shi Yuzhu, Wang Songqi and Ba Shusong were not counted in the quorum of all of the eight meetings.

2. Major achievements of the Strategic Development and Investment Management Committee in 2012

The new session of the Board took office in 2012 which was also the first year of the second Five-Year Plan (二五綱要). The Strategic Development and Investment Management Committee, under the leadership of the new session of the Board and the guidance of the principles of strategic transformation and focusing on MSEs, streamlined and reinforced the corporate governance structure of the Company involving the shareholders' meeting, the Board, the Supervisory Board and the senior management and thoroughly fulfilled its duties.

(1) Execution of daily duties of the Strategic Development and Investment Management Committee

The Strategic Development and Investment Management Committee convened 8 meetings in 2012 to discuss major issues of the Company. It also strengthened researches and on-site visits and prepared 13 research reports and hotspot analysis for the Directors' reference in making decisions.

(2) Formulation of the second Five-Year Development Outline

Upon completion of the first Five-Year Development Outline, the committee formulated the second Five-Year Development Outline under the supervision of the Board and the Chairman of the Board to define the development strategy of the Company in the next five years.

(3) Development of new approach on management of consolidated financial statements

The committee successfully developed the management framework of consolidated financial statements from the scratch and carried out the formulation of rules and regulations, the training of working teams and the implementation of IT system. The achievement of the committee was highly regarded by the regulatory authorities.

(4) Refinement in profit distribution plan

To further optimize the dividend distribution policy of the Company, the committee prepared the Research Report on Dividend Distribution Policy of the Company (《關於民生銀行利潤分配政策的調研報告》) based on the research result from the CBRC, CSRC, independent directors and investors. In the meantime, the committee also proposed the distribution of interim dividend for 2012, as well as the plan to distribute dividend twice a year in the coming years as long as the capital adequacy ratio meets the regulatory requirements to maintain the sustainability and stability of the dividend distribution policy of the Company.

(5) Stable development of township banks

During the reporting period, the Company carried out detail works including selection of shareholders, nomination of senior management, authorization management, meeting organization and external approvals to facilitate the establishment of township banks in a highly efficient manner. The Company focused on the appointment procedures of senior management and acceptance check and close negotiation with regulatory authorities to push forward the expansion of township banks of the Company. 9 township banks were established in the year, amounting the total number to 27.

(6) Management of affiliated entities

To facilitate the group-orientated and diversified development strategy of the Company, the committee further strengthened the management of affiliated entities to ensure their steady development and to effectively control all kinds of the risks.

For Minsheng Leasing and Minsheng Fund, the committee strengthened their corporate governance and internal control to meet the regulatory requirements on consolidated financial statements and the requirement of the Company on group-oriented management. The internal control systems of the two companies were systemized, regulated and standardized. The experience and practice of performance assessment of senior management of the Company were introduced to improve their assessment and incentive mechanism for the senior management.

In terms of Minsheng township banks, the committee strengthened its management and effectively fulfilled its responsibilities based on the general idea of “consolidated and standardized development, centralized risk control, sharing of resources and flexible and distinctive operation” to support and lead their healthy and sustainable development. Firstly, various risks management measures were implemented to improve the risk management of township banks. A thorough risk examination and prevention campaign were conducted for township banks. The liquidity risk of township banks was included in the centralized liquidity risk management of the Group. Secondly, the Company speeded up the establishment of a centralized operation and management platform for township banks. Thirdly, efforts were also made to establish the brand image of township banks and to build up the working teams. Fourthly, through hand-in-hand cooperation among the relevant departments of the Company and the township banks, the Company supported the development of township banks and continued to improve the management, support and service policy of the Group on the township banks.

(II) Nomination Committee

1. Composition of the Nomination Committee and meetings in 2012

The Nomination Committee under the 5th session of the Board comprised 9 members, the chairman was Liang Jinquan and the members were Zhang Hongwei, Wang Yugui, Wang Hang, Andrew Wong, Qin Rongsheng, Wang Lihua, Han Jianmin and Hong Qi.

According to the Resolution on the Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 1st meeting of the 6th session of the Board of Directors on 10 April 2012, the Nomination Committee of the 6th session of the Board had 9 members, including Liang Jinquan (chairman), Hong Qi, Zhang Hongwei, Wang Yugui, Wang Hang, Andrew Wong, Qin Rongsheng, Wang Lihua and Han Jianmin.

According to the Resolution on the Changes of Members of the Special Committees of the Board of Directors passed at the 1st extraordinary meeting of the 6th session of the Board of Directors on 27 June 2012, the composition of the Nomination Committee of the 6th session of the Board of Directors was changed to include Ba Shusong (chairman), Hong Qi, Zhang Hongwei, Wang Yugui, Wang Hang, Qin Rongsheng, Cheng Hoi-chuen, Wang Lihua and Han Jianmin.

According to the Resolution on the Changes of Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 7th meeting of the 6th session of the Board of Directors on 31 December 2012, the composition of the Nomination Committee of the Board was changed to include 10 members, and the chairman was You Lantian and the members were Hong Qi, Zhang Hongwei, Wang Yugui, Wang Hang, Qin Rongsheng, Cheng Hoi-chuen, Ba Shusong, Wang Lihua and Han Jianmin. The Nomination Committee convened 9 meetings, reviewed 16 proposals and 1 report in 2012. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	9/9
Wang Yugui	9/9
Wang Hang	9/9
Executive Director	
Hong Qi	9/9
Independent Non-executive Directors	
Liang Jinqun	6/6
Ba Shusong	3/3
You Lantian (chairman of the committee)	0/0
Qin Rongsheng	9/9
Wang Lihua	9/9
Cheng Hoi-chuen	3/3
Han Jianmin	9/9
Andrew Wong	5/6

Note: Liang Jinqun, Ba Shusong, You Lantian, Cheng Hoi-chuen and Andrew Wong were appointed or resigned during the year and were not counted in the quorum of all of the nine meetings.

2. Nomination procedures and process adopted by the Nomination Committee

(1) Nomination procedures for Director candidates

(i) General procedures for the nomination of Director candidates

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

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

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

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

(2) Criterion and standard of selection and recommendation of Director candidates

Directors shall possess expertise and experiences to perform his/her duties as well as qualify the requirements of the CBRC. Such qualification shall be reviewed by the CBRC.

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

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

- (ii) obtains a bachelor degree or above or with relevant professional qualifications in middle level or above;
- (iii) fulfils the independence requirement specified in the Articles of Association;
- (iv) is equipped with a basic knowledge of the operation of listed commercial banks, and is familiar with relevant laws, administrative regulations, rules and regulations; and is able to read, understand and analyze commercial bank's credit statistics and financial statements;
- (v) has more than five years of legal, economic, commercial banking or other working experience necessary for performance of the duties of independent non-executive directors;
- (vi) obtains other qualifications to serve as directors specified in the Articles of Association of the Company; and
- (vii) meets the requirements of the Hong Kong Listing Rules regarding the qualifications of independent non-executive directors.

(3) No candidate for directors was nominated and the composition of the Board remained unchanged this year.

3. Major achievements of the Nomination Committee in 2012

In 2012, the Nomination Committee implemented the Working Plan of the Nomination Committee (《提名委員會工作計劃》) formulated at the beginning of the year by duly performing the duties under the Terms of Reference of the Nomination Committee under the Board (《董事會提名委員會工作細則》) and fully performing its professional role in selecting Directors and senior management to facilitate the healthy and sustainable growth of the Company.

(1) Assistance in the election of the new session of Board of Directors

In 2012, the new session of the Board of Directors was elected in accordance with the relevant rules and regulations under the Company's Articles of Association. In compliance with the arrangement of the re-election, the Nomination Committee held meetings to determine the re-election plan (including re-election principles, structure and number of Directors) and procedures, as well as the qualifications of candidates for Directors. It also submitted their opinion to the Board and ensured the success of the re-election.

(2) Assistance in the supplemental election of Independent Non-executive Directors

Three Independent Non-executive Directors of the Company retired upon the expiry of their maximum terms of six years in July 2012 as required by the Company's Articles of Association. To ensure the normal operation of the Board, the Nomination Committee paid high attention to the supplemental election of new Independent Non-executive Directors. The Nomination Committee sought qualified candidates in accordance with the requirements of Independent Non-executive Directors and seriously examined the qualifications and experience of the candidates. Experienced professionals with achievements in financial management and sophisticated banking experience were selected and were successfully elected as the new Independent Non-executive Directors.

(3) Examination on the qualifications of the senior management

In 2012, the senior management of the head office was due to change. To ensure the stable and sustainable development of the Company, the Nomination Committee submitted its proposal on the selection of the senior management of the head office to the Board of Directors in accordance with the Terms of Reference of the Nomination Committee. It was proposed that new members should be selected and added to the senior management to lay a foundation for the future re-election while the existing senior management remained unchanged. In 2012, the Nomination Committee considered and examined a total of 10 candidates for the qualifications as the president, vice presidents, assistants to the president, board secretary and chief financial officer of the head office, as well as 19 candidates for the presidents and vice presidents of branches, which facilitated the stable operation of the Company.

(4) Revision of the Terms of Reference of the Nomination Committee under the Board

In accordance with the amendments to the Hong Kong Listing Rules in relation to corporate governance by the Hong Kong Stock Exchange in 2011, the Nomination Committee revised the relevant articles of the Terms of Reference of the Nomination Committee from the perspective of principles, duties and responsibilities to guarantee the corporate governance of the Company at a leading level in the industry.

(III) Compensation and Remuneration Committee

The model for determination of remuneration of Directors and senior management adopted is that Compensation and Remuneration Committee makes recommendations to the Board.

1. Composition of the Compensation and Remuneration Committee and meetings in 2012

The Compensation and Remuneration Committee of the 5th session of the Board had 9 members. The chairman was Andrew Wong and the members were Lu Zhiqiang, Wang Hang, Chen Jian, Liang Jinquan, Qin Rongsheng, Wang Lihua, Han Jianmin and Liang Yutang.

According to the Resolution on the Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 1st meeting of the 6th session of the Board of Directors on 10 April 2012, the Compensation and Remuneration Committee of the 6th session of the Board had 9 members, including Andrew Wong (chairman), Lu Zhiqiang, Liang Yutang, Wang Hang, Chen Jian, Liang Jinquan, Qin Rongsheng, Wang Lihua and Han Jianmin.

According to the Resolution on the Changes of Members of the Special Committees of the Board of Directors passed at the 1st extraordinary meeting of the 6th session of the Board of Directors on 27 June 2012, the composition of the Compensation and Remuneration Committee was changed to include Cheng Hoi-chuen (chairman), Lu Zhiqiang, Liang Yutang, Wang Hang, Chen Jian, Ba Shusong, Qin Rongsheng, Wang Lihua and Han Jianmin.

According to the Resolution on the Changes of Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 7th meeting of the 6th session of the Board of Directors on 31 December 2012, the composition of the Compensation and Remuneration Committee was changed to include Cheng Hoi-chuen (chairman), Lu Zhiqiang, Liang Yutang, Wang Hang, Guo Guangchang, Qin Rongsheng, You Lantian, Wang Lihua and Han Jianmin.

The Compensation and Remuneration Committee convened 3 meetings, reviewed 7 proposals and received 1 report in 2012.

Corporate Governance

The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Lu Zhiqiang	3/3
Chen Jian	3/3
Wang Hang	3/3
Guo Guangchang	0/0
Executive Director	
Liang Yutang	3/3
Independent Non-executive Directors	
Andrew Wong	2/2
Cheng Hoi-chuen (chairman of the committee)	1/1
Qin Rongsheng	3/3
Ba Shusong	1/1
Wang Lihua	3/3
Han Jianmin	3/3
Liang Jinquan	2/2
You Lantian	0/0

Note: Guo Guangchang, Andrew Wong, Cheng Hoi-chuen, Ba Shusong, Liang Jinquan and You Lantian were appointed or resigned during the year and were not counted in the quorum of all of the three meetings.

2. Major achievements of the Compensation and Remuneration Committee in 2012

In 2012, the Compensation and Remuneration Committee under the Board performed duties as stipulated in the Terms of Reference of the Compensation and Remuneration Committee under the Board (《董事會薪酬與考核委員會工作細則》) in accordance with requirements of the strategic transformation proposed by the Board. The committee reviewed the annual remuneration of Directors and senior management and conducted performance evaluation of Directors and senior management, studied and improved the remuneration competitiveness of the Company and successfully completed all other work arrangement for this year.

(1) Organized to revise the Terms of Reference of the Compensation and Remuneration Committee

In accordance with the amendments to the Hong Kong Listing Rules in relation to corporate governance by the Hong Kong Stock Exchange in 2011, the Compensation and Remuneration Committee revised the relevant articles of the Terms of Reference of the Compensation and Remuneration Committee from the perspective of duties and responsibilities to ensure the compliance with the new regulatory requirements in China and Hong Kong and to improve the level of corporate governance of the Company.

(2) Determination of target of KPI for senior management in 2012

In accordance with the Management Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》), the performance remuneration of the senior management is pegged to their KPIs. With reference to the 2012 Financial Budget Report (《2012年度財務預算報告》), the Compensation and Remuneration Committee set the benchmarks of KPIs for 2012, which provided a rational and effective basis for the annual performance evaluation and remuneration for senior management.

(3) Assessment on annual performance of the Directors

The Compensation and Remuneration Committee under the Board conducted a performance evaluation on all Directors in the past one year according to the Provisional Measures on Performance Appraisal of Directors of China Minsheng Banking Corp., Ltd.. All 18 Directors including the Non-executive Directors, Independent Non-executive Directors and Executive Directors were evaluated. The Report on Directors Performance Appraisal of China Minsheng Banking Corp., Ltd. in 2011 (《中國民生銀行股份有限公司董事會2011年度董事履職評價報告》) was issued after objective appraisal and self-assessment on the performance of the Directors in the past one year. The appraisal helped improving the performance of the Directors and the public image of the Company in the capital market and the recognition of the Company by the regulatory authorities.

(4) Assessment on annual performance of the senior management

The leading group of due diligence assessment under the Board assessed the performance of 7 members of the senior management of the head office and 30 presidents of the branch offices (including the executive vice presidents) in 2011 in accordance with the Provisional Measures on Performance Appraisal of Senior Management of China Minsheng Banking Corp., Ltd. on their leadership and performance of duties. The performance appraisal allowed the Board to fully understand the performance of the senior management and the presidents of branch offices so as to ensure the sustainable and healthy development of the Company.

(5) Determination of the annual remunerations of Directors and senior management

In compliance with the Rules on Remuneration of Directors and Supervisors of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事、監事薪酬制度》), and based on the evaluation on the performances of the Directors, the committee determined annual remunerations of directors for 2011. In compliance with the Management Rules on Remuneration of Senior Management and the Management Measures of Venture Fund for Senior Management (《高級管理人員風險基金管理辦法》) and on the basis of the 2011 operation indicators, the committee evaluated the performances of the senior management appointed by the Board and determined their annual performance-based remunerations for 2011.

(6) Research on incentive plans of the Company for the next five years

The committee reviewed the existing incentive system of the Company and the development trend of incentive systems in China and other countries, and held initial discussions on the future incentive system of the Company based on the strategic development of the Board so as to better align the interests of the employees and the Company.

(IV) Risk Management Committee

1. Composition of the Risk Management Committee and meetings in 2012

The Risk Management Committee of the 5th session of the Board of Directors comprised 5 members. The chairman was Wang Songqi and the members were Liang Yutang, Wang Yugui, Wang Hang and Andrew Wong.

According to the Resolution on the Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 1st meeting of the 6th session of the Board of Directors on 10 April 2012, the Risk Management Committee of the 6th session of the Board had 5 members, including Wang Songqi (chairman), Liang Yutang, Wang Yugui, Wang Hang and Andrew Wong.

According to the Resolution on the Changes of Members of the Special Committees of the Board of Directors passed at the 1st extraordinary meeting of the 6th session of the Board of Directors on 27 June 2012, the Risk Management Committee of the 6th session of the Board had 5 members, including Wang Songqi (chairman), Liang Yutang, Wang Yugui, Wang Hang and Ba Shusong.

According to the Resolution on the Changes of Composition of the Special Committees of the 6th Session of the Board of Directors of the Company passed at the 7th meeting of the 6th session of the Board of Directors on 31 December 2012, the Risk Management Committee of the Board had 5 members, including Ba Shusong (chairman), Liang Yutang, Wang Yugui, Wang Hang and Guo Guangchang.

Major duties of the Risk Management Committee include conducting research on national economic and financial policies and analysis of market changes to formulate risk management proposals and establish risk control indicator system, study on regulations, policies and regulatory indicators issued by regulatory authorities to provide recommendations for effective implementation, research on the development strategies and risk management system of the Company to provide

recommendations on the improvement of organizational structure, control procedures and risk solutions for risk management, review of risk monitoring indicators and risk management information analysis report to monitor the implementation of necessary identification, measurement, supervision and control measures for operational risks carried out by the management, review of early-warning and prevention as well as contingency plans for major risks on operation and management of the Company, organizational of risk assessment for material operation issues, formulation of risk prevention measures and other duties delegated by the Board of Directors.

The Risk Management Committee convened 12 meetings, reviewed 16 proposals and received 3 working reports on risks in 2012. The committee appraised 119 businesses beyond risk limits with a total amount of RMB168.1 billion.

The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Wang Yugui	12/12
Wang Hang	12/12
Executive Director	
Liang Yutang	12/12
Independent Non-executive Directors	
Wang Songqi	12/12
Andrew Wong	7/7
Ba Shusong (chairman of the committee)	5/5

Note: Andrew Wong and Ba Shusong were appointed or resigned during the year and were not counted in the quorum of all of the 12 meetings.

2. Major achievements of the Risk Management Committee in 2012

In 2012, the Risk Management Committee performed its duties on risk management properly to further improve the rational and effective risk management decision. The major achievements of the Risk Management Committee are as follows:

The committee approved various proposals including the Risk Management Guidelines of the Board in 2012 (《董事會2012年度風險管理指導意見》), Report on Risk Assessment of 2011 of the Board of Directors (《2011年董事會風險評估報告》), Administrative Measures on Risk Assessment of the Board of Directors of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會風險評估管理辦法》), Administrative Measures on Liquidity Risk of the Board of China Minsheng Banking Corp., Ltd. (2012 version) (《中國民生銀行流動性風險管理辦法 (2012年版)》), Amendments to Administrative Measures of Approving Business Beyond Risk Limits by the Board (《董事會超風險限額審批管理辦法修訂案》), Liquidity Contingency Plan of China Minsheng Banking Corp., Ltd. (2012 version) (《中國民生銀行流動性應急計劃 (2012年版)》), Report on IT Risk Management of 2011 of China Minsheng Banking Corp., Ltd. (《中國民生銀行2011年信息科技風險管理報告》), Proposal on Value Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行價值管理工作方案》) and Administrative Measures on Business Continuity of China Minsheng Banking Corp., Ltd. (Provisional) (《中國民生銀行業務連續性管理辦法 (試行)》). The committee also reviewed and approved 119 businesses beyond risk limits. The committee conducted research and reviewed risk management reports from the management quarterly and approved proposals, such as Risk Management Report for 2011 (《2011年風險管理工作報告》), Risk Management Report for the First Quarter of 2012 (《2012年1季度風險管理工作報告》) and Risk Management Report for the First Half of 2012 (《2012年上半年風險管理工作報告》). The committee also reviewed special proposals such as Risk Management Report for Art Funds of the Bank (《我行藝術品基金風險管理情況的報告》), Report on Overall Credit Risk of the Bank (《關於當前全行信用風險總體情況的匯報》) and Major Focus of Risk Management of the Board of Directors for the Next Five Years (《未來五年董事會風險管理重點工作》).

(V) Audit Committee

1. Composition of the Audit Committee and meetings in 2012

The Audit Committee of the 5th session of the Board comprised 6 members. The chairman was Qin Rongsheng, and the members were Wong Hei, Shi Yuzhu, Andrew Wong, Wang Songqi and Han Jianmin.

According to the Resolution on the Composition of the Special Committees of the 6th session of the Board of Directors passed at the 1st meeting of the 6th session of the Board of Directors on 10 April 2012, the Audit Committee of the 6th session of the Board had 6 members, including Qin Rongsheng (chairman), Wong Hei, Shi Yuzhu, Andrew Wong, Wang Songqi and Han Jianmin.

According to the Resolution on the Changes of Members of the Special Committees of the Board of Directors passed at the 1st extraordinary meeting of the 6th session of the Board of Directors on 27 June 2012, the composition of the Audit Committee of the 6th session of Board of Directors was changed to include Qin Rongsheng (chairman), Shi Yuzhu, Wu Di, Cheng Hoi-chuen, Wang Songqi and Han Jianmin.

According to the Resolution on the Changes of Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 7th meeting of the 6th session of the Board of Directors on 31 December 2012, the composition of the Audit Committee under the Board was changed to include Qin Rongsheng (chairman), Shi Yuzhu, Wu Di, Cheng Hoi-chuen, You Lantian and Han Jianmin.

As at the end of the reporting period, the Audit Committee of the Company had 6 members, including 4 Independent Non-executive Directors and 2 Non-executive Directors. The 4 Independent Non-executive Directors are professionals in finance and management. The 2 Non-executive Directors are senior management of renowned companies in China and have extensive experience in management and sufficient knowledge in finance and accounting.

The composition of the Audit Committee is rational with professional and independent nature, which is capable to ensure the committee to perform its duties effectively.

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

The Audit Committee under the Board convened 6 meetings and reviewed 19 proposals in 2012.

The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Shi Yuzhu	6/6
Wu Di	4/4
Wong Hei	2/2
Independent Non-executive Directors	
Cheng Hoi-chuen	4/4
Wang Songqi	6/6
Qing Rongsheng (chairman of the committee)	6/6
Han Jianmin	6/6
Andrew Wong	2/2

Note: Wu Di, Wong Hei, Cheng Hoi-chuen and Andrew Wong were appointed or resigned during the year and were not counted in the quorum of all of the six meetings.

2. Major achievements of the Audit Committee in 2012

(1) Supervision on the implementation and improvement of internal control standard

The Company was selected as one of the first key companies to implement the trial plan of internal control standard in 2011. In 2012, one of the major tasks of the Company was to further improve and implement the internal control standard. During the year, the Audit Committee supervised and guided the relevant departments to implement and promote the internal control system and to facilitate the establishment of long-term internal control mechanism and the promotion of internal control culture.

(2) Organization of the formulation of the Three-Year Internal Control Plan

As one of the major initiatives of internal control, the Audit Committee under the Board supervised the preparation of the Three-Year Internal Control Action Plan in 2012 which was based on the regulatory requirements and experience of the Company and its peers in the industry. The plan is a consolidation of internal control practices of the Company and an explanation and introduction of the regulatory policies and requirements that leads the direction of internal control construction of the Company in the next three years.

(3) Further improvement of the implementation of the internal control standard

In 2012, the Audit Committee under the Board paid special inspections on the internal control of the branches in Wenzhou and Shenzhen and reviewed reports of internal audit department. The Audit Committee promoted the successful result in internal control standard and supervised and examined the audit exercises to improve the internal control system.

(4) Organization of the assessment of internal control

In 2012, the Audit Committee under the Board conducted the annual self-assessment of internal control in accordance with the Basic Standard for Corporate Internal Control, Application Guidelines for Corporate Internal Control and Appraisal Guidelines for Corporate Internal Control based on the establishment of the internal control standard.

(5) Review of financial statements of the Company

Based on the disclosure requirement of the regulatory authorities for annual financial statements and the disclosure plan of the Audit Committee, the Audit Committee organized the preparation and review of the 2011 Annual Report, and review of the 2011 Report on Final Accounts, 2012 Financial Budget Report, 2012 Interim Report, the first and third quarterly reports of 2012, 2012 Annual Results and 2012 Financial Report of the Company.

(6) Organization of evaluation and engagement of external auditors for annual audit

In 2012, the Audit Committee performed comprehensive evaluation on the due diligence of the accounting firms in 2011 and assisted the Board of Directors in completing the re-appointment of external auditors, which ensured the smooth conduction of external audit.

(VI) Related Party Transactions Supervision Committee**1. Composition of the Related Party Transactions Supervision Committee and meetings in 2012**

The Related Party Transactions Supervision Committee of the 5th session of the Board comprised 8 members. The chairman of the committee was Qin Rongsheng, and the members were Wong Hei, Shi Yuzhu, Wang Junhui, Liang Yutang, Wang Lihua, Liang Jinquan and Han Jianmin.

According to the Resolution on the Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 1st meeting of the 6th session of the Board of Directors on 10 April 2012, the Related Party Transactions Supervision Committee of the 6th session of the Board had 8 members, including Qin Rongsheng (chairman), Wong Hei, Shi Yuzhu, Wang Junhui, Liang Yutang, Liang Jinquan, Wang Lihua and Han Jianmin.

According to the Resolution on the Changes of Members of the Special Committees of the Board of Directors passed at the 1st extraordinary meeting of the 6th session of the Board of Directors on 27 June 2012, the composition of the Related Party Transactions Supervision Committee of the 6th session of Board of Directors was changed to include Qin Rongsheng (chairman), Liang Yutang, Shi Yuzhu, Wang Junhui, Wu Di, Ba Shusong, Wang Lihua and Han Jianmin.

According to the Resolution on the Changes of Composition of the Special Committees of the 6th Session of the Board of Directors passed at the 7th meeting of the 6th session of the Board of Directors on 31 December 2012, the composition of the Related Party Transactions Supervision Committee of Board of Directors was changed to include Qin Rongsheng (chairman), Liang Yutang, Shi Yuzhu, Wang Junhui, Wu Di, Ba Shusong, Wang Lihua and Han Jianmin.

As at the end of the reporting period, the Related Party Transactions Supervision Committee of the Company had eight members, including four Independent Non-executive Directors, three Non-executive Directors and one Executive Director. The four Independent Non-executive Directors are professionals in finance and management. The three Non-executive Directors are senior management of renowned companies in China and have extensive experience in management and sufficient knowledge in finance and accounting.

Corporate Governance

The composition of the Related Party Transactions Supervision Committee is rational with professional and independent nature, which is capable to ensure the committee to perform its duties effectively.

The members of the Related Party Transactions Supervision Committee and their profiles are set out in “Directors, Supervisors, Senior Management and Employees” of this report. The members of the committee are not related in terms of finance, business, family or other material relations or relevant relations.

The Related Party Transactions Supervision Committee under the Board convened 6 meetings and reviewed 17 proposals in 2012.

The attendance record is as follows:

Member	Attendance/ Number of Meetings
Non-executive Directors	
Wong Hei	3/3
Shi Yuzhu	6/6
Wang Junhui	6/6
Wu Di	3/3
Executive Director	
Liang Yutang	6/6
Independent Non-executive Directors	
Qin Rongsheng (chairman of the committee)	6/6
Liang Jinqun	3/3
Wang Lihua	6/6
Han Jianmin	6/6
Ba Shusong	3/3

Note: Wong Hei, Wu Di, Liang Jinqun and Ba Shusong were appointed or resigned during the year and were not counted in the quorum of all of the six meetings.

2. Major achievements of the Related Party Transactions Supervision Committee in 2012

(1) Establishment of related party transactions management system

In accordance with the management and disclosure requirement in relation to related party transactions of the local and overseas regulatory authorities, the Related Party Transactions Supervision Committee commenced the establishment of related party transactions management system of the Bank in 2012 to improve the management of related party transactions and the internal control of the Company effectively.

(2) Effective management of internal transactions of the Group

In 2012, the Related Party Transactions Supervision Committee formulated the Administrative Measures on Internal Transactions to standardize the procedures of internal transactions. The committee also issued the Guiding Opinion on Internal Transactions of Minsheng Bank for 2012 (《民生銀行2012年度內部交易指導意見》) for the effective management of internal transactions at the beginning of the year.

(3) Continuously strengthened supervision on daily related party transactions at the system level

In 2012, in accordance with the amended Hong Kong Listing Rules, the advices of the regulatory authorities and the experience of the Company in the management of related party transactions in recent years, the Related Party Transactions Supervision Committee systematically revised the Administrative Measures on Related Party Transactions and Implementation Rules for the Administrative Measures on Related Party Transactions to further improve the rational management of related party transactions.

V. The Supervisory Board

The Supervisory Board is the supervisory organization of the Company, which executes its powers and functions in accordance with the laws and regulations, such as the Company Law of the PRC, applicable regulatory provisions and the Articles of Associations to promote the lawful operations and stable development of the Company and safeguard interests of the Company and investors. The Supervisory Board shall be accountable to the shareholders' general meetings.

(I) Composition of the Supervisory Board

As at the end of the reporting period, the Supervisory Board of the Company comprised 9 members, including 3 Shareholder Supervisors, 2 External Supervisors and 4 Employee Supervisors. The 2 External Supervisors are experts in finance and management; the 3 Shareholder Supervisors are key persons in charge of renowned companies in the PRC with extensive management experience, sufficient knowledge in finance and accounting; and the 4 Employee Supervisors have been engaged in management in banks for a long period of time, possessing extensive experiences.

The composition of the Supervisory Board is rational with professional and independent nature, which is capable to ensure the Supervisory Board to perform its duties effectively.

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

(II) The functions and duties of the Supervisory Board

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

1. to review the regular reports of the Company drafted by the Board and opine on the reports in writing;
2. to examine and supervise financial activities of the Company and may (if necessary) engage another accounting firm to conduct independent auditing on financial status in the name of the Company;
3. to oversee the compliance of Directors, President, Vice Presidents, CFO and Board Secretary of the Company in performing their duties;
4. to demand any Directors, President, Vice Presidents, CFO and Board Secretary of the Company rectify his/her conduct when such conduct is detrimental to the interests of the Company, and report such conduct to shareholders’ general meetings or relevant regulatory authorities of China if necessary; and to make proposals to remove any Directors and senior management if they breach any applicable laws, administrative regulations, the Company’s Articles of Association or resolutions of shareholders’ general meetings;

5. to conduct audit over the issues in connection with the operation and decision making, risk management and internal control of the Company as and when necessary;
6. to make a departure audit, if required, in respect of any resigning director or member of senior management;
7. to issue opinions on the engagement of an accounting firm by the Company;
8. to propose to convene extraordinary shareholders' general meetings, and, if the Board fails to convene or chair such a meeting as required under the Company Law of the PRC, to convene or chair the shareholders' general meetings;
9. to propose to convene an extraordinary board meeting and submit proposals to the shareholders' general meeting;
10. to sue against Directors and senior management according to Article 152 of the Company Law of the PRC;
11. to investigate any irregularities in the operations of the Company and, if necessary, may engage accounting firms, law firms or other professional firms to assist its work at the costs of the Company; and
12. to exercise other powers prescribed by the Articles of Association or conferred by the shareholders' general meeting.

Members of the Supervisory Board may be present at meetings of the Board and are entitled to voice their opinions at the meetings.

(III) The Supervisory Board meetings and contents of resolutions

During the reporting period, 10 meetings have been held by the Supervisory Board of the Company, the details and contents of the meetings are as follows:

Meeting	Date	Publication	Date of Disclosure
The 1st Extraordinary Meeting of the 5th Session of the Supervisory Board	22 February 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	23 February 2012
The 17th Meeting of the 5th Session of the Supervisory Board	22 March 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	23 March 2012
The 1st Meeting of the 6th Session of the Supervisory Board	10 April 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	11 April 2012
The 2nd Meeting of the 6th Session of the Supervisory Board	26 April 2012	Exempted from disclosure pursuant to relevant regulations	
The 3rd Meeting of the 6th Session of the Supervisory Board	3 May 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	4 May 2012
The 4th Meeting of the 6th Session of the Supervisory Board	11 July 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	12 July 2012
The 5th Meeting of the 6th Session of the Supervisory Board	23 August 2012	Exempted from disclosure pursuant to relevant regulations	
The 6th Meeting of the 6th Session of the Supervisory Board	19 October 2012	Exempted from disclosure pursuant to relevant regulations	
The 7th Meeting of the 6th Session of the Supervisory Board	13 November 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	14 November 2012
The 8th Meeting of the 6th Session of the Supervisory Board	28 December 2012	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	4 January 2013

The Supervisory Board of the Company considered and approved 26 proposals of the Company including the 2011 Annual Report, Quarterly Reports and Interim Report of 2012, 2011 Working Report of the Supervisory Board, and Performance Assessment Report of Directors and Senior Management in 2011 by the Supervisory Board at the above meetings. During the reporting period, the Supervisory Board has no objection on the supervision matters.

(IV) The attendance record of Supervisors of the Company in 2012:

Supervisor	Attendance/ Number of meetings
Duan Qingshan	8/8
Li Huaizhen	8/8
Wang Jiazhi	8/8
Zhang Ke	8/8
Li Yuan	8/8
Zhang Disheng	10/10
Lu Zhongnan	8/10
Wang Liang	10/10
Hu Ying	8/8
Qiao Zhimin	2/2
Xing Jijun	2/2
Xu Rui	2/2
Chen Jinzhong	2/2
Wang Lei	2/2

Note: Duan Qingshan, Li Huaizhen, Wang Jiazhi, Zhang Ke, Li Yuan, Hu Ying, Qiao Zhimin, Xing Jijun, Xu Rui, Chen Jinzhong and Wang Lei were appointed or resigned during the year and were not counted in the quorum of all of the ten meetings.

VI. Special Committees under the Supervisory Board

The Supervisory Board of the Company comprises Nomination and Remuneration Committee and Supervisory Committee. Members, powers and functions of such committees and their works in 2012 are as follows:

(I) Nomination and Remuneration Committee

In accordance with the Resolution on the Composition of the Special Committees of the 5th Session of the Supervisory Board considered and approved by the 1st Meeting of the 5th session of the Supervisory Board on 23 March 2009, the 5th session of the Nomination and Remuneration Committee of the Supervisory Board comprised 6 members. The convener of the committee was Xu Rui, and the members included Qiao Zhimin, Xing Jijun, Wang Liang, Zhang Disheng and Lu Zhongnan.

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According to the Resolution on the Composition of the Special Committees of the 6th Session of the Supervisory Board passed at the 1st meeting of the 6th session of the Supervisory Board on 10 April 2012, the Nomination and Remuneration Committee of the 6th session of the Supervisory Board comprised 6 members, including Zhang Ke (the convener, now known as the head of committee), Duan Qingshan, Li Huaizhen, Zhang Disheng, Lu Zhongnan and Wang Liang.

The major duties of the Nomination and Remuneration Committee under the Supervisory Board include: making recommendations to the Supervisory Board on the size and composition of the Supervisory Board; reviewing standards and procedures for election of Supervisors and making recommendations to the Supervisory Board; identifying qualified candidates of Supervisors; carrying out preliminary examination on qualification of the candidates of Supervisors nominated by shareholders and making recommendations; studying and formulating remuneration policy and budget of Supervisors and submitting reports to the shareholders' general meeting for approval after the same being considered and approved by the Supervisory Board; and performing other duties conferred by the Supervisory Board.

In 2012, the Nomination and Remuneration Committee under the 5th session of Supervisory Board convened 3 meetings and reviewed 4 proposals. The Nomination and Remuneration Committee under the 6th session of Supervisory Board convened 2 meetings and reviewed 5 proposals. The attendance record of each member is as follows:

Member	Attendance/ Number of Meetings
Nomination and Remuneration Committee under the 6th session of Supervisory Board	
Zhang Ke (head of the committee)	2/2
Duan Qingshan	2/2
Li Huaizhen	2/2
Wang Liang	2/2
Zhang Disheng	2/2
Lu Zhongnan	2/2
Nomination and Remuneration Committee under the 5th session of Supervisory Board	
Xu Rui (convener of the committee)	3/3
Qiao Zhimin	3/3
Xing Jijun	3/3
Zhang Disheng	3/3
Lu Zhongnan	3/3
Wang Liang	3/3

In 2012, based on the work plan of the Supervisory Board, the Nomination and Remuneration Committee under the 6th session of the Supervisory Board actively performed its duties and functions conferred by the Articles of Association and Terms of Reference of Nomination and Remuneration Committee under the Supervisory Board of China Minsheng Banking Corp., Ltd., carried out the performance appraisal of Supervisors, reviewed and approved the remuneration distribution plan for the Supervisors and the Performance Appraisal Report of Supervisors in 2011 (Draft) (《2011年度監事履職評價報告(草案)》), and organized and arranged trainings for Supervisors. All tasks in 2012 were successfully completed and the functions of the committee were performed in a more effective way. The major achievements of the Nomination and Remuneration Committee under the Supervisory Board in 2012 were as follows:

1. Performance appraisal of Supervisors

During the reporting period, pursuant to provisions of the Provisional Measures on Performance Appraisal of Supervisors of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司監事履職評價試行辦法》), the committee considered and approved the Performance Appraisal Report of Supervisors in 2011 (《2011年度監事履職評價報告》) and submitted it to shareholders' general meeting after the consideration of the Supervisory Board. During the year, the committee further regulated and refined the methods and procedures of supervision and assessment, compiled records of Supervisor's performance, and consistently monitored the Supervisors' attendance of various meetings and their performance within Supervisory Board. Based on results of the above records, self-assessment and cross-assessment of all Supervisors, the committee formulated the Performance Appraisal Report of Supervisors in 2012 (Draft) (《2012年度監事履職評價報告(草案)》).

2. Review of remuneration distribution policies of Supervisors

According to the Articles of Association, the Nomination and Remuneration Committee under the Supervisory Board is responsible for reviewing and formulating the remuneration policy and budget of Supervisors. During the reporting period, the committee reviewed the distribution of remunerations to the Supervisors for 2011 based on fundamental researches, and the result was submitted to the Supervisory Board for review together with the 2011 Annual Report and disclosed to the public accordingly.

3. Organizations of the trainings for Supervisors

During the reporting period, the committee arranged all Supervisors to participate in the training courses for directors and supervisors sponsored by Beijing Municipal Bureau of the CSRC, in which they all passed the examinations. The attendance rate of Supervisors was 100%. The committee also invited the regulatory authorities and relevant experts from China Association for Public Companies to hold two special trainings for Supervisors on regulatory policies and the duties of supervisors in order to enhance professional knowledge and skills of supervisors.

(II) Supervisory Committee

In accordance with the Resolution on the Composition of Special Committees of the 5th Session of the Supervisory Board considered and approved by the 1st meeting of the 5th session of the Supervisory Board on 23 March 2009, the Supervisory Committee under the 5th session of the Supervisory Board of the Company comprised 7 members. The convener of the committee was Qiao Zhimin, and the members included Xing Jijun, Lu Zhongnan, Xu Rui, Wang Liang, Chen Jinzhong and Wang Lei.

According to the Resolution on the Composition of the Special Committees of the 6th Session of the Supervisory Board passed at the 1st meeting of the 6th session of the Supervisory Board on 10 April 2012, the Supervisory Committee under the 6th session of the Supervisory Board comprised 7 members. The members of the Supervisory Committee included Duan Qingshan (the convener, now known as the head of committee), Li Huaizhen, Wang Jiazhi, Zhang Ke, Li Yuan, Lu Zhongnan, and Hu Ying.

The major duties of the Supervisory Committee under the Supervisory Board include: formulating proposals on the examination and supervision on the financial activities of the Company; formulating proposals on the departure audit of resigning Director or senior management; formulating proposals on the examination and supervision on the operational decisions, risk management and internal control of the Company; and performing other duties conferred by the Supervisory Board.

In 2012, the Supervisory Committee under the 5th session of the Supervisory Board convened 3 meetings and reviewed 5 proposals and the Supervisory Committee under the 6th session of the Supervisory Board convened 2 meetings and reviewed 5 proposals. The attendance record of each member is as follows:

Member	Attendance/ Number of Meetings
Supervisory Committee under the 6th session of Supervisory Board	
Duan Qingshan (head of committee)	2/2
Li Huaizhen	2/2
Wang Jiazhi	2/2
Zhang Ke	2/2
Li Yuan	2/2
Lu Zhongnan	2/2
Hu Ying	2/2
Supervisory Committee under the 5th session of Supervisory Board	
Qiao Zhimin (convener of committee)	3/3
Xing Jijun	3/3
Xu Rui	3/3
Wang Liang	3/3
Lu Zhongnan	3/3
Chen Jinzhong	3/3
Wang Lei	3/3

In 2012, based on the work plan of the Supervisory Board, the Supervisory Committees under the 5th and 6th sessions of the Supervisory Board actively performed the duties and functions conferred by the Articles of Association and Terms of Reference of Supervisory Committee under the Supervisory Board. The Supervisory Committee carried out special examinations, supervision

on due diligence, inspection visits, which facilitated the supervision work of the Supervisory Board. The major achievements of Supervisory Committee under the Supervisory Board in 2012 were as follows:

1. Conducting special investigations and audits

During the reporting period, the committee identified the focus of work, formulated specific plans, organized and conducted special examinations on the off-balance sheet business and the self-examination on compliant operations of listed companies based on the actual needs of the Company and requirements of the regulatory authorities. The committee sampled 1070 off-balance sheet transactions with a total value of RMB32,447 million, involving departments at the head office level including the Trade Finance SBU, Risk Management Department, Credit Appraisal Department, Asset Monitoring Department and Financial Accounting Department. On-site investigations were conducted in 5 units including the Trade Finance SBU, its Beijing and Shanghai branch offices, Beijing Administrative Department and Shanghai Branch. The committee raised 5 suggestions on the centralized management of off-balance sheet business. Regarding the self-examination on compliance, the committee devised its working plan and conducted questionnaire survey in 15 departments of the Bank and prepared the Report on Self-examination of Compliance of China Minsheng Banking Co., Ltd. (《中國民生銀行規範運作自查自糾工作報告》) after follow-up on-site investigations. After review and approval of the committee, the above inspections or self-examination reports were submitted to the Board and senior management and recommended for rectification on the problems identified. The Board and senior management placed important emphasis and ordered relevant departments to make appropriate rectification. All relevant departments have submitted rectification reports to the Supervisory Board.

During the year, the committee conducted departure audits of the performance of Liang Jinqun, Andrew Wong and Wang Songqi (former Independent Non-executive Directors), Mao Xiaofeng (former Board Secretary) and Duan Qingshan (former CFO) and issued the relevant departure audit reports.

2. Strengthening supervision on financial position and internal control

The committee strengthened supervision on major aspects such as financial position and internal control of the Company in accordance with regulatory requirements during the reporting period. Firstly, supervision on truthful, accurate and complete financial reporting was enhanced by regular reporting from internal audit department and external audit firms, attending relevant Board meetings and regularly reviewing financial reports of the Company. Secondly, the committee continued to pay attention and study important components of financial management such as financial reports, operation efficacy and integrated operation plan of the Bank, and provided recommendations

to the Board and senior management when appropriate. Thirdly, it has kept update of new requirements of regulatory authorities on internal control and risk management of banks, carried out supervision on internal control by the Board and senior management and progress on internal control system assessment of the Board, and provided opinions. Fourthly, the committee focused on the implementation of internal control and risk management of the Bank as well as the research and analysis of new circumstances arising out of business transformation, particularly liquidity risk management, property loan risk and government financing platform risk, which helped to enhance legal awareness of functional managing departments and further regulate operations.

3. Launching inspection visits and providing recommendations on the management

During the reporting period, the committee identified the focus of investigation in line with the development of the Company and organized members of Supervisory Board to pay inspection visits to four branches. The Supervisory Committee made 5 operational management recommendations to the Board and management based on the problems in business management and operational development of the branches indentified in the course of inspection as well as opinions and recommendations of frontline staff. Such opinions and recommendations attracted great emphasis of the Board and the senior management, and the problems and opinions in the Supervisory Board report were investigated and implemented by relevant departments and organizations with great emphasis.

4. Further improving the performance supervision and assessment of the Board, senior management and their members

During the reporting period, the committee carried on the performance supervision and assessment of the Board, senior management and their members. Firstly, the committee formulated and modified the working system of performance supervision of the Supervisory Board in line with its working experience and according to new regulations on performance supervision of Directors promulgated by regulatory authorities, so as to improve and optimize the methods and procedures for performance supervision and enhance the operability and normalization of performance supervision. Secondly, the committee supplemented the supervision records of Directors and senior management by attending relevant meetings, organizing review on minutes of the Board and management, compiling statistics for performance supervision of Directors, grasping and supervising performance of Directors and senior management, grasped the operational management of the Company by continuous supervision, organizing special inspection, research and survey. The Supervisory Board conducted the annual self-assessment, cross-assessment and examination on the due diligence of the Directors and senior management combined with regular supervision results, formulated the Report on Performance Appraisal of Board of Directors and Directors of 2012 by the Supervisory Board (《監事會對董事會及董事2012年度履職監督評價報告》) and the Report on Performance Appraisal of Senior Management and its Members of 2012 by the Supervisory Board (《監事會對高級管理層及其成員2012年度履職監督評價報告》).

VII. The Decision-Making System of the Company

The highest authority of the Company is the Shareholders' General Meeting, which manages and supervises the operations of the Company through the Board of Directors and the Supervisory Board. The President is appointed by the Board of Directors and is fully responsible for the daily operations and management of the Company. The Company adopts a single-level legal person system. Branches are all non-independent accounting entities, operating under the authorization of the head office and report to the head office.

The Company has no controlling shareholders and is totally independent from its major shareholders in terms of business, personnel, assets, organizations and finance. The Company maintains independence and integrity in managing its own businesses and operations, and its Board of Directors, the Supervisory Board and internal departments also operate independently.

VIII. Establishment and Implementation of the Performance Evaluation and Incentive Mechanism for Senior Management

In accordance with the Management Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》), the performance remuneration of the senior management is pegged to their KPIs. With reference to the 2012 Financial Budget Report (《2012年度財務預算報告》), the Compensation and Remuneration Committee under the Board set the benchmarks of the KPIs for 2012 and the Board determined the performance remuneration of senior management for 2012 based on their six KPI results, including the net profit and the risk-adjusted return on capital ratio. In accordance with the regulatory requirements, the Company has set up venture funds for senior management since 2009, which has been accrued by a certain proportion of senior management's annual performance bonus.

(I) Remuneration policy for senior management of the Company

The remuneration policy for senior management of the Company is implemented to facilitate the accomplishment of development strategies and business objectives and reflects the principles of human resources management strategy and guidelines of the Company. The Company evaluated performance on the basis of the operating results of senior management so as to encourage senior management to develop together with the Company. The Company formulated a fair and consistent remuneration policy for senior management with reasonable structure and market competitiveness; set up incentive and binding mechanism for senior management with simple and clear classification, assessment procedures and duties and performance management system; and determined remuneration of senior management according to their duties, capability and contribution to operating results.

(II) Remuneration policy for Directors of the Company

The Company paid remuneration to all Directors in accordance with the Rules on Remuneration of Directors and Supervisors (2008 Revised Draft) (《董事、監事薪酬制度 (2008年修訂草案)》). The remuneration of Directors comprises annual fee, allowance for special committees, reimbursement for attending meetings and reimbursement for investigation.

IX. Information Disclosure and Investor Relations

(I) Information disclosure

The Company discloses its information in strict compliance with the regulations of the securities regulatory authorities and publishes all sorts of regular reports and interim reports in accordance with laws to ensure the timeliness, accuracy, truthfulness and integrity of its information disclosure and to ensure equal access to information for all shareholders. During the reporting period, the Company published 4 regular reports and 61 interim announcements on the Shanghai Stock Exchange. The Company also published over 150 announcements on the Hong Kong Stock Exchange.

The Company won the Best Annual Report awarded by the Investors (《投資者》) and the Greatest Improvement in Disclosure of Financial Information Award in Asia-Pacific Region in the 14th IR Global Rankings. 2011 annual report of the Company also won the bronze prize of the year in the LACP (League of American Communications Professionals) Annual Report Election. The quality of the disclosure of financial information of the Company was ranked the first in a survey related to the “assessment of information disclosure of the listed companies” (上市公司信息披露評價) conducted by Professor Gao Minghua of Beijing Normal University.

(II) Investor relations

During the reporting period, the Company adopted innovative concepts and concentrated on key areas of as well as stepped up its investor relations management to achieve efficient management of its market value. The Company won the Listed Financial Company of Best Investor Relationship, Best Investor



Relationship Officer and Listed Company of Best Investor Relationship in China in an annual selection in Greater China organized by the IR Magazine in 2012. The Company was also awarded the “Best Investor Relationship” in the 12th Best Asian Companies organized by FinanceAsia.

The management of investor relations is closely in line with the Company’s strategic objectives, which emphasizes its market positioning of “bank for NSOEs”, “bank for MSEs” and “bank for high-end retail customers”. It also demonstrates to investors the latest achievements and future prospects of the Company’s NSOE and MSE businesses. The Company organized the “MSE Business Seminar at Quanzhou Branch” in October 2012, in which over 70 investors from various institutions participated. This activity allowed investors to obtain abundant latest information in respect of potential growth, risk control and customer service of MSE businesses.

During the reporting period, the senior management, the head of main business departments and branches of the Company actively participated in the work of investor relations. They visited major shareholders and hosted major domestic and international institutional investors to present the characteristics, advantages and prospects of the Company in various aspects ranging from strategic positioning to business operations.

The Company has constantly improved its communication channels including websites, investor hotlines, investor journals, investment strategy conferences with securities companies and joint researches. During the reporting period, the Company organized four shareholder briefings, held four press releases on operation results and four analyst conferences. The Company also held meetings with fund managers, press conferences, analyst banquets, market commentator gala dinners and roadshows in Hong Kong to improve the communication with investors. The Company took part in 8 large-scale institutional investment strategy seminars and successfully held 23 joint researches, contacting over 600 investors in aggregate through various ways such as research visits, telephone conferences, investor hotlines and emails. The Company also published 12 special issues of Investors.

X. Rights of Shareholders

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

In accordance with the Articles of Association, the Bank shall convene an extraordinary shareholders' general meeting within 2 months after the request of the shareholders individually or jointly holding 10% or more shares of the Bank.

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

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

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

Corporate Governance

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

If the Supervisory Board agrees thereto, a notice of convening such general or class meeting shall be issued within 5 days upon receipt of the proposal. Approval of the relevant shareholders must be sought if the resolution contained in the notice alters the original request.

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

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

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

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

Address:	Building VIII, Beijing Friendship Hotel, No. 1 Zhongguancun Nandajie, Beijing, China
Postal Code:	100873
Telephone:	86-10-68946790
Facsimile:	86-10-68466796
Email:	cmbc@cmbc.com.cn

3. Procedures for shareholders putting forward proposals at shareholders' general meetings:

In accordance with the Articles of Association of the Company, shareholders jointly holding not less than 3% of shares of the Bank shall be entitled to put forward proposals to the Company. Shareholders individually or jointly holding not less than 3% of shares of the Bank may put forward provisional proposals to the meeting convener in writing 10 days prior to the date of the shareholder' general meeting. Convener of shareholders' general meeting shall issue a supplementary notice of the meeting setting out the content of the provisional proposals within 2 days after the receipt of the proposals.

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

In the annual shareholders' general meeting, shareholders holding not less than 3% voting shares of the Bank are entitled to put forward additional proposals in writing. The Bank shall include the proposals that fall into the scope of power of the shareholders' general meeting in the agenda of such meeting.

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

XI. Amendments to Articles of Association in 2012

- (l) The Company approved the amendments to certain provisions and dividend policy under the Articles of Association of the Bank at the 2011 Annual General Meeting held on 15 June 2012:
 - (i) Original Article 3: "On 27 November 2000, upon an Approval by the CSRC (Zheng Jian Fa Xing Zi [2000] No. 146), the Bank issued 350,000,000 RMB-denominated ordinary shares pursuant to an initial public offering. These shares were listed on the Shanghai Stock Exchange on 19 December 2000.

Corporate Governance

On 27 February 2003, upon an Approval by the CSRC (Zheng Jian Fa Xing Zi [2003] No. 13), the Bank issued convertible bonds of RMB4 billion at par value of RMB100 each. These convertible bonds were due and repayable (including principal and interests) on 26 February 2008. The total number of shares converted was 1,616,729,400 shares (including bonus shares and additional shares).

On 22 June 2007, upon an Approval by the CSRC (Zheng Jian Fa Xing Zi [2007] No. 7), the Bank issued 2,380,000,000 new RMB-denominated ordinary shares to eight domestic legal person investors pursuant to a private placement.

On 21 October 2009, upon an Approval by the CSRC (Zheng Jian Xu Ke [2009] No. 1104), the Bank issued 3,439,275,500 overseas listed foreign invested shares (H shares) (including 117,569,500 over-allotted shares) of par value of RMB1 each which were listed on The Stock Exchange of Hong Kong Limited on 26 November 2009 and 23 December 2009.”

Revised Article 3: “On 27 November 2000, upon an Approval by the CSRC (Zheng Jian Fa Xing Zi [2000] No. 146), the Bank issued 350,000,000 RMB-denominated ordinary shares pursuant to an initial public offering. These shares were listed on the Shanghai Stock Exchange on 19 December 2000.

On 27 February 2003, upon an Approval by the CSRC (Zheng Jian Fa Xing Zi [2003] No. 13), the Bank issued convertible bonds of RMB4 billion at par value of RMB100 each. These convertible bonds were due and repayable (including principal and interests) on 26 February 2008. The total number of shares converted was 1,616,729,400 shares (including bonus shares and additional shares).

On 22 June 2007, upon an Approval by the CSRC (Zheng Jian Fa Xing Zi [2007] No. 7), the Bank issued 2,380,000,000 new RMB-denominated ordinary shares to eight domestic legal person investors pursuant to a private placement.

On 21 October 2009, upon an Approval by the CSRC (Zheng Jian Xu Ke [2009] No. 1104), the Bank issued 3,439,275,500 overseas listed foreign invested shares (H shares) (including 117,569,500 over-allotted shares) of par value of RMB1 each which were listed on The Stock Exchange of Hong Kong Limited on 26 November 2009 and 23 December 2009.”

On 26 March 2012, according to an approval by the CSRC (Zheng Jian Xu Ke [2012] No. 211), the Bank further issued 1,650,852,240 overseas listed foreign shares (H Shares) of par value of RMB1 each which were listed on The Stock Exchange of Hong Kong Limited on 2 April 2012.

- (ii) Original Article 23: “Pursuant to an approval by the approval authorities under the State Council, the Bank may issue 3,321,706,000 overseas listed foreign invested shares (H shares), representing approximately 15% of the total issuable ordinary shares of the Bank. If over allotment option is exercised, a total of 3,439,275,500 overseas listed foreign invested shares (H shares) may be issued.”

Revised Article 23: “Pursuant to an approval by the approval authorities under the State Council, the Bank issued 5,090,127,740 overseas listed foreign shares (H shares), including 3,439,275,500 overseas listed foreign shares (H shares) (including 117,569,500 over-allotted shares) initially offered and 1,650,852,240 additional overseas listed foreign shares (H shares).”

- (iii) Original Article 24: “As at 15 July 2010, the share capital of the Bank comprises 26,714,732,987 ordinary shares in issue, including 22,587,602,387 domestically listed shares and 4,127,130,600 H shares, representing approximately 84.55% and 15.45% respectively of the total issuable ordinary shares of the Bank.

The above calculation includes bonus shares distributed by the Bank, shares issued upon capitalization of capital reserve and shares issued upon the exercise of convertible bonds by creditors up to 15 July 2010.”

Revised Article 24: “As at 2 April 2012, the share capital of the Bank comprised 28,365,585,227 ordinary shares in issue, including 22,587,602,387 domestically listed shares and 5,777,982,840 H shares, representing approximately 79.63% and 20.37% of the total issuable ordinary shares of the Bank respectively.

The above calculation includes bonus shares distributed by the Bank, shares issued upon capitalization of capital reserve and shares issued upon the exercise of convertible bonds by creditors up to 2 April 2012.”

- (iv) Original Article 27: “The registered capital of the Bank is RMB26,714,732,987.”

Revised Article 27: “The registered capital of the Bank is RMB28,365,585,227 which is equal to the paid-up capital.”

- (v) Original Article 292: “The Bank may distribute dividends in the form of cash or stock.

The Bank shall provide reasonable investment returns to investors by distributing profits and its profit distribution policy shall be sustainable and stable. The Bank shall make dividends distribution in profit-making years.

The total profit distributed in the form of cash dividends for the last three years shall not be less than 30% of the average annual distributable profit of the Bank of the last three years, when making profits distribution.

Cash dividends and other distributions payable to shareholders of the Bank’s domestic shares shall be made in RMB. Cash dividends and other distributions payable to H share holders shall be denominated and declared in RMB and paid in HK dollars. Payment in foreign currencies required for the cash dividends and other distributions payable to shareholders of overseas-listed foreign shares shall be obtained according to the applicable PRC foreign exchange control regulations.

Distribution of dividends in the form of stock shall be approved by general meeting of shareholders and subject to approval by the banking regulatory authority of the State Council.”

Revised Article 292: “The Bank may distribute dividends in the form of cash or stock.

The Bank shall provide reasonable investment returns to investors by distributing profits and its profit distribution policy shall be sustainable and stable. The Bank shall make dividends distribution in profit-making years. **To the extent that the normal working capital requirement is fulfilled, the Bank shall distribute dividends primarily in cash.**

The total profit distributed in the form of cash dividends for the last three years shall not be less than 30% of the average annual distributable profit of the Bank of the last three years, when making profits distribution. **The Bank may distribute interim cash dividends.**

If the Bank generated profits in the previous accounting year but the Board of Directors did not make any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the application of funds retained by the Bank not available for distribution shall be explained in details in its periodic reports and the Independent Directors shall give an independent opinion in such regard.

The Bank shall disclose its implementation of the cash dividend policy and other relevant matters in its periodic reports in accordance with the applicable requirements.

In the event that adjustments are required to be made to the Bank's profit distribution policy due to the needs of operation and long term development of the Bank, the adjusted profit distribution policy shall comply with the relevant requirements of the regulatory authorities of the places where the shares of the Bank are listed. Any resolution regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Directors and the Supervisory Board and, after consideration by the Board, be proposed to the general meeting of the Bank for approval by the Shareholders. Any resolution regarding the adjustments to the Bank's cash dividend policy shall be approved by more than two-thirds of the votes of the Shareholders attending the general meeting of the Bank. Online voting shall be made available, when such proposal is voted on a general meeting.

Cash dividends and other distributions payable to shareholders of the Bank's domestic shares shall be made in RMB. Cash dividends and other distributions payable to H share holders shall be denominated and declared in RMB and paid in HK dollars. Payment in foreign currencies required for the cash dividends and other distributions payable to shareholders of overseas-listed foreign shares shall be obtained according to the applicable PRC foreign exchange control regulations.

Corporate Governance

Distribution of scrip dividends in form of stock shall be approved by general meeting of shareholders and subject to approval by the banking regulatory authority of the State Council.”

- (II) The Company approved the amendments to certain provisions and dividend policy under the Articles of Association of the Bank at the third extraordinary general meeting in 2012 held on 17 December 2012:

Original Article 292: “The Bank may distribute dividends in the form of cash or stock.

The Bank shall provide reasonable investment returns to investors by distributing profits and its profit distribution policy shall be sustainable and stable. The Bank shall make dividends distribution in profit-making years. To the extent that the normal working capital requirement is fulfilled, the Bank shall distribute dividends primarily in cash.

The total profit distributed in the form of cash dividends for the last three years shall not be less than 30% of the average annual distributable profit of the Bank of the last three years, when making profits distribution. The Bank may distribute interim cash dividends.

If the Bank generated profits in the previous accounting year but the Board of Directors did not made any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the application of funds retained by the Bank not available for distribution shall be explained in details in its periodic reports and the Independent Directors shall give an independent opinion in such regard.

The Bank shall disclose its implementation of the cash dividend policy and other relevant matters in its periodic reports in accordance with the applicable requirements.

In the event that adjustments are required to be made to the Bank's profit distribution policy due to the needs of operation and long term development of the Bank, the adjusted profit distribution policy shall comply with the relevant requirements of the regulatory authorities of the places where the shares of the Bank are listed. Any resolution regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Directors and the Supervisory Board and, after consideration by the Board, be proposed to the general meeting of the Bank for approval by the Shareholders. Any resolution regarding the adjustments to the Bank's cash dividend policy shall be approved by more than two-thirds of the votes of the Shareholders attending the general meeting of the Bank. Online voting shall be made available, when such proposal is voted on a general meeting.

Cash dividends and other distributions payable to shareholders of the Bank's domestic shares shall be made in RMB. Cash dividends and other distributions payable to H share holders shall be denominated and declared in RMB and paid in HK dollars. Payment in foreign currencies required for the cash dividends and other distributions payable to shareholders of overseas-listed foreign shares shall be obtained according to the applicable PRC foreign exchange control regulations.

Distribution of scrip dividends in form of stock shall be approved by general meeting of shareholders and subject to approval by the banking regulatory authority of the State Council."

Revised Article 292: "The Bank may distribute dividends in the form of cash or stock.

The Bank shall provide reasonable investment returns to investors by distributing profits and its profit distribution policy shall be sustainable and stable. The Bank shall make dividends distribution in profit-making years. To the extent that the normal working capital requirement is fulfilled, the Bank shall distribute dividends primarily in cash.

The profit distribution in the form of cash dividends by the Bank each year shall not be less than 10% of the distributable profit of the Bank during the year. The Bank may distribute interim cash dividends.

If the Bank generated profits in the previous accounting year but the Board of Directors did not make any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the application of funds retained by the Bank not available for distribution shall be explained in details in its periodic reports and the Independent Directors shall give an independent opinion in such regard. **Online voting shall be made available, when such proposal is voted on a general meeting.**

The Bank shall disclose its implementation of the cash dividend policy and other relevant matters in its periodic reports in accordance with the applicable requirements.

In the event that adjustments are required to be made to the Bank's profit distribution policy due to the needs of operation and long term development of the Bank, the adjusted profit distribution policy shall comply with the relevant requirements of the regulatory authorities of the places where the shares of the Bank are listed. Any resolution regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Directors and the Supervisory Board and, after consideration by the Board, be proposed to the general meeting of the Bank for approval by the Shareholders. Any resolution regarding the adjustments to the Bank's cash dividend policy shall be approved by more than two-thirds of the votes of the Shareholders attending the general meeting of the Bank. Online voting shall be made available, when such proposal is voted on a general meeting.

Cash dividends and other distributions payable to shareholders of the Bank's domestic shares shall be made in RMB. Cash dividends and other distributions payable to H share holders shall be denominated and declared in RMB and paid in HK dollars. Payment in foreign currencies required for the cash dividends and other distributions payable to shareholders of overseas-listed foreign shares shall be obtained according to the applicable PRC foreign exchange control regulations.

Distribution of scrip dividends in form of stock shall be approved by general meeting of shareholders and subject to approval by the banking regulatory authority of the State Council."

XII. Continuous Professional Development Training of Directors

All Directors of the Company abided by their obligations and duties in the Company and shall keep abreast of the business operation and development of the Company. They are provided with updated information on the development of regulations applicable to the business operation or corporate governance of the Company from time to time. Since 1 April 2012, the Company has provided the latest information regarding the performance, financial position and prospects of the Company to all members of the Board on a monthly basis.

The Company encouraged its Directors to take part in various continuous professional development programs for the improvement and enhancement of knowledge and expertise. Dong Wenbiao, Hong Qi, Liang Yutang, Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Shi Yuzhu, Wang Junhui, Wu Di, Qin Rongsheng, Wang Lihua, Cheng Hoi-chuen and Ba Shusong, Directors of the Company, attended the briefing sessions and trainings of business organized by the Company and financial or corporate governance seminars organized by professional institutions and studied relevant publications. You Lantian, a Director of the Company, attended the briefing sessions and trainings of business organized by the Company and studied relevant financial or corporate governance publications. Wang Hang and Han Jianmin, Directors of the Company, attended the briefing sessions and trainings of business organized by the Company and financial or corporate governance seminars organized by professional institutions. Guo Guangchang, a Director of the Company, attended financial and corporate governance seminars organized by professional institutions and studied relevant publications.

All Directors had submitted their training records during the year ended 31 December 2012 to the Company Secretary.

XIII. Training of Company Secretaries

During the financial year ended 31 December 2012, both Wan Qingyuan and Soon Yuk Tai, the Joint Company Secretaries, have attended not less than 15 hours of relevant professional training as organized by the Shanghai Stock Exchange, the Hong Kong Stock Exchange or other professional bodies.

XIV. Contact to Company Secretary

Ms. Soon Yuk Tai of Tricor Services Limited, external services provider, has been engaged by the Company as its Joint Company Secretary. Mr. Wang Honggang, the Representative of Securities Affairs of the Company, is its primary contact person at the Company.

Shareholders' General Meeting

During the reporting period, the Company held four shareholders' general meetings in total:

1. On 10 April 2012, the First Extraordinary General Meeting in 2012 of the Company was convened at the Fifth Meeting Room, Building VIII, Beijing Friendship Hotel, No. 1 Zhongguancun Nandajie, Haidian District, Beijing, the PRC, in which shareholders attended in person. The following resolutions were considered and passed at the First Extraordinary General Meeting in 2012: Resolution on the Election of the Sixth Session of the Board of Directors of the Company, Resolution on the Election of the Sixth Session of the Supervisory Board of the Company and Resolution on the Amendments to Certain Provisions of the "Articles of Association of China Minsheng Banking Corp., Ltd.". Please refer to China Securities Journal, Shanghai Securities News and Securities Times on 11 April 2012 for details.
2. On 3 May 2012, the Second Extraordinary General Meeting in 2012, the First A Share Class Meeting in 2012 and the First H Share Class Meeting in 2012 of the Company were convened at the Fifth Meeting Room, Building VIII, Beijing Friendship Hotel, No. 1 Zhongguancun Nandajie, Haidian District, Beijing, the PRC, in which shareholders attended and voted in person and online. The Second Extraordinary General Meeting in 2012 considered and passed the Resolution Regarding the Extension of the Validity Period of the Resolution in respect of the Public Issuance of the A Share Convertible Bonds by China Minsheng Banking Corp., Ltd. and the Authorization Period of the Board and the Authorized Person for Handling Related Matters. The First A Share Class Meeting in 2012 considered and passed the Resolution Regarding the Extension of the Validity Period of the Resolution in respect of the Public Issuance of the A Share Convertible Bonds by China Minsheng Banking Corp., Ltd. and the Authorization Period of the Board and the Authorized Person for Handling Related Matters. The First H Share Class Meeting in 2012 considered and passed the Resolution Regarding the Extension of the Validity Period of the Resolution in respect of the Public Issuance of the A Share Convertible Bonds by China Minsheng Banking Corp., Ltd. and the Authorization Period of the Board and the Authorized Person for Handling Related Matters. Please refer to China Securities Journal, Shanghai Securities News and Securities Times on 4 May 2012 for details.
3. On 15 June 2012, the 2011 Annual General Meeting of the Company was convened at the Fifth Meeting Room, Building VIII, Beijing Friendship Hotel, No. 1 Zhongguancun Nandajie, Haidian District, Beijing, the PRC, in which shareholders attended in person. The following resolutions were considered and passed at the 2011 Annual General Meeting: the Annual Report for 2011, the Final Accounts Report for 2011, the Report on Annual Budgets for 2012, the Working Report of the Board of Directors for 2011, the Working Report of the Supervisory Board for 2011, Resolution on the Re-appointment and Remuneration of the Auditing Firm of the

Company for 2012, Proposed Profit Distribution Plan for 2011 and Profit Distribution Principle for the First Half of 2012, Resolution on the Statement on the Use of Proceeds from the Previous Fund Raising Activities of the Company, Resolution on the Issuance Plan of Financial Bonds and Subordinated Bonds of China Minsheng Banking Corp., Ltd. for 2012-2014, Resolution on the Amendments to Certain Provisions of the “Articles of Association of China Minsheng Banking Corp., Ltd.”, Resolution on the Amendments to the “Terms of Reference of the Supervisory Board of China Minsheng Banking Corp., Ltd.”, Resolution on the Election of Certain Directors of China Minsheng Banking Corp., Ltd., Resolution on the Amendments to Provisions of Dividend Distribution of the “Articles of Association of China Minsheng Banking Corp., Ltd.”, Receiving the Report on the Connected Transactions of China Minsheng Banking Corp., Ltd. in 2011 and Receiving the Working Report of Independent Directors of China Minsheng Banking Corp., Ltd. for 2011. Please refer to China Securities Journal, Shanghai Securities News and Securities Times on 16 June 2012 for details.

4. On 17 December 2012, the Third Extraordinary General Meeting in 2012 of the Company was convened at the Fifth Meeting Room, Building VIII, Beijing Friendship Hotel, No. 1 Zhongguancun Nandajie, Haidian District, Beijing, the PRC, in which shareholders attended in person. The following resolutions were considered and passed at the Third Extraordinary General Meeting in 2012: Resolution on the Additional Appointment of Ms. You Lantian as an Independent Director of the Sixth Session of the Board of Directors, Resolution on the Additional Appointment of Mr. Guo Guangchang as a Director of the Sixth Session of the Board of Directors and Resolution on the Amendments to Certain Provisions of the “Articles of Association of China Minsheng Banking Corp., Ltd.”. Please refer to China Securities Journal, Shanghai Securities News and Securities Times on 18 December 2012 for details.

Internal Control

I. Adequacy, Effectiveness and Completeness of Internal Control

(1) Organization structure of internal control system

The Company has established an independent internal control organization structure. The Shareholders' General Meeting, the Board of Directors, the Supervisory Board and the management team led by the Board perform their respective duties. The highest authority of the Company is the Shareholders' General Meeting. The Board of Directors is the decision-making body while the Supervisory Board is a supervisory unit of the Company. Six special committees are established under the Board of Directors as decision-making research units, which include Strategic Development and Investment Management Committee, Audit Committee, Risk Management Committee, Nomination Committee, Compensation and Remuneration Committee and Connected Transactions Supervision Committee. The President and the management team are responsible for direction, coordination, management and supervision of the Company's daily operational activities according to decisions made by the Board of Directors.

The internal control management system works effectively under the comprehensive legal person governance structure of the Company. The Board of Directors is responsible for ensuring the integrity and smooth implementation of the internal control system. The Audit Committee under the Board of Directors supervises and directs the establishment of the internal control system through review of internal control reports, inspection of internal control and self-evaluation on a regular basis. Risk Management Committee under the Board of Directors supervises risk status of the management by formulating annual risk management guidance and carries out evaluation and investigation on risk reports regularly. Through the investigations and the researches carried out by the Audit Committee and the Risk Management Committee, the Board of Directors grasps the general internal control condition, researches relevant issues concerning the decision-making and suggests constructive ideas to the management. The management of the Company seriously implements the instructions and work plans of the Board of Directors on internal control management to make comprehensive improvement on risk management. This includes improving the compliance with and authority of the internal control policies and procedures and improving the consistent implementation of internal control management, its involvement in processes and daily operations and its compliance with best practices. The Supervisory Board, as required under the Company Law of the PRC (《中華人民共和國公司法》), relevant regulatory provisions and the Company's Articles of Association, supervises whether the performances of the Board of Directors, senior management and its members are in compliance with the laws and regulations and is accountable to the Shareholders' General Meeting, in order to ensure the compliance and promote sound development of the Company's operation. The Company has formed an effective and standard internal control and management system that incorporates education, early warning, prevention, and incentive and punitive functions, where each department has clearly defined responsibility and cooperates with one another under mutual restriction and supervision.

(2) Internal control system

In compliance with Commercial Bank Law of the PRC (《中華人民共和國商業銀行法》), Guidelines of Internal Control of Commercial Banks and other laws and regulations and regulatory rules, and for the purpose of risk prevention and prudent business operation, the Company has reviewed and improved the internal control system and has gradually formed a set of rational and rigorous internal control policies. It has also formulated a series of internal management rules and internal control mechanisms for risk prevention, control, subsequent supervision and rectification to ensure stringency of management and controllability of risks.

The internal control system covers corporate governance policies cored on the Company's Articles of Association and the rules of procedures of Shareholders' General Meeting, the Board of Directors and its special committees and the Supervisory Board. It also covers operational systems consisting of business regulations in relation to loans to corporate clients, corporate deposits, loans to individuals, personal deposits, other personal business, treasury, wealth management, trade finance, e-banking, credit card, investment banking and asset custody. Management systems are also covered, including the regulations of business management, accounting and audit, financial management, IT, computer system risk control, corporate culture establishment, organization position setting and definition of terms of reference, employment, qualification, compulsory leave, authority management, seal management, physical security, rewards and penalty systems of units and employees, supervision and inspection. The system also covers information control systems, in particular, the Information Disclosure Management System (《信息披露管理制度》), the Operation Information Internal Reporting System (《經營信息內部報告制度》) and Accountability System for Material Errors in Information Disclosure of Annual Report (《年報信息披露重大責任追究制度》). The Accountability System for Material Errors in Information Disclosure of Annual Report was approved at the 9th meeting of the 5th session of the Board of the Company to strictly impose the accountability and punishment on staff for misrepresentations and significant errors of information disclosures in annual reports due to failure in performing or improperly performing their duties. During the reporting period, there was no material error of information disclosures in annual reports of the Company. The existing policies have been embedded into current management departments, business departments, business processes and operating procedures and provided sound and effective protection against financial risks.

(3) Major internal control measures

The Company strengthened its corporate governance structure and improved the mechanism of regular communication between the shareholders' meeting, the Board, the Supervisory Board and the senior management and each special committee of the management and checked and balanced at the allocation of their powers in decision-making. It reinforced the authorization

Internal Control

management of all businesses and adopted classified authorization and supervision mechanism that is in line with relevant rights and obligations. The Company improved internal control measures of all business processes and operation procedures by tightening business authorization, approval procedure and authority, and establishing internal control policies and procedures with rational labor division, clearly defined rights and obligations, check and balance and mutual supervision among different job positions and organs. The Company standardized accounting settlement, made adequate financial resources allocation, and satisfied internal control requirements in terms of quality and structure of human resources in accordance with the new accounting standards so as to guarantee the truthfulness and integrity of the accounting information and the truthfulness, reliability and fairness of the financial statements. The Company set up and improved a financial budget management system, specifically defined the process control over the preparation, execution, usage and feedback mechanism of the financial budget, which has played a proactive role in cost control, resources allocation efficiency and reasonable usage of resources. The Company made timely identification and regular evaluation on operational risks and internal control status to ensure the compliance of all business operation and management activities as well as safety and integrity of assets under the principles of comprehensiveness, effectiveness and adaptivity. The Company reinforced the implementation of internal control policies and procedures by linking the execution of internal control with business performance of its organs, adopting strict accountability standards against ineffective internal control while maintaining effective incentive measures to ensure internal control measures in place for all procedures including decision-making, implementation, supervision and feedback.

During the reporting period, the Company refined and improved its internal control system by taking the following measures: (i) the capability of overall risk management of the Company was enhanced by actively implementing the Basel II and Basel III in accordance with the objectives and blueprint. With a main purpose of establishing management systems for credit risk, market risk and operational risk of the First Pillar, the implementation of the Basel II and Basel III recorded significant progress. Breakthrough was made in the establishment and operation of internal credit risk rating system. The economic capital measurement system was comprehensively established. The successful results of all projects were further applied. The establishment of market risk management system was promoted steadily. The establishment of management consulting project was entirely launched. The establishment of the operational risk management system was satisfactorily completed and the system was launched for full operation; (ii) the Company continued the establishment of long-term risk prevention mechanism and saw significant results in risk prevention. During the economic downturn, the Company proactively explored and constantly improved the risk prevention system, organization structure, working procedures and administrative measures. According to “effective and normalized” philosophy, a three-level risk prevention system was established to form a matrix risk prevention network with clear division of responsibilities and full cooperation, supervised by vertical business line and specifically implemented by horizontal business units in order to ensure the healthy and steady operation of each business; (iii) the

Company formulated and implemented the Three Year Internal Control Plan and speeded up the implementation of new regulations of internal control. According to the new internal control and management policy, the Company implemented the Standards for Risk Management in Internal Control Compliance (《內控合規風險管理標準》) and the Internal Control Manual (《內控手冊》) in all business units and promoted the internal risk control achievement to facilitate the overall enhancement of efficiency of internal control management and level of internal control; and (iv) the Company strengthened the inspection on effectiveness of its internal control and risk management. It established a rapid risk responding system considering the risk exposure situations during economic downturns through specific examinations and researches on business lines including credit, financial accounting and retail banking and continued to reinforce supervision and inspection of high-risk areas, key businesses, key positions and newly established units, as well as supervision and rectification mechanism of risk management and internal control in the hope of improving the internal control level of the Company.

(4) Supervision and evaluation activities of internal control

The Internal Audit Department of the Company is responsible for supervision and regular evaluation on the establishment and implementation of internal control policies and procedures. It oversees and facilitates the revision and refinement at branches and business departments in response to changes in the laws and regulations of the country, the Company's organization structure, business performance and market environment.

During the reporting period, the Audit Department of the Company optimized and adjusted internal control evaluation system in respect of the procedures, reports, criteria and tools of evaluation, grading methods and defects identification of internal control based on the business transformation feature of the Company and internal control evaluations in the past years, in compliance with the new internal control requirements of the five ministries and commissions. The Evaluation Measures on Internal Control (《內部控制評價辦法》) was amended and published to improve the evaluation on the operating results, characteristics and the execution of strategies of the Board of business departments, hence to enhance the overall effectiveness of internal control evaluation. The Company carried out comprehensive internal control evaluation on nine branches including Shijiazhuang, Hefei, Nanchang, Fuzhou, Changchun, Tianjin, Wenzhou, Shenzhen and Wuhan, as well as two SBUs including the Transportation Finance SBU and the Financial Market SBU, and three branch offices of the Trade Finance SBU. The Company also carried out comprehensive internal audit at the second-tier branches in Cangzhou, Datong, Lvliang, Baoji, Dongying, Nantong and Jiaying, as well as the cross-city sub-branches in Taicang and Huanghua, to supervise the internal control and standardized management of newly launched business units so as to improve its compliant operations and internal control systems. Through continuous evaluation on internal control, the Company achieved quantitative management of internal control of business

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units and enhanced the internal momentum of stable operation. These measures enhanced the effective application of evaluation results and the organic integration of internal audit evaluation with other risk management initiatives, and substantially improved the overall internal control level of the Bank.

(5) Culture of internal control

The Company attaches high importance to create and cultivate an outstanding corporate culture which conforms to requirements of modern commercial bank and has its own characteristics. Having reviewed, concluded, standardized and improved the existing corporate culture, the Company unified all operational management areas, such as internal control, marketing, risk management, incentives and assessment under the mission, vision and core concept set by the corporate culture and brand building. The Company has come up with operation philosophy, code of conduct and positive image of its own. The Company also addresses the establishment of corporate sub-culture focusing on business development and risk management, which has gradually evolved into a corporate culture system that is consistent to the core value, and helps to introduce all employees to proper business performance values, and prudent risk and compliance awareness.

The internal control system of the Company covers all existing organizations, departments and job positions, and is embedded into all business processes and operating activities, which is consistent with its strategy of prioritizing internal control for business development. The system also demonstrates a high level of integrity, rationality and effectiveness in the process of improving internal control environment, increasing risk identification, monitoring and evaluation capability, enhancing risk control measures, completing information exchange and feedback mechanism, and strengthening supervision evaluation and rectification mechanism. It is able to provide rational guarantees to the implementation of national laws and regulations, banking regulatory rules and policies, the fulfilment of strategic and business development objectives, stable and continuous growth of all lines of business, as well as the timeliness, truthfulness and integrity of business records, financial information and other management information. The Company will continuously enhance the integrity, rationality and effectiveness of its internal control in accordance with the changes of requirements of the national laws and regulations, regulatory requirements and the deepening management and development of the Company.

(6) Working plan and implementation plan for the establishment of a sound internal control system

According to the new requirements of the Basic Standard for Corporate Internal Control and Application Guidelines for Corporate Internal Control issued by the five ministries and commissions, including the Ministry of Finance, the Company started the project construction and stable implementation of Basic Standard for Corporate Internal Control during the reporting period. Through formulating and implementing Three-year Internal Control Plan, the Company explicitly defined its overall philosophy, objective and measures of internal control establishment in the coming three years, strengthened the enforcement of Standards for Risk Management in Internal Control Compliance, promoted the implementation of the projects and actively explored management tools such as staff violation record, optimized internal control technology and continued the cultivation of internal control culture and constantly improved the internal control management system according to the actual situation of the Company which applied to all management level and all operating activities of the Company, so as to enhance its operation management level and risk prevention capability, and to ensure the effective implementation of development strategies of the Company.

II. Internal Audit

The Company has an internal audit organization — Internal Audit Department. Under the leadership of the Audit Committee under the Board, the Company adopts an independent internal audit model with a vertical management structure topped by the head office. Currently, the Internal Audit Department has five regional audit centres in Northern China, Eastern China, Southern China, Mid-China and Northeast China. The Internal Audit Department set up the product-oriented SBU audit centre, industry-oriented SBU audit centre, on-site audit centre and off-site audit centre according to the specialized operating characteristics of the Company. Business management centre, evaluation and accountability centre and supervision and coordination centre were also established. The Internal Audit Department performs independent examination and evaluation on all business operations and management activities of the Company, monitoring and examining the effectiveness of its internal control and carrying out evaluation and advisory activities for its internal control independently and objectively. To ensure the independence and effectiveness of the internal audit, material audit findings and internal control defects are directly reported to senior management and the Audit Committee under the Board. The Company has set up the standardized internal audit system, and an integrated audit examination system comprising on-site audit and off-site audit. Off-site audit system covers all assets and liability businesses of the Company. Risk-oriented audit on internal control covers all business lines and internal management procedures including corporate banking, retail business, financial market, trade finance, credit card, financial accounting and risk management, etc.. The Company has initially achieved full coverage of audit on risk exposures in credit, operation, market and compliance.

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The Company performed supervision and examination on internal control of business units through on-site audits, off-site audits, special audits and departure audits, which included 72 on-site audits, 19 off-site special audits, and 217 departure audits during the reporting period. The Internal Audit Department issued 376 audit reports and investigation and research reports. The Company performed its audit supervision, evaluation and consultation duties in a more effective way. The examinations covered various lines of business, including corporate banking business, retail banking business, operational management, financial management, intermediary business, trade finance, bills, credit card and IT risk management. The problems identified in the audits were tracked and urged to be rectified while the persons responsible for the problems were held accountable. Collaborations among head office, branches and business management departments in resolving problems were also strengthened. In addition to conducting examination on overall business and process risks, the Company has made continuous improvement on the internal control system and the enhancement of management level throughout the Bank.

III. Representation of the Board's Responsibility on Internal Control

The Board of the Company was responsible for the establishment, improvement and effective implementation of the internal control system. The objectives of the internal control system are to ensure the compliance of the operation, the security of assets and the truthfulness, completeness and reliabilities of the information contained in the financial report, and to enhance operating efficiency so as to fully achieve the Company's operating strategies and targets. Only reasonable assurance of the above purposes could be provided as there are inherent limitations in the internal control system. The Board of Directors has carried out evaluation on the internal control system which came into effect from 31 December 2012 in accordance with the Basic Standard for Corporate Internal Control. KPMG Huazhen (Special General Partnership) engaged by the Company has conducted review and issued an opinion on the self-assessment report of internal control system of the Company.

Report of the Board of Directors

I. Performance of Principal Business and Financial Results

Please refer to “Management Discussion and Analysis”.

II. Profit Distribution Plan

Audited after-tax profit of the Company for 2012 amounted to RMB36,829 million. The net profit of the Company for the first and second half of 2012 amounted to RMB18,709 million and RMB18,120 million, respectively. The Company has proposed its profit distribution plan for the second half of 2012 as follows:

The appropriation of 10% of the audited after-tax profit to the statutory surplus reserve for the second half of the year under the domestic statement amounted to RMB1,812 million, after deducting the appropriation of RMB1,871 million in the interim period. According to the Measures for Managing the Appropriation of Provisions of Financial Enterprises issued by the Ministry of Finance in 2012, the Company appropriated 1.5% of balance of risky assets at the end of the period, amounting to RMB19,000 million, to the general reserve. The profit distributable to shareholders as at the end of 2012 amounted to RMB36,767 million. The Company plans to distribute cash dividend of RMB1.5 (before tax) for every 10 shares, totalling RMB4,255 million (before tax), on the basis of the total share capital of 28,365,585,227 shares as at 31 December 2012. The cash dividend will be denominated and declared in Renminbi and the holders of A Shares will be paid in Renminbi whereas the holders of H Shares will be paid in Hong Kong dollars. The actual amount of dividend to be paid in Hong Kong dollars will be determined based on the benchmark exchange rate of Renminbi against Hong Kong dollars as announced by the PBOC on the date of the annual general meeting.

The above profit appropriation plan is subject to the approval of the 2012 Annual General Meeting and shall be implemented within two months upon adoption at the 2012 Annual General Meeting.

The Board proposes to the shareholders' general meeting to authorize the Board to determine the 2013 interim profit distribution plan, for which the cash dividend to be paid is not less than 20% of the Company's net profit in the first half of 2013.

III. Distribution of Cash Dividends of the Company during the Past 3 Consecutive Years

(Unit: RMB million)

	2011	2010	2009
Cash dividends	8,510	2,672	1,113
Net profit attributable to the equity holders of the Bank	27,920	17,581	12,104
Cash dividend payout ratio (%)	30.48	15.20	9.20

IV. Cash Dividends Policy of the Company

According to Article 292 of the Articles of Association, the distribution of profits of the Company emphasizes on reasonable investment returns to investors and shall be sustainable and stable. The Company shall distribute dividends in profit-making years. To the extent that the normal working capital requirement is fulfilled, the Bank shall distribute dividends primarily in cash. The profit distributed in the form of cash dividends for each year shall not be less than 10% of the distributable profit of the Company of the year. The Bank may distribute interim cash dividends.

If the Bank generated profits in the previous accounting year but the Board did not made any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the use of proceeds retained by the Bank not used for distribution shall be explained in detail in its periodic reports and the Independent Directors shall give an independent opinion in such regard. Online voting shall be made available, when such proposal is voted on a general meeting.

In the event that adjustments are required to be made to the Bank's profit distribution policy due to the needs of operation and long term development of the Bank, any proposal regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Directors and the Supervisory Board and, after consideration by the Board, be proposed to the shareholders' general meeting of the Bank for approval. Any proposal regarding the adjustments to the Bank's cash dividend policy shall be approved by more than two-thirds of the votes of the shareholders attending the shareholders' general meeting of the Bank. Online voting shall be made available, when such proposal is voted on a general meeting.

The profit distribution policy of the Company complies with the Articles of Association and procedures of consideration. The policy is intended to fully protect the legal interests of minority shareholders with specific criteria and proportion of dividend distribution. The conditions and procedures of adjustment or change to the profit distribution policy are in compliance with the relevant requirements and principle of transparency.

V. Implementation of the Board of Directors' Risk Management Guidelines in 2012 and Guidelines for 2013

(I) Implementation of the Board of Directors' Risk Management Guidelines in 2012

The Risk Management Guidelines in 2012 of the Board of Directors of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會2012年風險管理指導意見》) (the “2012 Guidelines”) is the guidelines for the Board of Directors to execute risk strategies and a guiding document for risk management. The 2012 Guidelines mainly includes the macro-economic trend and the focus of the Company's risk management in 2012, the objectives of risk management in 2012 as well as the guidelines of risk management in 2012 and the implementation of the guidelines.

The management is required by the 2012 Guidelines to formulate specific and practicable annual risk management policy and plan based on the 2012 Guidelines, which sets out the implementation measures and formulates the overall plans for the implementation of risk management targets. The Risk Management Committee under the Board is responsible for the guidance, supervision and evaluation of the implementation of the 2012 Guidelines. The Office of Risk Management Committee under the Board conducts evaluation on risk management and the implementation of the 2012 Guidelines every half a year. The Risk Management Committee identifies and monitors potential risks and oversees risk management by conducting risk inspection and studying, and reveals risks by giving risk reminders, notice of rectification on risk management, admonishment and risk accountability system. It also provides opinions and recommendations of the Board and the Risk Management Committee regarding risk management.

(II) Risk Management Guidelines for 2013 of the Board of Directors

In order to implement the development strategies of the Board, strengthen the establishment of a comprehensive risk management system, enhance risk prevention capability and expedite business development and strategic transformation, the Board of the Company formulated the Risk Management Guidelines in 2013 of the Board of Directors of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會2013年風險管理指導意見》) (the “2013 Guidelines”), which provide guidelines on the risk management of the Company in 2013. Based on the development strategy of the Board, the 2013 Guidelines specify the concepts and risk appetite of the Board's risk management, formulate the risk management objectives in 2013, provide the Board's opinions on

Report of the Board of Directors

risk management according to the actual situation of the Bank's risks and risk management, and enhance the mechanism of risk management and protection, which mainly include the economic and financial trend and policy, the focus of the Company's risk management, the concepts and objectives of risk management, guiding opinions on risk management and their implementation of the guidelines.

By formulating the 2013 Guidelines, the Board refined the risk management and communication mechanism, optimized the risk management system composed by the shareholders' meeting, the Board, the Supervisory Board and the senior management, with focus on the Board and enhanced the risk control of the Company. The 2013 Guidelines ensured the safe and stable operation and sustainable development of the Company and provided crucial guarantees for the breakthrough of the strategic transformation in the first year of the second Five-Year Plan.

VI. Disciplinary Measures and Penalties to the Company, the Board of Directors and Directors of the Company

In the reporting period, none of the Company, the Board of Directors or Directors of the Company was subject to any disciplinary measures or penalties.

VII. Opinions of the Auditors

The Company's 2012 financial statements prepared under the IFRS were audited by KPMG, the certified public accountants, which issued a standard auditors' report with unqualified opinions.

VIII. Pre-emptive right

Pre-emptive right is not prescribed in the Articles of Association of the Company and the Company Law of the PRC, and the Company is not required to issue new shares to the current shareholders based on the shareholding proportion of the shareholders. In accordance with the Articles of Association, the Company may increase its capital by the following ways: public offering of new shares; rights issue to its existing shareholders; distribution of new bonus shares to its existing shareholders; private placing of new shares; and any other methods permitted by the applicable laws and administrative regulations. There is no compulsory rule in relation to pre-emptive right in the Articles of Association.

Report of the Supervisory Board

I. Activities of the Supervisory Board

(I) Improvement of policies, rules and procedures

During the reporting period, the Supervisory Board amended the Rules of Procedures of the Supervisory Board, the Duties and Terms of Reference of the Supervisory Board, the Terms of Reference of Nomination and Remuneration Committee under the Supervisory Board, the Terms of Reference of Supervisory Committee under the Supervisory Board and the Provisional Administrative Measures on Engagement of Intermediary Firms by the Supervisory Board.

(II) Special audits and investigations

1. In March 2012, the Supervisory Board engaged an intermediary firm to perform a special audit on the off-balance sheet businesses of the Bank.
2. From May to June 2012, the Supervisory Board carried out self-examination on the operation of the Company in compliance with the requirements of the regulatory authorities.
3. In September 2012, the Supervisory Board conducted resignation audits on the due diligence of Mr. Liang Jinquan and Mr. Andrew Wong, the former Independent Directors, Mr. Mao Xiaofeng, the former Board Secretary, and Mr. Duan Qingshan, the former CFO, during their terms of office according to the requirements of the regulatory authorities.

(III) Strategic evaluations

From August to September 2012, the Supervisory Board conducted evaluation on the implementation of strategic transformation and MSE strategies of all branches and sub-branches of the Bank in order to understand the effectiveness of the strategic decisions of the Board of the Company and the implementation of strategies by the operation departments of the Bank. During the evaluation, abundant first hand information and data were collected through on-site and off-site investigations, questionnaires, report meetings, employee seminars, visits to 89 primary markets and investigations of over 400 MSE clients. This evaluation allowed the Supervisory Board to have a comprehensive understanding on the implementation of MSE strategies by the branches and sub-branches of the Company and identified the problems and difficulties arising from the implementation. Based on the documentations of millions of words, the Supervisory Board prepared an evaluation report of approximately 20,000 words and presented the report at a video conference of the Bank. The evaluation report suggested seven administrative opinions and recommendations, including strengthening implementation at all organizations, refining performance assessment and

Report of the Supervisory Board

incentive mechanism and optimizing resources allocation, which were agreed and highly valued by the Board and the senior management of the Bank. The evaluation encouraged the sound and rapid development of related businesses and provided the basis for the strategic decisions of the Board and the strategy implementation of the senior management. Innovative measures for corporate governance were also explored and tested as a result.

(IV) Performance of supervisors

According to the Company's Articles of Association and the relevant requirements of working rules of the Supervisory Board, the Supervisory Board continued to carry out the supervision and assessment on the performance of the Board, Directors, the senior management and the senior executives. Routine and ongoing supervision on the performance of Directors and the senior executives was conducted through attending meetings of the Board and the senior management, recording the discussion of meetings of the Board, reviewing the minutes of meetings of the Board and the senior management and optimizing the filing of performance records of Directors. In the middle of the year, the Supervisory Board assessed and reviewed the performance of Directors and Supervisors in the first half of the year and issued supervisory comments on the performance of Directors and Supervisors when necessary in order to remind Directors and Supervisors of their performance. At the end of the year, based on the annual performance supervision information, the Supervisory Board conducted annual evaluation on the performance of Directors, Supervisors and the senior executives and prepared and submitted the reports to the shareholders' general meeting and relevant regulatory authorities.

(V) Research and investigation

1. In June 2012, the Supervisory Board organized an investigation team (6 supervisors in total) to visit branches in Nanjing, Suzhou, Changsha and Wuhan to understand the implementation of the development strategies of the Board, the main problems arising from the implementation, and their business development and management.
2. In August 2012, the Supervisory Board conducted an evaluation on the implementation effectiveness of strategic transformation under MSE strategies to make a comprehensive appraisal of the performance, effectiveness and problems of implementation of strategies of the Board by all business units of the Company. All supervisors of the Company participated in the evaluation.

(VI) Recommendations on management

In the reporting period, the Supervisory Board issued opinions on continuous implementation of strategic transformation and MSE business development and over 20 opinions and recommendations on strengthening the management of off-balance sheet businesses and enhancing compliant operations of the Company to the Board and senior management based on their findings from the research visits and special investigations, which were highly valued by the Board and senior management. The relevant departments and units were requested to promptly adopt measures to make rectification. The above efforts of the Supervisory Board were effective in facilitating management improvement, strategy implementation and controlling of risk and in bringing the supervisory function of the Supervisory Board into play.

(VII) Internal development

1. To strengthen training of Supervisors for better performance. During the reporting period, the Supervisory Board invited leaders from regulatory authorities to hold two seminars on corporate governance and duties of the Supervisory Board, so as to broaden the perspective of the Supervisors. In addition, the Supervisory Board gathered all Supervisors to attend the annual training course organized for Directors and Supervisors of listed companies, as requested by the CSRC Beijing Bureau and China Association for Public Companies. All supervisors completed the relevant examination and obtained qualified certificates.
2. To enhance interbank information sharing and communication with regulatory authorities to increase supervision standard. Firstly, the Supervisory Board focused on the connection and communication with regulatory authorities in order to gain more support and guidance. Secondly, visits between different banks and financial institutions were organized. During the reporting period, investigation teams of supervisory boards from various banks, such as China Everbright Bank, Industrial Bank, Guangdong Nanyue Bank, visited the Company for exchange and research purposes. Experiences were shared among the banks for the improvement of supervision standard and performance of the supervisory boards.
3. To expedite structural optimization of the Supervisory Board to improve service capability. The Supervisory Board of the Company further modified its working principle to enhance the depth and coverage of its supervision. To facilitate the work of the Supervisory Board, the organizational structure and departmental functions of the Supervisory Board were adjusted and expanded. Working procedures were optimized to enhance the overall quality and competence of the departments.

Report of the Supervisory Board

4. To improve communication and connection with the Board and the senior management and to provide necessary information for the performance of duties of Supervisors. During the reporting period, 12 issues of Newsletter of the Supervisory Board, which contained updates of regulatory policies, major operation information of the Company and activities of the Supervisory Board, were issued to all supervisors to facilitate the performance of their duties.

II. Independent Opinion of the Supervisory Board

(I) Lawful operation of the Company

During the reporting period, the operation of the Company complied with the Company Law of the PRC, Law on Commercial Banks and the Company's Articles of Association. All decision-making procedures were lawful and valid. The Supervisory Board is not aware of any breach of the applicable laws and regulations and the Company's Articles of Association of the Company or any act detrimental to the interests of the Company or shareholders by any Directors or senior executives in performing their duties.

(II) Authenticity of the financial statements

The annual financial statements of the Company had been audited by KPMG Huazhen (Special General Partnership) and KPMG in accordance with the CAS and IFRS, respectively. Standard unqualified auditors' reports had been issued accordingly. The Supervisory Board considers that the annual financial statements for the year of the Company reflect truthfully, accurately and completely the financial position and business performance.

(III) Use of proceeds from fund-raising activities

On 26 March 2012, the Company completed the placement of 1,650,000,000 H shares with proceeds of HKD11,209 million, and the total proceeds net of issue expenses were approximately HKD11,114 million, which was accounted as tier-1 core capital. The share issue increased the capital adequacy ratio and core capital adequacy ratio of the Company. In addition, the Company issued two tranches of special financial bonds for MSEs on 14 February and 10 May 2012, respectively, with a total amount of RMB50,000 million, to support the development of MSE business.

(IV) Acquisitions and disposal

During the reporting period, the Company established nine Minsheng township banks in different towns, including Yuyang of Yulin and Tengchong, with an aggregate investment of RMB181 million.

The Supervisory Board is of the opinion that the equity investments in townships banks were in line with the national policies and the diversified development strategies of the Company, and the decision-making procedures of the investment were in compliance with the relevant laws and regulations and the Company's Articles of Association. The Supervisory Board is not aware of any breach of relevant laws and regulations. The Supervisory Board is of the opinion that, with the increasing number of Minsheng township banks, the Company, as the major investor, should further refine the group management of the township banks, strengthen the business connections between the township banks and the Company and promote the sound and sustainable development of the township banks.

According to the relevant resolutions passed at the 12th meeting of the 2nd session of the Board and the 3rd shareholders' general meeting in 2012 of the Company, Minsheng Fund, the subsidiary of the Company, after filing with the CSRC and approved by the Ministry of Commerce of the PRC (Shang Wai Zi Zi Shen Zi [2008] No. 0296), increased its registered capital from RMB200,000,000 to RMB300,000,000. The Company increased investment of RMB70,000,000 and its shareholdings in Minsheng Fund increased from 60% to 63.33%. The Royal Bank of Canada increased investment in the US dollar equivalent of RMB30,000,000 and held 30% of the equities of Minsheng Fund.

The Supervisory Board is of the opinion that the capital injection of the Company to Minsheng Fund was in compliance with the applicable laws and regulations and the development strategy of the fund company. The capital injection was mainly used for recruiting talents, speeding up the issue of funds and applying business qualifications in order to expand its source of business and scope of income.

(V) Related party transactions

In the reporting period, the Related Party Transactions Supervision Committee and relevant departments identified, assessed and disclosed related party transactions in accordance with the Administrative Measures on Related Party Transactions and its implementation rules, and the management of related party transactions was in compliance with the relevant national laws, regulations and the Company's Articles of Association. The Supervisory Board is not aware of any act prejudicial to the interests of the Company and its shareholders.

Report of the Supervisory Board

(VI) Internal control

In the reporting period, the Company placed great emphasis on the improvement of internal control and established and implemented a comprehensive and practicable internal control system. The internal control system was sound and effective. The awareness and ability of internal control and risk aversion were improved. There was no material crisis and default liability in the year.

(VII) Risk management

In the reporting period, the risk management of the Company focused on the strategic transformation, regulatory requirements, operation targets, market development, product innovation and enhancement of customer satisfaction. In addition to supporting the steady growth of all businesses of the Company, the risk management works also facilitated the optimization and adjustment of business structure. Risk control capability was also strengthened to realize organic capital growth. The Company exerted efforts on building a value management system. The application of risk quantification results to the fields of performance assessment and resources allocation was strengthened. The Supervisory Board is of the opinion that all kinds of risks of the Company were under effective control and its assets were of excellent quality despite larger risk exposure in times of economic downturn. However, the Company has to strengthen risk prevention in key areas and industries and continue to improve its comprehensive risk management capability in the future.

(VIII) Implementation of resolutions adopted at general meetings

The Supervisory Board raised no objection to the reports and proposals submitted by the Board to the shareholders' general meetings during the reporting period and supervised the implementation of the resolutions adopted at shareholders' general meetings. The Supervisory Board is of the opinion that the Board is able to implement the resolutions in an earnest manner.

III. Major Tasks of 2013

In 2013, the Supervisory Board will carry out effective supervision based on the principles of assisting the implementation of strategies of the Board, facilitating business development of the Company and performing its supervisory duties effectively in accordance with the regulatory requirements in Shanghai and Hong Kong. Major tasks of the Supervisory Board include the following:

(I) Strengthening strategic supervisory functions to expedite the implementation of strategies and business development

1. To evaluate and facilitate the reform of SBUs. The Supervisory Board will carry out comprehensive evaluation on the operation performance, risk control, operational management and brand building of the SBUs in the five years since their establishment pursuant to the guidance and specific planning of the Board and the head office on the deepening of SBU reform. It will provide opinions and suggestions for the further deepening of SBU reform based on the previous successful experiences.
2. To track rectification progress upon evaluation on the implementation effectiveness of MSE strategies and establish a long-term evaluation and supervision system on strategy implementation. The Supervisory Board will track the rectification progress of problems identified in the implementation effectiveness evaluation on strategic transformation under MSE strategies in 2012 pursuant to the rectification suggestions. It will also strengthen the subsequent monitoring of evaluation and inspection. Supervision on the implementation of strategic transformation will be carried out on a regular basis to ensure that suggestions are adopted and supervision is effective.
3. To establish key business supervision system to maintain the stability of operation and development. To facilitate the business development of the Company, the Supervisory Board will put emphasis on the operation of the key business. In particular, it will strengthen the supervision and inspection on risk management and control of off-balance sheet businesses such as wealth management, SME finance business, and private banking businesses. It will also ensure sound and rapid development of relevant businesses through comprehensive monitoring of credit risks, market risks, operational risks and reputation risks.

Report of the Supervisory Board

(II) Performing regular supervisory work to enhance effectiveness

The Supervisory Board will reinforce regular supervision on the daily operation of the management, financial management, internal control and risk control through on-site inspection, investigation and off-site document review, and submit risk reminders or supervisory report. Specific inspection and investigation will also be carried out. The Supervisory Board will also follow up the comments and inspection results of the regulatory authorities on the supervision of the Company. On-site or off-site follow-up supervision will be carried out for the rectification of relevant departments and organizations.

(III) Improving performance assessment for better effectiveness

1. To improve the effectiveness of the performance assessment for the Directors and Supervisors by streamlining the supervision procedures. Amendments and refinements will be made to the existing assessment methods and implementation rules. In the objective assessment based on the performance records of Directors and Supervisors, more focus will be put on participation of Directors in decision-making, proposal review, discussions, researches and theme studies of the Board. Moreover, the indicator system for the subjective assessment such as self-assessment and cross-assessment among Directors will be refined. Through strengthening the on-site supervision on meeting attendance and the self-assessment of the Directors, it will enhance the differentiated performance assessment of the Directors for better assessment effectiveness.
2. To establish the performance assessment system for senior management based on the supervision of strategy implementation. Focusing on serving the strategic transformation of the Board, the Supervisory Board will develop the assessment model for the senior management based on the supervision of strategy implementation aside from the existing routine supervision and assessment of the senior management. The performance assessment contents, standards and methods will be specified. The Provisional Measures on Performance Supervision and Appraisal of the Senior Management by Supervisory Board (《監事會對高級管理層及其成員履職監督評價試行辦法》) will be amended and optimized.

(IV) Optimizing the operation mechanism with higher governance standard

1. To optimize the system and procedures of the Supervisory Board and strengthen theoretical studies on corporate governance. In accordance with the Guidelines on Operation of Supervisory Board of Commercial Banks (《商業銀行監事會工作指引》) and through special studies on corporate governance, the Supervisory Board will seek to enhance its supervision efficiency and to cater for the overall development of the Bank. To this end, various rules and

terms of reference will be formulated and amended to optimize the system of the Supervisory Board and specify its duties. Also, the rules of procedures, working procedures and methods will be further adjusted and refined to enhance the governance standards and effectiveness of the Supervisory Board.

2. To convene various types of meetings and improve the efficiency of discussions of the Supervisory Board. The meetings of the Supervisory Board and its special committees will be convened in a timely manner to consider proposals related to regular reports of the Company, internal control reports, working reports of the Supervisory Board and policies of the Supervisory Board according to the Company's Articles of Association and the needs of the Supervisory Board. In addition, the Supervisors will attend the shareholders' general meetings and the meetings of the Board and senior management as required to enhance the supervision on the compliance of the resolutions and decision-making process of the meetings, and to provide supervisory opinions and recommendations.

(V) Enhancing the supervisory structure and service

1. To strengthen the communication with supervisory authorities and the peers. In 2013, the Supervisory Board will organize communication and exchange activities with the supervisory boards of other financial institutions to learn the experiences and practices from its peers in respect of the improvements in corporate governance mechanism and performance of their supervisory boards. The Company's Supervisory Board will also adopt various measures and practices to bring its supervisory capability into full play for enhanced supervision standards and effects. In addition, the Supervisory Board will further strengthen its communication with the regulatory authorities in order to obtain more guidance and support.
2. To establish regular training mechanism. The Supervisors will participate in annual training for directors and supervisors organized by the regulatory authorities, and take part in examinations as required. Moreover, for the purpose of broadening the perspective of Supervisors and improving their performance, one to two special training programs will be held by inviting experts from the regulatory authorities and the banking industry in accordance with the working plan of the Supervisory Board and with reference to the changes of the domestic and overseas economic environment, the latest rules and requirements of the regulatory authorities and corporate governance of the banking industry, covering topics such as operation management, risk control and financial report analysis of the Company.

Major Events

I. Material Litigation and Arbitration

In the reporting period, the Company had no litigation or arbitration that had significant impact on its operations. As of 31 December 2012, there were 682 outstanding litigations with disputed amounts over RMB1 million involving the Company as plaintiff for approximately RMB5,324,460,000 and 42 litigations involving the Company as defendant for approximately RMB126,360,000.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Company has strictly complied with the Articles of Association, the Basic Accounting Rules (《基本財務規則》) and the Administrative Measures on Fixed Assets (《固定資產管理辦法》) of the Company in its disposal and account management of the residual value of qualified retired fixed assets. No event that has resulted in the damage to the interests of shareholders or the loss of assets of the Company occurred.

III. Material Contracts and Their Performance

The Company participated and won the bid for the land use right of Plot Z4 of Core Area of Beijing CBD located at East 3rd Ring Road, Chaoyang District, Beijing. The relevant development project was endorsed by the Development and Reform Commission of Chaoyang District on 18 June 2012 for approval by Beijing Development and Reform Commission. The development project was subsequently approved by Beijing Development and Reform Commission on 18 October 2012 to submit to the NDRC for approval and is currently under preparation. In order to speed up the development process and to secure more usage of the under-ground floor area, the Company participated in the joint construction of the basement reinforcement of the western corridor in the Core Area of Beijing CBD (basement reinforcement of the north boundary of the project). Construction of surrounding walls is in progress after the engineering design of the project.

The Company participated and won the bid for the land use right of Plot 2010P26 located at the intersection of Douziwei Road and Hubin South Road, Xiamen. During the year, the Company has completed the architectural design, preliminary construction design, piling design, basement reinforcement design, construction drawings and landscape design of the project. Foundation ceremony was held on 11 August 2012. Construction of temporary on-site facilities, utilities facilities, demolition and relocation of existing constructions has been completed. Basement reinforcement works are in progress.

The progress of the construction of the foundation of Shunyi Headquarter in Beijing has been satisfactory. Civil engineering: the construction of external curtain walls and indoor decoration has been completed. Professional engineering: installation of water supply and draining system,

lighting system of public area, boiler and escalators has been completed. The installation of fire prevention system, ventilation and air conditioning system, low voltage electrical system, electrical and mechanical system, kitchen equipment was almost completed. 60% of the outdoor pipes and ducts installation has been completed. Installation of power transformation and distribution system is in progress after completion of the tender process. Installation of gas supply system has been completed.

IV. Major Guarantees

The Company has provided no guarantee other than financial guarantees within the scope of business approved by the PBOC.

V. Commitments by the Company

In the reporting period, the Company had no commitment requiring disclosure.

VI. Appointment of Auditors

The general meeting of the Company resolved to appoint KPMG Huazhen (Special General Partnership) and KPMG as the domestic and international auditors of the Company for 2012 respectively.

According to the contracts, the total remuneration agreed between the Company and the above auditors in respect of their audit services for the year, including audit of the 2012 financial statements, review of the 2012 interim financial statements and audit of internal control for 2012, was RMB9 million. The total audit service fee agreed between the subsidiaries of the Company and the auditors was RMB2,965,000.

In addition, the total remuneration by the Company and its subsidiaries in respect of other verification services and professional services provided by the above auditors for the year was RMB1,556,500 and RMB2,880,300, respectively.

VII. Major Connected Transactions

During the reporting period, there was no major connected transaction of the Company. For details of the related party transactions under the relevant accounting principles as at the end of the reporting period, please refer to “Related party transactions” in Note 43 to the Consolidated Financial Statements.

Major Events

VIII. Other Major Events

1. The Company received a banking license from Hong Kong Monetary Authority and became a licensed bank in Hong Kong on 5 January 2012. The Company will carry out the operation of banking business in Hong Kong strictly in accordance with the relevant legal and regulatory requirement. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 6 January 2012.
2. The Company received from the CSRC the Reply on Approving New Issuance of Overseas Listed Foreign Invested Shares of China Minsheng Banking Corp., Ltd. (Zheng Jian Xu Ke [2012] No. 211), pursuant to which the Company was allowed to issue up to 1,650,852,240 ordinary overseas listed foreign shares at par value of RMB1 per share. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 30 March 2012.
3. The Company received approvals from Yulin Branch of the CBRC (Yu Yin Jian Fu [2012] No. 16) and Yanan Branch of the CBRC (Yan Yin Jian Fu [2012] No. 16), approving the commencement of operations of Yulin Yuyang Minsheng Township Bank Co., Ltd. (榆林榆陽民生村鎮銀行股份有限公司) and Zhidan Minsheng Township Bank Co., Ltd. (志丹民生村鎮銀行股份有限公司). For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 7 April 2012.
4. The Company received approvals from Xishuangbanna Branch of the CBRC (Xi Yin Jian Fu [2012] No. 8) and Puer Branch of the CBRC (Pu Yin Jian Fu [2012] No. 23), approving the commencement of operation of Jinghong Minsheng Township Bank Co., Ltd. (景洪民生村鎮銀行股份有限公司) and Puer Minsheng Township Bank Co., Ltd. (普洱民生村鎮銀行股份有限公司). For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 28 April 2012.
5. The Company received the approval from Xuancheng Branch of the CBRC (Xuan Yin Jian Fu [2012] No. 25), approving the commencement of operation of Ningguo Minsheng Township Bank Co., Ltd. (寧國民生村鎮銀行股份有限公司). For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 4 May 2012.

6. Pursuant to the relevant resolutions passed at the 12th meeting of the 2nd session of the Board of Directors and the 3rd shareholders' general meeting in 2012, Minsheng Fund, a subsidiary of the Company, filed an application to the Ministry of Commerce of the PRC, with copy to the CSRC for records, for the increment of share capital from RMB200,000,000 to RMB300,000,000. The increase in share capital was approved by the Ministry of Commerce (Shang Wai Zi Zi Shen Zi [2008] No. 0296). For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 28 June 2012.
7. The Company received the approval from Chizhou Branch of the CBRC (Chi Yin Jian Fu [2012] No. 23), approving the commencement of operation of Chizhou Guichi Minsheng Township Bank Co., Ltd. (池州貴池民生村鎮銀行股份有限公司). For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 12 July 2012.
8. On 25 July 2012, the issuance of A share convertible bonds of the Company was approved by the CSRC at the 141st working meeting in 2012 of the Public Offering Review Committee of the CSRC. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 26 July 2012.
9. The Company received the approval from Taizhou Branch of the CBRC (Tai Yin Jian Fu [2012] No. 169), approving the commencement of operation of Zhejiang Tiantai Minsheng Township Bank Co., Ltd. (浙江天台民生村鎮銀行股份有限公司). For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 8 August 2012.
10. The Company received the approval from Chuzhou Branch of the CBRC (Chu Yin Jian Fu [2012] No. 47), approving the commencement of operation of Tianchang Minsheng Township Bank Co., Ltd. (天長民生村鎮銀行股份有限公司). For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 28 September 2012.
11. The Company received the approval from Baoshan Branch of the CBRC (Bao Yin Jian Fu [2012] No. 39), approving the commencement of operation of Tengchong Minsheng Township Bank Co., Ltd. (騰沖民生村鎮銀行股份有限公司). For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 22 November 2012.

Social Responsibility

 中国民生银行
CHINA MINSHENG BANKING CORP., LTD.

2012 感恩于心 行
回报于

社会责任中的“民生现象”主题

展览日期：4月20日-5月18日

Minsheng Bank Phenomenon
of Corporate Social Responsibility
THANKSGIVING IN THE HEART
AND RETURN TO THE SOCIETY



During the reporting period, the Company coped with challenges arising from the external environment and ensured the sustainable and sound development of key businesses based on its mission of “serving and caring for the people”. Progress were also made in establishing accountability system, serving the real economy, focusing on MSE finance, caring for customers and employees, developing green finance business and making contributions to charity works.

Improving management and communication of social responsibility. The Company continued to improve its social responsibility management in a scientific, professional and elaborate manner. A communication mechanism of “daily, regular and annual” was set up. The quality of its social responsibility report has improved over the years and won the Bank a title of the “Best Social Responsibility Report in China’s Banking Industry” (中國銀行業社會責任報告第一名) in the 2012 White Paper on Corporate Social Responsibility of China (《中國企業社會責任報告白皮書(2012)》). The Company successfully launched the first social responsibility exhibition in the Chinese banking industry under the theme of “Gratitude at Heart and Payback in Action — Minsheng Phenomenon in Social Responsibility (《感恩於心, 回報於行 — 社會責任中的“民生現象”》)”, which systematically carded and displayed its value proposition and practices. It also cooperated with the Chinese Academy of Social Science and established the first MBA program of Corporate Social Responsibility and the research base in social responsibility in China for supporting advanced theoretical studies on social responsibility.

Strictly adhering to risk exposure bottom line and serving the real economy. The Company has insisted on comprehensive risk management and fulfilled new requirements for “professional, efficient, regular and market-oriented” legal and compliance practices. Routine compliance and operational risk inspections were conducted while stringent accountability system for non-compliance was adopted. The Company continued its process-based banking reform to better serve the real economy. It established township banks to support the development of rural areas and the upgrading of the agricultural industry as well as the well-being of peasants. Furthermore, the Company has gradually established the risk management system covering areas such as risk decision, management, execution, operation and supervision, to effectively support the sound and rapid development of its all kinds of businesses.

Focusing on MSE finance with innovative service models. The Company held on to the business principle of growing together with MSEs and continued to implement strategies regarding MSE finance. It also introduced the application of Upgraded MSE Finance Version 2.0. Aside from the establishment of special MSE finance sub-branches and urban commercial cooperatives, it also strived for product innovation and process optimization to provide a full range of comprehensive financial services and resolve the financing difficulties of MSEs. The Company has formulated sustainable development model for MSE finance with its own characteristics and the relevant

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differentiated credit policies, risk management systems and after-sales service systems. Moreover, the Company jointly established the China MSE Research Centre (中國小微企業研究中心) with the ACFIC to strengthen the research on MSE financial services in a multi-dimensional, open and socialized manner.

Caring for customers and employees to contribute to a harmonious society. The Company put strategic emphasis on services to enhance its service management and customer service quality. Devoted to making universal financial contribution to the whole society and caring for social security, the Company provided financial services to special groups through the financial supports to education and loans for medical and health care purposes. The Company organized staff training and broadened career prospects for its employees to address its responsibilities in talent-building. It also attached importance to occupational health and provided regular medical examination and psychological assistance to its employees. It collected feedbacks from employees and offered help to employees in need. It also showed its care for women, elderly and minority employees. Work-life balance was also valued by the Company in its pursuit of a harmonious “Minsheng Homeland”. In respect of partner responsibilities, the Company continued to maintain close cooperation with governmental organizations, suppliers, research institutes and various enterprises to bring mutual benefits.

Introducing green finance for better ecological development. The Company promoted a series of “green credit” appraisal mechanism in accordance with the national industrial policies and actual market needs, which embedded environmental risk control into its whole process of the risk management. The Company formulated credit granting policies for industries with high pollution and energy-consuming and excessive production capacity. Pursuant to which, stringent credit limit management and customer list entry management were adopted for those industries with excessive production capacity. The Company focused on supporting energy-saving, environmentally-friendly, new energy and low-carbon industries that were encouraged by the national industrial policies, as well as green enterprises engaged in sewage treatment and solid waste disposal. Adhering to its green procurement and green office practices, the Company preferred using products with energy-efficiency labels, green certificates and environmental-friendly logos. It carried out energy-saving and environmental protection campaigns and implementation activities to improve awareness of all employees and strived to reduce the use of water, electricity, gas, paper and office supplies at workplace.

Committed to public welfare and charity with new initiatives. The Company adopted scientific and efficient measures to manage the “Welfare Donation Fund” (公益捐贈基金) and conducted effective implementation of charity campaigns by improving management. During the reporting period, the Company continued its poverty alleviation work in target counties, namely Hua

County and Fengqiu County in Henan Province and Lintao County and Weiyuan County in Gansu Province. Its employees made a total donation of nearly RMB9 million, which was used in 11 construction projects of schools, the sponsorship of 2,480 students in poverty and the incentives for 270 outstanding teachers. Training programs were carried out in Beijing for a total of over 160 outstanding teachers and educational staff members from the four target counties and Luquan County in Yunnan Province. The Company continued to launch the “Poverty Alleviation by Information Provision” (信息扶貧模式) and cooperated with CCTV-7 agriculture channel to broadcast free advertisement nationwide for the contingent sale of agricultural products, which helped 16 counties and cities in eight provinces to release free advertisements and facilitated the selling of a total of over 4.1 billion kilograms of overstocked agricultural products. Initiatives were also carried out by the Company for the prevention and treatment of AIDS. Donations have been made annually to the “China Red Ribbon Foundation” (中華紅絲帶基金) for the prevention and treatment of AIDS since 2008. During the reporting period, the Company donated RMB5 million to build a goodwill school in Meigu County of Liangshan Prefecture in Sichuan Province and sponsored the study and living expenses of 1,200 students with special difficulties. The Company also supported the development of “Guangcai Program” (光彩事業), and participated in the poverty alleviation campaigns of “Journey to Yanbian” (延邊行) and “Journey to Ningxia” (寧夏行) and donated RMB6 million to facilitate the development of remote and impoverished regions.

The Company supported cultural and public welfare sectors in response to the government’s policy of “Cultural Revitalization” (文化振興). During the reporting period, the Yanhuang Art Museum (炎黃藝術館) sponsored by the Company has been committed to the research on modern Chinese art. It opened 310 days during the year and launched 21 high quality art exhibitions, such as the Founders of Chinese Art Series — Pang Xunqin Grand Art Exhibition (《中國美術奠基人系列 — 龐薰琹大型藝術展》) and the Pioneers of the 20th Century Chinese National Oil Painting Series — Lv Sibai Art Exhibition (《20世紀中國民族油畫開拓者系列 — 呂斯百大型藝術展》), along with 5 academic lectures and 2 academic seminars with 180,000 visitors, which brought substantial social influence. Shanghai Minsheng Modern Art Museum, which was sponsored by the Company, continued to promote the professional presentation of Chinese and international contemporary art. During the year, it launched a total of 8 exhibitions and 56 academic lectures with over 500,000 visitors. Among which, the Twenty Years of China’s Visual Arts (《中國影像藝術二十年》) was invited to tour in Italy and was highly recognized by the international art world. The Beijing Minsheng Chinese Calligraphy Public Welfare Fund (北京民生中國書法公益基金會), which was sponsored and founded by the Company, established the cultural brand of “Kuai Zai Ya Ji” (cheerful elegance) (快哉雅集), which embodies originality and creativity. The Company also sponsored Chinese Poetry

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Society (中華詩詞學會) to facilitate the flourish and development of the Chinese culture. In addition, the Company prepared for the establishment of Minsheng Chinese Calligraphy Museum (民生中國書法館), Minsheng Chinese Calligraphy Institute (民生中國書法院) and Beijing Minsheng Contemporary Art Museum (北京民生現代美術館), and also prepared to take over the operation of the former French Pavilion at the Shanghai Expo. Through these efforts, the Company strived to expand channels for culture and public welfare and to establish the most influential international cultural exchange platform in China and in Asia.

The Company's commitment to the implementation of social responsibility was highly recognized by third parties such as the relevant government authorities, research institutes, charity organizations and mainstream media. Dong Wenbiao, the Chairman, was honored with the "Most Socially Responsible Chairman Award" (最具社會責任董事長獎) while Hong Qi, the Vice Chairman and President, was appointed as the chairman and guest professor of the Committee of Corporate Social Responsibility Education (企業社會責任教育委員會) under the Chinese Academy of Social Sciences. The Company also received various awards, including the "Best Charitable Contribution Award" (最佳公益慈善貢獻獎), the "Most Responsible Enterprise Award" (最具責任感企業獎) and the "Best Model of Volunteering Organization Award" (最美慈善義工榜樣團體獎). Its implementation of corporate social responsibility was listed in the "Case Study" section of the 2012 Blue Book on Corporate Social Responsibility in China (《中國企業社會責任藍皮書(2012)》「案例篇」) and was ranked No. 1 in the Social Responsibility Index of China's Banking Industry (中國銀行業社會責任指數第一名).

Financial Reports

- I. Independent Auditor's Report

- II. Financial Statements (Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows)

- III. Notes to the Consolidated Financial Statements

- IV. Unaudited Supplementary Financial Information

Independent Auditor's Report



Independent auditor's report to the shareholders of China Minsheng Banking Corp., Ltd.

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

We have audited the consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (together the "Group") set out on pages 214 to 404, which comprise the consolidated and Bank statements of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

**Independent auditor's report to the shareholders of China Minsheng Banking Corp., Ltd.
(Continued)**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2012	2011
Interest income		151,887	117,281
Interest expense		(74,734)	(52,460)
Net interest income	6	77,153	64,821
Fee and commission income		22,091	15,991
Fee and commission expense		(1,568)	(890)
Net fee and commission income	7	20,523	15,101
Net trading gain	8	509	484
Net gain arising from disposals of securities and discounted bills	9	4,407	1,790
Impairment losses on assets	10	(9,197)	(8,376)
Operating expenses	11	(42,889)	(35,449)
Other operating income/(expenses)		146	(1,196)
Profit before income tax		50,652	37,175
Income tax expense	13	(12,344)	(8,732)
Net profit		38,308	28,443
Net profit attributable to:			
Equity shareholders of the Bank		37,563	27,920
Non-controlling interests		745	523
		38,308	28,443
Basic and diluted earnings per share (expressed in RMB)	14	1.34	1.05
Dividends			
Final dividend proposed after the end of the reporting period	38	4,255	8,510

The notes on pages 223 to 404 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2012	2011
Net profit		38,308	28,443
Other comprehensive (loss)/income:			
Net change in fair value of available-for-sale securities	39	(423)	238
Income tax relating to available-for-sale securities	39	106	(60)
Exchange difference on translating foreign operations		(1)	—
Other comprehensive (loss)/income, net of tax		(318)	178
Total comprehensive income		37,990	28,621
Total comprehensive income attributable to:			
Equity shareholders of the Bank		37,245	28,098
Non-controlling interests		745	523
		37,990	28,621

The notes on pages 223 to 404 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2012	2011
ASSETS			
Cash and balances with central bank	15	420,418	332,805
Balances with banks and other financial institutions	16	236,161	232,336
Precious metals		3,723	527
Trading financial assets	17	26,318	20,423
Positive fair value of derivatives	18	1,234	587
Placements with banks and other financial institutions	19	80,082	37,745
Financial assets held under resale agreements	20	732,662	141,022
Loans and advances to customers	21	1,351,512	1,178,285
Investment securities:			
— available-for-sale securities	22	117,275	64,857
— held-to-maturity securities	22	83,653	117,886
— loans and receivables	22	15,040	8,319
Finance lease receivables	23	74,809	44,895
Property and equipment	24	13,631	9,971
Deferred income tax assets	25	8,817	6,982
Other assets	27	46,666	32,424
Total assets		3,212,001	2,229,064


The notes on pages 223 to 404 form part of these financial statements.


Consolidated Statement of Financial Position (Continued)

As at 31 December 2012
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2012	2011
LIABILITIES			
Borrowings from central bank		331	160
Deposits from customers	29	1,926,194	1,644,738
Deposits and placements from banks and other financial institutions	30	777,262	279,341
Financial assets sold under repurchase agreements	31	133,335	53,794
Borrowings from banks and other financial institutions	32	71,804	40,825
Negative fair value of derivatives	18	1,335	787
Provisions		3,173	3,061
Debt securities issued	33	74,969	31,030
Current income tax liabilities		3,263	5,770
Other liabilities	34	51,791	35,448
Total liabilities		3,043,457	2,094,954
EQUITY			
Share capital	35	28,366	26,715
Capital reserve	35	45,714	38,360
Surplus reserve	36	12,330	8,647
General reserve	36	39,480	16,740
Investment revaluation reserve	39	(427)	(110)
Retained earnings	36	37,615	39,245
Exchange reserve		(1)	—
Total equity attributable to equity shareholders of the Bank		163,077	129,597
Non-controlling interests	37	5,467	4,513
Total equity		168,544	134,110
Total liabilities and equity		3,212,001	2,229,064

Approved and authorised for issue by the Board of Directors on 28 March 2013.

Chairman  Director and president
Dong Wenbiao

 Director
Hong Qi

 Director
Qin Rongsheng

(Company Chop)



The notes on pages 223 to 404 form part of these financial statements.

Statement of Financial Position

As at 31 December 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2012	2011
ASSETS			
Cash and balances with central bank	15	417,648	330,898
Balances with banks and other financial institutions	16	232,985	230,190
Precious metals		3,723	527
Trading financial assets	17	26,318	20,423
Positive fair value of derivatives	18	1,234	587
Placements with banks and other financial institutions	19	80,082	37,745
Financial assets held under resale agreements	20	732,662	141,022
Loans and advances to customers	21	1,341,035	1,171,516
Investment securities:			
— available-for-sale securities	22	117,245	64,827
— held-to-maturity securities	22	83,653	117,886
— loans and receivables	22	15,040	8,319
Property and equipment	24	12,407	9,587
Deferred income tax assets	25	8,523	6,842
Investment in subsidiaries	26	3,676	3,425
Other assets	27	29,054	18,666
Total assets		3,105,285	2,162,460


The notes on pages 223 to 404 form part of these financial statements.

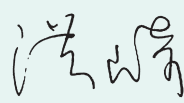
Statement of Financial Position (Continued)

As at 31 December 2012
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2012	2011
LIABILITIES			
Deposits from customers	29	1,910,622	1,634,712
Deposits and placements from banks and other financial institutions	30	781,495	282,437
Financial assets sold under repurchase agreements	31	127,506	47,391
Negative fair value of derivatives	18	1,335	787
Provisions		3,173	3,061
Debt securities issued	33	74,969	31,030
Current income tax liabilities		2,996	5,601
Other liabilities	34	41,937	28,940
Total liabilities		2,944,033	2,033,959
EQUITY			
Share capital	35	28,366	26,715
Capital reserve	35	45,417	38,063
Surplus reserve	36	12,330	8,647
General reserve	36	38,800	16,700
Investment revaluation reserve	39	(427)	(110)
Retained earnings	36	36,767	38,486
Exchange reserve		(1)	—
Total equity		161,252	128,501
Total liabilities and equity		3,105,285	2,162,460

Approved and authorised for issue by the Board of Directors on 28 March 2013.

Chairman  Director and president
Dong Wenbiao

 Director
Hong Qi


Qin Rongsheng



The notes on pages 223 to 404 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve		
At 1 January 2012		26,715	38,360	8,647	16,740	(110)	39,245	—	4,513	134,110
Net profit		—	—	—	—	—	37,563	—	745	38,308
Other comprehensive income, net of tax		—	—	—	—	(317)	—	(1)	—	(318)
Total comprehensive income		—	—	—	—	(317)	37,563	(1)	745	37,990
Capital injection by shareholders		1,651	7,354	—	—	—	—	—	204	9,209
Equity dilution of non-controlling interests		—	—	—	—	—	(5)	—	5	—
Appropriation to surplus reserve	36	—	—	3,683	—	—	(3,683)	—	—	—
Appropriation to general reserve	36	—	—	—	22,740	—	(22,740)	—	—	—
Cash dividends	38	—	—	—	—	—	(12,765)	—	—	(12,765)
At 31 December 2012		28,366	45,714	12,330	39,480	(427)	37,615	(1)	5,467	168,544

	Note	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve		
At 1 January 2011		26,715	38,075	5,903	13,822	(288)	19,881	—	1,149	105,257
Net profit		—	—	—	—	—	27,920	—	523	28,443
Other comprehensive income, net of tax		—	—	—	—	178	—	—	—	178
Total comprehensive income		—	—	—	—	178	27,920	—	523	28,621
Share capital contribution from non-controlling interests		—	—	—	—	—	—	—	2,304	2,304
Capital premium contribution from non-controlling interests		—	290	—	—	—	—	—	310	600
Equity dilution of equity shareholders of the Bank		—	(5)	—	(3)	—	(219)	—	227	—
Appropriation to surplus reserve	36	—	—	2,744	—	—	(2,744)	—	—	—
Appropriation to general reserve	36	—	—	—	2,921	—	(2,921)	—	—	—
Cash dividends of 2010	38	—	—	—	—	—	(2,672)	—	—	(2,672)
At 31 December 2011		26,715	38,360	8,647	16,740	(110)	39,245	—	4,513	134,110

The notes on pages 223 to 404 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012
(Expressed in millions of Renminbi, unless otherwise stated)

	2012	2011
Cash flows from operating activities:		
Profit before income tax	50,652	37,175
Adjustments for:		
– Impairment losses on assets	9,197	8,376
– Depreciation and amortisation	1,719	1,293
– Changes in provisions	123	1,118
– Losses/(gains) on disposal of property and equipment and other long-term assets	16	(4)
– (Gains)/losses from changes in fair value	(12)	280
– Net gains on disposal of available-for-sale securities	(141)	(55)
– Interest expense on debt securities issued and other financing activities	3,159	1,408
– Interest income from investment securities	(7,448)	(6,553)
	57,265	43,038
Changes in operating assets:		
Net increase in balances with central bank, banks and other financial institutions	(110,686)	(78,658)
Net increase in placements with banks and other financial institutions	(30,924)	(1,292)
Net increase in financial assets held under resale agreements	(589,628)	(28,090)
Net increase in loans and advances to customers	(182,624)	(148,511)
Net increase in other operating assets	(80,020)	(51,945)
	(993,882)	(308,496)
Changes in operating liabilities:		
Net increase in deposits from customers	281,456	226,861
Net increase in deposits and placements from banks and other financial institutions	497,921	78,120
Net increase in financial assets sold under repurchase agreements	79,468	29,921
Income tax paid	(16,580)	(10,489)
Net increase in other operating liabilities	74,463	41,971
	916,728	366,384
Net cash from operating activities	(19,889)	100,926

The notes on pages 223 to 404 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2012	2011
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		141,735	113,885
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		751	843
Cash payment for purchase of investment securities		(161,783)	(121,836)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(9,298)	(6,761)
Net cash from investing activities		(28,595)	(13,869)
Cash flows from financing activities:			
Capital contribution from non-controlling interests to subsidiaries		204	2,904
Proceeds from shares issuance		9,005	—
Proceeds from issue of debt securities		49,919	9,975
Repayments of debt securities issued		(6,000)	—
Interest paid on debt securities issued		(1,560)	(920)
Dividends paid		(12,765)	(2,672)
Net cash from financing activities		38,803	9,287
Cash and cash equivalents at 1 January		268,262	172,217
Effect of foreign exchange rate changes		(13)	(299)
Cash and cash equivalents at 31 December	40	258,568	268,262

The notes on pages 223 to 404 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

1 General information

China Minsheng Banking Corp., Ltd. (the “Bank”) is a national joint-stock commercial bank established in the People’s Republic of China (“PRC”) on 7 February 1996 with the approval of the State Council of the PRC and the People’s Bank of China (“PBC”).

The Bank publicly offered 350,000,000 ordinary shares (A shares) on the Shanghai Stock Exchange in 2000. On 26 November and 23 December 2009, the Bank offered 3,439,275,500 ordinary shares (H shares) on the Stock Exchange of Hong Kong Limited, and the total issued share capital increased to RMB22,262 million.

Pursuant to the resolutions of the 2009 Annual Shareholders’ General Meeting dated on 18 June 2010 of the Bank, the Bank issued Bonus Shares to the Shareholders whose names appeared on the register of members of the Bank at the close of business on the respective record dates for the A Shareholders and the H Shareholders on the basis of 2 Bonus Shares for every 10 existing Shares held by them on such record dates. 4,452,455,498 Bonus Shares were issued and the total shares increased to 26,714,732,987 share. On 2 April 2012, the Bank offered 1,650,852,240 ordinary shares (H shares) on the Stock Exchange of Hong Kong Limited, and the total issued share capital increased to RMB28,366 million.

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking Regulatory Commission (“CBRC”), and the business licence No. 100000000018983 as approved by the State Administration for Industry and Commerce of the PRC.

For the purpose of these financial statements, mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the “Group”) mainly provide corporate and personal banking, treasury business, finance leasing, assets management and other financial services in the PRC.

As at 31 December 2012, the Bank has 33 tier-one branches and 29 subsidiaries in the PRC.

These financial statements were authorised for issue by the Board of Directors on 28 March 2013.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies

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

(1) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except that: (i) available-for-sale securities are measured at fair value; and (ii) financial assets and financial liabilities at fair value through profit or loss (including derivative instruments) are measured at fair value.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4.

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(i) Changes in accounting policies

The Group has adopted new IFRSs and interpretations effective for the current period. There is no early adoption of any new IFRSs not yet effective for the current accounting period. The following developments are relevant to the Group's financial statements:

- IFRS 7 (amendment), Financial instruments: Disclosures — Transfers of financial assets
- IAS 12 (amendment), Income taxes — Deferred tax: Recovery of underlying assets

The aforesaid amendments of IFRSs have no material impact on the accounting policies of the Group.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Standard	Content	Effective for accounting periods beginning on or after
IAS 1 (amendment)	Presentation of financial statements — Presentation of items of other comprehensive income	1 July 2012
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27 (2011)	Separate financial statements	1 January 2013
IAS 28 (2011)	Investments in associates and joint ventures	1 January 2013
IAS 19 (2011)	Employee benefits	1 January 2013
IFRS 7 (amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
IAS 32 (amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9 (2010)	Financial instruments	1 January 2015

IFRS 10 replaces the portion of IAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements and also covers the related requirements set out in SIC 12, *Consolidation — Special Purpose Entities*. IFRS 10 sets out new requirements and guidance on the principle of control, which will require management to exercise judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent. The Group is currently assessing the impact of this standard on its financial position or performance.

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012 (Continued)

Besides IFRS 10, the Group is in the process of making assessment of what the impact of other developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for IFRS 9, *Financial Instruments*, which may have an impact on the Group's results and financial position. The Group has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Group's results and financial position has not been quantified.

(2) Consolidated financial statements

The Group's consolidated financial statements comprise the Bank and all subsidiaries.

Subsidiaries are those entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at: the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination; or the cost of capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 2(17).

The results and affairs of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank shall make necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(2) Consolidated financial statements (Continued)

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

(3) Foreign currency translation

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of domestic branches and subsidiaries of the Group. The functional currencies of overseas branches are determined in accordance with the primary economic environment in which they operate.

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

2 Summary of significant accounting policies (Continued)

(3) Foreign currency translation (Continued)

Foreign currency financial statements of overseas branches are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as “exchange reserve” in the shareholder’s equity in the statement of financial position.

The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

(4) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income from interest-bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(4) Income recognition (Continued)

(i) Interest income (Continued)

Interest on the impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the related impairment loss.

When the future cash flow or the expected life of financial assets or financial liabilities could not be estimated reliably, the Group adopted the contractual cash flow over the full contractual term of the financial assets or financial liabilities.

(ii) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

(5) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of the Group's investments at initial recognition.

a Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if it is: (i) acquired principally for the purpose of selling it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

2 Summary of significant accounting policies (Continued)

(5) Financial assets (Continued)

(i) Classification (Continued)

a Financial assets at fair value through profit or loss (Continued)

Financial assets are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement basis of the financial assets; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss unless: the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets designated at fair value through profit or loss of the Group are reported in “trading financial assets” in the statement of financial position.

b Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term, which are classified as held for trading; (ii) those that the Group upon initial recognition designates as at fair value through profit or loss or as available-for-sale; or (iii) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(5) Financial assets (Continued)

(i) Classification (Continued)

c Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold to maturity, other than (i) those that the Group upon initial recognition designates as at fair value through profit or loss; (ii) those that the Group designates as available-for-sale and; (iii) those that meet the definition of loans and receivables.

The Group shall reclassify any remaining held-to-maturity investments as available-for-sale and shall not classify any financial assets as held-to-maturity during the current financial year or during the two preceding financial years, if the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) except for sale or reclassification that:

- is so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

d Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity investments; or (iii) loans and receivables.

2 Summary of significant accounting policies (Continued)

(5) Financial assets (Continued)

(ii) Recognition and measurement

All financial assets are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are measured initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial assets at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments and loans and receivables are measured at amortised cost, while other categories of financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses, if any.

Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

When the available-for-sale financial assets are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income and reclassified into the profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(5) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss.

(iii) Derecognition

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

(6) Impairment of financial assets

At the end of each reporting period, the Group assesses the carrying amount of financial assets (except for those at fair value through profit or loss). If there is any objective evidence that a financial asset is impaired, the Group will recognise the impairment loss in profit or loss. Losses expected as a result of future events, no matter how likely, are not recognised as impairment losses.

2 Summary of significant accounting policies (Continued)

(6) Impairment of financial assets (Continued)

Objective evidence that a financial asset is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following loss event:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of the financial asset.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(6) Impairment of financial assets (Continued)

(i) Loans and receivables and held-to-maturity investments

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed loans and receivables with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

2 Summary of significant accounting policies (Continued)

(6) Impairment of financial assets (Continued)

(i) Loans and receivables and held-to-maturity investments (Continued)

Collective assessment (Continued)

Loans and receivables investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

Impairment losses recognised on a collective basis represent an interim step pending the identification of impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

At the end of each reporting period, collective assessment covers those loans and receivables that were impaired but was not individually identified as such until some time in the future. As soon as information is available to specifically identify objective evidence of impairment on individual assets in a pool, those assets are removed from the pool of collectively assessed financial assets.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(6) Impairment of financial assets (Continued)

(i) Loans and receivables and held-to-maturity investments (Continued)

Impairment reversal and loan write-off

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

2 Summary of significant accounting policies (Continued)

(6) Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale financial assets in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(7) Financial liabilities

(i) Classification, recognition and measurement

The Group classifies its financial liabilities into the following two categories at inception: financial liabilities at fair value through profit or loss and other financial liabilities.

a Financial liabilities at fair value through profit or loss

This category includes those classified as held for trading and those designated as at fair value through profit or loss at inception. The Group has not designated any financial liabilities as at fair value through profit or loss.

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term. It is carried at fair value and any gains and losses from changes in fair value are recognised in profit or loss.

b Other financial liabilities

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently carried at amortised cost using the effective interest method.

(ii) Derecognition

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

2 Summary of significant accounting policies (Continued)

(8) Derivative financial instruments and embedded derivative financial instruments

The Group uses derivative financial instruments such as forward, futures, swap and option contracts to hedge its risks associated with foreign currency and interest rate fluctuation respectively. A derivative financial instrument has all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability. The gain or loss on re-measurement to fair value is recognised in profit or loss.

An embedded derivative financial instrument is a component of a hybrid contract that includes a non-derivative host contract (the “host contract”), and the derivative financial instrument causes some or all of the cash flows that otherwise would be required by the contract to be modified, according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or interest rate index, credit rating or credit index, or other variables such as the conversion option of a convertible bond. The embedded derivative is separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

If an embedded derivative is separated, the host contract shall be accounted for as financial assets or liabilities, if it is a financial instrument.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(8) Derivative financial instruments and embedded derivative financial instruments (Continued)

Gains and losses from changes in fair value of derivatives, including the contractual interest, that do not qualify for hedge accounting are reported in profit or loss. The Group has no derivative positions that are accounted for as hedges.

(9) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on quoted market prices.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(10) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(11) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell with changes in fair value less cost to sell included in "net trading gain/(loss)" in the statement of comprehensive income. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

2 Summary of significant accounting policies (Continued)

(12) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(13) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets are recognized and reported in “other assets” in the statement of financial position when the Group intends to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment from the borrower.

Repossessioned assets are initially recognized at fair value plus related costs when they are obtained as compensation for loan principal and interest. Subsequently, the repossessioned collateral assets are measured at the lower of their carrying amount and fair value less costs to sell. Repossessioned assets do not carry depreciation and amortization. The impairment losses of initial measurement and subsequent revaluation are charged to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(14) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are measured initially at cost. Subsequent costs are recognised in the carrying amount of the item if the recognition criteria are satisfied. Expenditures related to ordinary maintenance are recognised in profit or loss.

The Group adopts the cost model for subsequent measurement of the investment properties. Depreciation is calculated to write off to profit or loss the cost of investment properties, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of the investment properties are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rate
Buildings	40 years	5%	2.38%

When an investment property is transferred to an owner-occupied property, it is reclassified as property at its carrying amount at the transfer date. When an owner-occupied property is transferred to earn rentals or for capital appreciation, the property is reclassified as investment property at its carrying amount at the transfer date.

At the end of each reporting period, the Group analyses the estimated useful lives, net residual value and depreciation method of the investment property, and adjusts if appropriate.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(14) Investment properties (Continued)

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirements or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the assets, and is recognised in profit or loss in the period of the retirement or disposal.

(15) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset.

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of property and equipment are recognised in profit or loss.

Depreciation is amortised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of the investment properties are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	15–40 years	5%	2.38%–6.33%
Leasehold improvements	5–10 years	0%	10%–20%
Office equipment	5–10 years	5%	9.5%–19%
Transportation equipment	5–24 years	5%	3.96%–19%

No depreciation is provided on construction work in progress.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(15) Property and equipment (Continued)

At the end of each reporting period, the Group analyses the estimated useful lives, net residual value and depreciation method of property and equipment, and adjusts if appropriate.

Impairment losses on property and equipment are accounted for in accordance with the accounting policies as set out in Note 2(17).

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets are recognised in profit or loss on the date of retirement or disposal.

(16) Intangible assets

Intangible assets include land use rights and computer software, and they are measured at cost.

The cost less estimated net residual values of the intangible assets is amortised in profit or loss on a straight-line basis over their useful lives. Impaired intangible assets are amortised net of accumulated impairment losses. Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 2(17).

If purchase costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the purchase costs are recognised as properties.

At the end of each reporting period, the Group analyses the estimated useful lives and the amortisation method of the intangible assets, and adjusts if appropriate.

2 Summary of significant accounting policies (Continued)

(17) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(i) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(ii) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognized impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(18) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (Continued)

(19) Employee benefits

Employee benefits mainly include salaries, bonuses, allowances, subsidies, welfare, social insurance and housing funds, labour union expenditures and personnel education as well as other expenditures in exchange for services rendered by employees.

Employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or expenses in profit or loss.

(i) Social insurance and housing fund

Pursuant to the relevant laws and regulations in the PRC, the Group has joined the social security system established and managed by government agencies. The Group makes basic pension fund, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance contributions to government agencies at the applicable rates based on the amounts in accordance with the related laws and regulations. The contributions are charged to the profit or loss on an accrual basis.

(ii) Other defined contribution retirement schemes

In addition to the statutory provision schemes, the Bank's employees can voluntarily joined the China Minsheng Banking Cop., Ltd. annuity scheme (the "scheme") set up by the Bank in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

(20) Provisions

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(21) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(i) Operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) Finance leases

When the Group is a lessor under financial lease, at the leasing commencement date, the minimum lease payments receivables and initial direct costs are recognised as finance lease receivables and any unguaranteed residual value is recognised at the same time. The difference between the sum of minimum lease payments receivables, initial direct costs, the unguaranteed residual value and their present value is accounted for as unearned finance income.

The unearned finance income is amortised using the effective interest method over the lease period.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies set out in Note 2(6)(i).

2 Summary of significant accounting policies (Continued)

(22) Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as a liability are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as liability when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

(23) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(24) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(25) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

(26) Financial guarantees contracts

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

2 Summary of significant accounting policies (Continued)

(27) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - a has control or joint control over the Group;
 - b has significant influence over the Group; or
 - c is a member of the key management personnel of the Group.

- (ii) An entity is related to the Group if any of the following conditions applies:
 - a The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - b One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - c Both entities are joint ventures of the same third party;
 - d One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - e The entity is controlled or jointly controlled by a person identified in (i);
 - f A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(28) Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

The reports on an operating segment are consistent with those internal reports submitted to the chief operating decision maker.

3 Financial risk management

(1) Financial risk management overview

The Group's activities expose it to a variety of financial risks, which entails analyses, evaluations, acceptance and management of risks of varying degrees or combinations. The core characteristic of the financial business is taking risk; risks are inevitable in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

As at 31 December 2012, the Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Leasing") and Minsheng Royal Fund Management Co., Ltd. ("Minsheng Fund"), and 27 township banks. Its subsidiaries as separate entities, are responsible for financial risk management in their respective businesses. In 2012, the financial risk arising from commercial banking was the most significant risk for the Group's operations.

3 Financial risk management (Continued)

(1) Financial risk management overview (Continued)

The Group's risk management policies are designed to set appropriate risk limits and controls, and to monitor risks and limit compliance through reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems in line with changes in markets, products and the industry's best practices.

The Bank has a Risk Management Committee under the Board of Directors, and the committee is responsible for setting the Bank's overall risk management strategies, monitoring the Bank's risk management and internal controls and assessing the Bank's overall risk position. In accordance with the risk management strategies set by the committee, the Bank's senior management formulates and promotes compliance of risk management policies, practices and procedures.

The Bank has a Strategic Development and Investment Management Committee under the Board of Directors. The committee is responsible for the daily management of subsidiaries, with a comprehensive risk management framework in the pipeline at the Group level.

The most significant types of risks to the Group are credit risk, market risk, liquidity risk and operational risk. Market risk comprises currency risk, interest rate risk and other price risk.

(2) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to it. Credit exposures arise principally in lending, trade finance, treasury and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

Currently, the Bank's Risk Management Committee is responsible for decision-making and centralised coordination in credit risk prevention. The committee manages credit risk through a number of methods, including specialised credit assessment, centralised quality monitoring, and centralised management and collection of stressed assets.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(i) Credit risk measurement

a Loans and credit commitments

The Group measures and manages the quality of its credit assets according to the *CBRC Guidelines for Risk Classification of Loans* (the “Guidelines”). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key off-balance sheet items in accordance with the Guidelines. The Bank has also developed the *Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited* to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfill contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Substandard:	The borrower’s repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower can’t repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(i) Credit risk measurement (Continued)

b Debt securities and other bills

For debt securities and other bills, the Group manages credit risk exposures by setting limits to external credit ratings of its investments. A credit rating of BBB or above (by Standard & Poor's or equivalent agencies) at the time of purchase is required for foreign currency debt securities investments. RMB debt securities investments require a rating of A or above for long-term securities investments, and a rating of A-1 or above for short-term securities investments, from an external rating agency recognised by the PBC. The Group's risk control team also regularly reviews credit ratings of issuers of securities held by the Group and makes risk management recommendations from both industry and enterprise perspectives for adjustments to risk management practices.

(ii) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status of these customers regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on- and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors basis actual risk exposures daily in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ii) Risk limit control and mitigation policies (Continued)

Other specific control and mitigation measures include:

a Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Machinery and equipment
- Right to receive payments and accounts receivable
- Financial instruments such as time deposits, debt securities and equities.

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties or require additional guarantors.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ii) Risk limit control and mitigation policies (Continued)

b Derivative instruments

Only the Bank is authorised to engage in financial derivative transactions. The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

c Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, such as those situations where the amount of credit commitment exceeds the original credit limit, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(iii) Impairment allowance policies

In accordance with accounting policies and regulations, if there is objective evidence that indicates the cash flow for a particular loan is expected to decrease, and the amount can be estimated, the loan is recorded as an impaired loan and the impairment loss is recognised in profit or loss.

Note 2(6) illustrates the criteria that the Group uses to determine that there is an objective evidence of impairment loss.

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment loss is provided individually, the amount is determined by an evaluation of the incurred loss at reporting date on a case-by-case basis. In making such assessments, the Group considers the value of collateral held and expected future cash flows from the asset.

Impairment allowances are provided for the following portfolios according to historical data, experience and statistical techniques: (i) those consisting of homogenous assets that are individually below materiality thresholds; and (ii) those where losses that have been incurred but have not yet been individually identified with any specific asset within the portfolio.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(iv) Maximum credit risk exposure

The following table presents the Group's and the Bank's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	Group		Bank	
	2012	2011	2012	2011
Balances with central bank	413,928	327,630	411,326	325,796
Balances with banks and other financial institutions	236,161	232,336	232,985	230,190
Placements with banks and other financial institutions	80,082	37,745	80,082	37,745
Trading financial assets	26,318	20,423	26,318	20,423
Positive fair value of derivatives	1,234	587	1,234	587
Financial assets held under resale agreements	732,662	141,022	732,662	141,022
Loans and advances to customers				
— Corporate loans and advances	897,523	821,348	891,702	817,192
— Personal loans and advances	453,989	356,937	449,333	354,324
Investment securities — Debt securities	215,829	190,923	215,799	190,893
Finance lease receivables	74,809	44,895	—	—
Other financial assets	36,247	19,920	22,891	14,115
Total	3,168,782	2,193,766	3,064,332	2,132,287
Off-balance sheet credit commitments	857,300	670,093	852,055	666,815
Maximum credit risk exposure	4,026,082	2,863,859	3,916,387	2,799,102

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(v) Loans and advances to customers

	Group		Bank	
	2012	2011	2012	2011
Gross balance of loans and advances to customers				
Neither past due nor impaired	1,364,909	1,193,177	1,354,313	1,186,313
Past due but not impaired	9,178	4,505	9,135	4,505
Impaired	10,523	7,539	10,489	7,537
	1,384,610	1,205,221	1,373,937	1,198,355
Less: allowance for impairment loss				
Neither past due nor impaired	(26,559)	(22,603)	(26,377)	(22,508)
Past due but not impaired	(1,396)	(430)	(1,394)	(430)
Impaired	(5,143)	(3,903)	(5,131)	(3,901)
	(33,098)	(26,936)	(32,902)	(26,839)
Net balance				
Neither past due nor impaired	1,338,350	1,170,574	1,327,936	1,163,805
Past due but not impaired	7,782	4,075	7,741	4,075
Impaired	5,380	3,636	5,358	3,636
	1,351,512	1,178,285	1,341,035	1,171,516

a Neither past due nor impaired

Credit risk of loans and advances to customers neither past due nor impaired was analysed as follows:

	Group		Bank	
	2012	2011	2012	2011
Corporate loans and advances	907,307	834,375	901,405	830,163
Personal loans and advances	457,602	358,802	452,908	356,150
Total	1,364,909	1,193,177	1,354,313	1,186,313

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

a *Neither past due nor impaired (Continued)*

Loans and advances to customers neither past due nor impaired were analysed by types of collateral as follows:

	Group		Bank	
	2012	2011	2012	2011
Unsecured loans	191,438	176,563	191,191	176,499
Guaranteed loans	469,430	366,179	462,862	362,036
Loans secured by				
— tangible assets other than monetary assets	539,385	512,098	536,242	510,079
— monetary assets	164,656	138,337	164,018	137,699
Total	1,364,909	1,193,177	1,354,313	1,186,313

b *Past due but not impaired*

In general, loans that are past due for less than 90 days are not identified as impaired loans unless there is evidence of impairment.

At the inception of loan drawdown, the Group requires independent asset valuation agencies to perform valuation assessments of the corresponding collateral. When there is evidence that indicates the collateral is impaired, the Group will review whether the collateral is sufficient to cover the credit risk of the corresponding loans.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

b Past due but not impaired (Continued)

The following table presents the ageing analysis of each type of loans and advances to customers of the Group and the Bank which were past due but not impaired as at the end of the reporting period.

Group

	2012				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	2,456	499	482	30	3,467
Personal loans and advances	2,298	1,435	1,336	642	5,711
Total	4,754	1,934	1,818	672	9,178

Bank

	2012				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	2,453	495	478	30	3,456
Personal loans and advances	2,293	1,430	1,316	640	5,679
Total	4,746	1,925	1,794	670	9,135

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

b Past due but not impaired (Continued)

Group and Bank

	2011				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	168	30	4	—	202
Personal loans and advances	1,627	1,914	495	267	4,303
Total	1,795	1,944	499	267	4,505

As at 31 December 2012, the balance of loans and advances past due but not impaired which were covered by collateral was RMB4,579 million (2011: RMB2,489 million). The fair value of collateral held against these loans and advances was amounted to RMB5,656 million (2011: RMB3,282 million).

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

c Impaired loans

	Group		Bank	
	2012	2011	2012	2011
Corporate loans and advances	8,260	6,541	8,236	6,541
Personal loans and advances	2,263	998	2,253	996
Total	10,523	7,539	10,489	7,537
% of total loans and advances	0.76%	0.63%	0.76%	0.63%
Allowance for impairment losses				
– Corporate loans and advances	(3,855)	(3,283)	(3,847)	(3,283)
– Personal loans and advances	(1,288)	(620)	(1,284)	(618)
Total	(5,143)	(3,903)	(5,131)	(3,901)

All of the secured personal loans past due for more than 90 days as well as unsecured personal loans and guaranteed personal loans (excluding credit card and micro lending) past due for more than 30 days are identified as impaired loans. All of the secured micro lending past due for more than 180 days, guaranteed micro lending past due for more than 90 days, and unsecured micro lending past due for more than 30 days are identified as impaired loans. All the credit card past due for more than 90 days are identified as impaired loans by the Group.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

c Impaired loans (Continued)

Impaired loans and advances by type of collateral:

	Group		Bank	
	2012	2011	2012	2011
Unsecured loans	852	718	852	718
Guaranteed loans	3,564	2,044	3,545	2,043
Loans secured by				
— tangible assets other than monetary assets	5,560	4,626	5,545	4,625
— monetary assets	547	151	547	151
Total	10,523	7,539	10,489	7,537
Fair value of collateral held against impaired loans	5,363	4,215	5,353	4,214

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

d Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Rescheduled loans amounted to RMB1,227 million as at 31 December 2012 (2011: RMB1,777 million).

Among impaired loans and advances, rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	Group and Bank	
	2012	2011
Loans and advances to customers	38	70
% of total loans and advances	0.00%	0.01%

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(vi) Amounts due from banks and other financial institutions

Amount due from banks and other financial institutions includes balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

a Neither past due nor impaired

Balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements are neither past due nor impaired.

Distribution of amounts due from banks and other financial institutions neither past due nor impaired by credit rating is listed as follows:

	Group		Bank	
	2012	2011	2012	2011
Grade A to AAA	643,332	303,182	640,240	303,182
Grade B to BBB	167,229	75,237	167,145	73,091
Unrated	238,344	32,684	238,344	32,684
Total	1,048,905	411,103	1,045,729	408,957

Amounts neither past due nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of domestic banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(vii) Finance lease receivables

	Group	
	2012	2011
Present value of minimum finance lease receivables		
Neither past due nor impaired	73,993	45,719
Past due but not impaired	2,084	—
Impaired	330	—
	76,407	45,719
Less: allowance for impairment loss		
Neither past due nor impaired	(1,334)	(824)
Past due but not impaired	(185)	—
Impaired	(79)	—
	(1,598)	(824)
Net balance	74,809	44,895

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(viii) Debt securities

RMB-denominated debt securities

Group

	2012				Total
	Trading financial assets	Available-for-sale securities	Held-to-maturity securities	Loans and receivables	
Neither past due nor impaired	26,306	115,711	83,378	15,040	240,435
Total	26,306	115,711	83,378	15,040	240,435

	2011				Total
	Trading financial assets	Available-for-sale securities	Held-to-maturity securities	Loans and receivables	
Neither past due nor impaired	20,414	63,572	117,610	8,319	209,915
Total	20,414	63,572	117,610	8,319	209,915

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(viii) Debt securities (Continued)

RMB-denominated debt securities (Continued)

Bank

	2012				Total
	Trading financial assets	Available-for-sale securities	Held-to-maturity securities	Loans and receivables	
Neither past due nor impaired	26,306	115,681	83,378	15,040	240,405
Total	26,306	115,681	83,378	15,040	240,405

	2011				Total
	Trading financial assets	Available-for-sale securities	Held-to-maturity securities	Loans and receivables	
Neither past due nor impaired	20,414	63,542	117,610	8,319	209,885
Total	20,414	63,542	117,610	8,319	209,885

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(viii) Debt securities (Continued)

Foreign currency debt securities

The following tables show Standard & Poor's ratings on foreign currency debt securities of the Group and the Bank.

Group and Bank

	2012			Total
	Trading financial assets	Available-for-sale securities	Held-to-maturity securities	
AA- to AA+	—	1,022	—	1,022
Lower than A-	—	130	—	130
Unrated	12	273	275	560
Total	12	1,425	275	1,712

	2011			Total
	Trading financial assets	Available-for-sale securities	Held-to-maturity securities	
AA- to AA+	9	722	—	731
Lower than A-	—	116	—	116
Unrated	—	308	276	584
Total	9	1,146	276	1,431

The Group's available-for-sale and held-to-maturity debt securities are individually assessed for impairment. The Group's impaired debt securities are all foreign currency debt securities, which were valued at RMB332 million as at 31 December 2012 (2011: RMB318 million), incurring an impairment loss of RMB299 million (2011: RMB300 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets

Credit risk increases when counterparties are concentrated in same industries or geographical regions. The Group conducts its credit business predominantly within mainland China, with major customers concentrated in a number of key industries. In mainland China, different regions and different industries have their own unique characteristics in economic development. This has consequently exposed the Group's operations to different credit risks.

a Geographical concentration

Financial assets other than securities (by business units' location)

Group

	2012				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	366,523	23,205	6,792	17,408	413,928
Balances with banks and other financial institutions	87,267	105,829	26,030	17,035	236,161
Placements with banks and other financial institutions	71,443	1,343	2,338	4,958	80,082
Financial assets held under resale agreements	108,266	250,521	79,329	294,546	732,662
Gross loans and advances to customers	399,760	476,551	147,305	360,994	1,384,610
Less: allowance for impairment losses	(9,575)	(12,411)	(3,539)	(7,573)	(33,098)
Finance lease receivables	74,809	—	—	—	74,809
Other financial assets	22,408	9,089	3,919	2,065	37,481
Total	1,120,901	854,127	262,174	689,433	2,926,635

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets (Continued)

a Geographical concentration (Continued)

Financial assets other than securities (by business units' location) (Continued)

Group (Continued)

	2011				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	301,305	15,341	3,662	7,322	327,630
Balances with banks and other financial institutions	24,374	121,529	63,103	23,330	232,336
Placements with banks and other financial institutions	36,345	1,200	—	200	37,745
Financial assets held under resale agreements	43,334	35,151	16,552	45,985	141,022
Gross loans and advances to customers	335,145	446,079	130,601	293,396	1,205,221
Less: allowance for impairment losses	(8,359)	(9,975)	(2,728)	(5,874)	(26,936)
Finance lease receivables	44,895	—	—	—	44,895
Other financial assets	13,800	3,533	1,176	1,998	20,507
Total	790,839	612,858	212,366	366,357	1,982,420

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets (Continued)

a Geographical concentration (Continued)

Financial assets other than securities (by business units' location) (Continued)

Bank

	2012				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	366,336	21,574	6,680	16,736	411,326
Balances with banks and other financial institutions	85,666	105,240	25,909	16,170	232,985
Placements with banks and other financial institutions	71,443	1,343	2,338	4,958	80,082
Financial assets held under resale agreements	108,266	250,521	79,329	294,546	732,662
Gross loans and advances to customers	399,623	469,945	146,844	357,525	1,373,937
Less: allowance for impairment losses	(9,573)	(12,275)	(3,531)	(7,523)	(32,902)
Other financial assets	9,149	9,041	3,894	2,041	24,125
Total	1,030,910	845,389	261,463	684,453	2,822,215

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets (Continued)

a Geographical concentration (Continued)

Financial assets other than securities (by business units' location) (Continued)

Bank (Continued)

	2011				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	300,957	14,258	3,629	6,952	325,796
Balances with banks and other financial institutions	22,964	121,207	62,933	23,086	230,190
Placements with banks and other financial institutions	36,345	1,200	—	200	37,745
Financial assets held under resale agreements	43,334	35,151	16,552	45,985	141,022
Gross loans and advances to customers	335,145	441,411	130,461	291,338	1,198,355
Less: allowance for impairment losses	(8,361)	(9,912)	(2,726)	(5,840)	(26,839)
Other financial assets	8,094	3,490	1,156	1,962	14,702
Total	738,478	606,805	212,005	363,683	1,920,971

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets (Continued)

a Geographical concentration (Continued)

Financial assets — securities (by issuers' location)

Group

	2012				Total
	Mainland China	North America	Europe	Others	
Trading financial assets	26,306	—	—	12	26,318
Available-for-sale debt securities	116,425	33	70	608	117,136
Held-to-maturity investments	83,378	—	141	134	83,653
Loans and receivables	15,040	—	—	—	15,040
Total	241,149	33	211	754	242,147

	2011				Total
	Mainland China	North America	Europe	Others	
Trading financial assets	20,414	9	—	—	20,423
Available-for-sale debt securities	64,613	18	87	—	64,718
Held-to-maturity investments	117,610	—	142	134	117,886
Loans and receivables	8,319	—	—	—	8,319
Total	210,956	27	229	134	211,346

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets (Continued)

a Geographical concentration (Continued)

Financial assets — securities (by issuers' location) (Continued)

Bank

	2012				Total
	Mainland China	North America	Europe	Others	
Trading financial assets	26,306	—	—	12	26,318
Available-for-sale debt securities	116,395	33	70	608	117,106
Held-to-maturity investments	83,378	—	141	134	83,653
Loans and receivables	15,040	—	—	—	15,040
Total	241,119	33	211	754	242,117

	2011				Total
	Mainland China	North America	Europe	Others	
Trading financial assets	20,414	9	—	—	20,423
Available-for-sale debt securities	64,583	18	87	—	64,688
Held-to-maturity investments	117,610	—	142	134	117,886
Loans and receivables	8,319	—	—	—	8,319
Total	210,926	27	229	134	211,316

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets (Continued)

b Industry concentration

Group	2012						Total
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	413,928	–	–	–	–	–	413,928
Balances with banks and other financial institutions	–	236,161	–	–	–	–	236,161
Placements with banks and other financial institutions	–	80,082	–	–	–	–	80,082
Financial assets held under resale agreements	–	732,662	–	–	–	–	732,662
Corporate loans and advances	–	18,203	202,587	144,538	532,195	–	897,523
– of which balance secured by collateral	–	13,684	78,778	130,447	271,411	–	494,320
Personal loans and advances	–	–	–	–	–	453,989	453,989
– of which balance secured by collateral	–	–	–	–	–	203,744	203,744
Investment securities							
– debt securities	135,947	22,865	10,933	1,361	44,723	–	215,829
Finance lease receivables	–	–	73,043	1,766	–	–	74,809
Other financial assets	7,133	3,602	1,318	3,447	46,912	1,387	63,799
Total	557,008	1,093,575	287,881	151,112	623,830	455,376	3,168,782

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets (Continued)

b Industry concentration (Continued)

Group (Continued)

	2011						Total
	Governments and quasi- governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	327,630	–	–	–	–	–	327,630
Balances with banks and other financial institutions	–	232,336	–	–	–	–	232,336
Placements with banks and other financial institutions	–	37,745	–	–	–	–	37,745
Financial assets held under resale agreements	–	141,022	–	–	–	–	141,022
Corporate loans and advances	–	19,090	181,822	126,401	494,035	–	821,348
– of which balance secured by collateral	–	15,361	70,254	112,453	236,444	–	434,512
Personal loans and advances	–	–	–	–	–	356,937	356,937
– of which balance secured by collateral	–	–	–	–	–	209,063	209,063
Investment securities							
– debt securities	144,474	8,609	21,681	1,553	14,606	–	190,923
Finance lease receivables	–	–	31,064	3,449	10,382	–	44,895
Other financial assets	15,903	1,642	8,273	3,197	10,820	1,095	40,930
Total	488,007	440,444	242,840	134,600	529,843	358,032	2,193,766

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets (Continued)

b Industry concentration (Continued)

Bank

	2012						Total
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	411,326	–	–	–	–	–	411,326
Balances with banks and other financial institutions	–	232,985	–	–	–	–	232,985
Placements with banks and other financial institutions	–	80,082	–	–	–	–	80,082
Financial assets held under resale agreements	–	732,662	–	–	–	–	732,662
Corporate loans and advances	–	18,203	199,963	144,533	529,003	–	891,702
– of which balance secured by collateral	–	13,684	77,899	130,442	270,757	–	492,782
Personal loans and advances	–	–	–	–	–	449,333	449,333
– of which balance secured by collateral	–	–	–	–	–	201,539	201,539
Investment securities							
– debt securities	135,947	22,835	10,933	1,361	44,723	–	215,799
Other financial assets	7,133	3,496	1,310	3,444	33,689	1,371	50,443
Total	554,406	1,090,263	212,206	149,338	607,415	450,704	3,064,332

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

(ix) Credit risk concentration of financial assets (Continued)

b Industry concentration (Continued)

Bank (Continued)

	2011						Total
	Governments and quasi- governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	325,796	–	–	–	–	–	325,796
Balances with banks and other financial institutions	–	230,190	–	–	–	–	230,190
Placements with banks and other financial institutions	–	37,745	–	–	–	–	37,745
Financial assets held under resale agreements	–	141,022	–	–	–	–	141,022
Corporate loans and advances	–	18,815	179,913	126,401	492,063	–	817,192
– of which balance secured by collateral	–	15,206	69,335	112,453	235,525	–	432,519
Personal loans and advances	–	–	–	–	–	354,324	354,324
– of which balance secured by collateral	–	–	–	–	–	208,446	208,446
Investment securities							
– debt securities	144,474	8,579	21,681	1,553	14,606	–	190,893
Other financial assets	15,870	1,625	5,663	2,584	8,306	1,077	35,125
Total	486,140	437,976	207,257	130,538	514,975	355,401	2,132,287

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk

The Group is exposed to market risk, which is the risk of loss to its on— and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank divides its market risk exposures into either trading or non-trading portfolios. Trading portfolios include those positions arising from transactions where the Bank acts as principal with clients or with the market. Non-trading portfolios largely consist of held-to-maturity and available-for-sale securities held by the Bank and market risk exposures in its loan and advance accounts.

Currently, the Asset and Liability Management Department is responsible for monitoring and controlling the market risk of non-trading accounts across the Bank. The Risk Management Department is responsible for the centralised coordination regarding the market risk management of the Bank. The Financial Market Strategic Business Units (SBUs) etc. are responsible for the daily market risk management of trading accounts and department-specific non-trading accounts. Also, the Bank has established the practice of regular reporting to senior management on market risks, including the monitoring and analysis by the Asset and Liability Department and the Risk Management Department of market risk changes and exposure limit execution.

The Financial and Planning Department of Minsheng Leasing is responsible for monitoring and controlling market risks on fund positions, while its Capital Market Department is responsible for managing department-specific market risk.

3 Financial risk management (Continued)

(3) Market risk (Continued)

(i) Market risk measurement techniques

As part of market risk management, the Group adopts various strategies to mitigate risks. The Bank also enters into interest rate swaps to match interest rate risk associated with fixed-rate long-term debt securities and loans measured at fair value.

The techniques in measuring and controlling market risk are as follows:

The primary techniques applied by the Financial Market SBUs of the Bank in measuring and controlling trading and non-trading market risk are mainly net position exposure analyses; stop-loss approaches; sensitivity analyses of interest rates and exchange rates; stress testing and scenario analyses. In response to market conditions and leveraging available technologies, the Group has gradually used the value at risk (VaR) method to measure market risk.

The Bank applies sensitivity analyses to estimate interest rate and exchange rate risks arising from trading accounts and non-trading portfolios. This means to periodically calculate gaps between interest-earning assets and interest-bearing liabilities that would reach maturity or be subject to repricing during a certain period. Then, the Bank uses the gap data to carry out sensitivity analyses against movements of benchmark and market interest rates and foreign exchange rates, in order to guide adjustment of repricing and maturity structures of interest-earning assets and interest-bearing liabilities. The Bank has set up a reporting system under which summarised sensitivity analyses are reported regularly to senior management (for example, the Asset and Liability Management Committee) for review.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(ii) Currency risk

The Group is exposed to exchange rate risk arising from prevailing foreign currency exchange rate fluctuations with impact on its foreign exchange positions and cash flows.

The Group's principal strategy in controlling currency risk is to substantially match its assets and liabilities in each currency and to maintain currency risk within established limits. The Bank has set exposure limits according to guidelines established by the Risk Management Committee, regulatory requirements, and management's assessment of current market conditions. The Bank also reasonably manages its foreign capital sources and use of foreign currencies to minimise potential currency mismatches. The Financial Market SBUs sets exposure and stop-loss limits by business nature and trading authority for foreign exchange risk within the scope of its departmental operations, and applies authority limits in managing foreign exchange risk.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(ii) Currency risk (Continued)

The following tables present the Group's and the Bank's foreign exchange risk exposures as at the end of the reporting period. The carrying values of financial assets and liabilities denominated in foreign currencies have been converted into RMB.

Group

	2012				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	417,994	2,059	142	223	420,418
Balances with banks and other financial institutions	227,885	6,909	135	1,232	236,161
Placements with banks and other financial institutions	74,493	3,380	1,533	676	80,082
Financial assets held under resale agreements	732,662	—	—	—	732,662
Loans and advances to customers	1,311,155	36,674	2,307	1,376	1,351,512
Investment securities	214,268	1,092	608	—	215,968
Finance lease receivables	74,527	282	—	—	74,809
Other assets	83,219	4,322	9,003	3,845	100,389
Total assets	3,136,203	54,718	13,728	7,352	3,212,001
Liabilities:					
Deposits from customers	1,879,884	38,617	4,303	3,390	1,926,194
Deposits and placements from banks and other financial institutions	765,534	10,391	8	1,329	777,262
Financial assets sold under repurchase agreements	132,804	531	—	—	133,335
Borrowings from banks and other financial institutions	65,850	5,954	—	—	71,804
Debt securities issued	74,969	—	—	—	74,969
Other liabilities	53,894	2,786	540	2,673	59,893
Total liabilities	2,972,935	58,279	4,851	7,392	3,043,457
Net position	163,268	(3,561)	8,877	(40)	168,544
Foreign currency derivatives	(7,153)	2,453	2,221	2,273	(206)
Off-balance sheet credit commitments	810,160	44,152	393	2,595	857,300

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(ii) Currency risk (Continued)

Group (Continued)

	2011				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	330,377	1,917	338	173	332,805
Balances with banks and other financial institutions	219,637	8,314	1,318	3,067	232,336
Placements with banks and other financial institutions	37,745	—	—	—	37,745
Financial assets held under resale agreements	141,022	—	—	—	141,022
Loans and advances to customers	1,161,118	16,654	6	507	1,178,285
Investment securities	189,640	1,327	—	95	191,062
Finance lease receivables	44,895	—	—	—	44,895
Other assets	64,235	6,042	10	627	70,914
Total assets	2,188,669	34,254	1,672	4,469	2,229,064
Liabilities:					
Deposits from customers	1,615,673	21,692	3,721	3,652	1,644,738
Deposits and placements from banks and other financial institutions	272,707	6,544	52	38	279,341
Financial assets sold under repurchase agreements	53,262	439	—	93	53,794
Borrowings from banks and other financial institutions	40,825	—	—	—	40,825
Debt securities issued	31,030	—	—	—	31,030
Other liabilities	41,988	1,506	369	1,363	45,226
Total liabilities	2,055,485	30,181	4,142	5,146	2,094,954
Net position	133,184	4,073	(2,470)	(677)	134,110
Foreign currency derivatives	390	(3,813)	2,455	796	(172)
Off-balance sheet credit commitments	611,601	53,634	1,524	3,334	670,093

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(ii) Currency risk (Continued)

Bank

	2012				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	415,224	2,059	142	223	417,648
Balances with banks and other financial institutions	224,979	6,639	135	1,232	232,985
Placements with banks and other financial institutions	74,493	3,380	1,533	676	80,082
Financial assets held under resale agreements	732,662	—	—	—	732,662
Loans and advances to customers	1,300,678	36,674	2,307	1,376	1,341,035
Investment securities	214,238	1,092	608	—	215,938
Other assets	67,766	4,321	9,003	3,845	84,935
Total assets	3,030,040	54,165	13,728	7,352	3,105,285
Liabilities:					
Deposits from customers	1,864,312	38,617	4,303	3,390	1,910,622
Deposits and placements from banks and other financial institutions	769,767	10,391	8	1,329	781,495
Financial assets sold under repurchase agreements	126,975	531	—	—	127,506
Debt securities issued	74,969	—	—	—	74,969
Other liabilities	43,442	2,786	540	2,673	49,441
Total liabilities	2,879,465	52,325	4,851	7,392	2,944,033
Net position	150,575	1,840	8,877	(40)	161,252
Foreign currency derivatives	(7,153)	2,453	2,221	2,273	(206)
Off-balance sheet credit commitments	804,915	44,152	393	2,595	852,055

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(ii) Currency risk (Continued)

Bank (Continued)

	2011				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	328,470	1,917	338	173	330,898
Balances with banks and other financial institutions	217,491	8,314	1,318	3,067	230,190
Placements with banks and other financial institutions	37,745	—	—	—	37,745
Financial assets held under resale agreements	141,022	—	—	—	141,022
Loans and advances to customers	1,154,349	16,654	6	507	1,171,516
Investment securities	189,610	1,327	—	95	191,032
Other assets	53,378	6,042	10	627	60,057
Total assets	2,122,065	34,254	1,672	4,469	2,162,460
Liabilities:					
Deposits from customers	1,605,647	21,692	3,721	3,652	1,634,712
Deposits and placements from banks and other financial institutions	275,803	6,544	52	38	282,437
Financial assets sold under repurchase agreements	46,859	439	—	93	47,391
Debt securities issued	31,030	—	—	—	31,030
Other liabilities	35,151	1,506	369	1,363	38,389
Total liabilities	1,994,490	30,181	4,142	5,146	2,033,959
Net position	127,575	4,073	(2,470)	(677)	128,501
Foreign currency derivatives	390	(3,813)	2,455	796	(172)
Off-balance sheet credit commitments	608,323	53,634	1,524	3,334	666,815

3 Financial risk management (Continued)

(3) Market risk (Continued)

(ii) Currency risk (Continued)

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2012, assuming other variables remain unchanged, an appreciation of one hundred basis points of the US dollar against the RMB would increase both the Group's net profit and equity by RMB6 million (2011: increase by RMB1 million); a depreciation of one hundred basis points of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB6 million (2011: decrease by RMB1 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that makes the following assumptions:

- a The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by one hundred basis points against the RMB's average rate on the reporting date;
- b The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;
- c The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;
- d The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;
- e Other variables (including interest rates) remained unchanged; and

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(ii) Currency risk (Continued)

- f The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

(iii) Interest rate risk

Cash flow interest rate risk arises from future fluctuating cash flows of a financial instrument due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks arising from changes in prevailing market interest rates.

Interest margins may increase as a result of such changes, but may reduce or suffer losses in the event that unexpected movements arise. The Group operates its business predominantly in mainland China under the interest rate scheme regulated by the PBC. As the PBC has historically adjusted its benchmark interest rates for interest-bearing loans and deposits in the same direction (though not necessarily by the same quantum), the Group has primarily managed its exposure to interest rate risk through maturity profile management for its loans and deposits.

As required by the PBC, interest rates on loans denominated in RMB could float based on the PBC benchmark interest rates. Interest rates on discounted bills denominated in RMB are determined according to market prices. However, such interest rates cannot be set below the PBC interest rates for rediscounted bills. Interest rates on deposits denominated in RMB cannot be higher than the PBC required upper limit.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(iii) Interest rate risk (Continued)

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

The following tables present the Group's and the Bank's exposure to interest rate risk, indicating net carrying amounts of financial instruments based on their contractual repricing dates (or maturity dates whichever are earlier).

Group

	2012					Total
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:						
Cash and balances with central bank	413,928	—	—	—	6,490	420,418
Balances with banks and other financial institutions	222,738	10,973	2,450	—	—	236,161
Placements with banks and other financial institutions	35,667	42,583	1,832	—	—	80,082
Financial assets held under resale agreements	551,456	172,016	9,190	—	—	732,662
Loans and advances to customers (i)	1,047,644	293,399	9,371	1,098	—	1,351,512
Investment securities	25,369	77,190	90,325	22,945	139	215,968
Finance lease receivables	74,809	—	—	—	—	74,809
Other assets	27,657	9,888	7,767	1,995	53,082	100,389
Total assets	2,399,268	606,049	120,935	26,038	59,711	3,212,001
Liabilities:						
Deposits from customers	1,264,054	469,631	185,669	6,840	—	1,926,194
Deposits and placements from banks and other financial institutions	504,709	263,433	9,120	—	—	777,262
Financial assets sold under repurchase agreements	107,880	22,365	1,961	1,129	—	133,335
Borrowings from banks and other financial institutions	15,795	46,585	7,097	2,327	—	71,804
Debt securities issued	1,675	1,000	64,987	7,307	—	74,969
Other liabilities	22,649	334	—	—	36,910	59,893
Total liabilities	1,916,762	803,348	268,834	17,603	36,910	3,043,457
Total interest sensitivity gap	482,506	(197,299)	(147,899)	8,435	22,801	168,544

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(iii) Interest rate risk (Continued)

Group (Continued)

	2011					Total
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:						
Cash and balances with central bank	327,630	—	—	—	5,175	332,805
Balances with banks and other financial institutions	225,546	6,390	400	—	—	232,336
Placements with banks and other financial institutions	—	37,745	—	—	—	37,745
Financial assets held under resale agreements	89,419	49,450	2,153	—	—	141,022
Loans and advances to customers (i)	984,061	179,705	8,869	5,650	—	1,178,285
Investment securities	31,177	53,743	78,123	27,880	139	191,062
Finance lease receivables	44,895	—	—	—	—	44,895
Other assets	16,027	7,330	7,237	2,583	37,737	70,914
Total assets	1,718,755	334,363	96,782	36,113	43,051	2,229,064
Liabilities:						
Deposits from customers	1,101,944	508,692	34,099	3	—	1,644,738
Deposits and placements from banks and other financial institutions	178,278	97,284	3,779	—	—	279,341
Financial assets sold under repurchase agreements	40,529	13,265	—	—	—	53,794
Borrowings from banks and other financial institutions	7,758	27,847	4,583	637	—	40,825
Debt securities issued	1,670	6,998	15,056	7,306	—	31,030
Other liabilities	14,894	160	45	—	30,127	45,226
Total liabilities	1,345,073	654,246	57,562	7,946	30,127	2,094,954
Total interest sensitivity gap	373,682	(319,883)	39,220	28,167	12,924	134,110

(i) For loans and advances to customers of the Group, the “less than 3 months” category includes overdue amounts (net of allowances for impairment losses) of RMB11,504 million as at 31 December 2012 (2011: RMB6,393 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(iii) Interest rate risk (Continued)

Bank

	2012					Total
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:						
Cash and balances with central bank	411,326	—	—	—	6,322	417,648
Balances with banks and other financial institutions	219,615	10,920	2,450	—	—	232,985
Placements with banks and other financial institutions	35,667	42,583	1,832	—	—	80,082
Financial assets held under resale agreements	551,456	172,016	9,190	—	—	732,662
Loans and advances to customers (i)	1,038,744	291,848	9,346	1,097	—	1,341,035
Investment securities	25,339	77,190	90,325	22,945	139	215,938
Other assets	16,165	9,888	7,767	1,995	49,120	84,935
Total assets	2,298,312	604,445	120,910	26,037	55,581	3,105,285
Liabilities:						
Deposits from customers	1,253,654	465,059	185,177	6,732	—	1,910,622
Deposits and placements from banks and other financial institutions	509,006	263,369	9,120	—	—	781,495
Financial assets sold under repurchase agreements	107,798	19,708	—	—	—	127,506
Debt securities issued	1,675	1,000	64,987	7,307	—	74,969
Other liabilities	22,142	—	—	—	27,299	49,441
Total liabilities	1,894,275	749,136	259,284	14,039	27,299	2,944,033
Total interest sensitivity gap	404,037	(144,691)	(138,374)	11,998	28,282	161,252

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(iii) Interest rate risk (Continued)

Bank (Continued)

	2011					Total
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:						
Cash and balances with central bank	325,796	—	—	—	5,102	330,898
Balances with banks and other financial institutions	223,510	6,280	400	—	—	230,190
Placements with banks and other financial institutions	—	37,745	—	—	—	37,745
Financial assets held under resale agreements	89,419	49,450	2,153	—	—	141,022
Loans and advances to customers (i)	980,814	176,417	8,636	5,649	—	1,171,516
Investment securities	31,177	53,743	78,093	27,880	139	191,032
Other assets	10,366	7,330	7,237	2,583	32,541	60,057
Total assets	1,661,082	330,965	96,519	36,112	37,782	2,162,460
Liabilities:						
Deposits from customers	1,094,932	505,798	33,982	—	—	1,634,712
Deposits and placements from banks and other financial institutions	180,115	98,496	3,826	—	—	282,437
Financial assets sold under repurchase agreements	34,160	13,231	—	—	—	47,391
Debt securities issued	1,670	6,998	15,056	7,306	—	31,030
Other liabilities	14,455	—	—	—	23,934	38,389
Total liabilities	1,325,332	624,523	52,864	7,306	23,934	2,033,959
Total interest sensitivity gap	335,750	(293,558)	43,655	28,806	13,848	128,501

(i) For loans and advances to customers of the Bank, the “less than 3 months” category includes overdue amounts (net of allowances for impairment losses) of RMB11,451 million as at 31 December 2012 (2011: RMB6,390 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

(iii) Interest rate risk (Continued)

If yield curves for respective currencies move in parallel for 100 basis points on 1 January 2013, their potential impact on the Group's and the Bank's net interest income and shareholders' equity for the following year is as follows:

	Group		Bank	
	2012 Gain/(loss)	2011 Gain/(loss)	2012 Gain/(loss)	2011 Gain/(loss)
Up 100 bps parallel shift in yield curves	3,482	2,070	2,993	1,837
Down 100 bps parallel shift in yield curves	(3,482)	(2,070)	(2,993)	(1,837)

In performing the interest rate sensitivity analysis, the Group and the Bank have made general assumptions in defining business terms and financial parameters, but have not considered the following:

- a business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;
- b the impact of interest rate fluctuations on customers' behaviour;
- c the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- d the impact of interest rate fluctuations on market prices;
- e the impact of interest rate fluctuations on off-balance sheet products;
- f the impact of interest rate fluctuations on fair value of financial instruments.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk

Liquidity risk is the risk that the Group is unable to provide funds for maturing liabilities through timely asset realisation at reasonable prices.

The Bank and its subsidiaries manage their respective liquidity risks separately and independently, and the Bank manages the liquidity risk of all its branches.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

According to the Commercial Bank Law, the RMB loan-to-deposit ratio is required to be within 75%. The Bank's RMB loan-to-deposit ratio complies with the Commercial Bank Law and the CBRC requirements.

As at 31 December 2012, the Bank was required to maintain 18% of the total RMB denominated deposits and 5% of the total foreign currency denominated balances as statutory reserves with the PBC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(i) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

- To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;
- To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to loan to deposit ratios, deposit reserve ratios, liquidity ratios, liquidity gap ratios, and guiding target ratios for every branch;
- To monitor liquidity ratios and liquidity gap ratios through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;
- To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(ii) Maturity analysis

The following tables analyse the Group's and the Bank's assets and liabilities based on remaining periods to repayment as at the end of the reporting period.

Group

		2012							Total
		Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Assets:									
Cash and balances with central bank		339,594	80,824	—	—	—	—	—	420,418
Balances with banks and other financial institutions		17	28,405	148,612	45,654	11,023	2,450	—	236,161
Placements with banks and other financial institutions		—	—	11,583	24,084	42,583	1,832	—	80,082
Financial assets held under resale agreements		—	—	223,314	328,142	172,016	9,190	—	732,662
Loans and advances to customers	(ii)	8,983	4,179	118,185	133,960	692,539	265,809	127,857	1,351,512
Investment securities									
— available-for-sale securities		172	—	1,730	5,915	36,155	59,338	13,965	117,275
— held-to-maturity securities		—	—	821	4,778	22,533	39,501	16,020	83,653
— loans and receivables		—	—	100	630	4,499	4,746	5,065	15,040
Finance lease receivables		—	—	2,610	4,183	18,943	45,012	4,061	74,809
Other assets		30,594	3,867	9,440	8,497	27,283	16,067	4,641	100,389
Total assets		379,360	117,275	516,395	555,843	1,027,574	443,945	171,609	3,212,001
Liabilities:									
Deposits from customers		—	728,316	272,080	263,765	469,631	185,669	6,733	1,926,194
Deposits and placements from banks and other financial institutions		—	44,330	363,423	96,956	263,433	9,120	—	777,262
Financial assets sold under repurchase agreements		—	—	54,337	53,543	22,365	1,961	1,129	133,335
Borrowings from banks and other financial institutions		—	—	5,039	10,756	46,585	7,097	2,327	71,804
Debt securities issued		—	—	—	—	—	65,987	8,982	74,969
Other liabilities		3,170	14,380	7,183	8,827	14,768	10,215	1,350	59,893
Total liabilities		3,170	787,026	702,062	433,847	816,782	280,049	20,521	3,043,457
Net position		376,190	(669,751)	(185,667)	121,996	210,792	163,896	151,088	168,544
Notional amount of derivatives		—	—	63,514	90,121	83,216	96,564	16,350	349,765

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(ii) Maturity analysis (Continued)

Group (Continued)

	2011							
	Indefinite	Repayable	Less than	1 to 3	3 to 12	1 to 5	More than	Total
	(i)	on demand	1 month	months	months	years	5 years	
Assets:								
Cash and balances with central bank	278,456	54,349	—	—	—	—	—	332,805
Balances with banks and other financial institutions	—	58,435	137,129	29,982	6,390	400	—	232,336
Placements with banks and other financial institutions	—	—	—	—	37,745	—	—	37,745
Financial assets held under resale agreements	—	—	33,215	56,204	49,450	2,153	—	141,022
Loans and advances to customers	(ii) 5,186	2,525	83,195	117,387	561,162	253,764	155,066	1,178,285
Investment securities								
— available-for-sale securities	157	—	1,187	4,717	27,579	24,120	7,097	64,857
— held-to-maturity securities	—	—	9,420	8,522	18,473	61,958	19,513	117,886
— loans and receivables	—	—	—	104	673	1,727	5,815	8,319
Finance lease receivables	—	—	1,742	2,096	11,020	27,978	2,059	44,895
Other assets	29,480	716	2,047	4,066	12,724	15,768	6,113	70,914
Total assets	313,279	116,025	267,935	223,078	725,216	387,868	195,663	2,229,064
Liabilities:								
Deposits from customers	—	697,910	212,552	191,449	382,521	157,837	2,469	1,644,738
Deposits and placements from banks and other financial institutions								
Financial assets sold	—	26,520	111,574	40,184	97,284	3,779	—	279,341
under repurchase agreements	—	—	25,047	10,243	15,323	2,879	302	53,794
Borrowings from banks and other financial institutions	—	—	617	7,141	27,847	4,583	637	40,825
Debt securities issued	—	—	—	—	6,000	16,054	8,976	31,030
Other liabilities	2,784	19,164	4,155	3,606	8,057	6,526	934	45,226
Total liabilities	2,784	743,594	353,945	252,623	537,032	191,658	13,318	2,094,954
Net position	310,495	(627,569)	(86,010)	(29,545)	188,184	196,210	182,345	134,110
Notional amount of derivatives	—	—	42,287	20,518	23,576	17,140	12,700	116,221

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(ii) Maturity analysis (Continued)

Bank

		2012						Total
		Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	
Assets:								
Cash and balances with central bank		337,293	80,355	—	—	—	—	417,648
Balances with banks and other financial institutions		—	25,980	148,095	45,540	10,920	2,450	232,985
Placements with banks and other financial institutions		—	—	11,583	24,084	42,583	1,832	80,082
Financial assets held under resale agreements		—	—	223,314	328,142	172,016	9,190	732,662
Loans and advances to customers	(ii)	8,927	4,172	117,813	132,583	684,141	265,558	1,341,035
Investment securities								
— available-for-sale securities		172	—	1,700	5,915	36,155	59,338	117,245
— held-to-maturity securities		—	—	821	4,778	22,533	39,501	83,653
— loans and receivables		—	—	100	630	4,499	4,746	15,040
Other assets		26,951	3,820	3,429	7,352	23,192	15,549	84,935
Total assets		373,343	114,327	506,855	549,024	996,039	398,164	3,105,285
Liabilities:								
Deposits from customers		—	721,831	269,902	261,921	465,059	185,177	1,910,622
Deposits and placements from banks and other financial institutions		—	46,662	365,434	96,910	263,369	9,120	781,495
Financial assets sold under repurchase agreements		—	—	54,308	53,490	19,708	—	127,506
Debt securities issued		—	—	—	—	—	65,987	74,969
Other liabilities		3,165	13,906	7,067	8,229	11,847	4,892	49,441
Total liabilities		3,165	782,399	696,711	420,550	759,983	265,176	2,944,033
Net position		370,178	(668,072)	(189,856)	128,474	236,056	132,988	161,252
Notional amount of derivatives		—	—	63,514	90,121	83,216	96,564	349,765

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(ii) Maturity analysis (Continued)

Bank (Continued)

	2011							Total
	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	276,839	54,059	—	—	—	—	—	330,898
Balances with banks and other financial institutions	—	56,666	136,909	29,935	6,280	400	—	230,190
Placements with banks and other financial institutions	—	—	—	—	37,745	—	—	37,745
Financial assets held under resale agreements	—	—	33,215	56,204	49,450	2,153	—	141,022
Loans and advances to customers	(ii) 5,186	2,525	82,739	116,434	556,075	253,499	155,058	1,171,516
Investment securities								
— available-for-sale securities	157	—	1,187	4,717	27,579	24,090	7,097	64,827
— held-to-maturity securities	—	—	9,420	8,522	18,473	61,958	19,513	117,886
— loans and receivables	—	—	—	104	673	1,727	5,815	8,319
Other assets	24,426	713	2,025	3,933	11,754	11,782	5,424	60,057
Total assets	306,608	113,963	265,495	219,849	708,029	355,609	192,907	2,162,460
Liabilities:								
Deposits from customers	—	693,039	211,347	190,546	379,594	157,720	2,466	1,634,712
Deposits and placements from banks and other financial institutions	—	26,853	112,787	40,475	98,496	3,826	—	282,437
Financial assets sold under repurchase agreements	—	—	23,925	10,235	13,231	—	—	47,391
Debt securities issued	—	—	—	—	6,000	16,054	8,976	31,030
Other liabilities	2,798	18,764	4,015	3,410	6,263	2,944	195	38,389
Total liabilities	2,798	738,656	352,074	244,666	503,584	180,544	11,637	2,033,959
Net position	303,810	(624,693)	(86,579)	(24,817)	204,445	175,065	181,270	128,501
Notional amount of derivatives	—	—	42,287	20,518	23,576	17,140	12,700	116,221

(i) For cash and balances with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBC. For investments, the indefinite period amounts represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For loans and advances to customers, the "indefinite" period amount represents the balance being impaired or overdue for more than one month. The balance not impaired and overdue within one month is included in "repayable on demand".

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities

The following tables analyse the Group's and the Bank's contractual undiscounted cash flows of non-derivative financial assets and liabilities as at the end of the reporting period. The Group manages inherent liquidity risk based on its estimation of expected future cash flows.

Group

	2012					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	80,825	—	—	—	339,609	420,434
Balances with banks and other financial institutions	177,619	46,187	11,432	2,673	17	237,928
Placements with banks and other financial institutions	11,692	24,532	44,079	1,899	—	82,202
Financial assets held under resale agreements	225,434	332,848	176,729	10,693	—	745,704
Loans and advances to customers	138,176	148,633	732,640	335,002	194,817	1,549,268
Investment securities	2,963	13,223	69,155	119,122	39,953	244,416
Finance lease receivables	3,295	5,183	23,109	52,591	4,931	89,109
Other financial assets	10,120	6,743	20,964	14,888	7,670	60,385
Total financial assets (expected maturity date)	650,124	577,349	1,078,108	536,868	586,997	3,429,446
Financial liabilities:						
Deposits from customers	1,006,623	271,023	501,271	203,774	6,819	1,989,510
Deposits and placements from banks and other financial institutions	409,358	98,441	271,336	9,226	—	788,361
Financial assets sold under repurchase agreements	54,654	54,298	22,828	2,335	1,591	135,706
Borrowings from banks and other financial institutions	5,056	10,886	48,169	7,810	3,482	75,403
Debt securities issued	905	2,134	1,346	78,862	10,181	93,428
Other financial liabilities	1,573	2,879	4,064	5,767	1,298	15,581
Total financial liabilities (contractual maturity date)	1,478,169	439,661	849,014	307,774	23,371	3,097,989

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities (Continued)

Group (Continued)

	2011					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	54,350	—	—	—	278,469	332,819
Balances with banks and other financial institutions	196,265	30,521	6,638	419	—	233,843
Placements with banks and other financial institutions	—	42	39,725	—	—	39,767
Financial assets held under resale agreements	35,402	56,207	49,452	2,186	—	143,247
Loans and advances to customers	97,921	130,323	600,971	327,512	234,404	1,391,131
Investment securities	9,824	18,008	48,711	101,771	37,820	216,134
Finance lease receivables	2,087	2,501	13,119	33,338	2,455	53,500
Other financial assets	2,615	2,779	10,190	17,423	6,407	39,414
Total financial assets (expected maturity date)	398,464	240,381	768,806	482,649	559,555	2,449,855
Financial liabilities:						
Deposits from customers	912,878	195,366	397,965	192,920	3,159	1,702,288
Deposits and placements from banks and other financial institutions	139,573	43,866	97,581	3,824	—	284,844
Financial assets sold under repurchase agreements	25,432	10,538	16,028	2,879	302	55,179
Borrowings from banks and other financial institutions	763	7,517	27,597	6,678	809	43,364
Debt securities issued	—	848	6,711	21,125	10,720	39,404
Other financial liabilities	1,117	355	3,083	4,259	748	9,562
Total financial liabilities (contractual maturity date)	1,079,763	258,490	548,965	231,685	15,738	2,134,641

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities (Continued)

Bank

	2012					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	80,356	—	—	—	337,308	417,664
Balances with banks and other financial institutions	174,668	46,072	11,325	2,673	—	234,738
Placements with banks and other financial institutions	11,692	24,532	44,079	1,899	—	82,202
Financial assets held under resale agreements	225,434	332,848	176,729	10,693	—	745,704
Loans and advances to customers	137,789	147,240	724,073	334,748	194,796	1,538,646
Investment securities	2,930	13,223	69,155	119,122	39,953	244,383
Other financial assets	5,340	5,835	17,556	14,449	7,666	50,846
Total financial assets (expected maturity date)	638,209	569,750	1,042,917	483,584	579,723	3,314,183
Financial liabilities:						
Deposits from customers	997,849	269,155	496,640	203,276	6,818	1,973,738
Deposits and placements from banks and other financial institutions	413,759	98,397	271,470	9,320	—	792,946
Financial assets sold under repurchase agreements	54,622	54,193	20,103	—	—	128,918
Debt securities issued	905	2,134	1,346	78,862	10,181	93,428
Other financial liabilities	1,291	2,048	1,459	1,165	375	6,338
Total financial liabilities (contractual maturity date)	1,468,426	425,927	791,018	292,623	17,374	2,995,368

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities (Continued)

Bank (Continued)

	2011					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	54,060	—	—	—	276,851	330,911
Balances with banks and other financial institutions	194,276	30,474	6,528	419	—	231,697
Placements with banks and other financial institutions	—	42	39,725	—	—	39,767
Financial assets held under resale agreements	35,402	56,207	49,452	2,186	—	143,247
Loans and advances to customers	97,384	129,535	595,467	327,215	234,371	1,383,972
Investment securities	9,824	18,008	48,714	101,802	37,820	216,168
Other financial assets	2,582	2,620	9,389	12,876	5,419	32,886
Total financial assets (expected maturity date)	393,528	236,886	749,275	444,498	554,461	2,378,648
Financial liabilities:						
Deposits from customers	906,802	194,463	395,038	192,803	3,156	1,692,262
Deposits and placements from banks and other financial institutions	141,119	44,154	98,793	3,871	—	287,937
Financial assets sold under repurchase agreements	24,310	10,530	13,936	—	—	48,776
Debt securities issued	—	848	6,711	21,125	10,720	39,404
Other financial liabilities	1,919	570	2,586	1,529	51	6,655
Total financial liabilities (contractual maturity date)	1,074,150	250,565	517,064	219,328	13,927	2,075,034

(iv) Analysis on contractual undiscounted cash flows of derivatives

a Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis include:

- Interest rate derivatives: interest rate swaps;
- Credit derivatives: credit default swaps.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(iv) Analysis on contractual undiscounted cash flows of derivatives (Continued)

a Derivatives settled on a net basis (Continued)

The following tables analyse the Group's and the Bank's contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

Group and Bank

	2012					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	4	4	3	20	8	39
Credit derivatives	—	—	—	—	—	—
Total	4	4	3	20	8	39

	2011					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	—	2	21	(20)	—	3
Credit derivatives	—	—	—	—	—	—
Total	—	2	21	(20)	—	3

b Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: currency forwards, currency swaps and currency options;
- Precious metal derivatives: precious metal forwards & swaps.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(iv) Analysis on contractual undiscounted cash flows of derivatives (Continued)

b Derivatives settled on a gross basis (Continued)

The following tables analyse the Group's and the Bank's contractual undiscounted cash flows of derivatives to be settled on a gross basis as at the end of the reporting period.

Group and Bank

	2012					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(48,348)	(61,271)	(49,648)	–	–	(159,267)
– Cash inflow	48,221	61,088	49,637	–	–	158,946
Precious metal derivatives						
– Cash outflow	(4,225)	(2,630)	(757)	–	–	(7,612)
– Cash inflow	4,210	2,757	760	–	–	7,727
Total cash outflow	(52,573)	(63,901)	(50,405)	–	–	(166,879)
Total cash inflow	52,431	63,845	50,397	–	–	166,673

	2011					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(37,629)	(15,492)	(15,300)	(189)	–	(68,610)
– Cash inflow	37,628	15,488	15,309	189	–	68,614
Precious metal derivatives						
– Cash outflow	(1,278)	(1,544)	–	–	–	(2,822)
– Cash inflow	1,241	1,405	–	–	–	2,646
Total cash outflow	(38,907)	(17,036)	(15,300)	(189)	–	(71,432)
Total cash inflow	38,869	16,893	15,309	189	–	71,260

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(v) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

Group

	2012			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	586,654	—	—	586,654
Letters of credit	133,708	1,277	—	134,985
Re-factoring	33,600	—	—	33,600
Guarantees	32,107	17,665	18,716	68,488
Unused credit card commitments	25,722	—	—	25,722
Capital commitments	4,012	7,869	—	11,881
Finance lease commitments	3,334	516	—	3,850
Operating lease commitments	1,648	4,855	2,031	8,534
Irrevocable loan commitments	769	2,278	954	4,001
Total	821,554	34,460	21,701	877,715

	2011			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	462,638	—	—	462,638
Letters of credit	65,752	616	—	66,368
Trade refinancing	55,601	733	—	56,334
Guarantees	33,077	23,866	10,378	67,321
Unused credit card commitments	12,578	—	—	12,578
Capital commitments	7,187	2,881	—	10,068
Finance lease commitments	2,443	365	—	2,808
Operating lease commitments	1,331	3,572	1,646	6,549
Irrevocable loan commitments	435	271	1,340	2,046
Total	641,042	32,304	13,364	686,710

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

(v) Analysis on contractual undiscounted cash flows of commitments (Continued)

Bank

	2012			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	585,276	—	—	585,276
Letters of credit	133,708	1,277	—	134,985
Re-factoring	33,600	—	—	33,600
Guarantees	32,090	17,665	18,716	68,471
Unused credit card commitments	25,722	—	—	25,722
Operating lease commitments	1,607	4,774	1,987	8,368
Capital commitments	1,411	481	—	1,892
Irrevocable loan commitments	769	2,278	954	4,001
Total	814,183	26,475	21,657	862,315

	2011			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	462,169	—	—	462,169
Letters of credit	65,752	616	—	66,368
Trade refinancing	55,601	733	—	56,334
Guarantees	33,076	23,866	10,378	67,320
Unused credit card commitments	12,578	—	—	12,578
Operating lease commitments	1,303	3,496	1,618	6,417
Irrevocable loan commitments	435	271	1,340	2,046
Capital commitments	25	97	—	122
Total	630,939	29,079	13,336	673,354

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (“IT”) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

The Bank devoted to promoting the implementation of the three major operational risk management tools in the Bank and the establishment of operational risk management information system, according to the regulatory requirements of operational risk. The Bank has carried out Risk Control Self Assessment (RCSA), established key risk indicator monitoring system and internal loss issue management system regarding operational risk, and improved its efforts on the investigation of the risks in the key business areas in order to reduce potential risk. Besides, the Bank enhanced the outsourcing risk management, and started the establishment of business continuity system.

(6) Fair value of financial assets and financial liabilities

(i) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group’s market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange-traded derivatives like futures (e.g. Nasdaq, S&P 500).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Fair value of financial assets and financial liabilities (Continued)

(i) Financial instruments measured at fair value (Continued)

Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters.

Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with one or more than one significant unobservable component.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Fair value of financial assets and financial liabilities (Continued)

(i) Financial instruments measured at fair value (Continued)

The following financial assets and financial liabilities measured at fair value are presented based on the fair value hierarchy:

Group

	2012			Total
	Level 1	Level 2	Level 3	
Trading financial assets				
– Debt securities	12	26,306	–	26,318
Positive fair value of derivatives	–	1,234	–	1,234
Available-for-sale securities				
– Debt securities	713	116,290	133	117,136
– Equity instruments	14	125	–	139
Total	739	143,955	133	144,827
Negative fair value of derivatives	–	(1,335)	–	(1,335)
Total	–	(1,335)	–	(1,335)

	2011			Total
	Level 1	Level 2	Level 3	
Trading financial assets				
– Debt securities	9	20,414	–	20,423
– Equity instruments	–	–	–	–
Positive fair value of derivatives	–	587	–	587
Available-for-sale securities				
– Debt securities	820	63,763	135	64,718
– Equity instruments	14	125	–	139
Total	843	84,889	135	85,867
Negative fair value of derivatives	–	(787)	–	(787)
Total	–	(787)	–	(787)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Fair value of financial assets and financial liabilities (Continued)

(i) Financial instruments measured at fair value (Continued)

The following financial assets and financial liabilities measured at fair value are presented based on the fair value hierarchy: (Continued)

Bank

	2012			Total
	Level 1	Level 2	Level 3	
Trading financial assets				
— Debt securities	12	26,306	—	26,318
Positive fair value of derivatives	—	1,234	—	1,234
Available-for-sale securities				
— Debt securities	713	116,290	103	117,106
— Equity instruments	14	125	—	139
Total	739	143,955	103	144,797
Negative fair value of derivatives	—	(1,335)	—	(1,335)
Total	—	(1,335)	—	(1,335)

	2011			Total
	Level 1	Level 2	Level 3	
Trading financial assets				
— Debt securities	9	20,414	—	20,423
— Equity instruments	—	—	—	—
Positive fair value of derivatives	—	587	—	587
Available-for-sale securities				
— Debt securities	820	63,763	105	64,688
— Equity instruments	14	125	—	139
Total	843	84,889	105	85,837
Negative fair value of derivatives	—	(787)	—	(787)
Total	—	(787)	—	(787)

There were no significant transfers between Level 1 and Level 2 in 2012 and 2011.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Fair value of financial assets and financial liabilities (Continued)

(i) Financial instruments measured at fair value (Continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

Group

	2012		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	135	—	135
— in profit or loss	1	—	1
— in other comprehensive income	16	—	16
Settlements	(19)	—	(19)
At 31 December	133	—	133
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	9	—	9
	2011		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	197	—	197
— in profit or loss	15	—	15
— in other comprehensive income	(1)	—	(1)
Purchases	30	—	30
Settlements	(106)	—	(106)
At 31 December	135	—	135
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	16	—	16

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Fair value of financial assets and financial liabilities (Continued)

(i) Financial instruments measured at fair value (Continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy: (Continued)

Bank

	2012		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	105	—	105
— in profit or loss	1	—	1
— in other comprehensive income	16	—	16
Settlements	(19)	—	(19)
At 31 December	103	—	103
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	9	—	9

	2011		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	197	—	197
— in profit or loss	15	—	15
— in other comprehensive income	(1)	—	(1)
Settlements	(106)	—	(106)
At 31 December	105	—	105
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	16	—	16

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Fair value of financial assets and financial liabilities (Continued)

(ii) Financial instruments not measured at fair value

The following tables show the carrying values and fair values of financial assets and liabilities which are not measured at fair value:

	Carrying value			
	Group		Bank	
	2012	2011	2012	2011
Financial assets:				
Loans and advances to customers	1,351,512	1,178,285	1,341,035	1,171,516
Investment securities				
— Held-to-maturity securities	83,653	117,886	83,653	117,886
— Loans and receivables	15,040	8,319	15,040	8,319
Financial liabilities:				
Deposits from customers	1,926,194	1,644,738	1,910,622	1,634,712
Debt securities issued	74,969	31,030	74,969	31,030

	Fair value			
	Group		Bank	
	2012	2011	2012	2011
Financial assets:				
Loans and advances to customers	1,392,774	1,194,894	1,382,101	1,188,028
Investment securities				
— Held-to-maturity securities	83,461	117,771	83,461	117,771
— Loans and receivables	15,007	8,002	15,007	8,002
Financial liabilities:				
Deposits from customers	1,931,416	1,644,005	1,915,872	1,633,979
Debt securities issued	73,856	30,384	73,856	30,384

3 Financial risk management (Continued)

(6) Fair value of financial assets and financial liabilities (Continued)

(ii) Financial instruments not measured at fair value (Continued)

- a** *Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, finance lease receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, and financial assets held under resale agreements and sold under repurchase agreements*

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair value.

- b** *Loans and advances to customers, and investment securities – loans and receivables*

Loans and advances to customers, and investment securities – loans and receivables are recorded net of allowance for impairment losses. Their estimated fair value represents the amount of estimated future cash flows expected to be received, discounted at current market rates.

- c** *Held-to-maturity securities*

The fair value for held-to-maturity assets is based on “bid” market prices or brokers’/dealers’ price quotations. If relevant market information is not available, the fair value is based on quote price of security products with similar characteristics such as credit risk, materiality and yield.

- d** *Deposits from customers*

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices are estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Fair value of financial assets and financial liabilities (Continued)

(ii) Financial instruments not measured at fair value (Continued)

e Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

(7) Capital management

In managing capital, the Group aims to ensure compliance with regulatory requirements, continuously improve its ability to mitigate risks and enhance the return on its capital. On this basis, the Group has set its capital adequacy objectives, and taken a range of measures, including budgeting/planning and performance measurement and limit management, to ensure the realisation of management objectives. This helps meet the requirements for regulatory compliance, credit rating, risk premium and shareholder return; promote the Group's risk management; ensure an orderly expansion of asset bases; and enhance business structures and models.

In recent years, the Group has continued to grow rapidly in business scale, with increased capital utilisation. To ensure the capital adequacy ratio ("CAR") is in line with regulatory requirements and to maximise shareholders' return while controlling risks, the Group commits itself to establishing and fostering discipline for economically efficient capital management. There is continuous improvement of locked-in capital accounting and an introduction of planning and performance assessments that have return on capital as a primary performance indicator. At the same time, the use of capital is better managed, and management policies have been implemented to guide coordinated asset growth in business entities, with reduced capital requirements and enhanced return on capital.

The Group calculates and discloses its CAR in accordance with the *Administrative Measures on Capital Adequacy Ratios of Commercial Banks* and other related rules and regulations issued by the CBRC, and the *Chinese Accounting Standards* ("CAS") issued by the Ministry of Finance ("MOF") in 2006.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(7) Capital management (Continued)

The Group's consolidated regulatory capital position as at the end of the reporting period is as follows:

	Group	
	2012	2011
Core capital:		
Share capital	28,366	26,715
Capital reserve net of unrealised gain from available-for-sale securities and exchange reserve	45,286	38,250
Statutory surplus reserve	12,330	8,647
General reserve	39,480	16,740
Retained earnings (Note 36)	33,359	31,221
Non-controlling interests	5,467	4,513
Total core capital:	164,288	126,086
Less: 50% of investments in unconsolidated entities	(62)	(62)
Net core capital	164,226	126,024
Supplementary capital:		
General provision	27,956	23,033
Hybrid capital bonds	9,300	9,277
Long-term subordinated bonds	15,800	15,753
Positive changes in fair value of financial instruments at fair value through profit or loss	—	10
Total supplementary capital (Max of the 100% of net core capital)	53,056	48,073
Total capital	217,344	174,159
Less: Investments in unconsolidated entities	(125)	(125)
Net capital	217,219	174,034
Total risk-weighted assets*	2,020,011	1,602,301
Core capital adequacy ratio	8.13%	7.87%
Capital adequacy ratio	10.75%	10.86%

* Risk-weighted assets include 12.5 times of market risk capital.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

(1) Impairment allowances on loans and advances

Besides impairment assessment for individually impaired loans, the Group reviews its loan portfolios to assess impairment regularly. In determining whether a provision for loan impairments should be recorded in the income statement, the Group judges whether there is any observable data indicating that there is a decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults of borrowers. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(2) Fair value of derivative and other financial instruments

The Group establishes fair value of financial instruments with reference to quoted market prices in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

4 Significant accounting estimates and judgements (Continued)

(3) Impairment of available-for-sale securities and held-to-maturity securities

The Group follows the guidance of IAS 39 in determining impairment of available-for-sale securities and held-to-maturity securities. The determination of impairment requires a high level of management judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and perspective of the investee, including technological changes, credit ratings, delinquency rates, loss provision coverage and counterparty risk.

(4) Held-to-maturity securities

The Group classifies certain non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity securities. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. Other than in specific circumstances (e.g. sale of an insignificant amount of held-to-maturity securities at a time close to maturity), if the Group fails to hold these securities to maturity or reclassifies some of the securities to available-for-sale securities, the Group shall have to reclassify any of the remaining held-to-maturity securities as available-for-sale securities, and measure them at fair value rather than amortised cost.

(5) Taxation

In the ordinary course of business, many transactions and calculations involve uncertainties in the ultimate tax determination, and significant estimates are required in determining the provision for business tax and income tax. The Group recognises liabilities for anticipated tax inspection issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the business tax, income tax and deferred income tax provisions in the period during which such a determination is made.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information

Following the management approach of IFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior management, which is responsible for allocating resources to the reportable segments and assessing their performance.

The Group manages its businesses from the perspectives of geography and business lines. The geographical segment can be divided into four regions, including Northern China, Eastern China, Southern China and others. The business segment can be divided into four business lines including corporate banking, personal banking, treasury and others. The Group primarily provides financial services through these four business lines.

Segment assets, liabilities, revenues, operating results and capital expenditures are measured in accordance with the Group's accounting policies. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria. As part of the management of assets and liabilities, the Group's capital resources and uses are allocated to various business segments through the treasury business. The Group's internal transfer pricing mechanism uses deposit and loan interest rates and market interest rates as the benchmark, and determines transfer prices with reference to different products and their maturity. The impact of internal trading has been offset when preparing the consolidated statements.

Operating segments are presented as the following geographical and business segments:

Geographical segments:

- (1) Northern China: including Minsheng Leasing, Ningjin Minsheng Township Bank Co., Ltd. ("Ningjin Township Bank"), Headquarters and the branches in Beijing, Taiyuan, Shijiazhuang and Tianjin;

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Geographical segments: (Continued)

- (2) Eastern China: including Cixi Minsheng Township Bank Co., Ltd. (“Cixi Township Bank”), Shanghai Songjiang Minsheng Township Bank Co., Ltd. (“Songjiang Township Bank”), Shanghai Jiading Minsheng Township Bank Co., Ltd. (“Jiading Township Bank”), Penglai Minsheng Township Bank Co., Ltd. (“Penglai Township Bank”), Funing Minsheng Township Bank Co., Ltd. (“Funing Township Bank”), Taicang Minsheng Township Bank Co., Ltd. (“Taicang Township Bank”), Ningguo Minsheng Township Bank Co., Ltd. (“Ningguo Township Bank”), Guichi Minsheng Township Bank Co., Ltd. (“Guichi Township Bank”), Tiantai Minsheng Township Bank Co., Ltd. (“Tiantai Township Bank”), Tianchang Minsheng Township Bank Co., Ltd. (“Tianchang Township Bank”) and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang;
- (3) Southern China: including Minsheng Fund, Anxi Minsheng Township Bank Co., Ltd. (“Anxi Township Bank”), Zhangpu Minsheng Township Bank Co., Ltd. (“Zhangpu Township Bank”) and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen and Nanning;
- (4) Others: including Pengzhou Minsheng Township Bank Co., Ltd. (“Pengzhou Township Bank”), Qijiang Minsheng Township Bank Co., Ltd. (“Qijiang Township Bank”), Tongnan Minsheng Township Bank Co., Ltd. (“Tongnan Township Bank”), Meihekou Minsheng Township Bank Co., Ltd. (“Meihekou Township Bank”), Ziyang Minsheng Township Bank Co., Ltd. (“Ziyang Township Bank”), Wuhan Jiangxia Minsheng Township Bank Co., Ltd. (“Jiangxia Township Bank”), Changyuan Minsheng Township Bank Co., Ltd. (“Changyuan Township Bank”), Yidu Minsheng Township Bank Co., Ltd. (“Yidu Township Bank”), Zhongxiang Minsheng Township Bank Co., Ltd. (“Zhongxiang Township Bank”), Puer Minsheng Township Bank Co., Ltd. (“Puer Township Bank”), Jinghong Minsheng Township Bank Co., Ltd. (“Jinghong Township Bank”), Zhidan Minsheng Township Bank Co., Ltd. (“Zhidan Township Bank”), Yulin Yuyang Minsheng Township Bank Co., Ltd. (“Yuyang Township Bank”), Tengchong Minsheng Township Bank Co., Ltd. (“Tengchong Township Bank”) and the branches in Xi’an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang and Hong Kong.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Geographical segments: (Continued)

Group

	2012					Inter-segment elimination	Total
	Northern China	Eastern China	Southern China	Other locations			
External net interest income	28,480	20,768	6,817	21,088	—	77,153	
Inter-segment net interest (expense)/ income	(2,799)	1,694	910	195	—	—	
Net interest income	25,681	22,462	7,727	21,283	—	77,153	
Fee and commission income	16,810	2,234	1,079	1,968	—	22,091	
Fee and commission expense	(523)	(511)	(262)	(272)	—	(1,568)	
Net fee and commission income	16,287	1,723	817	1,696	—	20,523	
Operating expenses	(20,586)	(10,451)	(4,484)	(7,368)	—	(42,889)	
Impairment losses on assets	(2,258)	(3,385)	(1,163)	(2,391)	—	(9,197)	
Net other income	(276)	2,784	1,764	790	—	5,062	
Total profit	18,848	13,133	4,661	14,010	—	50,652	
Depreciation and amortization	953	336	184	246	—	1,719	
Capital expenditure	7,434	544	167	912	—	9,057	
Segment assets	1,673,286	1,058,803	420,792	766,756	(716,453)	3,203,184	
Deferred income tax assets						8,817	
Total assets						3,212,001	
Segment liabilities/total liabilities	(1,559,206)	(1,041,391)	(412,758)	(746,555)	716,453	(3,043,457)	
Credit commitments	229,516	312,471	89,876	225,437	—	857,300	

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Geographical segments: (Continued)

Group (Continued)

	2011					Inter-segment elimination	Total
	Northern China	Eastern China	Southern China	Other locations			
External net interest income	19,910	22,835	8,416	13,660	—	64,821	
Inter-segment net interest (expense)/ income	(1,824)	742	381	701	—	—	
Net interest income	18,086	23,577	8,797	14,361	—	64,821	
Fee and commission income	10,718	2,773	974	1,526	—	15,991	
Fee and commission expense	(449)	(233)	(97)	(111)	—	(890)	
Net fee and commission income	10,269	2,540	877	1,415	—	15,101	
Operating expenses	(17,405)	(9,011)	(3,712)	(5,321)	—	(35,449)	
Impairment losses on assets	(1,664)	(3,446)	(1,061)	(2,205)	—	(8,376)	
Net other income	(101)	442	263	474	—	1,078	
Total profit	9,185	14,102	5,164	8,724	—	37,175	
Depreciation and amortization	706	239	149	199	—	1,293	
Capital expenditure	5,051	429	333	512	—	6,325	
Segment assets	1,299,472	754,749	278,661	470,410	(581,210)	2,222,082	
Deferred income tax assets						6,982	
Total assets						2,229,064	
Segment liabilities/total liabilities	(1,219,088)	(736,461)	(272,312)	(448,303)	581,210	(2,094,954)	
Credit commitments	179,143	269,122	74,873	146,955	—	670,093	

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Business segments:

The Group provides services through four business segments: corporate banking, personal banking, treasury and others.

Corporate banking — providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include deposits, loans, trust, trade-related products and other credit services and foreign currency.

Personal banking — providing banking products and services for individual clients. These products and services include savings deposits, investment savings products, credit and debit cards, micro lending, residential mortgage and consumer credit.

Treasury — including foreign exchange trading, interest rate and foreign exchange derivatives transactions, money market transactions, proprietary trading, and asset-liability management. This segment's operating results include gains and losses from foreign currency translation and the impact of interest-bearing assets and liabilities on internal fund flows and profit and loss.

Others — the Group's other businesses including the Group's investments and any other business which cannot form a single reportable segment.

As the total revenue of the Group's business segments is mainly derived from interest and the Group's senior management relies primarily on net interest income to assess each segment's performance, the total interest income and expense for all reportable segments is disclosed on a net basis.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Business segments: (Continued)

The revenue from external parties reported to the Group's senior management is reported in a manner consistent with that in the consolidated income statement. Inter-segment transactions are eliminated.

Funds are normally allocated among segments, and inter-segment net interest income is based on the Group's capital cost. There are no other material items of income or expense between the business segments.

Internal transfer pricing is adjusted based on the nature of each transaction. Revenues from external customers are allocated to each business segment on a reasonable basis.

The Group's management report is based on a measure of operating profit comprising net interest income, loan impairment losses, net fee and commission income, other income and non-interest expenses. Non-recurring gains and losses are excluded in the measure of operating profit. Non-recurring gains and losses should be allocated to other business lines.

Segment assets include all tangible and intangible assets, other long-term assets, receivables and other assets with the exception of deferred income tax assets. Segment liabilities include all the liabilities attributable to the segments.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Business segments: (Continued)

The segment information by business type provided to senior management is as follows:

Group

	2012				Total
	Corporate banking	Personal banking	Treasury	Others	
Net interest income	29,161	23,005	23,123	1,864	77,153
Of which: inter-segment net interest (expense)/income	(1,817)	(6,310)	8,135	(8)	—
Net fee and commission income	9,970	6,078	3,797	678	20,523
Of which: inter-segment net fee and commission income/(expense)	5	—	—	(5)	—
Operating expenses	(18,135)	(8,867)	(15,270)	(617)	(42,889)
Impairment losses on assets	(2,863)	(5,469)	—	(865)	(9,197)
Other net income	4,287	(5)	704	76	5,062
Total profit	22,420	14,742	12,354	1,136	50,652
Depreciation and amortisation	502	241	464	512	1,719
Capital expenditure	4,684	1,192	2,294	887	9,057
Segment assets	1,530,106	460,749	1,110,420	101,909	3,203,184
Deferred income tax assets					8,817
Total assets					3,212,001
Segment liabilities/total liabilities	(1,564,377)	(419,773)	(964,080)	(95,227)	(3,043,457)
Credit commitments	827,728	25,722	—	3,850	857,300

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Business segments: (Continued)

Group (Continued)

	2011				Total
	Corporate banking	Personal banking	Treasury	Others	
Net interest income	28,531	18,214	16,847	1,229	64,821
Of which: inter-segment net interest (expense)/income	(2,827)	(3,348)	6,171	4	—
Net fee and commission income	8,938	3,126	2,378	659	15,101
Of which: inter-segment net fee and commission income/(expense)	8	—	—	(8)	—
Operating expenses	(16,604)	(9,898)	(8,789)	(158)	(35,449)
Impairment losses on assets	(3,686)	(4,285)	—	(405)	(8,376)
Other net income	646	(4)	501	(65)	1,078
Total profit	17,825	7,153	10,937	1,260	37,175
Depreciation and amortisation	423	285	256	329	1,293
Capital expenditure	2,654	1,555	1,392	724	6,325
Segment assets	961,612	364,499	830,410	65,561	2,222,082
Deferred income tax assets					6,982
Total assets					2,229,064
Segment liabilities/total liabilities	(1,362,023)	(321,634)	(339,917)	(71,380)	(2,094,954)
Credit commitments	654,707	12,578	—	2,808	670,093

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

6 Net interest income

	2012	2011
Interest income arising from:		
– Loans and advances to customers		
– corporate loans and advances	64,291	55,125
– personal loans and advances	30,306	22,846
– discounted bills	3,605	2,987
– Financial assets held under resale agreements	19,354	12,254
– Balances with banks and other financial institutions	12,533	8,182
– Debt investment securities	8,690	6,553
– Balances with central bank	5,303	4,261
– Finance lease receivables	5,327	3,528
– Placements with banks and other financial institutions	2,478	1,545
Subtotal	151,887	117,281
Interest expense arising from:		
– Deposits from customers	(41,386)	(30,977)
– Borrowings from central bank	(7)	(3)
– Deposits and placements from banks and other financial institutions	(23,301)	(16,272)
– Financial assets sold under repurchase agreements	(3,741)	(2,047)
– Borrowings from banks and other financial institutions	(3,140)	(1,753)
– Debt securities issued	(3,159)	(1,408)
Subtotal	(74,734)	(52,460)
Net interest income	77,153	64,821
Of which:		
Interest income from impaired financial assets identified	334	246

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

7 Net fee and commission income

	2012	2011
Fee and commission income		
– Trust and other fiduciary services	6,431	4,072
– Bank card services	5,331	2,124
– Settlement services	2,734	1,686
– Agency services	2,573	857
– Credit commitments	2,491	2,362
– Financial advisory services	1,734	3,614
– Finance lease services	721	670
– Others	76	606
Subtotal	22,091	15,991
Fee and commission expense	(1,568)	(890)
Net fee and commission income	20,523	15,101

8 Net trading gain

	2012	2011
(Loss)/gain on exchange rate instruments	(93)	352
Gain on precious metals and other products	349	98
Gain on interest rate instruments	253	34
Total	509	484

9 Net gain arising from disposals of securities and discounted bills

	2012	2011
Net gain arising from disposals of discounted bills	4,224	1,731
Net gain arising from disposals of securities	183	59
Total	4,407	1,790

Disposal gain or loss of discounted bills represents the difference between the discounted interest income unamortised and rediscounted interest cost.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

10 Impairment losses on assets

	2012	2011
Loans and advances to customers	8,331	7,973
Finance lease receivables	774	396
Other assets	92	7
Total	9,197	8,376

11 Operating expenses

	2012	2011
Staff costs, including directors' emoluments		
— Salaries, bonuses, allowances	13,859	11,644
— Social insurance	2,383	1,741
— Other benefits	2,609	2,218
Business tax and surcharges	7,825	6,116
Business development expenses	3,720	2,716
Office expenses	2,231	1,878
Rental expenses	1,946	1,538
Electronic equipment operating expenses	1,751	1,634
Depreciation and amortisation	1,588	1,293
Automobile expenses	650	558
Mailing and telegraph expenses	483	410
Travelling expenses	423	380
Conference expenses	348	323
CBRC supervisory charges	134	122
Others	2,939	2,878
Total	42,889	35,449

Audit fee included in the operating expenses of the Group for the year ended 31 December 2012 was RMB12 million (2011: RMB9 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

12 Directors and Supervisors' emoluments

For the year ended 31 December 2012 (in thousands of RMB)

	2012			Total
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	
Dong Wenbiao ⁽¹⁾	4,637	334	531	5,502
Hong Qi ⁽¹⁾	4,498	334	513	5,345
Liang Yutang ⁽¹⁾	4,088	259	472	4,819
Duan Qingshan ⁽¹⁾	3,563	259	461	4,283
Wang Jiazhi	2,546	90	324	2,960
Li Huaizhen	2,012	30	236	2,278
Qiao Zhimin	1,280	94	420	1,794
Wang Songqi	980	—	—	980
Zhang Hongwei	930	—	—	930
Han Jianmin	915	—	—	915
Lu Zhiqiang	895	—	—	895
Wang Hang	875	—	—	875
Wang Lihua	870	—	—	870
Liu Yonghao	860	—	—	860
Shi Yuzhu	849	—	—	849
Wang Yugui	825	—	—	825
Wang Junhui	790	—	—	790
Andrew Wong	766	—	—	766
Lu Zhongnan	690	—	—	690
Wang Liang	676	—	—	676
Zhang Disheng	640	—	—	640
Chen Jian	590	—	—	590
Chen Jinzhong	500	52	798	1,350
Wang Lei	494	55	658	1,207
Zhang Ke	464	—	—	464
Cheng Hoi-chuen	445	—	—	445
Wong Hei	433	—	—	433
Ba Shusong	429	—	—	429
Hu Ying	429	125	328	882
Li Yuan	411	—	—	411
Wu Di	368	—	—	368
Xing Jijun	290	—	—	290
Xu Rui	255	—	—	255
Qin Rongsheng ⁽²⁾	—	—	—	—
Liang Jinqun ⁽²⁾	—	—	—	—
Guo Guangchang ⁽²⁾	—	—	—	—
You Lantian ⁽²⁾	—	—	—	—

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

12 Directors and Supervisors' emoluments (Continued)

- (1) The Bank defers part of the performance-based compensations to the executive directors and the Chairman of the Supervisory Board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 43.
- (2) Qin Rongsheng, Liang Jinquan and You Lantian waived emoluments for the year ended 31 December 2012. Guo Guangchang and You Lantian were elected as Non-executive Director and Independent Non-executive Director, respectively, since December 2012. The Bank pays the emoluments of newly elected Directors and Supervisors from the next month of their term. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2012 financial statements.
- (3) The emoluments before tax of executive directors and the Chairman of the Supervisory Board etc. are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2012 financial statements.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

12 Directors and Supervisors' emoluments (Continued)

For the year ended 31 December 2011 (in thousands of RMB)

	2011			Total
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	
Dong Wenbiao ⁽¹⁾⁽³⁾	4,289	332	2,152	6,773
Hong Qi ⁽¹⁾⁽³⁾	4,274	306	2,145	6,725
Qiao Zhimin ⁽¹⁾⁽³⁾	3,930	281	2,012	6,223
Liang Yutang ⁽¹⁾⁽³⁾	3,535	256	1,825	5,616
Chen Jinzhong	2,064	156	1,859	4,079
Wang Lei	2,032	163	1,780	3,975
Andrew Wong	1,265	—	—	1,265
Wang Songqi	1,015	—	—	1,015
Han Jianmin	930	—	—	930
Wang Hang	900	—	—	900
Zhang Hongwei	895	—	—	895
Lu Zhiqiang	875	—	—	875
Wang Lihua	860	—	—	860
Liu Yonghao	845	—	—	845
Wang Yugui	845	—	—	845
Wong Hei	820	—	—	820
Shi Yuzhu	800	—	—	800
Xing Jijun	796	—	—	796
Wang Junhui	790	—	—	790
Chen Jian	710	—	—	710
Wang Liang	710	—	—	710
Xu Rui	700	—	—	700
Lu Zhongnan	665	—	—	665
Zhang Disheng	605	—	—	605
Qin Rongsheng ⁽²⁾	—	—	—	—
Liang Jinquan ⁽²⁾	—	—	—	—

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

12 Directors and Supervisors' emoluments (Continued)

- (1) The Bank defers part of the performance-based compensations to the executive directors and the Chairman of the Supervisory Board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 43.
- (2) Qin Rongsheng, Liang Jinqun waived emoluments for the year ended 31 December 2011.
- (3) The emoluments before tax of executive directors and the Chairman of the Supervisory Board were approved by the Compensation and Remuneration Committee of the Board of Directors. The Bank made further disclosure in the *Supplementary Announcement Regarding the Senior Management's Emoluments of China Minsheng Banking Corp., Ltd.*, and the related emoluments were restated accordingly.

For the five highest-paid individuals of the Group, five of them are members of the Board of Directors or the Supervisory Board (2011: 5), as shown in the above table.

The Group had not paid any emoluments to the directors or supervisors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 Income tax expense

	2012	2011
Current tax for the year	14,064	11,324
Adjustment for prior years	9	(5)
Subtotal	14,073	11,319
Changes in deferred tax (Note 25)	(1,729)	(2,587)
Total	12,344	8,732

The applicable income tax rate for mainland China is 25% for the year ended 31 December 2012 (2011 (except for Shenzhen branch): 25%, Shenzhen branch: 24%). The applicable income tax rate for Hong Kong branch is 16.5%.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

13 Income tax expense (Continued)

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

	2012	2011
Profit before income tax	50,652	37,175
Income tax at the tax rate of 25%	12,663	9,293
Effect of non-taxable income (i)	(598)	(698)
Effect of non-deductible expenses (ii)	278	135
Tax rate difference of Hong Kong branch	(16)	—
Others	17	2
Income tax expense	12,344	8,732

(i) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, which are exempted from income tax.

(ii) The non-deductible expenses mainly represent non-deductible entertainment expenses.

14 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year. The Group has no potentially dilutive ordinary shares for the year ended 31 December 2012 and 2011.

	2012	2011
Net profit attributable to ordinary equity shareholders of the Bank	37,563	27,920
Weighted average number of ordinary shares in issue (in millions)	27,946	26,715
Basic/diluted earnings per share (in RMB)	1.34	1.05

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

15 Cash and balances with central bank

	Group		Bank	
	2012	2011	2012	2011
Cash	6,490	5,175	6,322	5,102
Balances with central bank				
— Statutory deposit reserves	338,365	278,045	336,064	276,428
— Surplus deposit reserves	74,334	49,174	74,033	48,957
— Fiscal deposits	1,229	411	1,229	411
Total	420,418	332,805	417,648	330,898

The domestic branches of the Bank places statutory deposit reserves with the PBC. The statutory deposit reserves are not available for use in the Bank's daily business. As at 31 December 2012, the statutory deposit reserve rate applicable to the Bank for RMB deposits is 18% and the reserve rate for foreign currency deposits is 5% (2011: 19% of RMB deposits and 5% of foreign currency deposits).

The 27 township banking subsidiaries of the Bank abide by the statutory RMB deposit reserve rates applicable as determined by the PBC.

Surplus deposit reserves maintained with the PBC is for the purposes of clearing interbank transactions.

16 Balances with banks and other financial institutions

	Group		Bank	
	2012	2011	2012	2011
Mainland China				
— Banks	227,785	221,500	224,609	219,354
— Other financial institutions	1,827	2,076	1,827	2,076
Overseas				
— Banks	6,549	8,760	6,549	8,760
Total	236,161	232,336	232,985	230,190

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

17 Trading financial assets

	Group and Bank	
	2012	2011
Held for trading purpose		
Government and quasi-government bonds		
– Listed outside Hong Kong	4,998	13,851
Financial institution bonds		
– listed in Hong Kong	12	–
– listed outside Hong Kong	100	–
Corporate bonds		
– Listed outside Hong Kong	19,229	6,572
Designated at fair value through profit or loss		
Corporate bonds		
– Listed outside Hong Kong	1,979	–
Total	26,318	20,423

The financial statements classified debt securities traded on China Domestic Interbank Bond Market as listed bonds.

18 Derivatives

The following derivative financial instruments are held by the Group for trading purposes:

Foreign exchange forwards represent commitments to purchase/sell foreign currencies at a future date, including undelivered spot transactions.

Interest rate and currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (e.g. fixed rate for floating rate).

The credit risk faced by the Group arising from derivative financial products means, if a counterparty fails to fulfill its obligation, the additional cost incurred from replacing the original contract. The Group controls this risk by constantly monitoring the nominal amount of contracts, fair value and the ability to convert into cash. In order to control the level of credit risk, the Group uses similar methods adopted in its credit business to measure the extent of credit exposure.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

18 Derivatives (Continued)

The notional amount of derivatives provides a basis for comparison with fair value recognised on the statement of financial position but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the derivatives and, therefore, does not indicate the Group's exposure to credit or market risks. The valuation of the derivatives becomes favourable (assets) or unfavourable (liabilities) to the Group as a result of fluctuations in market interest rates or foreign exchange rates or equity/commodity prices relative to their terms. The valuation of derivatives can fluctuate significantly from time to time.

The notional amount and fair value of unexpired derivative financial instruments held by the Group and the Bank are set out in the following tables:

Group and Bank

	2012		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	94,231	324	(297)
Foreign exchange forwards	12,940	69	(75)
Currency swaps	146,872	716	(895)
Precious metal derivatives	6,320	125	(68)
Credit derivatives	81,102	—	—
Extension options	8,300	—	—
Total		1,234	(1,335)

	2011		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	37,069	351	(371)
Foreign exchange forwards	38,183	106	(85)
Currency swaps	29,719	129	(150)
Precious metal derivatives	2,818	—	(180)
Credit derivatives	132	1	(1)
Extension options	8,300	—	—
Total		587	(787)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

18 Derivatives (Continued)

Replacement costs are the costs of replacing all contracts which have a positive value when marked to market (should the counterparty default on its obligations). The replacement costs of the Group and the Bank are equal to the carrying amounts of the derivative financial assets presented above.

Credit risk weighted amount

	Group and Bank	
	2012	2011
Exchange rate contracts	459	154
Interest rate contracts	80	190
Precious metal contracts	60	12
Total	599	356

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract.

The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Placements with banks and other financial institutions

	Group and Bank	
	2012	2011
Mainland China		
— Banks	41,228	3,450
— Other financial institutions	34,246	26,695
— Others*	—	7,600
Overseas		
— Banks	4,608	—
Total	80,082	37,745

* Others are short-term placements with wealth management products managed by the Bank as an agency.

20 Financial assets held under resale agreements

	Group and Bank	
	2012	2011
Discounted bills	616,805	129,508
Government and quasi-government bonds	19,086	9,361
Finance lease receivables	—	2,153
Others*	96,771	—
Total	732,662	141,022

* Others are financial assets held under resale agreements of which the underlying assets were the beneficiary rights of trusts or specific asset management schemes.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers

	Group		Bank	
	2012	2011	2012	2011
Corporate loans and advances				
– Corporate loans	878,843	808,823	873,037	805,017
– Discounted bills	15,764	13,960	15,633	13,578
– Others	24,427	18,335	24,427	18,311
Subtotal	919,034	841,118	913,097	836,906
Personal loans and advances				
– Micro lending*	317,470	232,495	316,951	232,495
– Residential mortgage	71,518	83,337	71,518	82,998
– Credit cards	66,305	38,551	66,305	38,551
– Others	10,283	9,720	6,066	7,405
Subtotal	465,576	364,103	460,840	361,449
Gross balance	1,384,610	1,205,221	1,373,937	1,198,355
Less: allowance for impairment losses				
– Individual assessment	(3,855)	(3,283)	(3,847)	(3,283)
– Collective assessment	(29,243)	(23,653)	(29,055)	(23,556)
Subtotal	(33,098)	(26,936)	(32,902)	(26,839)
Net balance	1,351,512	1,178,285	1,341,035	1,171,516

* Micro lending is a loan product offered to the small micro enterprise owners and proprietors.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses

Group

	2012				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	910,774	–	8,260	8,260	919,034
– Personal loans and advances	463,313	2,263	–	2,263	465,576
Allowance for impairment losses	(27,955)	(1,288)	(3,855)	(5,143)	(33,098)
Net balance of loans and advances to customers	1,346,132	975	4,405	5,380	1,351,512

	2011				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	834,577	–	6,541	6,541	841,118
– Personal loans and advances	363,105	998	–	998	364,103
Allowance for impairment losses	(23,033)	(620)	(3,283)	(3,903)	(26,936)
Net balance of loans and advances to customers	1,174,649	378	3,258	3,636	1,178,285

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses (Continued)

Bank

	2012				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	904,861	–	8,236	8,236	913,097
– Personal loans and advances	458,587	2,253	–	2,253	460,840
Allowance for impairment losses	(27,771)	(1,284)	(3,847)	(5,131)	(32,902)
Net balance of loans and advances to customers	1,335,677	969	4,389	5,358	1,341,035

	2011				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	830,365	–	6,541	6,541	836,906
– Personal loans and advances	360,453	996	–	996	361,449
Allowance for impairment losses	(22,938)	(618)	(3,283)	(3,901)	(26,839)
Net balance of loans and advances to customers	1,167,880	378	3,258	3,636	1,171,516

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses (Continued)

- (i) Loans and advances for which allowance is collectively assessed include those graded pass or special mention.
- (ii) Impaired loans and advances include those with objective evidence of impairment and are assessed:
 - individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
 - collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).
- (iii) The definitions of the loan classifications stated in Notes (i) and (ii) above are set out in Note 3(2)(i).
- (iv) As at 31 December 2012, loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB8,260 million (2011: RMB6,541 million). The covered portion and uncovered portion of these loans and advances were RMB5,081 million (2011: RMB4,164 million) and RMB3,179 million (2011: RMB2,377 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB3,161 million (2011: RMB2,781 million). As at 31 December 2012, the individual impairment allowances made for these loans and advances were RMB3,855 million (2011: RMB3,283 million).

As at 31 December 2012, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB8,236 million (2011: RMB6,541 million). The covered portion and uncovered portion of these loans and advances were RMB5,071 million (2011: RMB4,164 million) and RMB3,165 million (2011: RMB2,377 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB3,154 million (2011: RMB2,781 million). As at 31 December 2012, the individual impairment allowances made for these loans and advances were RMB3,847 million (2011: RMB3,283 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)

(2) Loans and advances to customers analysed by industries

	Group				Bank			
	2012 Amount	(%)	2011 Amount	(%)	2012 Amount	(%)	2011 Amount	(%)
Corporate loans and advances								
Manufacturing	208,160	15.03	186,664	15.49	205,479	14.96	184,727	15.42
Real estate	147,958	10.69	129,740	10.76	147,953	10.77	129,740	10.83
Wholesale and retail	123,031	8.89	94,756	7.86	122,166	8.89	94,030	7.85
Leasing and commercial services	98,453	7.11	116,510	9.67	98,262	7.15	116,447	9.72
Mining	81,405	5.88	64,586	5.36	81,388	5.92	64,579	5.39
Transportation, storage and postal service	63,936	4.62	62,208	5.16	63,898	4.65	62,176	5.19
Construction	39,411	2.85	31,202	2.59	38,974	2.84	30,906	2.58
Water, environment and public utilities management	31,551	2.28	36,578	3.03	31,526	2.29	36,568	3.05
Public administration, social security and social organisations	30,014	2.17	28,972	2.40	30,004	2.18	28,722	2.40
Education and community services	23,158	1.67	19,904	1.65	22,709	1.65	19,871	1.66
Production and supply of electric power, heat, gas and water	20,132	1.45	26,818	2.23	20,122	1.46	26,811	2.24
Financial services	18,415	1.33	19,331	1.60	18,415	1.34	19,054	1.59
Information transmission, software and information technology services	6,313	0.46	4,574	0.38	6,290	0.46	4,545	0.38
Others	27,097	1.94	19,275	1.61	25,911	1.90	18,730	1.55
Subtotal	919,034	66.37	841,118	69.79	913,097	66.46	836,906	69.85
Personal loans and advances	465,576	33.63	364,103	30.21	460,840	33.54	361,449	30.15
Total	1,384,610	100.00	1,205,221	100.00	1,373,937	100.00	1,198,355	100.00

Note 3(2)(ix) illustrates the loans and advances to customers analysed by geographical segments.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)

(3) Loans and advances to customers analysed by types of collateral

	Group				Bank			
	2012		2011		2012		2011	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Unsecured loans	195,313	14.11	179,185	14.87	195,065	14.20	179,120	14.95
Guaranteed loans	474,570	34.27	368,321	30.56	467,949	34.06	364,178	30.39
Loans secured by								
– tangible assets other than monetary assets	548,463	39.61	519,191	43.08	545,298	39.69	517,170	43.15
– monetary assets	166,264	12.01	138,524	11.49	165,625	12.05	137,887	11.51
Total	1,384,610	100.00	1,205,221	100.00	1,373,937	100.00	1,198,355	100.00

(4) Overdue loans analysed by overdue period

Group

	2012				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	3,009	836	27	2	3,874
Guaranteed loans	1,820	1,871	893	460	5,044
Loans secured by					
– tangible assets other than monetary assets	3,107	3,483	1,239	569	8,398
– monetary assets	1,073	510	–	25	1,608
Total	9,009	6,700	2,159	1,056	18,924
% of total loans and advances	0.65%	0.48%	0.16%	0.08%	1.37%

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)

(4) Overdue loans analysed by overdue period (Continued)

Group (Continued)

	2011				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	1,911	291	88	332	2,622
Guaranteed loans	195	716	338	876	2,125
Loans secured by					
— tangible assets other than monetary assets	2,482	1,877	469	630	5,458
— monetary assets	44	13	36	25	118
Total	4,632	2,897	931	1,863	10,323
% of total loans and advances	0.39%	0.24%	0.08%	0.15%	0.86%

Bank

	2012				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	3,008	836	27	2	3,873
Guaranteed loans	1,784	1,858	893	460	4,995
Loans secured by					
— tangible assets other than monetary assets	3,102	3,476	1,239	569	8,386
— monetary assets	1,073	510	—	25	1,608
Total	8,967	6,680	2,159	1,056	18,862
% of total loans and advances	0.65%	0.49%	0.16%	0.07%	1.37%

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)

(4) Overdue loans analysed by overdue period (Continued)

Bank (Continued)

	2011				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	1,911	290	88	332	2,621
Guaranteed loans	195	716	338	876	2,125
Loans secured by					
— tangible assets other than monetary assets	2,482	1,875	469	630	5,456
— monetary assets	44	13	36	25	118
Total	4,632	2,894	931	1,863	10,320
% of total loans and advances	0.39%	0.24%	0.08%	0.15%	0.86%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

(5) Changes in allowance for impairment losses:

Group

	2012			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,283	16,487	7,166	26,936
Charge for the year	2,737	1,291	5,509	9,537
Release during the year	(1,206)	—	—	(1,206)
Reclassification	118	(118)	—	—
Transfer out	(400)	—	(2)	(402)
Write-offs	(650)	(4)	(1,227)	(1,881)
Recoveries	255	—	193	448
Unwinding of discount	(282)	—	(52)	(334)
At 31 December	3,855	17,656	11,587	33,098

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)

(5) Changes in allowance for impairment losses: (Continued)

Group (Continued)

	2011			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,583	13,194	3,071	19,848
Charge for the year	1,345	3,385	4,318	9,048
Release during the year	(1,075)	—	—	(1,075)
Reclassification	89	(89)	—	—
Transfer out	—	—	(2)	(2)
Write-offs	(557)	—	(304)	(861)
Recoveries	119	—	103	222
Unwinding of discount	(214)	—	(20)	(234)
Exchange gain or loss	(7)	(3)	—	(10)
At 31 December	3,283	16,487	7,166	26,936

Bank

	2012			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,283	16,431	7,125	26,839
Charge for the year	2,729	1,235	5,469	9,433
Release during the year	(1,206)	—	—	(1,206)
Reclassification	118	(118)	—	—
Transfer out	(400)	—	(2)	(402)
Write-offs	(650)	—	(1,226)	(1,876)
Recoveries	255	—	193	448
Unwinding of discount	(282)	—	(52)	(334)
At 31 December	3,847	17,548	11,507	32,902

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Loans and advances to customers (Continued)

(5) Changes in allowance for impairment losses: (Continued)

Bank (Continued)

	2011			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,583	13,166	3,063	19,812
Charge for the year	1,345	3,357	4,285	8,987
Release during the year	(1,075)	—	—	(1,075)
Reclassification	89	(89)	—	—
Transfer out	—	—	(2)	(2)
Write-offs	(557)	—	(304)	(861)
Recoveries	119	—	103	222
Unwinding of discount	(214)	—	(20)	(234)
Exchange gain or loss	(7)	(3)	—	(10)
At 31 December	3,283	16,431	7,125	26,839

22 Investment securities

		Group		Bank	
		2012	2011	2012	2011
Available-for-sale securities	(1)	117,275	64,857	117,245	64,827
Held-to-maturity securities	(2)	83,653	117,886	83,653	117,886
Loans and receivables	(3)	15,040	8,319	15,040	8,319
Total		215,968	191,062	215,938	191,032
Analysed as follows:					
— Listed in Hong Kong		681	788	681	788
— Listed outside Hong Kong		198,811	181,219	198,811	181,219
— Unlisted		16,476	9,055	16,446	9,025
Total		215,968	191,062	215,938	191,032

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Investment securities (Continued)

(1) Available-for-sale securities

	Group		Bank	
	2012	2011	2012	2011
Debt securities at fair value				
Government and quasi-government bonds				
— listed in Hong Kong	617	722	617	722
— listed outside Hong Kong	65,942	43,559	65,942	43,559
Financial institution bonds				
— listed outside Hong Kong	7,505	1,235	7,505	1,235
— unlisted	836	135	806	105
Corporate bonds				
— listed in Hong Kong	64	66	64	66
— listed outside Hong Kong	42,172	19,001	42,172	19,001
Subtotal	117,136	64,718	117,106	64,688
Equity investment				
Corporate securities				
— listed outside Hong Kong	14	14	14	14
Financial institution securities				
— unlisted	125	125	125	125
Total	117,275	64,857	117,245	64,827

Changes in fair value of the Group's and the Bank's impaired available-for-sale financial assets have been charged to profit or loss. The book value of the Group's impaired available-for-sale financial assets amounted to RMB896 million as at 31 December 2012 (2011: RMB882 million) and the provision amounted to RMB863 million (2011: RMB864 million).

The Group and the Bank did not reclassify any investment securities in and out from available-for-sale category for the year ended both 31 December 2011 and 2012.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Investment securities (Continued)

(2) Held-to-maturity securities

	Group		Bank	
	2012	2011	2012	2011
Government and quasi-government bonds				
— listed outside Hong Kong	68,423	98,508	68,423	98,508
Financial institution bonds				
— listed outside Hong Kong	324	328	324	328
— unlisted	475	476	475	476
Corporate bonds				
— listed outside Hong Kong	14,431	18,574	14,431	18,574
Total	83,653	117,886	83,653	117,886
Fair value of listed securities	83,461	117,348	83,461	117,348

(3) Loans and receivables

	Group and Bank	
	2012	2011
Government and quasi-government bonds	965	1,684
Financial institution bonds	5,685	6,435
Corporate bonds	350	200
Trust beneficiary rights	8,040	—
Total	15,040	8,319

All of the above receivables are unlisted.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

23 Finance lease receivables

	Group	
	2012	2011
Finance lease receivables	89,110	53,500
Less: unearned finance lease income	(12,703)	(7,781)
Present value of minimum finance lease receivables	76,407	45,719
Less: allowance for impairment losses		
— Collective assessment	(1,519)	(824)
— Individual assessment	(79)	—
Net balance	74,809	44,895

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

Group

	2012			2011		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	31,588	(5,302)	26,286	17,706	(3,611)	14,095
1 year to 2 years	24,024	(3,265)	20,759	15,745	(1,962)	13,783
2 years to 3 years	15,569	(1,817)	13,752	11,424	(777)	10,647
3 years to 5 years	12,998	(1,535)	11,463	6,169	(704)	5,465
More than 5 years	4,931	(784)	4,147	2,456	(727)	1,729
	89,110	(12,703)	76,407	53,500	(7,781)	45,719

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment

(1) Original cost and accumulated depreciation of property and equipment is listed as follows:

Group

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Operating lease fixed assets	Construction in progress	Total
31 December 2012							
Original cost	7,413	3,316	4,230	383	1,077	2,817	19,236
Accumulated depreciation	(1,303)	(1,846)	(2,213)	(213)	(30)	–	(5,605)
Net value	6,110	1,470	2,017	170	1,047	2,817	13,631
31 December 2011							
Original cost	7,238	2,641	3,756	299	282	511	14,727
Accumulated depreciation	(1,064)	(1,493)	(2,018)	(177)	(4)	–	(4,756)
Net value	6,174	1,148	1,738	122	278	511	9,971

Bank

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
31 December 2012						
Original cost	7,406	3,188	4,133	355	2,817	17,899
Accumulated depreciation	(1,302)	(1,814)	(2,172)	(204)	–	(5,492)
Net value	6,104	1,374	1,961	151	2,817	12,407
31 December 2011						
Original cost	7,231	2,584	3,685	283	507	14,290
Accumulated depreciation	(1,063)	(1,474)	(1,994)	(172)	–	(4,703)
Net value	6,168	1,110	1,691	111	507	9,587

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (Continued)

(2) Movements in property and equipment:

Group

	At 1 January 2012	Increase	Decrease	At 31 December 2012
Original cost				
Buildings	7,238	176	(1)	7,413
Leasehold improvements	2,641	678	(3)	3,316
Office equipment	3,756	775	(301)	4,230
Motor vehicles	299	89	(5)	383
Operating lease fixed assets	282	877	(82)	1,077
Construction in progress	511	2,367	(61)	2,817
Total	14,727	4,962	(453)	19,236
Accumulated depreciation				
Buildings	(1,064)	(239)	—	(1,303)
Leasehold improvements	(1,493)	(355)	2	(1,846)
Office equipment	(2,018)	(447)	252	(2,213)
Motor vehicles	(177)	(39)	3	(213)
Operating lease fixed assets	(4)	(27)	1	(30)
Total	(4,756)	(1,107)	258	(5,605)
Net value				
Buildings	6,174	(63)	(1)	6,110
Leasehold improvements	1,148	323	(1)	1,470
Office equipment	1,738	328	(49)	2,017
Motor vehicles	122	50	(2)	170
Operating lease fixed assets	278	850	(81)	1,047
Construction in progress	511	2,367	(61)	2,817
Total	9,971	3,855	(195)	13,631

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (Continued)

(2) Movements in property and equipment: (Continued)

Group (Continued)

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Original cost				
Buildings	6,855	413	(30)	7,238
Leasehold improvements	1,881	761	(1)	2,641
Office equipment	3,215	894	(353)	3,756
Motor vehicles	252	64	(17)	299
Operating lease fixed assets	300	282	(300)	282
Construction in progress	355	403	(247)	511
Total	12,858	2,817	(948)	14,727
Accumulated depreciation				
Buildings	(831)	(242)	9	(1,064)
Leasehold improvements	(1,191)	(302)	—	(1,493)
Office equipment	(1,858)	(422)	262	(2,018)
Motor vehicles	(161)	(33)	17	(177)
Operating lease fixed assets	(8)	(14)	18	(4)
Total	(4,049)	(1,013)	306	(4,756)
Net value				
Buildings	6,024	171	(21)	6,174
Leasehold improvements	690	459	(1)	1,148
Office equipment	1,357	472	(91)	1,738
Motor vehicles	91	31	—	122
Operating lease fixed assets	292	268	(282)	278
Construction in progress	355	403	(247)	511
Total	8,809	1,804	(642)	9,971

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (Continued)

(2) Movements in property and equipment: (Continued)

Bank

	At 1 January 2012	Increase	Decrease	At 31 December 2012
Original cost				
Buildings	7,231	176	(1)	7,406
Leasehold improvements	2,584	604	—	3,188
Office equipment	3,685	749	(301)	4,133
Motor vehicles	283	77	(5)	355
Construction in progress	507	2,367	(57)	2,817
Total	14,290	3,973	(364)	17,899
Accumulated depreciation				
Buildings	(1,063)	(239)	—	(1,302)
Leasehold improvements	(1,474)	(340)	—	(1,814)
Office equipment	(1,994)	(430)	252	(2,172)
Motor vehicles	(172)	(35)	3	(204)
Total	(4,703)	(1,044)	255	(5,492)
Net value				
Buildings	6,168	(63)	(1)	6,104
Leasehold improvements	1,110	264	—	1,374
Office equipment	1,691	319	(49)	1,961
Motor vehicles	111	42	(2)	151
Construction in progress	507	2,367	(57)	2,817
Total	9,587	2,929	(109)	12,407

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (Continued)

(2) Movements in property and equipment: (Continued)

Bank (Continued)

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Original cost				
Buildings	6,848	413	(30)	7,231
Leasehold improvements	1,881	704	(1)	2,584
Office equipment	3,172	864	(351)	3,685
Motor vehicles	243	57	(17)	283
Construction in progress	328	366	(187)	507
Total	12,472	2,404	(586)	14,290
Accumulated depreciation				
Buildings	(830)	(242)	9	(1,063)
Leasehold improvements	(1,191)	(283)	—	(1,474)
Office equipment	(1,854)	(402)	262	(1,994)
Motor vehicles	(160)	(29)	17	(172)
Total	(4,035)	(956)	288	(4,703)
Net value				
Buildings	6,018	171	(21)	6,168
Leasehold improvements	690	421	(1)	1,110
Office equipment	1,318	462	(89)	1,691
Motor vehicles	83	28	—	111
Construction in progress	328	366	(187)	507
Total	8,437	1,448	(298)	9,587

As at 31 December 2012 and 31 December 2011, the Group and the Bank did not have any property and equipment which were acquired by means of finance leasing or temporarily idle or held for sale.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (Continued)

(2) Movements in property and equipment: (Continued)

The carrying value of buildings and leasehold improvements is analysed by the remaining terms of the leases as follows:

	Group		Bank	
	2012	2011	2012	2011
Held in mainland China				
on long-term lease				
(more than 50 years)	1,470	1,544	1,375	1,500
on medium-term lease				
(10–50 years)	5,957	5,633	5,950	5,633
on short-term lease				
(less than 10 years)	153	145	153	145
Total	7,580	7,322	7,478	7,278

As at 31 December 2012, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB228 million (2011: RMB285 million) was still in progress. Management is of the view that the aforesaid matter would not affect the Group's rights to these assets nor have any significant impact on the Group's operations.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Deferred income tax assets and liabilities

(1) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Group

	2012		2011	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	6,995	27,980	5,754	23,019
Employee benefits payable	1,537	6,147	1,048	4,190
Fair value losses of				
— available-for-sale securities	227	909	116	469
— derivatives	327	1,308	197	787
— trading financial assets	26	105	9	36
Others	97	387	92	382
Subtotal	9,209	36,836	7,216	28,883
Deferred income tax liabilities				
Fair value gains of				
— derivatives	(302)	(1,210)	(145)	(587)
— available-for-sale securities	(82)	(327)	(77)	(310)
— trading financial assets	(8)	(31)	(12)	(49)
Subtotal	(392)	(1,568)	(234)	(946)
Deferred income tax assets, net	8,817	35,268	6,982	27,937

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Deferred income tax assets and liabilities (Continued)

(1) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows: (Continued)

Bank

	2012		2011	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	6,742	26,968	5,646	22,588
Employee benefits payable	1,512	6,046	1,027	4,106
Fair value losses of				
– available-for-sale securities	227	909	116	469
– derivatives	327	1,308	197	787
– trading financial assets	26	105	9	36
Others	81	324	81	339
Subtotal	8,915	35,660	7,076	28,325
Deferred income tax liabilities				
Fair value gains of				
– derivatives	(302)	(1,210)	(145)	(587)
– available-for-sale securities	(82)	(327)	(77)	(310)
– trading financial assets	(8)	(31)	(12)	(49)
Subtotal	(392)	(1,568)	(234)	(946)
Deferred income tax assets, net	8,523	34,092	6,842	27,379

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Deferred income tax assets and liabilities (Continued)

(2) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Group

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Fair value gains	Gross deferred income tax liabilities
At 1 January 2012	5,754	322	1,140	7,216	(234)	(234)
Recognised in profit or loss	1,241	147	494	1,882	(153)	(153)
Recognised in other comprehensive income	—	111	—	111	(5)	(5)
At 31 December 2012	6,995	580	1,634	9,209	(392)	(392)
At 1 January 2011	3,784	250	595	4,629	(174)	(174)
Recognised in profit or loss	1,970	108	545	2,623	(36)	(36)
Recognised in other comprehensive income	—	(36)	—	(36)	(24)	(24)
At 31 December 2011	5,754	322	1,140	7,216	(234)	(234)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Deferred income tax assets and liabilities (Continued)

(2) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows: (Continued)

Bank

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Fair value gains	Gross deferred income tax liabilities
At 1 January 2012	5,646	322	1,108	7,076	(234)	(234)
Recognised in profit or loss	1,096	147	485	1,728	(153)	(153)
Recognised in other comprehensive income	—	111	—	111	(5)	(5)
At 31 December 2012	6,742	580	1,593	8,915	(392)	(392)
At 1 January 2011	3,742	250	595	4,587	(174)	(174)
Recognised in profit or loss	1,904	108	513	2,525	(36)	(36)
Recognised in other comprehensive income	—	(36)	—	(36)	(24)	(24)
At 31 December 2011	5,646	322	1,108	7,076	(234)	(234)

(3) Offsetting of balances within the same tax jurisdiction of deferred income tax assets and liabilities are as follows:

	Group		Bank	
	2012	2011	2012	2011
Deferred income tax assets	—	—	—	—
Deferred income tax liabilities	(392)	(234)	(392)	(234)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Deferred income tax assets and liabilities (Continued)

(4) Deferred income tax assets and liabilities taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Group

	2012		2011	
	Net deferred income tax assets/ (liabilities) after offsetting	Deductible/ (taxable) temporary differences	Net deferred income tax assets/ (liabilities) after offsetting	Deductible/ (taxable) temporary differences
Deferred income tax assets	8,817	35,268	6,982	27,937
Deferred income tax liabilities	—	—	—	—

Bank

	2012		2011	
	Net deferred income tax assets/ (liabilities) after offsetting	Deductible/ (taxable) temporary differences	Net deferred income tax assets/ (liabilities) after offsetting	Deductible/ (taxable) temporary differences
Deferred income tax assets	8,523	34,092	6,842	27,379
Deferred income tax liabilities	—	—	—	—

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

26 Investment in subsidiaries

	2012	2011
Minsheng Leasing	2,600	2,600
Minsheng Fund	190	120
Pengzhou Township Bank	20	20
Cixi Township Bank	35	35
Songjiang Township Bank	70	70
Qijiang Township Bank	30	30
Tongnan Township Bank	25	25
Meihekou Township Bank	26	26
Ziyang Township Bank	41	41
Jiangxia Township Bank	41	41
Changyuan Township Bank	26	25
Yidu Township Bank	26	25
Jiading Township Bank	102	102
Zhongxiang Township Bank	36	36
Penglai Township Bank	51	51
Anxi Township Bank	51	51
Funing Township Bank	31	31
Taicang Township Bank	51	51
Ningjin Township Bank	20	20
Zhangpu Township Bank	25	25
Puer Township Bank	15	—
Jinghong Township Bank	15	—
Zhidan Township Bank	7	—
Ningguo Township Bank	20	—
Yuyang Township Bank	25	—
Guichi Township Bank	26	—
Tiantai Township Bank	31	—
Tianchang Township Bank	20	—
Tengchong Township Bank	20	—
Total	3,676	3,425

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

26 Investment in subsidiaries (Continued)

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Leasing	Tianjin China	Leasing	5,095	Limited company	51.03	51.03
Minsheng Fund	Shenzhen China	Fund management	300	Limited company	63.33	63.33
Pengzhou Township Bank	Sichuan China	Commercial bank	55	Limited company	36.36*	36.36*
Cixi Township Bank	Ningbo China	Commercial bank	100	Limited company	35*	35*
Songjiang Township Bank	Shanghai China	Commercial bank	150	Limited company	35*	35*
Qijiang Township Bank	Chongqing China	Commercial bank	60	Limited company	50*	50*
Tongnan Township Bank	Chongqing China	Commercial bank	50	Limited company	50*	50*
Meihekou Township Bank	Jilin China	Commercial bank	50	Limited company	51	51
Ziyang Township Bank	Sichuan China	Commercial bank	80	Limited company	51	51
Jiangxia Township Bank	Hubei China	Commercial bank	80	Limited company	51	51
Changyuan Township Bank	Henan China	Commercial bank	50	Limited company	51	51
Yidu Township Bank	Hubei China	Commercial bank	50	Limited company	51	51
Jiading Township Bank	Shanghai China	Commercial bank	200	Limited company	51	51
Zhongxiang Township Bank	Hubei China	Commercial bank	70	Limited company	51	51
Penglai Township Bank	Shandong China	Commercial bank	100	Limited company	51	51
Anxi Township Bank	Fujian China	Commercial bank	100	Limited company	51	51
Funing Township Bank	Jiangsu China	Commercial bank	60	Limited company	51	51
Taichang Township Bank	Jiangsu China	Commercial bank	100	Limited company	51	51
Ningjin Township Bank	Hebei China	Commercial bank	40	Limited company	51	51
Zhangpu Township Bank	Fujian China	Commercial bank	50	Limited company	51	51
Puer Township Bank	Yunnan China	Commercial bank	30	Limited company	51	51
Jinghong Township Bank	Yunnan China	Commercial bank	30	Limited company	51	51
Zhidan Township Bank	Shaanxi China	Commercial bank	15	Limited company	51	51
Ningguo Township Bank	Anhui China	Commercial bank	40	Limited company	51	51
Yuyang Township Bank	Shaanxi China	Commercial bank	50	Limited company	51	51
Guichi Township Bank	Anhui China	Commercial bank	50	Limited company	51	51
Tiantai Township Bank	Zhejiang China	Commercial bank	60	Limited company	51	51
Tiangchang Township Bank	Anhui China	Commercial bank	40	Limited company	51	51
Tengchong Township Bank	Yunnan China	Commercial bank	40	Limited company	51	51

All interests in subsidiaries are directly held by the Bank.

* Although the Bank holds less than half of the voting rights in five township banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are treated as the Bank's subsidiaries and have been consolidated in these financial statements.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets

Group

		2012			2011		
		Gross balance	Allowance for impairment losses (Note 28)	Carrying amount	Gross balance	Allowance for impairment losses (Note 28)	Carrying amount
Prepayments for leased assets	(1)	13,283	(181)	13,102	9,610	(105)	9,505
Interest receivable	(2)	9,638	—	9,638	7,210	—	7,210
Items in the process of clearance and settlement		7,468	—	7,468	2,339	—	2,339
Intangible assets	(3)	4,961	—	4,961	4,770	—	4,770
Investment properties		2,981	—	2,981	2,723	—	2,723
Repossessed assets	(4)	2,456	(90)	2,366	1,072	(90)	982
Prepayment of properties		1,654	(27)	1,627	1,089	(27)	1,062
Prepayment of decoration		1,195	—	1,195	1,001	—	1,001
Accrued fee and commission income		1,118	—	1,118	1,471	—	1,471
Prepayment of equipment		524	—	524	207	—	207
Prepayment of land use rights		163	—	163	121	—	121
Prepayment of rent and deposits		138	—	138	129	—	129
Claims and legal fees recoverable		118	(45)	73	69	(28)	41
Long-term deferred expenses		111	—	111	109	—	109
Others		1,221	(20)	1,201	783	(29)	754
Total		47,029	(363)	46,666	32,703	(279)	32,424

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (Continued)

Bank

		2012			2011		
		Gross balance	Allowance for impairment losses (Note 28)	Carrying amount	Gross balance	Allowance for impairment losses (Note 28)	Carrying amount
Interest receivable	(2)	9,497	—	9,497	7,093	—	7,093
Items in the process of clearance and settlement		7,464	—	7,464	2,339	—	2,339
Intangible assets	(3)	3,685	—	3,685	3,464	—	3,464
Repossessed assets	(4)	2,456	(90)	2,366	1,072	(90)	982
Prepayment of properties		1,654	(27)	1,627	1,089	(27)	1,062
Prepayment of decoration		1,193	—	1,193	998	—	998
Accrued fee and commission income		1,118	—	1,118	1,471	—	1,471
Prepayment of equipment		524	—	524	207	—	207
Prepayment of land use rights		163	—	163	121	—	121
Prepayment of rent and deposits		131	—	131	101	—	101
Claims and legal fees recoverable		118	(45)	73	69	(28)	41
Long-term deferred expenses		112	—	112	105	—	105
Others		1,120	(19)	1,101	711	(29)	682
Total		29,235	(181)	29,054	18,840	(174)	18,666

(1) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

(2) Interest receivable

	Group		Bank	
	2012	2011	2012	2011
Loans and advances to customers	4,130	3,582	4,095	3,563
Debt securities	3,631	2,526	3,631	2,523
Others	1,877	1,102	1,771	1,007
Total	9,638	7,210	9,497	7,093

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (Continued)

(3) Intangible assets

Group

	At 1 January 2012	Increase	Decrease	At 31 December 2012
Cost				
Land use right	4,431	—	—	4,431
Others	907	538	—	1,445
Total	5,338	538	—	5,876
Less: Accumulated amortisation				
Land use right	(132)	(110)	—	(242)
Others	(436)	(237)	—	(673)
Total	(568)	(347)	—	(915)
Net value				
Land use right	4,299	(110)	—	4,189
Others	471	301	—	772
Total	4,770	191	—	4,961

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (Continued)

(3) Intangible assets (Continued)

Group (Continued)

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Cost				
Land use right	1,345	3,086	—	4,431
Other	435	473	(1)	907
Total	1,780	3,559	(1)	5,338
Less: Accumulated amortisation				
Land use right	(23)	(109)	—	(132)
Others	(238)	(199)	1	(436)
Total	(261)	(308)	1	(568)
Net value				
Land use right	1,322	2,977	—	4,299
Others	197	274	—	471
Total	1,519	3,251	—	4,770

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (Continued)

(3) Intangible assets (Continued)

Bank

	At 1 January 2012	Increase	Decrease	At 31 December 2012
Cost				
Land use right	3,086	—	—	3,086
Others	881	530	—	1,411
Total	3,967	530	—	4,497
Less: Accumulated amortisation				
Land use right	(77)	(77)	—	(154)
Others	(426)	(232)	—	(658)
Total	(503)	(309)	—	(812)
Net value				
Land use right	3,009	(77)	—	2,932
Others	455	298	—	753
Total	3,464	221	—	3,685

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (Continued)

(3) Intangible assets (Continued)

Bank (Continued)

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Cost				
Land use right	—	3,086	—	3,086
Others	413	468	—	881
Total	413	3,554	—	3,967
Less: Accumulated amortisation				
Land use right	—	(77)	—	(77)
Others	(231)	(195)	—	(426)
Total	(231)	(272)	—	(503)
Net value				
Land use right	—	3,009	—	3,009
Others	182	273	—	455
Total	182	3,282	—	3,464

(4) Repossessed assets

Repossessed assets include buildings, machinery and equipment. The disposal of repossessed assets made by the Group during the year of 2012 amounted to RMB34 million at cost (2011: RMB40 million). Repossessed assets are sold as soon as practicable after balance sheet date.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

28 Movements in allowances for impairment losses

Group

	Note	2012				At 31 December
		At 1 January	Charge	Transfer out	Write-offs	
Loans and advances to customers	21	26,936	8,331	(288)	(1,881)	33,098
Available-for-sale securities	22	864	—	(1)	—	863
Finance lease receivables	23	824	774	—	—	1,598
Other assets	27	279	92	—	(8)	363
Total		28,903	9,197	(289)	(1,889)	35,922

	Note	2011				At 31 December
		At 1 January	Charge	Transfer out	Write-offs	
Loans and advances to customers	21	19,848	7,973	(24)	(861)	26,936
Available-for-sale securities	22	879	—	(15)	—	864
Finance lease receivables	23	428	396	—	—	824
Other assets	27	275	7	(3)	—	279
Total		21,430	8,376	(42)	(861)	28,903

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

28 Movements in allowances for impairment losses (Continued)

Bank

	Note	2012				
		At 1 January	Charge	Transfer out	Write-offs	At 31 December
Loans and advances to customers	21	26,839	8,227	(288)	(1,876)	32,902
Available-for-sale securities	22	864	—	(1)	—	863
Other assets	27	174	15	—	(8)	181
Total		27,877	8,242	(289)	(1,884)	33,946

	Note	2011				
		At 1 January	Charge	Transfer out	Write-offs	At 31 December
Loans and advances to customers	21	19,812	7,912	(24)	(861)	26,839
Available-for-sale securities	22	879	—	(15)	—	864
Other assets	27	177	1	(4)	—	174
Total		20,868	7,913	(43)	(861)	27,877

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

29 Deposits from customers

	Group		Bank	
	2012	2011	2012	2011
Demand deposits				
– Corporate deposits	621,592	609,850	615,696	605,414
– Personal deposits	107,861	85,198	106,381	84,528
Time deposits (including call and notice deposits)				
– Corporate deposits	906,970	743,141	902,258	739,844
– Personal deposits	285,913	203,424	282,857	201,828
Outward remittance and remittance payables	3,230	3,125	2,802	3,098
Certificates of deposit	628	–	628	–
Total	1,926,194	1,644,738	1,910,622	1,634,712

The pledged deposits included in deposits from customers are analysed as follows:

	Group		Bank	
	2012	2011	2012	2011
Pledged deposits for bank acceptances	279,918	195,870	279,117	195,419
Pledged deposits for letters of credit and guarantees	29,790	19,240	29,790	19,238
Other pledged deposits	51,406	68,800	50,834	68,413
Total	361,114	283,910	359,741	283,070

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

30 Deposits and placements from banks and other financial institutions

	Group		Bank	
	2012	2011	2012	2011
Mainland China				
— Banks	565,199	191,267	569,432	194,027
— Other financial institutions	209,117	88,074	209,117	88,410
Overseas				
— Banks	2,946	—	2,946	—
Total	777,262	279,341	781,495	282,437

31 Financial assets sold under repurchase agreements

	Group		Bank	
	2012	2011	2012	2011
Discounted bills	100,635	35,565	100,485	35,523
Investment securities	27,021	11,868	27,021	11,868
Finance lease receivables	5,679	6,361	—	—
Total	133,335	53,794	127,506	47,391

As at 31 December 2012, the balances under repurchase agreements include bills transactions with the PBC amounting to RMB2,027 million (31 December 2011: RMB1,763 million).

32 Borrowings from banks and other financial institutions

	Group	
	2012	2011
Credit borrowings	67,870	39,303
Secured borrowings		
— by monetary assets	1,491	1,231
— by tangible assets other than monetary assets	2,443	291
Total	71,804	40,825

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Borrowings from banks and other financial institutions (Continued)

As at 31 December 2012, the secured borrowings by monetary assets of RMB1,491 million (2011: RMB1,231 million) were secured by the finance lease receivables of RMB1,612 million (2011: RMB1,377 million). The secured borrowings of RMB2,443 million (2011: RMB291 million) were secured by property and equipment of RMB459 million (2011: RMB186 Million), other assets of RMB1,325 million (2011: RMB184 Million) and the assets under finance lease receivables of RMB1,014 million (2011: nil). There was no remaining credit limit under such secured borrowings (2011: nil).

33 Debt securities issued

		Group and Bank	
		2012	2011
Financial bonds	(1)	49,917	6,000
Subordinated bonds	(2)	15,767	15,753
Hybrid capital bonds	(3)	9,285	9,277
Total		74,969	31,030

(1) Financial bonds

		Group and Bank	
		2012	2011
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	29,946	—
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	19,971	—
RMB6.0 billion — 5-year floating rate financial bonds 2007	(iii)	—	6,000
Total		49,917	6,000

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Debt securities issued (Continued)

(1) Financial bonds (Continued)

- (i) RMB30.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.30% per annum, payable annually.
- (ii) RMB20.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.39% per annum, payable annually.
- (iii) RMB6.0 billion worth of floating-rate financial bonds were issued in 2007, with a term of five years. The floating interest rate is based on the one-year time deposit rate published by the PBC plus a spread of 0.76% per annum, payable annually. The bonds were fully repaid upon maturity in 2012.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(2) Subordinated bonds

		Group and Bank	
		2012	2011
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(i)	5,999	5,986
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(ii)	3,991	3,991
RMB5.8 billion — 10-year subordinated fixed rate bonds 2010	(iii)	5,777	5,776
Total		15,767	15,753

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Debt securities issued (Continued)

(2) Subordinated bonds (Continued)

- (i) RMB6.0 billion worth of fixed-rate subordinated bonds were issued in 2011, with a term of 10 years and a fixed coupon rate of 5.50% per annum. According to the terms, the Bank has the option to redeem all or part of the subordinated bonds at face value in the period from the last day of the fifth year to the maturity date.

- (iii) RMB4.0 billion worth of fixed-rate subordinated bonds were issued in 2011, with a term of 15 years and a fixed coupon rate of 5.70% per annum. According to the terms, the Bank has the option to redeem all or part of the subordinated bonds at face value in the period from the last day of the tenth year to the maturity date.

- (iii) RMB5.8 billion worth of fixed-rate subordinated bonds were issued in 2010, with a term of 10 years and a fixed rate of 4.29% per annum. According to the terms, the Bank has the option to redeem all or part of the subordinated bonds at face value in the period from the last day of the fifth year to the maturity date.

According to the issuance terms, these bonds are subordinated to all other claims on the Bank's assets, except those of the hybrid capital bond holders and shareholders. According to relevant regulations, these bonds qualify for inclusion as supplementary capital in the calculation of the Bank's capital adequacy ratio.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Debt securities issued (Continued)

(3) Hybrid capital bonds

		Group and Bank	
		2012	2011
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	3,316	3,315
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	1,675	1,670
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(iii)	3,294	3,294
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(iv)	1,000	998
		9,285	9,277

- (i) RMB3.325 billion worth of fixed-rate hybrid capital bonds were issued in 2009, with a term of 15 years and fixed coupon rates of 5.70% per annum for the first 10 years and 8.70% per annum for the last five years.
- (ii) RMB1.675 billion worth of floating-rate hybrid capital bonds were issued in 2009, with a term of 15 years. The floating rate is based on the one-year time deposit rate published by the PBC plus a spread of 3.00% per annum for the first 10 years. From the 11th year onward, the spread will increase to 6.00% per annum.
- (iii) RMB3.3 billion worth of fixed-rate hybrid capital bonds were issued in 2006, with a term of 15 years and fixed coupon rates of 5.05% per annum for the first 10 years and 8.05% per annum for the last five years.
- (iv) RMB1.0 billion worth of floating-rate hybrid capital bonds were issued in 2006, with a term of 15 years. The floating rate is based on the one-year time deposit rate published by the PBC plus a spread of 2.00% per annum for the first 10 years. From the 11th year onward, the spread will increase to 3.00% per annum.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Debt securities issued (Continued)

(3) Hybrid capital bonds (Continued)

According to the issuance terms, the Bank has the option to redeem all or part of the above bonds at face value from the last day of the tenth year to the maturity date.

The holders of the hybrid capital bonds are subordinated to holders of subordinated bonds, but have priority over shareholders. All holders of hybrid capital bonds enjoy the same priority of claim. According to the issuance terms, the Bank has the option to defer interest payment if the core capital adequacy ratio calculated based on its latest audited financial reports is below 4%. If the sum of surplus reserve plus retained earnings shown on the latest audited statement of financial position is negative and no cash dividends have been paid to ordinary equity shareholders in the last 12 months, the Bank must defer interest payment.

According to relevant regulations, these bonds qualify for inclusion as supplementary capital in the calculation of the Bank's capital adequacy ratio.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Other liabilities

		Group		Bank	
		2012	2011	2012	2011
Interest payable	(1)	22,639	14,894	22,142	14,455
Employee benefits payable	(2)	7,711	5,335	7,583	5,224
Guarantee deposits for finance lease		7,492	4,478	—	—
Other tax payable	(3)	3,046	2,644	2,976	2,601
Items in the process of clearance and settlement		2,640	531	2,640	531
Suspense balance of wealth management products		2,129	1,003	2,129	1,003
Deferred fee and commission income		1,902	2,422	1,659	2,417
Receipt in advance		1,534	934	549	184
Accrued expenses		1,243	601	1,239	601
Payable of equipment purchase		444	578	366	448
Withholding tax payable		169	249	168	248
Dividend payable		54	54	54	54
Others		788	1,725	432	1,174
Total		51,791	35,448	41,937	28,940

(1) Interest payable

	Group		Bank	
	2012	2011	2012	2011
Deposits from customers	15,630	12,002	15,524	11,939
Deposits from banks and other financial institutions	3,804	1,537	3,815	1,537
Debt securities issued	2,507	928	2,507	928
Borrowings from banks and other financial institutions	395	367	—	—
Others	303	60	296	51
Total	22,639	14,894	22,142	14,455

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Other liabilities (Continued)

(2) Employee benefits payable

Group

	At 1 January 2012	Increase	Decrease	At 31 December 2012
Salaries, bonuses and allowances	4,841	13,859	(12,128)	6,572
Staff welfare fees	—	1,491	(1,491)	—
Social insurance	392	2,383	(1,724)	1,051
Housing fund	63	687	(687)	63
Labour union fee, staff and workers' education fee	39	431	(445)	25
Total	5,335	18,851	(16,475)	7,711

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Salaries, bonuses and allowances	2,591	11,644	(9,394)	4,841
Staff welfare fees	—	1,348	(1,348)	—
Social insurance	531	1,741	(1,880)	392
Housing fund	47	534	(518)	63
Labour union fee, staff and workers' education fee	30	336	(327)	39
Total	3,199	15,603	(13,467)	5,335

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Other liabilities (Continued)

(2) Employee benefits payable (Continued)

Bank

	At 1 January 2012	Increase	Decrease	At 31 December 2012
Salaries, bonuses and allowances	4,731	13,545	(11,830)	6,446
Staff welfare fees	—	1,486	(1,486)	—
Social insurance	391	2,357	(1,698)	1,050
Housing fund	62	639	(638)	63
Labour union fee, staff and workers' education fee	40	424	(440)	24
Total	5,224	18,451	(16,092)	7,583

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Salaries, bonuses and allowances	2,535	11,394	(9,198)	4,731
Staff welfare fees	—	1,326	(1,326)	—
Social insurance	530	1,709	(1,848)	391
Housing fund	47	517	(502)	62
Labour union fee, staff and workers' education fee	30	335	(325)	40
Total	3,142	15,281	(13,199)	5,224

(3) Other tax payable

	Group		Bank	
	2012	2011	2012	2011
Business tax payable	2,757	1,927	2,714	1,896
Others	289	717	262	705
Total	3,046	2,644	2,976	2,601

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

35 Share capital and capital reserve

	2012	2011
Common shares listed in Mainland China (A share)	22,588	22,588
Common shares listed in Hong Kong (H share)	5,778	4,127
Total shares	28,366	26,715

On 2 April 2012, the Bank offered 1,650,852,240 ordinary shares (H Shares) on the Stock Exchange of Hong Kong Limited, and the total issued share capital increased to RMB28,366 million.

All A-shares and H-shares are with no selling restrictions and rank pari passu with the same rights and benefits.

The Group's capital reserve is RMB45,714 million as at 31 December 2012 (2011: RMB38,360 million), which mainly comprises capital premium.

36 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under PRC laws, the Bank is required to appropriate 10% of its net profit, as determined under CAS, to a statutory surplus reserve until the balance reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Bank appropriated 10% of its net profit under CAS to the statutory surplus reserve, which amounts to RMB3,683 million for the year 2012 (2011: RMB2,744 million). The Bank did not appropriate discretionary surplus reserve in 2012 and 2011.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

36 Surplus reserve, general reserve and retained earnings (Continued)

(2) General reserve

As at 31 December 2012, pursuant to the *Measures for Managing the Appropriation of Provisions of Financial Enterprises* (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

In accordance with the resolution of the 8th meeting of the 6th session of the Board of Directors held on 28 March 2013, the Bank appropriated RMB22,100 million of profits recorded in 2012 to the general reserve, and submitted the distribution policy to the Annual General Meeting for approval.

In addition, 27 township banking subsidiaries and Minsheng Leasing of the Group also appropriated 1.5% of the balance of risk-bearing assets as at 31 December 2012 to the general reserve following the same requirement as above. Minsheng Fund appropriated 10% of its monthly income of fund management fees to general reserve in accordance with the Decision on *Amending the "Notice of Relevant Issues Regarding Drawing of Risk Reserves by Fund Management Companies"* (CSRC Announcement [2008] No. 46) issued by the China Securities Regulatory Commission ("CSRC").

In total, the subsidiaries appropriated RMB1,264 million (2011: RMB47 million) to the general reserve for the year ended 31 December 2012, including RMB640 million (2011: RMB21 million) attributable to the Bank.

(3) Retained earnings

As at 31 December 2012, the retained earnings included the statutory surplus reserve of 151 million contributed by the subsidiaries and attributable to the Bank (2011: RMB85 million), of which RMB66 million (2011: RMB47 million) was the appropriation made by the subsidiaries for the year ended 31 December 2012. The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

37 Non-controlling interests

The non-controlling interests of the subsidiaries are as follows:

	2012	2011
Tianjin Fortune Real Estate Co., Ltd.	1,000	—
Beijing Dayixingye Real Estate Development Corp., Ltd.	750	642
Shanghai Guozhijie Investment Development Corp., Ltd.	667	571
Jiangsu Sunshine Group Corp., Ltd.	500	428
Shanghai Guozheng Investment Management Corp., Ltd.	500	428
Guangzhou Ziquan Real Estate Development Corp., Ltd.	333	285
China Century Investment Corp., Ltd.	333	285
Shengjinda Investment Corp., Ltd.	75	64
Royal Bank of Canada	45	12
Shanghai Sheshan National Holiday Resort Development Corp., Ltd.	38	30
Shanghai Zhongliang Industry Corp., Ltd.	38	30
Shanghai Songjiang Merchant Development Corp., Ltd.	38	30
Shanghai Songjiang Water Company	38	30
Shanghai Songjiang Economic Development and Construction Corporation	38	30
Shanghai Jiadingguangwo Asset Operation Corp., Ltd.	23	21
Shanghai Zhongke High Technology Industrial Park Development Corp., Ltd.	23	21
Cixi Supply & Marketing Cooperatives Association	20	15
Cixi Financial Investment Management Corporation	18	13
Tianjin Port Free Trade Zone Investment Corp., Ltd.	—	857
Others	990	721
Total	5,467	4,513

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

38 Dividends

The Board of Directors approved the cash dividend distribution plan for the second half of 2012 during the 8th meeting of the 6th session of the Board of Directors held on 28 March 2013. The cash dividends declared was RMB1.50 (before tax) for every 10 shares of the Bank's total equity stock as at 31 December 2012, totalling RMB4,255 million.

The Board of Directors approved the interim cash dividend distribution plan during the 4th meeting of the 6th session of the Board of Directors held on 23 August 2012. The cash dividends declared was RMB1.50 (before tax) for every 10 shares of the Bank's total equity stock as at 30 June 2012, totalling RMB4,255 million.

The shareholders approved the 2011 cash dividend distribution plan during the Annual General Meeting held on 15 June 2012. The cash dividends declared was RMB3.00 (before tax) for every 10 shares of the Bank's total equity stock as at 25 June 2012, totalling RMB8,510 million.

39 Investment revaluation reserve

	Group and Bank	
	2012	2011
At 1 January	(110)	(288)
Changes in fair value of available-for-sale securities	(675)	44
Less: deferred income tax	169	(11)
Transfer to profit or loss upon disposal	141	50
Less: deferred income tax	(35)	(13)
Transfer to profit or loss due to amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	111	144
Less: deferred income tax	(28)	(36)
At 31 December	(427)	(110)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

40 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	Group and Bank	
	2012	2011
Cash (Note 15)	6,490	5,175
Surplus deposit reserve with central bank (Note 15)	74,334	49,174
Original maturity within 3 months:		
– Balances with banks and other financial institutions	166,331	212,054
– Placements with banks & other financial institutions	11,413	–
– PBC bills	–	1,859
Total	258,568	268,262

41 Contingent liabilities and commitments

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Contingent liabilities and commitments (Continued)

(1) Credit commitments (Continued)

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	Group		Bank	
	2012	2011	2012	2011
Bank acceptances	586,654	462,638	585,276	462,169
Letters of credit	134,985	66,368	134,985	66,368
Guarantees	68,488	67,321	68,471	67,320
Re-factoring	33,600	—	33,600	—
Trade refinancing	—	56,334	—	56,334
Unused credit card commitments	25,722	12,578	25,722	12,578
Irrevocable loan commitments				
— original maturity date within 1 year	769	435	769	435
— original maturity date over 1 year (inclusive)	3,232	1,611	3,232	1,611
Finance lease commitments	3,850	2,808	—	—
Total	857,300	670,093	852,055	666,815
Credit risk weighted amounts of credit commitments	352,776	283,497	347,540	283,028

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100%.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Contingent liabilities and commitments (Continued)

(2) Capital commitments

	Group		Bank	
	2012	2011	2012	2011
Contracted but not paid for	11,780	10,047	1,791	101
Authorised but not contracted for	101	21	101	21
Total	11,881	10,068	1,892	122

(3) Operating lease commitments

The future minimum lease payments under non-cancellable operating lease of the Group and the Bank are summarised as follows:

	Group		Bank	
	2012	2011	2012	2011
Within 1 year	1,648	1,331	1,607	1,303
After 1 year but within 5 years	4,855	3,572	4,774	3,496
After 5 years	2,031	1,646	1,987	1,618
Total	8,534	6,549	8,368	6,417

(4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments which were made as at 31 December 2011.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Contingent liabilities and commitments (Continued)

(5) Assets pledged

	Group		Bank	
	2012	2011	2012	2011
Balances with banks and other financial institutions	—	30	—	30
Trading financial assets	—	5,609	—	5,609
Discounted bills	100,519	35,384	100,360	35,343
Investment securities	28,251	6,381	28,251	6,381
Finance lease receivables	8,555	8,223	—	—
Property and equipment	459	186	—	—
Other assets	1,325	184	—	—
Total	139,109	55,997	128,611	47,363

Some of the Group's assets are pledged as collateral under repurchase agreements, derivative contracts, negotiated deposits taken, loan agreements with other financial institutions and for obtaining credit quotas.

The Group maintains statutory deposit reserves with the PBC as required (Note 15). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. The fair value of such pledged assets was RMB616,805 million as at 31 December 2012 (2011: RMB129,508 million). As at 31 December 2012, the Group sold or repledged RMB100,169 million of pledged assets which it has an obligation to repurchase on due dates (2011: RMB34,895 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Contingent liabilities and commitments (Continued)

(6) Underwriting of securities

	Group and Bank	
	2012	2011
Medium — and short-term finance bills	48,408	21,752

(7) Redemption commitments

As an underwriting agent of certificated PRC government bonds, the Bank has the obligation to buy back those bonds sold by it should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2012 was RMB2,674 million (2011: RMB3,548 million). The original maturities of the bonds vary from one to five years.

(8) Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2012. After considering professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

The Group's balances of investment fund custodian operations were RMB63,740 million as at 31 December 2012 (2011: RMB33,051 million). The Group's balances of corporate annuity funds custodian operations were RMB6,933 million as at 31 December 2012 (2011: RMB4,652 million). The Group's balances of credit assets entrusted management were RMB2,524 million as at 31 December 2012 (2011: RMB12,707 million). And the Group's balances of entrusted loans were RMB92,258 million as at 31 December 2012 (2011: RMB61,463 million).

43 Related party transactions

(1) Related parties

Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, or joint control of another party. Related parties can be individuals or enterprises. Related parties that have significant influence on the Group include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; major shareholders with the power to influence the Bank's operating or financial policies, and entities controlled or jointly controlled by these major shareholders.

The detailed information of the Bank's subsidiaries is set out in Note 26.

(2) Related party transactions

(i) Pricing policy

Transactions between the Group and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(ii) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	2012	2011
Legend Holdings Ltd.	Guaranteed	1,640	1,970
Sinopharm Group Co., Ltd. and its subsidiaries	Unsecured	620	—
	Guaranteed	101	—
	Pledged	19	—
	Guaranteed	460	105
CSPC Group Ltd.	Guaranteed	460	105
Good First Group Ltd.	Collateralised	453	100
	Pledged	—	54
Orient Group Corporation Ltd.	Guaranteed	400	—
	Pledged	—	400
Wuxi Jiante Pharmaceutical Co., Ltd.	Pledged	400	—
	Guaranteed	—	400
Orient Group Industrial Co., Ltd.	Pledged	200	—
Shanghai Xingye Investment Development Co., Ltd.	Guaranteed	150	—
Fosun Group Co., Ltd.	Guaranteed	100	—
Wuxi Jiante Bioengineering Co., Ltd.	Guaranteed	100	—
	Pledged	—	100
Chongqing Langfu Properties Limited	Collateralised	50	—
Sichuan Hope West Construction Co., Ltd.	Guaranteed	30	90
Sichuan Minjiang Snow Salinization Co., Ltd.	Collateralised	30	48
	Guaranteed	—	60
Chengdu Mayflower Computer School	Guaranteed	20	10
Sichuan Tequ Investment Co., Ltd.	Guaranteed	15	15
Jinan Qilipu Market Co., Ltd.	Guaranteed	15	10
Guangdong 21st Century Media Co., Ltd.	Unsecured	10	—
Sichuan Xiwang Shenlan Energy Chemical Industry Co., Ltd.	Guaranteed	10	—
Chongqing YaoPharm Co., Ltd.	Unsecured	5	—
Tianjin Port Free Trade Zone Investment Corp., Ltd. *	Unsecured	—	750
East Hope (San Men Xia) Aluminium Co., Ltd. *	Guaranteed	—	220
Shandong Xinha Orient Aluminium Co., Ltd. *	Guaranteed	—	100
Chengdu Beautiful Home Commercial Management Co., Ltd.	Guaranteed	—	20
Jinan Ward Auto Parts Co., Ltd. *	Guaranteed	—	20
Individuals	Collateralised	41	14
Total		4,869	4,486
Ratio to similar transactions (%)		0.36	0.38

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(ii) Loans to related parties (Continued)

Amount of transactions:

	2012	2011
Interest income from loans	259	276
Ratio to similar transactions (%)	0.17	0.24

As at 31 December 2012, none of the above loans are found to be impaired individually (2011: nil).

* The entities are related parties of the Group in 2011, but are not in 2012 because of the changes in shareholding structures of the entities or related subsidiaries etc., thus the related loan balances as at 31 December 2012 are nil.

(iii) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	2012		2011	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Balances with banks and other financial institutions	7,748	3.28	1,763	0.76
Trading financial assets	2,281	8.67	200	0.98
Placements with banks and other financial institutions	200	0.25	100	0.26
Investment securities:				
— available-for-sale securities	595	0.51	694	1.07
— held-to-maturity securities	—	—	179	0.15
— loans and receivables	100	0.66	100	1.20
Finance lease receivables	430	0.57	544	1.21
Other assets	340	0.73	29	0.09
Deposits from customers	35,332	1.83	46,220	2.81
Deposits and placements from banks and other financial institutions	6,961	0.90	5,235	1.87
Other liabilities	762	1.47	678	1.91

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(iii) Other transactions with related parties (Continued)

The Group's interest income arising from the above related-party transactions for the current year is RMB186 million (2011: RMB141 million), accounting for 0.12% (2011: 0.12%) of that of similar transactions, and the interest expense is RMB1,480 million (2011: RMB571 million), accounting for 1.98% (2011: 1.09%) of that of similar transactions. Other related-party transactions have no material impact on the Group's income statement.

	2012		2011	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Balances of items off the statement of financial position outstanding as at the end of the reporting period:				
Bank acceptances	1,112	0.19	877	0.19
Letters of credit	38	0.03	—	—
Guarantees	1,148	1.68	95	0.14
Operating lease commitments	109	1.28	3	0.05
Re-factoring	102	0.30	—	—
Balances of other items outstanding as at the end of the reporting period:				
Loans collateralised by related parties	1,710	0.13	1,453	0.12
Discounted bills under resale agreements, issued by related parties	359	0.06	—	—
Discounted bills issued by related parties	7	0.04	10	0.07

None of the above related parties transactions have a material effect on the Group's profit or loss for the years ended 31 December 2012 and 31 December 2011, and the Group's financial position as at 31 December 2012 and 31 December 2011.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(iv) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2012 and 31 December 2011.

(v) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Group enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management amounted to RMB21 million as at 31 December 2012 (2011: RMB2 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB132 million for the year ended 31 December 2012 (2011: RMB122 million, the related salaries and benefits were restated in accordance with the *Supplementary Announcement Regarding the Senior Management's Emoluments of China Minsheng Banking Corp., Ltd.*). Of which, pre-tax compensations for the executive directors, chairman of the supervisory board and executive officers included RMB63 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2011: RMB51 million and no less than 50% respectively) in accordance with relevant state regulations. The exact amounts of these deferred payments shall be determined at the end of their respective tenure with the Bank based on their performance and shall be paid out over a period of three years. If losses are incurred in their tenure and attributable to them, the Bank withholds the right to stop payment and recover the paid amount. No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel for the years ended 31 December 2012 and 31 December 2011.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(v) Transactions with key management personnel (Continued)

The emoluments before tax of executive directors, the Chairman of the Supervisory Board and senior management are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2012 financial statements.

(vi) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	2012	2011
Balances with banks and other financial institutions	22	90
Other assets	16	5
Deposits and placements from banks and other financial institutions	4,578	3,296
Other liabilities	16	42

Amount of transactions for the reporting period:

	2012	2011
Interest income	4	71
Interest expense	75	139
Fee and commission income	20	21
Operating expenses	97	104
Other operating expenses	10	1

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(vi) Transactions between the Bank and its subsidiaries (Continued)

For the year ended 31 December 2012, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 31 December 2012, the balance of the above transactions was RMB60 million (2011: nil).

The balances and amount with the subsidiary and inter-subsidiaries have been offset in the condensed consolidated financial statements.

44 Subsequent events

Pursuant to the *Approval Regarding the Public Issuance of Convertible Corporate Bonds of China Minsheng Banking Corp., Ltd.* (Zheng Jian Xu Ke [2012] No. 1573) issued by CSRC on 7 February 2013, the Bank has issued 20 billion convertible corporate bonds of A-shares at par value publicly from 15 March 2013 to 21 March 2013, with the term of 6 years and par value of RMB100.

In addition, details of dividend distribution of 2012 are set out in Note 38.

45 Comparative figures

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity ratios

	2012	2011
RMB current assets to RMB current liabilities	35%	40%
Foreign currency current assets to foreign currency current liabilities	142%	117%

Liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with CAS released by the MOF.

2 Currency concentrations

	2012			Total
	USD	HKD	Others	
Spot assets	55,767	13,756	7,426	76,949
Spot liabilities	(59,246)	(4,879)	(7,466)	(71,591)
Forward purchases	83,434	3,339	6,259	93,032
Forward sales	(80,981)	(1,118)	(3,986)	(86,085)
Net long/(short) position*	(1,026)	11,098	2,233	12,305

	2011			Total
	USD	HKD	Others	
Spot assets	34,943	1,672	4,480	41,095
Spot liabilities	(30,870)	(4,142)	(5,156)	(40,168)
Forward purchases	33,113	2,605	3,416	39,134
Forward sales	(36,926)	(150)	(2,620)	(39,696)
Net long/(short) position*	260	(15)	120	365

* The net option position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reported periods.

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers

(1) Impaired loans by geographical area

Group

	2012				Total
	Northern China	Eastern China	Southern China	Other Locations	
Impaired loans	5,103	4,399	462	559	10,523
Allowance for impairment losses					
– Individual assessment	2,385	1,215	97	158	3,855
– Collective assessment	531	496	125	136	1,288

	2011				Total
	Northern China	Eastern China	Southern China	Others Locations	
Impaired loans	4,826	2,268	264	181	7,539
Allowance for impairment losses					
– Individual assessment	2,459	745	26	53	3,283
– Collective assessment	269	176	112	63	620

Bank

	2012				Total
	Northern China	Eastern China	Southern China	Others Locations	
Impaired loans	5,103	4,372	462	552	10,489
Allowance for impairment losses					
– Individual assessment	2,385	1,208	97	157	3,847
– Collective assessment	531	492	125	136	1,284

	2011				Total
	Northern China	Eastern China	Southern China	Others Locations	
Impaired loans	4,826	2,267	264	180	7,537
Allowance for impairment losses					
– Individual assessment	2,459	745	26	53	3,283
– Collective assessment	268	175	112	63	618

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers (Continued)

(2) Loans overdue for more than 3 months by geographical area

Group

	2012				Total
	Northern China	Eastern China	Southern China	Others Locations	
Overdue loans	5,102	3,744	463	606	9,915
Allowance for impairment losses					
– Individual assessment	2,372	897	86	133	3,488
– Collective assessment	530	620	137	157	1,444

Bank

	2012				Total
	Northern China	Eastern China	Southern China	Others Locations	
Overdue loans	5,102	3,731	463	599	9,895
Allowance for impairment losses					
– Individual assessment	2,372	895	86	132	3,485
– Collective assessment	530	618	137	156	1,441

Group and Bank

	2011				Total
	Northern China	Eastern China	Southern China	Others Locations	
Overdue loans	3,736	1,465	306	184	5,691
Allowance for impairment losses					
– Individual assessment	2,195	512	21	45	2,773
– Collective assessment	578	207	131	70	986

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Cross-border claims

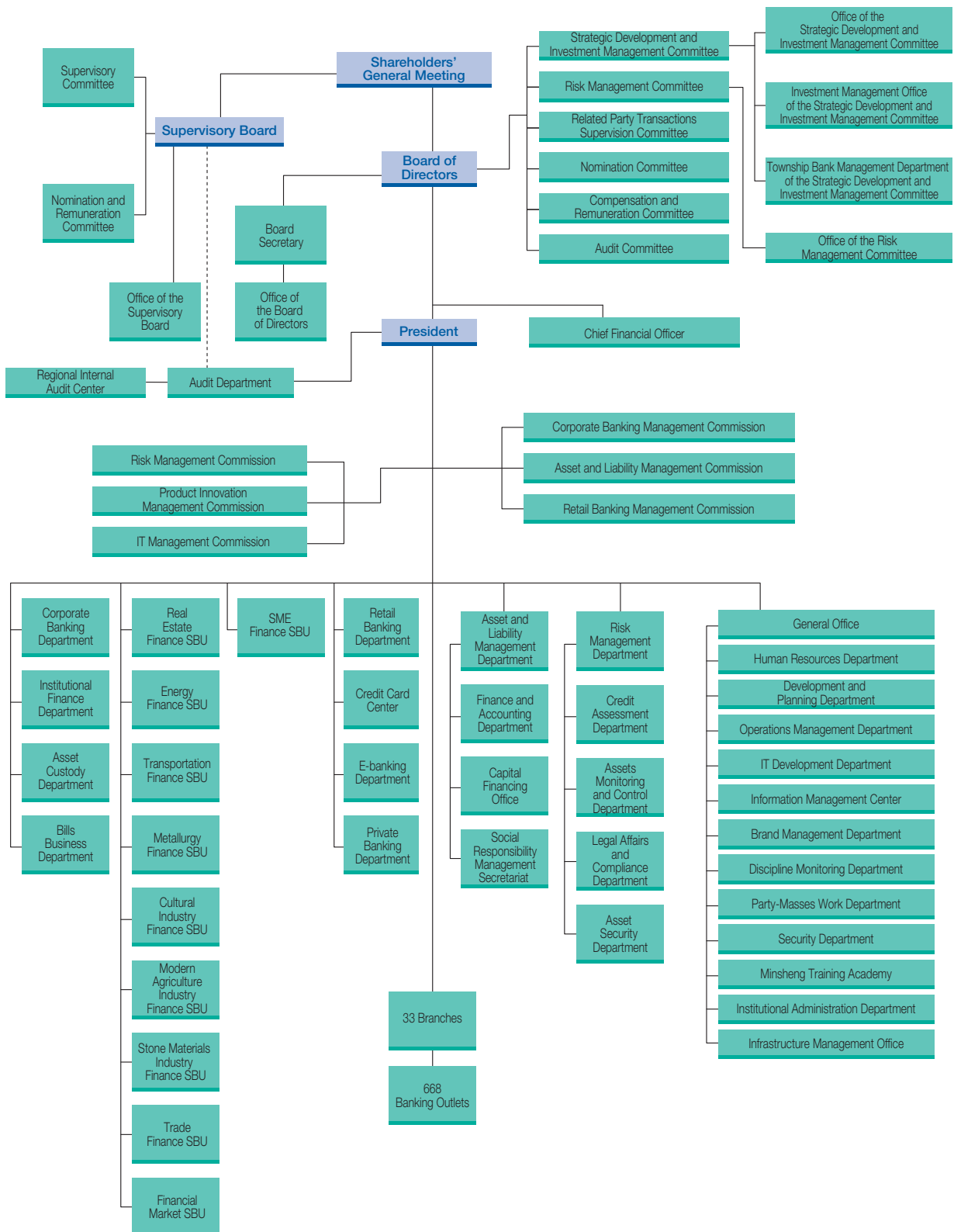
	2012				Total
	Asia pacific excluding mainland China	North America	Europe	Other Locations	
Banks and other financial institutions	6,106	3,954	1,699	—	11,759
Public sector entities	405	—	—	—	405
Others	13,285	—	100	376	13,761
Total	19,796	3,954	1,799	376	25,925

	2011				Total
	Asia pacific excluding mainland China	North America	Europe	Other Locations	
Banks and other financial institutions	2,896	4,040	2,133	—	9,069
Public sector entities	66	9	—	—	75
Others	2,558	17	—	682	3,257
Total	5,520	4,066	2,133	682	12,401

Index of Documents for Inspection

- I. Financial statements bearing the signatures and seals of the legal representative, the principal accountant and the manager of the accounting department
- II. Original copy of the independent auditors' report bearing the seal of the accounting firm
- III. Original copy of the annual report duly signed by the Directors and Senior Management of the Company
- IV. All original copies of documents and announcements disclosed to the public during the reporting period in China Securities Journal, Shanghai Securities News and Securities Times
- V. Articles of Association of the Company

Organizational Chart



■ Beijing

Entity: Beijing Administrative Department

Address: No. 2 Fuxingmennei Avenue,
Xicheng District, Beijing

Postal code: 100031

Telephone no: 010-58560088

Fax no: 010-58560001

■ Shanghai

Entity: Shanghai Branch

Address: No.100 Pudong Nan Road,
Pudong New District, Shanghai

Postal code: 200120

Telephone no: 021-61877000

Fax no: 021-61877001

■ Guangzhou

Entity: Guangzhou Branch

Address: CMBC Building, No. 68 Liede Avenue,
Tianhe District, Guangzhou

Postal code: 510623

Telephone no: 020-38380111

Fax no: 020-38380000

■ Shenzhen

Entity: Shenzhen Branch

Address: CMBC Building, 11th Xinzhou Street,
Futian District, Shenzhen

Postal code: 518034

Telephone no: 0755-82806002

Fax no: 0755-82806555

■ Wuhan

Entity: Wuhan Branch

Address: CMBC Building, No.396 Xinhua Road,
Jianghan District, Wuhan

Postal code: 430020

Telephone no: 027-85735529

Fax no: 027-85735530

■ Dalian

Entity: Dalian Branch

Address: No. 28, Yan'an Road, Zhongshan District,
Dalian

Postal code: 116001

Telephone no: 0411-82802661

Fax no: 0411-82819108

■ Taiyuan

Entity: Taiyuan Branch

Address: No. 2, Bingzhou Bei Road, Taiyuan

Postal code: 030001

Telephone no: 0351-8208620

Fax no: 0351-8208619

■ Shijiazhuang

Entity: Shijiazhuang Branch

Address: No. 10 Xidajie, Chang'an District,
Shijiazhuang

Postal code: 050011

Telephone no: 0311-86678533

Fax no: 0311-86678522

■ Hangzhou

Entity: Hangzhou Branch

Address: Yuanyang Building, No. 25,
Qingchun Road, Hangzhou

Postal code: 310009

Telephone no: 0571-87232682

Fax no: 0571-87239789

■ Nanjing

Entity: Nanjing Branch

Address: No. 20, Hongwu Bei Road, Nanjing

Postal code: 210005

Telephone no: 025-83279000

Fax no: 025-83279002

■ Chongqing

Entity: Chongqing Branch

Address: 22/F, Tongju Yuanjing Building, No. 9,
Jianxin Bei Road, Jiangbei District,
Chongqing

Postal code: 400020

Telephone no: 023-67695186

Fax no: 023-67695107

■ Xi'an

Entity: Xi'an Branch

Address: CMBC Building, No. 78,
Erhuan Nanlu Xiduan, Xi'an

Postal code: 710065

Telephone no: 029-88266088

Fax no: 029-88266090

List of Entities

■ Fuzhou

Entity: Fuzhou Branch

Address: No. 280, Hudong Road, Fuzhou

Postal code: 350001

Telephone no: 0591-87619126

Fax no: 0591-87617310

■ Jinan

Entity: Jinan Branch

Address: No. 229, Leyuan Street, Jinan

Postal code: 250012

Telephone no: 0531-86121680

Fax no: 0531-86121690

■ Ningbo

Entity: Ningbo Branch

Address: No. 348, Min'an Road, Ningbo

Postal code: 315040

Telephone no: 0574-87260600

Fax no: 0574-87270075

■ Chengdu

Entity: Chengdu Branch

Address: Block 6, No. 966 North Tianfu Avenue,
Remin South Road Southern Extension,
Chengdu

Postal code: 610042

Telephone no: 028-85102110

Fax no: 028-85102113

■ Shantou

Entity: Shantou Branch

Address: 1-3/F, Huajing Plaza, No. 17,
Hanjiang Road, Longhu District, Shantou

Postal code: 515041

Telephone no: 0754-88363056

Fax no: 0754-88363055

■ Tianjin

Entity: Tianjin Branch

Address: 13/F, Xinda Plaza, No. 188,
Jiefang North Road, Heping District,
Tianjin

Postal code: 300042

Telephone no: 022-23315222

Fax no: 022-23193965

■ Kunming

Entity: Kunming Branch

Address: Chuntian Yinxiang Building, No. 331,
Huancheng Nan Road, Kunming

Postal code: 650011

Telephone no: 0871-3565666

Fax no: 0871-3565000

■ Quanzhou

Entity: Quanzhou Branch

Address: No. 689 Citong Road, Fengze District,
Quanzhou

Postal code: 362000

Telephone no: 0595-28008199

Fax no: 0595-28008180

■ Suzhou

Entity: Suzhou Branch

Address: Block 23, Suzhou Times Square,
Jinji Lake, Suzhou Industrial Park, Suzhou

Postal code: 215021

Telephone no: 0512-62569022

Fax no: 0512-62569005

■ Qingdao

Entity: Qingdao Branch

Address: Zhong Gang Plaza, No. 18,
Fuzhou Nan Road, Qingdao

Postal code: 266071

Telephone no: 0532-85978668

Fax no: 0532-85978667

■ Wenzhou

Entity: Wenzhou Branch

Address: Development Building, No. 335,
Xincheng Road, Wenzhou

Postal code: 325001

Telephone no: 0577-88903999

Fax no: 0577-88903777

■ Xiamen

Entity: Xiamen Branch

Address: 7/F, Lixin Plaza, No. 90,
Hubin Nan Road, Xiamen

Postal code: 361004

Telephone no: 0592-2383388

Fax no: 0592-2682826

■ Zhengzhou

Entity: Zhengzhou Branch
 Address: CMBC Building, No. 1,
 CBD Shangwu Waihuan Road,
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 Postal code: 450008
 Telephone no: 0371-69166666
 Fax no: 0371-69166916

■ Changsha

Entity: Changsha Branch
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 Fax no: 0731-84907010

■ Changchun

Entity: Changchun Branch
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 Telephone no: 0431-88553293
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■ Hefei

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 Fax no: 0551-5682901

■ Nanchang

Entity: Nanchang Branch
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 Nanchang
 Postal code: 330008
 Telephone no: 0791-6751157
 Fax no: 0791-6761557

■ Nanning

Entity: Nanning Branch
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 No. 111-1 Minzu Avenue, Nanning
 Postal code: 530022
 Telephone no: 0771-5772109
 Fax no: 0771-5772193

■ Hohhot

Entity: Hohhot Branch
 Address: Block D and 1-3/F, Block A,
 Fortune Building, Xinhua East Road,
 Saihan District, Hohhot
 Postal code: 010000
 Telephone no: 0471-3333122
 Fax no: 0471-3333081

■ Shenyang

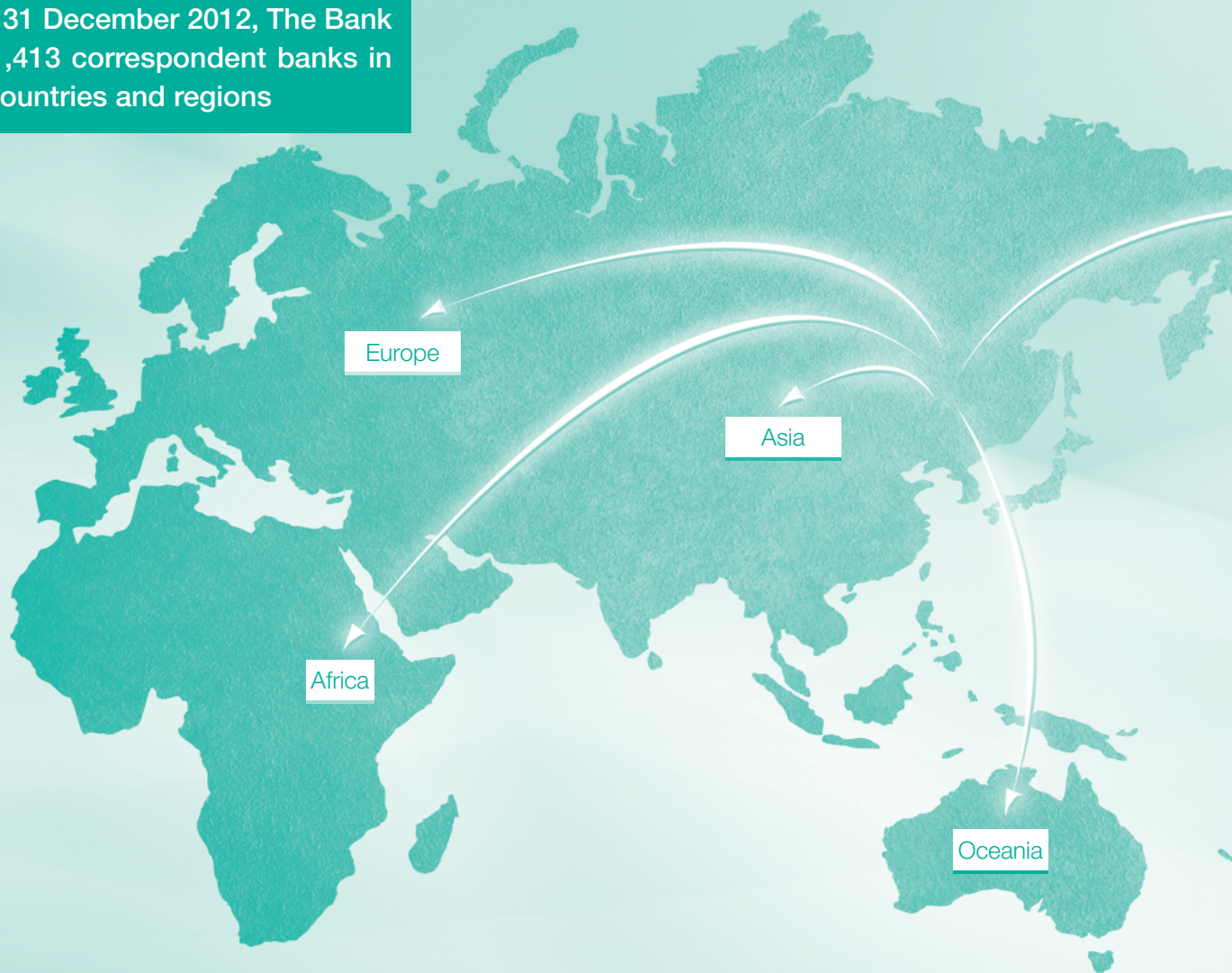
Entity: Shenyang Branch
 Address: Block A, Royal Wan Xin
 International Mansion, No. 390,
 Qingnian Street, Heping District,
 Shenyang
 Postal code: 110003
 Telephone no: 024-83912606
 Fax no: 024-83912600

■ Hong Kong

Entity: Hong Kong Branch
 Address: 36/F, Bank of America Tower,
 12 Harcourt Road, Central, Hong Kong
 Telephone no: 852-22816800
 Fax no: 852-28992617

Statistics of Correspondent Banks of China Minsheng Bank

As at 31 December 2012, The Bank had 1,413 correspondent banks in 111 countries and regions



Asia (697 banks in 33 countries and regions)

China	187	India	21	Bangladesh	6
Hong Kong	108	Pakistan	9	Jordan	2
Macau	11	Lebanon	1	Qatar	3
Taiwan	48	Iran	10	Israel	6
Japan	41	The United Arab Emirates	19	Oman	3
Singapore	67	Cambodia	2	Bahrain	5
South Korea	35	Nepal	3	Laos	2
Thailand	17	Saudi Arabia	7	North Korea	2
Malaysia	17	Kuwait	3	Syria	4
Indonesia	23	Vietnam	24	Iraq	1
Philippines	6	Sri Lanka	3	Mongolia	1

Europe (460 banks in 39 countries)

German	79	Austria	17	Cyprus	1
UK	49	Hungary	7	Belarus	2
Ireland	5	Belgium	14	Lithuania	3
Poland	7	Luxemburg	10	Norway	7
Switzerland	20	Portugal	9	Bulgaria	3
Netherlands	18	Romania	4	Bosnia and Herzegovina	1
France	20	Czech Republic	10	Latvia	2
Spain	17	Slovakia	5	Ukraine	2
Italy	63	Croatia	2	Malta	3
Sweden	12	Russia	16	Albania	1
Denmark	7	Slovenia	1	Monaco	1
Greece	12	Serbia and Montenegro	1	Liechtenstein	1
Finland	8	Turkey	17	Kazakhstan	3



America (185 banks in 18 countries)

USA	112	Uruguay	5
Canada	15	Cuba	1
Peru	5	Panama	3
Chile	7	Bolivia	2
Bahamas	1	Mexico	5
Columbia	3	Cayman Islands	2
Argentina	5	Beliza	1
Brazil	15	Venezuela	1
The Dominican Republic	1	Guatemala	1

Africa (42 banks in 18 countries)

Egypt	10	Morocco	3
Tunisia	4	Algeria	1
South Africa	6	Congo	1
Mauritius	2	Libya	1
Kenya	1	Nigeria	4
Namibia	1	Mozambique	1
Zambia	1	Ghana	1
Cameroon	1	Gabon	1
Sudan	2	Ethiopia	1

Oceania (29 banks in 3 countries)

New Zealand	6
Australia	22
Fiji	1



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