



中国民生银行

CHINA MINSHENG BANKING CORP., LTD.

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

STOCK CODE : 01988

Available Balance	\$12,395.25
My Checking	\$2,7
Available Balance	
My Savings	\$1,9
Available Balance	
Money Market	\$3,2
Available Balance	
Platinum Card	\$2,9
Current Balance	
Processing	\$
Transfer From ACCT #0342	
> HELP	

2013 ANNUAL REPORT

Important Notice

The Board of Directors, the Supervisory Board, the Directors, Supervisors and senior management of the Company confirm 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 the contents of this report.

The annual report was considered and approved on 28 March 2014 at the 15th meeting of the 6th session of the Board of the Company. 17 Directors were entitled to attend the meeting. 13 Directors attended the meeting in person (including Chairman Dong Wenbiao, Director Guo Guangchang and Director Ba Shusong attended by teleconference) and 1 Director was represented by proxy. Director Wang Junhui entrusted Vice Chairman Hong Qi, in writing, to exercise his voting rights at the meeting.

According to the profit distribution plan for the second half of 2013 considered by the Board, on the basis of a total share capital of the Company as at the record date for the purpose of profit distribution, a cash dividend of RMB1 (before tax) and 2 shares of stock dividends 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 according to the rules of IFRS. Unless otherwise specified, all amounts are the consolidated data of the Group and denominated 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 2013 prepared under the CAS and the IFRS respectively, and issued standard auditors’ reports with unqualified opinions.

Board of Directors
China Minsheng Banking Corp., Ltd.

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

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Definitions

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

“ACFIC”	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
“Bank” or “Company” or “China Minsheng Bank” or “Minsheng Bank”	China Minsheng Banking Corp., Ltd.
“Board”	the Board of Directors of the Company
“CAS”	China Accounting Standards
“CBD”	central business district
“CBRC”	China Banking Regulatory Commission
“Convertible Bond(s)” or “Minsheng Convertible Bond(s) or “A Share Convertible Bond(s)”	A Share convertible bonds
“CPC”	Communist Party of China
“CPPCC”	The National Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議全國委員會)
“CSRC”	China Securities Regulatory Commission
“Dagong”	Dagong Global Credit Rating Co., Ltd.
“Director”	a director of the Company
“Group”	the Bank and its subsidiaries

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards, which include standards and interpretations approved by the International Accounting Standards Board, and the International Accounting Standards and interpretations issued by the International Accounting Standards Committee
“IT”	information technology
“KPI”	key performance indicators
“Minsheng Asset Management”	Minsheng Royal Asset Management Co., Ltd.
“Minsheng Fund”	Minsheng Royal Fund Management Co., Ltd.
“Minsheng Leasing”	Minsheng Financial Leasing Co., Ltd.
“Model Code”	Model Code for Securities Transactions by board of directors of listed Issuers, Appendix 10 to the Hong Kong Listing Rules
“NSOE(s)”	non-state-owned enterprise(s)
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China, but, for the purpose of this document only, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan, unless otherwise indicated
“RMB”	Renminbi

Definitions

“SBU(s)”	strategic business unit(s)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SSE”	Shanghai Stock Exchange
“Supervisor”	a supervisor of the Company
“Supervisory Board”	the Supervisory Board of the Company

Material Risk Warning

The Company has no foreseeable material risks. For potential risks, please refer to “X. Prospects and Measures — (II) Potential risks” under the section of “Management Discussion and Analysis” in this report.

Message from the Chairman



Chairman **Mr. DONG Wenbiao**

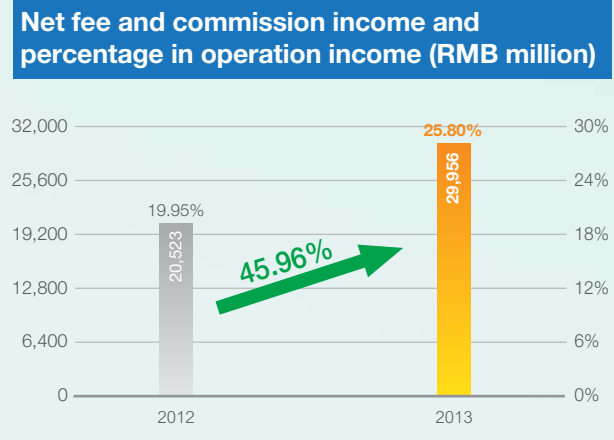
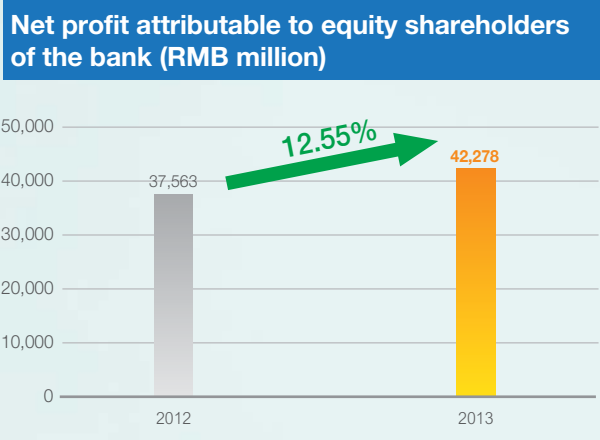
In 2013, China's banking industry accelerated its transformation and reform in response to the significant impacts on its operation due to the profound changes in the economic and financial environment.

In respect of economic environment, the strong economic growth in the PRC has slowed down to a moderate stage with the GDP growth rate decreasing from an average of over 9% in the last decade to 7.7%. The central government boosted the economic system reform and economic structural adjustment to transform the pattern of economic growth from an export-led extensive model to a domestic demand-led efficient model. The profound changes in economic environment had deep impacts on the banking industry.

In respect of financial environment, as the PBOC decided to release the control over loan interest rates on 20 July 2013, deposit rate deregulation became the final step to realise interest rate liberalisation. Affected by the further financial disintermediation, the percentage of new bank loans to the aggregate financing of the economy decreased to approximately 50%. With the rapid development of internet finance, quasi money market funds, such as Yuebao (餘額寶), and platforms of matching loan facilitation, such as P2P, started booming in the market. The profound changes in the financial environment has created significant impact to the traditional business mode of banks.

In 2013, despite the profound changes in the economic and financial environment and increasingly fierce competition among banks, the Company overcame various difficulties and challenges, promoted restructuring with determination and made satisfactory achievements, including mainly the improvement of operating results, development of strategic businesses and optimisation of income structure.

Firstly, in respect of the improvement of operating results, the net profit attributable to equity shareholders of the bank of the Group for 2013 amounted to RMB42,278 million, representing an increase of 12.55% as compared with the corresponding period of the previous year. Return on average assets and return on average shareholders' equity were 1.34% and 23.44%, respectively, ranking top among banks although a slight decrease as compared with the corresponding period of the previous year. Basic earnings per share amounted to RMB1.49, representing an increase of



Message from the Chairman

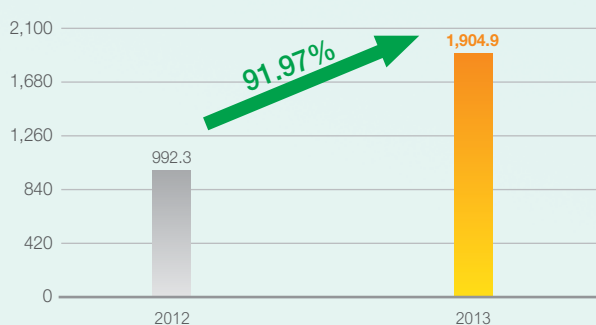
RMB0.15 as compared with last year. As at the end of 2013, net assets per share amounted to RMB6.97, representing an increase of RMB1.22 as compared with the end of 2012.

Secondly, in respect of the development of strategic businesses, in 2013, the Company ceaselessly determined to maintain the strategic position of being a “bank for NSOEs, small and micro enterprises and high-end retail customers”, and steadily pushed forward the implementation of strategies and achieved remarkable results. As at the end of 2013, the Company had 12,973 NSOE loan customers with outstanding general loans amounting to RMB585,241 million, accounting for 86.52% and 64.91% of the corporate banking segment, representing increases of 1.47% and 3.34% respectively as compared with the end of last year. The strategic position of being a “bank for NSOEs” was further strengthened. In 2013, the small business finance of the Company maintained its leading position in the industry. As at the end of 2013, the outstanding loans to small and micro enterprises and the number of small business customers of the Company were RMB404,722 million and 1.9049 million respectively, representing increases of RMB87,771 million and 91.97% as compared with the end of last year. Driven by the small business finance, the personal deposit business of the Company developed rapidly. As at the end of 2013, the balance of personal deposits amounted to RMB504,554 million, representing an increase of RMB115,316 million, or 29.63%, as compared with the end of last year, ranking top among major national joint-stock banks in the PRC in terms of deposits growth. As at the end of 2013, the number of private banking customers of the Company and the financial assets under management were 12,900 and RMB191,941 million, representing increases of 37.39% and 49.76% respectively as compared with the end of last year.

**Loans to small and micro enterprises
(RMB million)**



**Number of small business
customers ('000)**



Thirdly, in respect of the optimisation of income structure, in 2013, confronting severe challenges of narrowed interest spread and slowdown of margin income growth as a result of interest rate liberalisation, the Company continued to adjust its income structure by focusing on the vigorous development of intermediary business. In 2013, the Group recorded net non-interest income of RMB33,069 million, representing an increase of 28.63% as compared with the corresponding period of the previous year, accounting for 28.48% of the total operating income, representing an increase of 3.49 percentage points as compared with the corresponding period of the previous year. Net fee and commission income amounted to RMB29,956 million, representing an increase of 45.96% as compared with the corresponding period of the previous year, accounting

for 25.80% of the total operating income, representing an increase of 5.85 percentage points as compared with the corresponding period of the previous year, with both the volume and percentage ranking the top among banks.

In 2013, in response to the interest rate liberalisation, in addition to adjusting the business and income structures, the Company accelerated its strategic transformation by creating “Minsheng Bank Version 2.0”, which was an innovative operation mode different from the models of traditional commercial banks, and made significant breakthroughs in three aspects.

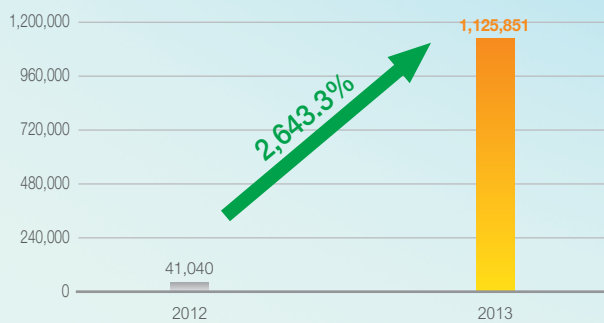
Firstly, to strengthen the development and innovation and improve the operating efficiency of SBUs, in the second half of 2013, the Company launched the project of “SBU reform version 2.0” to comprehensively refine and reform the operation modes of industry-oriented SBUs from traditional deposit-loan mode to professional investment banking mode according to the four principles of “quasi-corporation nature, professional operations, financial integration and the Financial Stewardship team building”. Minsheng Bank strives to become a leading financial service provider through financial asset expansion and restructuring in pursuit of doubled profit growth. The SBU system version 2.0 has been put into operation since 2014.

Secondly, to accelerate the expansion of customer base and popularise modern financial services, in March 2013, the Company launched branch transformation in an attempt to strengthen branches and expand sub-branches. Responsibilities of business development were reallocated from sub-branches to branches. Branches shall be responsible for business and sales planning and centralised marketing while sub-branches shall be mainly in charge of after-sale services. The breakthrough points of branch transformation of Minsheng Bank are small business finance and community finance. In respect of small business finance, the Company promoted the establishment of Small Business Finance Version 2.0. To standardise and expand the scale of small business finance through a modular system, the Company strived to improve the soft power of branches by promoting the standardisation of the branches’ operation and further optimizing the process of small business finance to facilitate rapid expansion of business scale and transformation of growth pattern. In respect of community finance, the Company launched Minsheng community finance jointly with local governments, real estate companies and property management companies to provide convenient, beneficial and preferential services to community residents. The Bank vigorously promoted the construction of product system, channel and network and supporting system of community finance to provide community customers with convenient financial services.

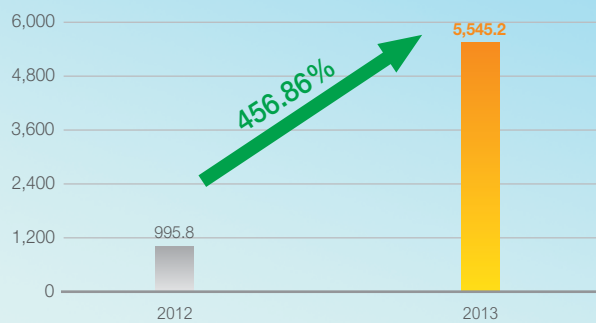
Thirdly, to cope with the challenges in the era of internet and mobile internet, the Company put great efforts in the development of IT platform and mobile banking services. In May 2013, the new banking system was officially launched after seven years of development. The new banking system is a web-based open banking system and will make the Company a pioneer in the trend of new technology development in mobile internet, cloud computing, big data and social media. In addition, the Company also accelerated the promotion of mobile banking application. As at the end of 2013, the number of mobile banking customers increased to 5.5452 million over the past one and a half years. The number of transactions and transaction value amounted to 60.0139 million and RMB1,125,851 million, respectively in 2013. The Company became one of the mobile banking service providers with transaction amount exceeding RMB1 trillion. In September 2013, the Company launched strategic cooperation with Alibaba and expanded into the internet banking market by embedding the innovative factors of leading internet enterprises.

Message from the Chairman

Mobile banking transactions (RMB million)



Number of mobile banking customers ('000)



Looking forward, as the effort in and coverage of economic adjustment in China is further strengthened and expanded, the liberalisation of interest rate and financial disintermediation speed up, and the influence of internet banking increases, the reformation and transformation of the banking industry of China will step into a critical stage. In 2014, the Company will closely monitor the market condition, grasp the overall situation, identify problems and concentrate on accelerating adjustments. The Company will further push forward the SBU reform version 2.0 and the construction of small business finance version 2.0, while focusing on developing community finance. We will refine the middle and back office system and try to achieve the “Second Take-off” as soon as possible. We will also devote to building the Company into the best commercial bank in China with core competitiveness and unique business characteristics, with an aim to bring larger value and higher return to the investors, the society and our employees.

DONG Wenbiao

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

28 March 2014

Strategic Positioning and Targets of the Company

I. Mission

In view of the complicated macro-economic environment and the intensifying competition in the industry, coupled with the accelerating liberalisation of interest rates, the similar strategic positioning of the commercial banks in the PRC will see some changes. In the coming five years, the Company aims to establish clear business positioning and strategic targets to speed up its transformation and deepen its reform. It will focus on NSOEs and small business finance 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, small and micro enterprises and high-end retail customers, the Company will put its strategic emphasis on small business finance to further fulfil its strategic positioning.

(II) Strategic targets

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 awards won by the Company mainly included the followings:

- 1 The Company was named the Best Managed Bank in China (中國區最佳管理銀行), while Mr. Dong Wenbiao, the Chairman of the Board, received the Asian Banker Leadership Achievement Award in China (亞洲銀行家中國區領導力成就大獎) and the credit card centre of the Company received the Achievement in Risk Management Technology Award (風險管理技術成就獎) in The Asian Banker Summit for 2013 held in Jakarta, Indonesia by *The Asian Banker*;
- 2 Mr. Dong Wenbiao, the Chairman of the Board, was named the Best CEO in Asia (亞洲最佳首席執行官) and the Company was awarded the Best Website for Investor Relations (最佳投資者關係網站), the Best Investor Relations (最佳投資者關係) and the Best Corporate Social Responsibility (最佳企業社會責任獎) in the Third Asian Excellence Recognition Awards organised by *Corporate Governance Asia*;
- 3 Mr. Dong Wenbiao, the Chairman of the Board, was named the Most Influential Leader of Listed Companies (最具影響力上市公司領袖) and the Company was awarded the Best Investor Relations Management of Listed Companies (最佳投資者關係管理上市公司) in the Chinese Listed Companies Overseas Summit Forum and China Securities Golden Bauhinia Award Ceremony (中國上市公司海外高峰論壇暨中國證券“金紫荊”獎頒獎典禮);
- 4 Mr. Dong Wenbiao, the Chairman of the Board, received the Best Corporate Director Award (最佳企業董事獎) and the Company was named the Best Corporate Governance Company in Asia for 2013 (2013亞洲最佳企業管治公司) in the Asian Best Corporate Governance Award for 2013 (2013年度最佳企業管治大獎) organised by *Corporate Governance Asia Magazine*;
- 5 The Company received the Excellent Board Award (最佳董事會獎) again and the award of The Most Innovative Board Secretary (最具創新力董秘) in the Ninth Golden Round Table Award for the Board of Directors of Chinese Listed Companies (第九屆中國上市公司董事會金圓桌獎);
- 6 Mr. Dong Wenbiao, the Chairman of the Board, was awarded the 2013 Person of the Year of China Finance (2013中國財經年度人物) and the Company was named China's Best Credit Card Service Bank in 2013 (2013中國最佳信用卡服務銀行) in the First China Finance Leader Annual Conference (首屆中國財經領袖年會);
- 7 According to the *Blue Book of Corporate Social Responsibility (2013)* published by the Chinese Academy of Social Science, the Company was ranked first in the Social Responsibility Index of Chinese Listed Companies (中國企業上市公司社會責任指數), the Social Responsibility Index of Chinese Non-state-owned Enterprises (中國民營企業社會責任指數) and the Social Responsibility Index of Chinese Banking Industry (中國銀行業社會責任指數);
- 8 The Company was elected as the Best Corporate Citizen in China for 2013 (2013年度中國最佳企業公民大獎) in the Tenth Election of the Best Corporate Citizens in China for 2013 (2013年第十屆中國最佳企業公民評選);
- 9 The Company received the Brand Contribution Award (品牌貢獻獎) in the Brand Jinbo Award (品牌金博獎) of 2013;
- 10 The Company was awarded the Best Small Business Finance Service Bank of the Year (年度最佳小微金融服務銀行) and the Internet Finance Innovation Bank of the Year (年度互聯網金融創新銀行) by the Financial Times in the 2013 Gold Medals for Financial Institutions in China (2013中國金融機構金牌榜);
- 11 The Company was named the 2013 Best Brand Building Bank of Outstanding Competitiveness (2013卓越競爭力品牌建設銀行), the 2013 Best Small Business Finance Bank of Outstanding Competitiveness (2013卓越競爭力小微金融服務銀行) and the 2013 Best Local Private Bank of Outstanding Competitiveness in the PRC (2013卓越競爭力本土私人銀行) in the Fifth Election of Excellent Financial Institutions of Outstanding Competitiveness of 2013 (2013第五屆卓越競爭力金融機構評選);
- 12 The Company was named the Best Service Bank for Small and Micro Enterprises in the 2013 Financial Value Ranking by China Business News (2013年第一財經金融價值榜);
- 13 The Company was named the Best Small Business Lending Bank by Global Finance;
- 14 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) in 2013 by Euromoney;



- 15 The Company was awarded the Best Performance of Domestic Private Banks (國內私人銀行最佳表現獎) in the Hurun Rich List;
- 16 The Company received The Asian Banker Achievement Award for Best Trade Finance Bank in China for its outstanding performance and remarkable achievements in the featured business of trade finance in recent years;
- 17 The Company was named the Most Distinctive Trade Finance Bank (最佳特色貿易金融銀行) in the Third China Trade Finance Annual Conference held by the Trade Finance Professional Committee (貿易金融專業委員會) of the China Banking Association;
- 18 The Research on Risk Forecast of Loss of High-end Customers Based on Data Mining Technology (基於數據挖掘技術的高端客戶流失風險預測研究) of the Company was awarded the First Prize of Outstanding Scientific Achievements for the Research and Development of the Banking Industry in China (中國銀行業發展研究優秀科技成果評選一等獎) by the China Banking Association;
- 19 The Company was elected the 2013 Model Enterprises of Best Human Resources in China (2013中國最佳人力資源典範企業) by www.51job.com (前程無憂網站);
- 20 The Company received the grand award of the Best Investment Financial Service Bank in Asia of 2013 (2013•亞洲最佳投資金融服務銀行) in the Eighth 21st Century Annual Finance Summit of Asia (21世紀亞洲金融年會);
- 21 The Company was named the Excellent Non-state-owned Enterprise of Internal Audit (民營企業內部審計優秀企業) by China Institute of Internal Audit;
- 22 The Company was awarded the Innovative Transaction Bank in China of the Year (中國年度創新型交易銀行獎) in the 2013 FTChinese Annual Forum (英國《金融時報》2013年度中國高峰論壇) by virtue of its valuable contribution in developing transaction business;
- 23 The innovative financial product series of the Company, namely TSF and Matching Pool (撮合池), won the Innovation Award of the Top Ten Financial Products in Corporate Banking (對公業務十佳金融產品創新獎) by The Chinese Banker (《銀行家》);
- 24 The Company was named the Best Wealth Management Brand of 2013 (2013年度最佳財富管理品牌) in the Eleventh China's Financial Annual Champion Awards (第十一屆中國財經風雲榜);
- 25 The Company obtained the Excellence Award for Research Achievements in IT Risk Management in the Banking Industry in 2013 (2013年度銀行業信息科技風險管理研究成果優秀獎) for its "Research on Visualised Websites and Application Performance Based on End-user Experience (基於最終用戶體驗的網絡及應用性能可視化實踐研究);
- 26 The Company was honoured with the Best Mobile Banking Award (最佳手機銀行獎) at the 2013 China Banking Development Forum (2013年銀行業發展論壇暨首屆銀行綜合評選) held by Sina.com. The Company was the only commercial bank receiving such honour for its free mobile banking service with strong innovative functions, comprehensive featured services and smooth browsing experience;
- 27 The e-banking service of the Company was awarded the Most Popular E-banking Brand of the Year (年度最受歡迎電子銀行品牌) by National Business Daily;
- 28 The Company was named the Best Banking Website in 2013 (2013年度最佳銀行網站) in the Fourteenth Election of Excellent Financial Websites with Financial IT Innovation (第十四屆金融IT創新優秀財經網站評選) organised by the Securities Times;
- 29 The Company was named the Best Fund Custodian Bank (最佳資金託管銀行) of the Excellent Equity and Venture Capital Intermediaries in China of 2013 (2013年度中國優秀股權和創業投資中介機構) by China Venture Capital & Private Equity Association (股權和創業投資專業委員會); and
- 30 The Company was awarded the Best Custodian Bank for PE/VC Financial Service in 2013 (2013年PE/VC最佳金融服務託管銀行獎) by 21st Century Media.

Bank Profile

- Registered Chinese Name of the Company: 中國民生銀行股份有限公司
(Abbreviation: 「中國民生銀行」)
Registered English Name of the Company: CHINA MINSHENG BANKING CORP., LTD.
(Abbreviation: “CMBC”)
- Legal Representative of the Company: Dong Wenbiao
- Authorised Representatives of the Company: Qin Rongsheng
Soon Yuk Tai
- Board Secretary: Wan Qingyuan
Joint Company Secretaries: Wan Qingyuan
Soon Yuk Tai
Representatives of Securities Affairs: He Qun
Wang Honggang
- Mailing Address: Building VIII (嘉賓樓), 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
- Registered Address: No. 2 Fuxingmennei Avenue, Xicheng District,
Beijing, China
Postal Code: 100031
Website: www.cmbc.com.cn
Email: cmbc@cmbc.com.cn
- Branch Office and Place of Business in Hong Kong: 36/F, Bank of America Tower, 12 Harcourt Road,
Central, Hong Kong
- 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.
- Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office
Legal Adviser as to Hong Kong Law: Clifford Chance

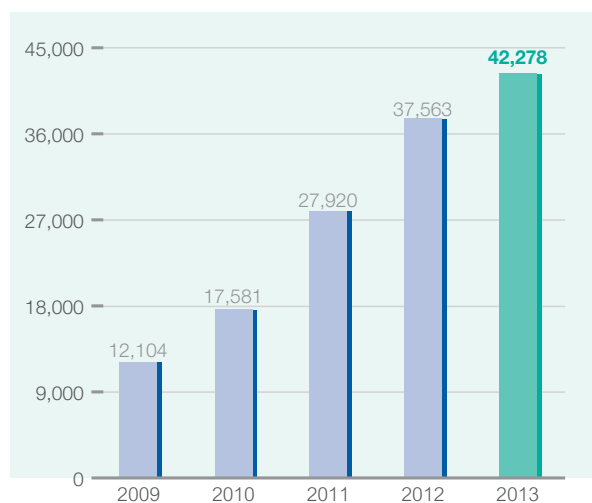
10. Domestic Accounting Firm: KPMG Huazhen Certified Public Accountants
(Special General Partnership)
Office Address: 8th Floor, Tower E2, Oriental Plaza,
No. 1 East Chang An Avenue, Beijing, China
International Accounting Firm: KPMG Certified Public Accountants
Office Address: 8th Floor, Prince's Building, 10 Chater Road,
Central, Hong Kong
Signing Accountants: 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: SSE; Stock Name: MINSHENG BANK;
Stock Code: 600016
H Share: 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

Summary of Financial Data and Indicators

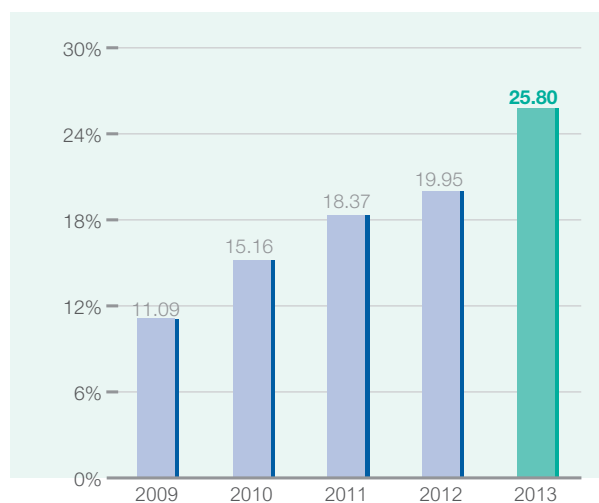
I. Major Accounting Data and Financial Indicators

	2013	2012 (Restated)	Changes of the reporting period over the corresponding period of the previous year Increase/ decrease (%)	2011 (Restated)	2010 (Restated)	2009 (Restated)
Operating results (RMB million)						
Net interest income	83,033	77,153	7.62	64,821	45,873	32,240
Net non-interest income	33,069	25,708	28.63	17,375	8,794	9,797
Operating income	116,102	102,861	12.87	82,196	54,667	42,037
Operating expenses	45,962	42,889	7.17	35,449	25,452	20,539
Impairment losses on loans and advances	12,947	8,331	55.41	7,973	5,303	4,792
Profit before income tax	57,151	50,652	12.83	37,175	22,976	15,656
Net profit attributable to equity shareholders of the Bank	42,278	37,563	12.55	27,920	17,581	12,104
Net cash flow from operating activities	-35,238	-19,889	Negative for both periods	100,926	37,422	56,917
Data per share (RMB/share)						
Basic earnings per share	1.49	1.34	11.19	1.05	0.66	0.53
Diluted earnings per share	1.43	1.34	6.72	1.05	0.66	0.53
Net cash flow per share from operating activities	-1.24	-0.70	Negative for both periods	3.78	1.40	2.56
Profitability indicators (%)						
Return on average assets	1.34	1.41	Changes in percentage points -0.07	1.40	1.09	0.98
Return on average shareholders' equity	23.44	25.67	-2.23	23.89	18.30	17.06
Cost-to-income ratio	32.69	34.09	-1.40	35.71	39.71	42.55
Net fee and commission income to operating income ratio	25.80	19.95	5.85	18.37	15.16	11.09
Net interest spread	2.30	2.75	-0.45	2.96	2.82	2.49
Net interest margin	2.49	2.94	-0.45	3.14	2.94	2.59

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



Net Fee and Commission Income to Operating Ratio (%)



Summary of Financial Data and Indicators

	31 December 2013	31 December 2012	Comparison between the end of the previous year to the end of the reporting period	31 December 2011	31 December 2010	31 December 2009
Scale indicators (RMB million)			Increase/ decrease (%)			
Total assets	3,226,210	3,212,001	0.44	2,229,064	1,823,737	1,426,392
Total balance of loans and advances to customers	1,574,263	1,384,610	13.70	1,205,221	1,057,571	882,979
Total liabilities	3,021,923	3,043,457	-0.71	2,094,954	1,718,480	1,337,498
Deposits from customers	2,146,689	1,926,194	11.45	1,644,738	1,417,877	1,128,830
Share capital	28,366	28,366	—	26,715	26,715	22,262
Total equity attributable to equity shareholders of the Bank	197,712	163,077	21.24	129,597	104,108	88,034
Net assets per share attributable to equity shareholders of the Bank (RMB/share)	6.97	5.75	21.22	4.85	3.90	3.95
Assets quality indicators (%)			Changes in percentage points			
Impaired loans ratio	0.85	0.76	0.09	0.63	0.69	0.84
Provision coverage ratio	259.74	314.53	-54.79	357.29	270.45	206.04
Provision for total loans ratio	2.21	2.39	-0.18	2.23	1.88	1.73
Capital adequacy ratio indicators (%)			Changes in percentage points			
Core tier-one capital adequacy ratio	8.72	N/A	N/A	N/A	N/A	N/A
Tier-one capital adequacy ratio	8.72	N/A	N/A	N/A	N/A	N/A
Capital adequacy ratio	10.69	10.75	N/A	10.86	10.44	10.83
Total equity to total assets ratio	6.33	5.25	1.08	6.02	5.77	6.23

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

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

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

6. Impaired loans ratio = Balance of non-performing loans/total balance of loans and advances to customers.

7. Provision coverage ratio = Allowance for impairment losses on loans/balance of impaired loans.

8. Provision for total loan ratio = Allowance for impairment losses on loans/total balance of loans and advances to customers.

9. The capital adequacy ratio and relevant indicators as at the end of the reporting period listed in the above chart were calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (Decree of the CBRC 2012 No. 1) which became effective on 1 January 2013 and other relevant regulatory requirements. The capital adequacy ratios as at the end of other periods were calculated in accordance with the Administrative Measures for the Capital Adequacy Ratios of Commercial Banks (《商業銀行資本充足率管理辦法》).

II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicators	Benchmark	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
Liquidity ratios (%)	Consolidated in RMB	≥25	29.31	36.01
Loan-to-deposit ratio (%)	Consolidated in RMB	≤75	73.39	71.93
				40.90
				72.85

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

Management Discussion and Analysis



热烈庆祝中国民生银行
小区金融正式启动



Management Discussion and Analysis

I. Review of Economic and Fiscal Conditions and Government Policies

During the reporting period, the global economy kept recovering slowly and remained uncertain in the face of the complicated international environment, while the Chinese economy has remained steady in general. Aiming to secure stable growth, adjust structure, facilitate reform and prevent risk, China continued to implement the prudent fiscal policies, facilitate structural adjustment and promote transformation. After Decision of the CCCPC on Major Issues Concerning Comprehensively Deepening Reforms (《中共中央關於全面深化改革若干重大問題的決定》) passed at the third plenary session of the 18th CPC Central Committee was published, the pace of financial reform and liberalisation of interest rates was accelerated, the pilot programs of the securitisation of assets were expanded, internet finance boomed and non-state-owned banks and community banks emerged in the market. The regulatory authorities continued to strengthen the guidance and regulations on commercial banks by imposing new policies regarding asset management and innovative businesses of commercial banks and tightened the management and control on major areas in different key domains, including the liquidity risks, local financing platform and industries of excess production capacity. In active response to the changes in the economic and financial environment, regulatory policies and market competition conditions, the Company has taken the following measures:

Firstly, the Company systematically formulated standardised corporate governance procedures to further improve corporate governance level and to regulate the operations of the corporate governance mechanism.

Secondly, the Company strived to implement the “Second Five-Year Outline” and the new “Three-Year Plan” throughout the whole year to become a “distinctive and efficient bank with three strategic positions”. Focusing on small business finance and community finance and freeing up two wings, the Company accelerated the branch transformation, and aimed to establish a customer-centric and solid financial service platform, create a new financial environment for the three major strategic customer bases, thus to promote the stable development of all businesses.

Thirdly, the Company further enhanced the synergy of the three strategic businesses when the outcome of the business transformation started to show, by continuously improving the comprehensive financial service capabilities in Financial Stewardship, small business finance and private banking business. It also integrated internal and external resources to speed up the structural adjustment.

Management Discussion and Analysis

Fourthly, the income structure was further improved through the successful development in major businesses and major products. The synergy effect of the businesses of wealth management, financial market, large commodity transactions, large investment business, online banking and credit card business was significant, which prompted the size and percentage of intermediary business to remain ahead of the peers.

Fifthly, the Company effectively allocated its resources in response to the strategic demands to provide strong support for its business development by rationally allocating fundamental resources, such as credit size, treasury, human resources and organisations. It continued to improve the management of assets and liabilities as well as costs, in order to promote the concept of capital restraint throughout the Bank.

Sixthly, the Company further promoted the establishment of process-based banking and strengthened the refined management system. The new core banking system has been in full and stable operation. The three major strategic management instruments were adopted. The Company was awarded as the “Advanced Enterprise of Promotion of Six Sigma Management in China” (全國六西格瑪管理推進先進企業) by China Association for Quality, being the only bank among over 130 winners in 10 years since the introduction of the award. It was also nominated as the model enterprise of Six Sigma Quality Control for the banking industry (銀行業精益六西格瑪質量管理標杆企業).

Seventhly, through constant enhancement of the comprehensive risk management capability, the Company strengthened the risk management with joint efforts of various departments. The debt collection measure has been reinforced and the asset quality remained stable in general.

Eighthly, the Company further standardised the responsibilities of job positions and the working procedures. It also adopted innovative talent cultivation model and introduced professional rankings to consistently improve the career path of the Bank’s staff.

II. Overview of Operations

During the reporting period, in order to actively respond to the adjustments and changes in macro-economic environment and regulatory policies, the Company, under the proper leadership of the Board, further implemented its strategy of becoming a “bank for NSOEs”, “bank for small and micro enterprises” and “bank for high-end retail customers” and adhered to its business goal of being a “distinctive” and “efficient” bank. In the pursuit of the overall planning to “grasp the situation, strictly control risks, deepen reforms and carry out comprehensive innovation” formulated at the beginning of the year, the Company endeavoured to conduct strategic transformation and facilitate the change of operation model. It consistently optimised business structure to boost operating efficiency. The asset quality remained stable whereas the profitability was enhanced.

(I) Continuous improvement in profitability and stable return to shareholders

During the reporting period, net profit attributable to equity shareholders of the bank of the Group amounted to RMB42,278 million, representing an increase of RMB4,715 million, or 12.55%, as compared with the corresponding period of the previous year. Operating income amounted to RMB116,102 million, representing an increase of RMB13,241 million, or 12.87%, as compared with the corresponding period of the previous year. Net assets per share attributable to equity shareholders of the Bank was RMB6.97, representing an increase of RMB1.22, or 21.22%, as compared with the end of the previous year. Basic earnings per share was RMB1.49, representing an increase of RMB0.15, or 11.19%, as compared with the corresponding period of the previous year.

(II) Optimised business structure and remarkable achievement of strategic businesses

As at the end of the reporting period, total assets of the Group amounted to RMB3,226,210 million, representing an increase of RMB14,209 million as compared with the end of the previous year. Total balance of loans and advances to customers amounted to RMB1,574,263 million, representing an increase of RMB189,653 million, or 13.70%, as compared with the end of the previous year. Total deposits amounted to RMB2,146,689 million, representing an increase of RMB220,495 million, or 11.45%, as compared with the end of the previous year.

Management Discussion and Analysis

Besides the steady expansion of scale, the Group continued to optimised business structure, income structure and customer structure. For business structure, the balance of personal deposits of the Group amounted to RMB510,944 million, representing an increase of RMB117,170 million, or 29.76%, as compared with the end of the previous year, and the balance of personal deposits accounted for 23.80% of total deposits, representing an increase of 3.36 percentage points as compared with the end of the previous year. For income structure, the non-interest income of the Group amounted to RMB33,069 million, representing an increase of RMB7,361 million, or 28.63%, as compared with the corresponding period of the previous year, and the non-interest income accounted for 28.48% of the operating income, representing an increase of 3.49 percentage points as compared with the corresponding period of the previous year. For customer structure, the Company had 390.4 thousand corporate deposit accounts with outstanding balance, representing an increase of 102.6 thousand as compared with the end of the previous year, and 1.0622 million VIP retail customers, representing an increase of 281.9 thousand as compared with the end of the previous year. The number of mobile banking customers exceeded 5 million and amounted to 5.5452 million.

As the Company deepened its strategic transformation, it recorded remarkable results in its strategic business. It focused on the strategy of small business finance and community finance and facilitated the transformation of branches. For small business finance, outstanding loans to small and micro enterprises amounted to RMB404,722 million, representing an increase of RMB87,771 million, or 27.69%, as compared with the end of the previous year. The number of small and micro enterprise customers totalled 1.9049 million, representing an increase of 91.97% as compared with the end of the previous year. The non-performing ratio of loans to small and micro enterprises was controlled at 0.48%. For community finance, the Company expedited the establishment of the product system, channel network and system construction. 3,305 community sub-branches and self-service outlets have been completed and commenced operation. The Company steadily pushed forward the NSOE strategy. It had 12,973 NSOE customers with outstanding loan balances, and the outstanding general loans to NSOEs amounted to RMB585,241 million, accounting for 86.52% and 64.91% of corporate banking segment, respectively. The Company continued its high-end customer strategy. It had 12,900 private banking customers, representing an increase of 37.39% as compared with the end of the previous year. The scale of financial assets of private banking customers under management of the Company reached RMB191,941 million, representing an increase of 49.76% as compared with the end of the previous year.

(III) Improved operating efficiency with stringent cost control

During the reporting period, the Group enforced stricter control on costs and expenses and optimised the management and control of costs and expenses to improve operating efficiency. The cost-to-income ratio was 32.69%, representing a decrease of 1.40 percentage points as compared with the corresponding period of the previous year.

(IV) Enhanced risk management and stable asset quality

The Group strengthened its risk management and strived to carry out collection, resolution and disposal of assets in order to maintain stable asset quality. As at the end of the reporting period, the impaired loans ratio of the Group was 0.85%, representing a slight increase of 0.09 percentage point as compared with the end of the previous year. Provision coverage ratio and provision for total loans ratio were 259.74% and 2.21%, respectively.

III. Analysis of Major Items of Income Statement

During the reporting period, the Group further improved its profitability and realised a net profit attributable to equity shareholders of the Bank of RMB42,278 million, representing an increase of 12.55% as compared with the corresponding period of the previous year, primarily attributable to 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	2013	2012	Increase (%)
Operating income	116,102	102,861	12.87
Of which: Net interest income	83,033	77,153	7.62
Net non-interest income	33,069	25,708	28.63
Operating expenses	45,962	42,889	7.17
Impairment losses on assets	12,989	9,320	39.37
Profit before income tax	57,151	50,652	12.83
Less: Income tax expense	13,869	12,344	12.35
Net profit	43,282	38,308	12.98
Of which: Net profit attributable to			
equity shareholders of the Bank	42,278	37,563	12.55
Income attributable to non-controlling interests	1,004	745	34.77

Management Discussion and Analysis

The major items, percentages and changes of operating income are as follows:

(Unit: RMB million)

Item	2013		2012		Increase (%)
	Amount	% of total	Amount	% of total	
Net interest income	83,033	71.52	77,153	75.01	7.62
Of which: Interest income from loans and advances to customers	104,926	90.37	98,202	95.47	6.85
Interest income from financial assets held under resale agreement	37,548	32.34	19,354	18.82	94.01
Interest income from securities and other investments	11,992	10.33	8,690	8.45	38.00
Interest income from balances with banks and other financial institutions	9,447	8.14	12,533	12.18	-24.62
Interest income from finance lease receivables	7,189	6.19	5,327	5.18	34.95
Interest income from balances with the central bank	6,567	5.66	5,303	5.16	23.84
Interest income from placements with banks and other financial institutions	4,485	3.86	2,478	2.41	80.99
Interest expenses	-99,121	-85.37	-74,734	-72.66	32.63
Net non-interest income	33,069	28.48	25,708	24.99	28.63
Net fee and commission income	29,956	25.80	20,523	19.95	45.96
Other net non-interest income	3,113	2.68	5,185	5.04	-39.96
Total	116,102	100.00	102,861	100.00	12.87

(I) Net interest income and net interest margin

During the reporting period, net interest income of the Group was RMB83,033 million, representing an increase of RMB5,880 million, or 7.62%, as compared with the corresponding period of the previous year. Among which, the growth of business scale contributed RMB17,454 million to the increase in net interest income and the changes in interest rate caused the net interest income to decrease by RMB11,574 million.

During the reporting period, the net interest margin of the Group was 2.49%, representing a decrease of 0.45 percentage point as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in interest spread and the change in structure of interest-bearing assets.

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

(Unit: RMB million)

Item	2013			2012		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Interest-earning assets						
Total balance of loans and advances to customers	1,493,864	104,926	7.02	1,304,935	98,202	7.53
Of which: Corporate loans and advances	949,094	65,765	6.93	908,712	67,896	7.47
Personal loans and advances	544,770	39,161	7.19	396,223	30,306	7.65
Securities and other investments	284,685	11,992	4.21	223,157	8,690	3.89
Balances with the central bank	420,505	6,567	1.56	360,121	5,303	1.47
Balances with banks and other financial institutions	227,821	9,447	4.15	274,727	12,533	4.56
Placements with banks and other financial institutions	96,977	4,485	4.62	49,205	2,478	5.04
Financial assets held under resale agreements	726,350	37,548	5.17	351,973	19,354	5.50
Finance lease receivables	83,330	7,189	8.63	56,989	5,327	9.35
Total	3,333,532	182,154	5.46	2,621,107	151,887	5.79
Item	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	2,103,518	48,392	2.30	1,743,522	41,386	2.37
Of which: Corporate deposits	1,641,249	37,810	2.30	1,419,258	34,081	2.40
Demand	622,587	4,240	0.68	573,719	4,096	0.71
Time	1,018,662	33,570	3.30	845,539	29,985	3.55
Personal deposits	462,269	10,582	2.29	324,264	7,305	2.25
Demand	117,236	430	0.37	86,242	369	0.43
Time	345,033	10,152	2.94	238,022	6,936	2.91
Deposits from banks and other financial institutions	765,906	37,463	4.89	498,623	22,496	4.51
Placements from banks and other financial institutions	26,868	1,021	3.80	20,185	805	3.99
Financial assets sold under repurchase agreements	69,556	3,520	5.06	74,579	3,741	5.02
Debt securities issued	87,732	4,186	4.77	67,013	3,159	4.71
Borrowings from central bank and other financial institutions	85,512	4,539	5.31	54,764	3,147	5.75
Total	3,139,092	99,121	3.16	2,458,686	74,734	3.04
Net interest income		83,033			77,153	
Net interest spread			2.30			2.75
Net interest margin			2.49			2.94

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 illustrates the breakdown of the impact on the changes in interest income and interest expenses of the Group due to changes in scale and changes in interest rate:

(Unit: RMB million)

Item	Changes due to changes in scale from 2012 to 2013	Changes due to changes in interest rate from 2012 to 2013	Net changes
Changes in interest income:			
Total balance of loans and advances to customers	14,218	-7,494	6,724
Securities and other investments	2,396	906	3,302
Balances with the central bank	889	375	1,264
Balances with banks and other financial institutions	-2,140	-946	-3,086
Placements with banks and other financial institutions	2,406	-399	2,007
Financial assets held under resale agreements	20,586	-2,392	18,194
Financial lease receivables	2,462	-600	1,862
Subtotal	40,817	-10,550	30,267
Changes in interest expenses:			
Deposits from customers	8,545	-1,539	7,006
Deposits from banks and other financial institutions	12,059	2,908	14,967
Placements from banks and other financial institutions	267	-51	216
Financial assets sold under repurchase agreements	-252	31	-221
Debt securities issued	977	50	1,027
Borrowings from the central bank and other financial institutions	1,767	-375	1,392
Subtotal	23,363	1,024	24,387
Changes in net interest income	17,454	-11,574	5,880

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

1. Interest income

During the reporting period, interest income of the Group was RMB182,154 million, representing an increase of RMB30,267 million, or 19.93%, as compared with the corresponding period of the previous year. The expansion of the scale of interest-earning assets contributed RMB40,817 million to the increase in interest income therein. The decrease in return on interest-earning assets caused a decrease of RMB10,550 million in interest income. In respect of interest income structure, interest income from loans and advances accounted for 57.60% of the total interest income and interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements accounted for 28.26% of the total interest income.

(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 RMB104,926 million, representing an increase of RMB6,724 million, or 6.85%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances accounted for 37.32% of total loan interest income, representing an increase of 6.46 percentage points as compared with the corresponding period of the previous year, due to the significant growth of personal loans and advances business of the Group. During the reporting period, given the effect of the decreases in interest rates in the previous year, average return on loans and advances to customers decreased by 0.51 percentage point to 7.02% as compared with the corresponding period of the previous year.

(2) Interest income from securities and other investments

During the reporting period, interest income from securities and other investments of the Group was RMB11,992 million, representing an increase of RMB3,302 million, or 38.00%, as compared with the corresponding period of the previous year. The increase was mainly due to the structural adjustment and expansion of the scale of investment portfolio.

(3) Interest income from balances with the central bank

During the reporting period, interest income from balances with the central bank of the Group was RMB6,567 million, representing an increase of RMB1,264 million, or 23.84%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of the scale of the balances with the central bank.

Management Discussion and Analysis

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

During the reporting period, interest income from deposits and placements with banks and other financial institutions and financial assets held under resale agreements of the Group was RMB51,480 million, representing an increase of RMB17,115 million, or 49.80%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of the scale of the daily average balances of interbank business.

(5) Interest income from finance lease receivables

During the reporting period, interest income of the Group from finance lease receivables amounted to RMB7,189 million, representing an increase of RMB1,862 million, or 34.95%, as compared with the corresponding period of the previous year. The increase was mainly due to business scale expansion of Minsheng Leasing, a subsidiary of the Group.

2. Interest expenses

During the reporting period, interest expenses of the Group was RMB99,121 million, representing an increase of RMB24,387 million, or 32.63%, as compared with the corresponding period of the previous year. Increases of RMB23,363 million and RMB1,024 million arose due to the expansion of the scale of interest-bearing liabilities and the increase in cost on interest-bearing liabilities, respectively. As to the components of interest expenses, the interest expenses on deposits from customers accounted for 48.82% of the total interest expenses while interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements accounted for 42.38% 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 RMB48,392 million, representing an increase of RMB7,006 million, or 16.93%, as compared with the corresponding period of the previous year. The increase was mainly due to the further expansion of the scale of deposits from customers.

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

During the reporting period, interest expenses of the Group on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB42,004 million, representing an increase of RMB14,962 million, or 55.33%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth of daily average balance of deposits from banks and other financial institutions and cost ratio in accordance with the arrangements for asset and liability businesses of the Group during the reporting period.

(3) Interest expenses on bonds issued

During the reporting period, interest expenses of the Group on bonds issued amounted to RMB4,186 million, representing an increase of RMB1,027 million, or 32.51%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the size of the bonds issued.

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

During the reporting period, interest expenses of the Group on borrowings from the central bank and other financial institutions amounted to RMB4,539 million, representing an increase of RMB1,392 million, or 44.23%, as compared with the corresponding period of the previous year, which was mainly due to the increase in borrowings of the Group from the central bank and the expansion of the scale of borrowings of Minsheng Leasing, a subsidiary of the Group.

(II) Net non-interest income

During the reporting period, the realised net non-interest income of the Group amounted to RMB33,069 million, representing an increase of RMB7,361 million, or 28.63%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2013	2012	Increase (%)
Net fee and commission income	29,956	20,523	45.96
Other net non-interest income	3,113	5,185	-39.96
Total	33,069	25,708	28.63

Management Discussion and Analysis

1. Net fee and commission income

During the reporting period, net fee and commission income of the Group amounted to RMB29,956 million, representing an increase of RMB9,433 million, or 45.96%, as compared with the corresponding period of the previous year, which was mainly due to the increases in fee and commission income from bank card services, trust and other fiduciary services and agency services.

(Unit: RMB million)

Item	2013	2012	Increase (%)
Trust and other fiduciary services	9,764	6,431	51.83
Bank card services	8,609	5,331	61.49
Settlement services	3,041	2,734	11.23
Agency services	5,121	2,573	99.03
Fee and commission of credit commitments	3,654	2,491	46.69
Financial advisory services	2,277	1,734	31.31
Finance lease services	517	721	-28.29
Others	78	76	2.63
Fee and commission income	33,061	22,091	49.66
Less: Fee and commission expenses	3,105	1,568	98.02
Net fee and commission income	29,956	20,523	45.96

2. Other net non-interest income

During the reporting period, other net non-interest income of the Group was RMB3,113 million, representing a decrease of RMB2,072 million, or 39.96%, as compared with the corresponding period of the previous year, which was mainly due to the decrease in gain from disposals of bills as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2013	2012	Increase (%)
Net trading gain	-25	509	Negative for this period
Net gain arising from disposals of securities and discounted bills	2,505	4,407	-43.16
Other operating income	633	269	135.32
Total	3,113	5,185	-39.96

(III) Operating expenses

During the reporting period, operating expenses of the Group amounted to RMB45,962 million, representing an increase of 7.17% as compared with the corresponding period of the previous year. The increase was mainly due to the increases in expenses of branches and outlets, IT system and establishment of channels. The cost-to-income ratio of the Group was further improved to 32.69%, representing a decrease of 1.40 percentage points as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2013	2012	Increase (%)
Staff costs (including Director's emoluments)	19,145	18,851	1.56
Business tax and surcharges	8,004	7,825	2.29
Office expenses	3,589	2,231	60.87
Rental expenses and property management fees	2,939	1,946	51.03
Depreciation and amortisation expenses	2,114	1,588	33.12
Supervisory charges	195	134	45.52
Business expenses and others	9,976	10,314	-3.28
Total	45,962	42,889	7.17

(IV) Impairment losses on assets

During the reporting period, the Group recorded an impairment loss on assets of RMB12,989 million, representing an increase of RMB3,669 million, or 39.37%, as compared with the corresponding period of the previous year. The increase was mainly due to the impairment allowances made in respect of new loans and downgraded loans of the Group.

(Unit: RMB million)

Item	2013	2012	Increase (%)
Loans and advances to customers	12,947	8,331	55.41
Finance lease receivables	692	774	-10.59
Others	-650	215	Negative for this period
Total	12,989	9,320	39.37

(V) Income tax expenses

During the reporting period, income tax expenses of the Group amounted to RMB13,869 million, representing an increase of RMB1,525 million as compared with the corresponding period of the previous year, and accounting for 24.27% of the profit before tax.

Management Discussion and Analysis

IV. Analysis of Major Items of Balance Sheet

(I) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB3,226,210 million, representing an increase of RMB14,209 million, or 0.44%, from the end of the previous year. Total asset scale remained stable.

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

(Unit: RMB million)

Item	31 December 2013		31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total	Amount	% of total
Total balance of loans and advances to customers	1,574,263	48.80	1,384,610	43.11	1,205,221	54.07
Less: Allowance for impairment losses on loans	34,816	1.08	33,098	1.03	26,936	1.21
Net balance of loans and advances to customers	1,539,447	47.72	1,351,512	42.08	1,178,285	52.86
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	767,335	23.78	1,048,905	32.66	411,103	18.44
Cash and balances with the central bank	433,802	13.45	420,418	13.09	332,805	14.93
Securities and other investments	306,722	9.51	243,520	7.58	212,072	9.51
Finance lease receivables	82,543	2.56	74,809	2.33	44,895	2.01
Property and equipment	24,102	0.75	13,631	0.42	9,971	0.45
Others	72,259	2.23	59,206	1.84	39,933	1.80
Total	3,226,210	100.00	3,212,001	100.00	2,229,064	100.00

Note: Securities and other investments include financial assets at fair value through the profit or loss, positive fair value of derivatives, available-for-sale securities, held-to-maturity securities and loans and receivables.

1. Loans and advances to customers

As at the end of the reporting period, total balance of loans and advances issued to customers of the Group amounted to RMB1,574,263 million, representing an increase of RMB189,653 million, or 13.70%, as compared with the end of the previous year. The total balance of loans and advances issued to customers accounted for 48.80% of total assets, representing an increase of 5.69 percentage points as compared with the end of the previous year.

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

(Unit: RMB million)

Item	31 December 2013		31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	968,734	61.54	919,034	66.37	841,118	69.79
Of which: Discounted bills	33,364	2.12	15,764	1.14	13,960	1.16
Personal loans and advances	605,529	38.46	465,576	33.63	364,103	30.21
Total	1,574,263	100.00	1,384,610	100.00	1,205,221	100.00

Breakdown of personal loans and advances is as follows:

(Unit: RMB million)

Item	31 December 2013		31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	408,891	67.53	317,470	68.19	232,495	63.85
Credit card overdrafts	113,298	18.71	66,305	14.24	38,551	10.59
Residential mortgage	62,096	10.25	71,518	15.36	83,337	22.89
Others	21,244	3.51	10,283	2.21	9,720	2.67
Total	605,529	100.00	465,576	100.00	364,103	100.00

2. Balances and placements with banks and other financial institutions and financial assets held under resale agreements

As at the end of the reporting period, the total balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB767,335 million, representing a decrease of 26.84% as compared with the end of the previous year, primarily because the Group adjusted the scale of its assets involved in other banks and duly adjusted the scale of its financial assets held under resale agreements.

Management Discussion and Analysis

3. Securities and other investments

As at the end of the reporting period, the net value of securities and other investments of the Group was RMB306,722 million, representing an increase of 25.95% as compared with the end of the previous year, mainly due to the expansion of the scale of held-to-maturity investments and loans and receivables.

(1) Composition of securities and other investments

The breakdown of securities and other investments of the Group by purpose of holding is as follows:

(Unit: RMB million)

Item	31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Financial assets at fair value through the profit or loss	22,262	7.26	26,318	10.81
Positive fair value of derivatives	1,986	0.65	1,234	0.50
Available-for-sale securities	111,532	36.36	117,275	48.16
Held-to-maturity securities	133,124	43.40	83,653	34.35
Loans and receivables	37,818	12.33	15,040	6.18
Total	306,722	100.00	243,520	100.00

(2) Holdings of financial bonds

As at the end of the reporting period, the financial bonds held by the Group mainly consisted of the policy financial bonds and certain bonds issued by commercial banks and other financial institutions. The top ten financial bonds in terms of par value are as follows:

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Impairment allowances
2012 Financial bonds	4,200	4.20	2017-02-28	—
2013 Financial bonds	4,060	3.679	2016-04-11	—
2013 Financial bonds	3,610	3.91	2014-07-18	—
2013 Financial bonds	3,470	3.9799	2016-07-18	—
2012 Financial bonds	3,460	3.93	2015-04-23	—
2012 Financial bonds	3,010	3.39	2015-07-09	—
2013 Financial bonds	3,000	4.37	2018-07-29	—
2012 Financial bonds	2,500	3.15	2014-05-24	—
2013 Financial bonds	2,490	Floating, 5.76 for the period	2020-04-08	—
2013 Financial bonds	2,420	4.55	2014-10-24	—
Total	32,220			—

(3) Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	95,524	719	621
Foreign exchange forwards	15,285	141	156
Currency swaps	184,124	1,120	1,104
Precious metal derivatives	1,659	—	1
Credit derivatives	72,487	—	—
Extension options	8,300	—	—
Currency options	4,216	6	1
Total		1,986	1,883

(II) Liabilities

As at the end of the reporting period, the Group's total liabilities amounted to RMB3,021,923 million, representing a slight decrease of 0.71% as compared with the end of the previous year.

Management Discussion and Analysis

The breakdown of the Group's total liabilities is listed below:

(Unit: RMB million)

Item	31 December 2013		31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	2,146,689	71.04	1,926,194	63.29	1,644,738	78.51
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	638,244	21.12	910,597	29.92	333,135	15.90
Borrowings from the central bank and other financial institutions	81,835	2.71	72,135	2.37	40,985	1.96
Bonds issued	91,968	3.04	74,969	2.46	31,030	1.48
Others	63,187	2.09	59,562	1.96	45,066	2.15
Total	3,021,923	100.00	3,043,457	100.00	2,094,954	100.00

1. Deposits from customers

As at the end of the reporting period, total balance of deposits from customers of the Group amounted to RMB2,146,689 million, representing an increase of RMB220,495 million, or 11.45%, as compared with the end of the previous year, accounting for 71.04% of the total liabilities. In respect of customer structure, the proportion of corporate deposits, personal deposits and other deposits in total deposits were 75.91%, 23.80% and 0.29%, respectively. In respect of maturity structure, the proportion of demand deposits, time deposits and other deposits in total deposits were 37.75%, 61.96% and 0.29%, respectively.

(Unit: RMB million)

Item	31 December 2013		31 December 2012		31 December 2011	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	1,629,503	75.91	1,528,562	79.36	1,352,991	82.26
Demand	677,725	31.57	621,592	32.27	609,850	37.08
Time	951,778	44.34	906,970	47.09	743,141	45.18
Personal deposits	510,944	23.80	393,774	20.44	288,622	17.55
Demand	132,703	6.18	107,861	5.60	85,198	5.18
Time	378,241	17.62	285,913	14.84	203,424	12.37
Outward remittance and remittance payables	4,258	0.20	3,230	0.17	3,125	0.19
Certificates of deposit	1,984	0.09	628	0.03	—	—
Total	2,146,689	100.00	1,926,194	100.00	1,644,738	100.00

2. Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

As at the end of the reporting period, total deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB638,244 million, representing a decrease of 29.91% as compared with the end of the previous year. The decrease was mainly due to its initiative for the adjustment of the business scale of interbank liabilities in accordance with the structural arrangements and adjustments for liability businesses.

(III) Shareholders' equity

As at the end of the reporting period, total shareholders' equity of the Group amounted to RMB204,287 million, representing an increase of RMB35,743 million, or 21.21%, as compared with the end of the previous year. Total equity attributable to the equity shareholders of the Bank amounted to RMB197,712 million, representing an increase of RMB34,635 million, or 21.24%, as compared with the end of previous year. The increase in the shareholders' equity was mainly due to the increase of net profit of the Group.

(Unit: RMB million)

Item	31 December 2013	31 December 2012	Increase (%)
Share capital	28,366	28,366	—
Capital reserve	49,234	45,714	7.70
Surplus reserve	16,456	12,330	33.46
General reserve	42,487	39,480	7.62
Investment revaluation reserve	-2,842	-427	Negative figure for both periods
Retained earnings	64,023	37,615	70.21
Exchange reserve	-12	-1	Negative figure for both periods
Total equity attributable to equity shareholders of the Bank	197,712	163,077	21.24
Non-controlling interests	6,575	5,467	20.27
Total	204,287	168,544	21.21

Management Discussion and Analysis

(IV) Off-balance sheet items

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

(Unit: RMB million)

Item	31 December 2013	31 December 2012	Increase (%)
Bank acceptances	522,849	586,654	-10.88
Letters of credit	126,934	134,985	-5.96
Guarantees	105,711	68,488	54.35
Re-factoring	22,433	33,600	-33.24
Unused credit card commitments	40,377	25,722	56.97
Irrevocable loan commitments	4,343	4,001	8.55
Finance lease commitments	2,109	3,850	-45.22
Capital commitments	8,564	11,881	-27.92
Operating lease commitments	16,881	8,534	97.81

(V) Market share of major products and services

According to the Summary of Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) (《金融機構本外幣信貸收支月報表》) released by the PBOC, among nine national joint-stock commercial banks in China, as at the end of the reporting period, the market share of total deposits and personal deposits of the Company were 12.48% and 13.80%, respectively. The market share of total loans, loans excluding discounted bills and personal loans of the Company were 12.80%, 12.78% and 16.36%, respectively, as at the end of the reporting period. (Note: Nine national joint-stock commercial banks in China referred to China Merchants Bank, CITIC Bank, Industrial Bank, China Everbright Bank, Shanghai Pudong Development Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank and the Company. The above data was based on the information of the domestic institutions of the Company.)

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	222,573	14.14	208,160	15.03
Real estate	165,570	10.52	147,958	10.69
Wholesale and retail	145,202	9.22	123,031	8.89
Leasing and commercial services	92,611	5.88	98,453	7.11
Mining	80,941	5.14	81,405	5.88
Transportation, storage and postal service	61,454	3.90	63,936	4.62
Construction	44,916	2.85	39,411	2.85
Water, environment and public utilities management	32,188	2.04	31,551	2.28
Public administration, social security and social organisations	31,502	2.00	30,014	2.17
Financial services	27,480	1.75	18,415	1.33
Production and supply of electric power, heat, gas and water	19,965	1.27	20,132	1.45
Accommodation and catering	15,503	0.98	13,056	0.94
Agriculture, forestry, animal husbandry and fishery	12,015	0.76	7,586	0.55
Others	16,814	1.09	35,926	2.58
Subtotal	968,734	61.54	919,034	66.37
Personal loans and advances	605,529	38.46	465,576	33.63
Total	1,574,263	100.00	1,384,610	100.00

Management Discussion and Analysis

(II) Geographical distribution of loans

(Unit: RMB million)

Item	31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Northern China	475,995	30.24	399,760	28.87
Eastern China	506,901	32.20	476,551	34.42
Southern China	169,256	10.75	147,305	10.64
Other regions	422,111	26.81	360,994	26.07
Total	1,574,263	100.00	1,384,610	100.00

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

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

(Unit: RMB million)

Item	31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Unsecured loans	272,459	17.31	195,313	14.11
Guaranteed loans	565,010	35.89	474,570	34.27
Loans secured by				
— tangible assets other than monetary assets	529,564	33.64	548,463	39.61
— monetary assets	207,230	13.16	166,264	12.01
Total	1,574,263	100.00	1,384,610	100.00

(IV) Top ten borrowers

As at the end of the reporting period, the aggregate outstanding loans to the top ten borrowers of the Group were RMB35,907 million, accounting for 2.28% of the total loans. The top ten borrowers of the Group were as follows:

(Unit: RMB million)

Top ten borrowers	Outstanding loans	Percentage of total loans (%)
A	6,445	0.41
B	5,245	0.33
C	3,737	0.24
D	3,147	0.20
E	3,000	0.19
F	3,000	0.19
G	2,990	0.19
H	2,844	0.18
I	2,799	0.18
J	2,700	0.17

As at the end of the reporting period, total loans to the single largest borrower to net capital and total loans to the top ten borrowers to net capital of the Group were as follows:

(Unit: %)

Major Indicators	Benchmark	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
Total loans to the single largest borrower to net capital	≤10	2.59	2.97	3.70
Total loans to the top ten borrowers to net capital	≤50	14.44	16.10	20.06

Notes: 1. Total loans to the single largest borrower to net capital = Total loans to the single largest borrower/net capital.

2. Total loans to the top ten borrowers to net capital = Total loans to the top ten borrowers/net capital.

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(V) Five-category classification of credit assets

As at the end of the reporting period, the five-category classification of credit assets of the Group remained stable as compared to the end of the previous year. Impaired loan ratio of the Group slightly increased as compared with the end of the previous year.

(Unit: RMB million)

Item	31 December 2013		31 December 2012		Increase (%)
	Amount	% of total	Amount	% of total	
Performing loans	1,560,859	99.15	1,374,087	99.24	13.59
Of which: Pass	1,540,486	97.86	1,356,997	98.01	13.52
Special-mention	20,373	1.29	17,090	1.23	19.21
Impaired loans	13,404	0.85	10,523	0.76	27.38
Of which: Substandard	9,221	0.58	6,444	0.47	43.09
Doubtful	3,102	0.20	2,676	0.19	15.92
Loss	1,081	0.07	1,403	0.10	-22.95
Total	1,574,263	100.00	1,384,610	100.00	13.70

(VI) Migration ratio of loans

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

(Unit: %)

Item	31 December 2013	31 December 2012	31 December 2011
Pass	2.40	1.98	1.20
Special-mentioned	23.71	11.99	26.79
Substandard	19.60	8.78	17.50
Doubtful	11.79	19.29	2.96

(VII) Restructured loans and overdue loans

As at the end of the reporting period, restructured loans of the Group amounted to RMB612 million, representing a decrease of RMB615 million, or 50.12%, as compared with the end of the previous year. Overdue loans amounted to RMB27,321 million, representing an increase of RMB8,397 million as compared with the end of the previous year. Percentage of overdue loans was 1.74%, representing an increase of 0.37 percentage point as compared with the end of the previous year.

(Unit: RMB million)

Item	31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Restructured loans	612	0.04	1,227	0.09
Overdue loans	27,321	1.74	18,924	1.37

- Notes:
1. Restructured loans (full name: loans after reschedule) are loans of which the terms of repayment under the loan agreement have been amended by the Bank as a result of deteriorate financial status of the borrower or inability of the borrower to repay the debt due.
 2. Overdue loans are loans of which the repayment of principal or interest is overdue for one or more days.

(VIII) Changes in provision for impairment losses on loans

(Unit: RMB million)

Item	31 December 2013	31 December 2012
Opening balance	33,098	26,936
Change for the period	15,091	9,537
Release during the period	-2,144	-1,206
Transfer out	-7,303	-402
Write-offs	-4,049	-1,881
Recoveries	596	448
Unwinding of discount	-470	-334
Exchange gain or loss	-3	—
Closing balance	34,816	33,098

Method for assessing provision for impairment losses on loans:

On reviewing the book values of the Group's loans as at the date of the Statement of Financial Position, if objective evidence shows the loan is impaired 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 recognise the impairment loss of the loan and write off the value of the loan to its recoverable amount. The written off amount will be charged to the profit or loss account of the relevant period as impairment losses. Besides an individual objective 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 objective 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 recognised at its impaired value, no collective impairment provision is required.

(IX) Impaired loans and related measures

As at the end of the reporting period, the Group had impaired loans of RMB13,404 million. The impaired loan ratio was 0.85%, increased by 0.09 percentage point as compared with the end of the previous year.

1. Industry concentration of impaired loans

(Unit: RMB million)

Item	31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	3,985	29.74	3,783	35.94
Real estate	423	3.16	633	6.02
Wholesale and retail	3,430	25.59	1,958	18.61
Leasing and commercial services	241	1.80	292	2.77
Mining	6	0.04	95	0.90
Transportation, storage and postal service	1,393	10.39	138	1.31
Construction	55	0.41	159	1.51
Water, environment and public utilities management	194	1.45	—	—
Public administration, social security and social organisations	—	—	—	—
Financial services	36	0.27	—	—
Production and supply of electric power, heat, gas and water	—	—	28	0.27
Accommodation and catering	42	0.31	926	8.80
Agriculture, forestry, animal husbandry and fishery	73	0.54	27	0.26
Others	54	0.40	221	2.10
Subtotal	9,932	74.10	8,260	78.49
Personal loans and advances	3,472	25.90	2,263	21.51
Total	13,404	100.00	10,523	100.00

2. Geographical distribution of impaired loans

(Unit: RMB million)

Item	31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Northern China	5,824	43.45	5,103	48.50
Eastern China	5,333	39.79	4,399	41.80
Southern China	633	4.72	462	4.39
Other regions	1,614	12.04	559	5.31
Total	13,404	100.00	10,523	100.00

Note: The geographical distribution is consistent with that in "V. Qualitative Analysis of Loans (II) Geographical distribution of loans" in this report.

In order to effectively control and ensure stable 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 improve the risk management policies and imposing multidimensional risk limit management for various industries and regions;
- (3) Strengthening risk monitoring, early-warning and routine post-loan management, conducting focused stress test, risk identification and special examination and closely monitoring loans with potential risk factors and hidden problems in order to formulate and enforce collection and disposal plans in an early and timely manner so as to effectively control new impaired loans;
- (4) Further enhancing collection and disposal of impaired loans by providing overall arrangement for the quality management of credit assets, 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 handling of regional risk and abnormal and contingent loans, conducting specific recovery and disposal activities and enhancing assessment so as to reinforce the accountability mechanism for non-performing assets and to improve the efficiency and effectiveness of recovery; and

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- (5) Strengthening training programs to improve the professional skills and the comprehensive qualities of the risk management team and foster the operating philosophy of complying with applicable laws and regulations.

VI. Analysis of Capital Adequacy Ratio

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

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

(Unit: RMB million)

Item	31 December 2013	
	The Group	The Company
Net core tier-one capital	202,654	190,068
Net tier-one capital	202,783	190,068
Total net capital base	248,615	233,198
Core tier-one capital	203,762	194,877
Core tier-one capital deductions	-1,108	-4,809
Other tier-one capital	129	—
Other tier-one capital deductions	—	—
Tier-two capital	46,432	43,730
Tier-two capital deductions	-600	-600
Total risk-weighted assets	2,325,105	2,197,582
Of which: Credit risk — weighted assets	2,101,930	1,981,096
Market risk — weighted assets	35,680	35,680
Operational risk — weighted assets	187,495	180,806
Core tier-one capital adequacy ratio (%)	8.72	8.65
Tier-one capital adequacy ratio (%)	8.72	8.65
Capital adequacy ratio (%)	10.69	10.61

Capital instruments entitling to preferential transitional policy: According to the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), unqualified tier-2 capital instruments issued by commercial banks before 12 September, 2010 may entitle to preferential policy of a progressive deduction of book value by 10% per annum starting from 1 January 2013. As at the end of 2012, the book value of the unqualified tier-2 capital instruments of the Company amounted to RMB25 billion, and was deducted by 10% per annum starting from 2013. As at the end of the reporting period, the book value of the unqualified tier-2 capital instruments of the Company was RMB22.5 billion.

Capital adequacy ratio calculated according to the Administrative Measures for the Capital Adequacy Ratio of Commercial Banks (《商業銀行資本充足率管理辦法》) is as follow:

Item	31 December 2013	
	The Group	The Company
Core capital adequacy ratio (%)	8.83	8.85
Capital adequacy ratio (%)	12.10	12.14

For details of regulatory capital, please refer to “Investor Relations — Information Disclosure — Regulatory Capital” on the Company’s website (www.cmbc.com.cn).

VII. Segment Report

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

Management Discussion and Analysis

(I) Segment operating results by geographical region

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before tax
Northern China	2,058,831	57,261	33,896
Eastern China	941,591	25,095	8,763
Southern China	441,054	11,184	4,328
Other regions	716,192	22,562	10,164
Inter-segment elimination	-942,141	—	—
Total	3,215,527	116,102	57,151

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

(II) Segment operating results by business line

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before tax
Corporate banking	1,351,718	61,504	28,529
Personal banking	607,844	32,485	15,771
Treasury	1,138,435	18,094	10,516
Others	117,530	4,019	2,335
Total	3,215,527	116,102	57,151

VIII. Other Financial Information

(I) Explanation of changes in accounting policies

The Ministry of Finance of the PRC newly issued CAS No. 39 — Fair Value Measurement and CAS No. 40 — Joint Arrangements, and revised CAS No. 9 — Employee Compensation, CAS No. 30 — Financial Statement Presentation and CAS No. 33 — Consolidated Financial Statements in January and February of 2014. These new and amended standards shall be adopted by all business enterprises with effect from 1 July 2014. However, early adoption is encouraged for companies listed overseas. As an issuer of both A shares and H shares, the Company has early adopted these standards in preparing the financial statements for 2013. The early adoption of these standards has no significant effect on financial position, operation results and cash flows of the Group and the Company for 2013 and no retrospective adjustment to the financial statements of previous years is required. The effect of the new standards to the financial statements of the Group and the Company for 2013 is mainly on the presentation and disclosure.

(II) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

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

Management Discussion and Analysis

2. Items measured at fair value

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

(Unit: RMB million)

Item	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: Financial assets at fair value through profit or loss	26,318	-582	—	—	22,262
Positive fair value of derivatives	1,234	752	—	—	1,986
Available-for-sale securities	117,150	—	-3,138	—	111,387
Total	144,702	170	-3,138	—	135,635
Financial liabilities					
Of which: Negative fair value of derivatives	1,335	548	—	—	1,883
Total	1,335	548	—	—	1,883

(III) Overdue and outstanding liabilities

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

IX. Performance of Key Business Lines

(I) Corporate banking business

In the reporting period, the Company took initiatives to respond to changes in the operating environment and grasped the new market opportunities arising from the national economic structural adjustment, transformation and upgrade, and the development of the new financial era to strengthen the reform of SBUs and corporate banking business development of its branches. The Company also consolidated its customer base and enlarged its financial assets, strengthened its regional distinctive features and enhanced the innovation of the products of the “two chains” (industry chain and supply chain) of financial and corporate banking businesses in order to continuously facilitate the transformation and development of the corporate banking business.

1. Customer base of corporate banking

During the reporting period, the Company focused on the NSOE strategy and the “two chains” financial service to formulate practicable development strategies in order to continuously expand the customer base. On the one hand, the Company strived to develop its business with distinctive regional features and explored new markets and customer groups in line with its cash management and trade financing products and innovative business mode to facilitate the rapid expansion of the customer base. On the other hand, the Company improved the marketing and management systems for strategic customers and key customers and facilitated the transformation and upgrade of the Financial Stewardship service model in order to stimulate the expansion and consolidation of quality customer base and make it optimal through adjustment.

As at the end of the reporting period, the Company had 390.4 thousand customers with outstanding corporate deposit balances, representing a sharp increase of 102.6 thousand customers as compared with the end of the previous year. The Company had 14,995 customers with outstanding general corporate loans, representing a slight decrease as compared with the end of the previous year.

In the reporting period, the Company had 92,827 new corporate deposit customers.



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In the reporting period, the Company continued to assist the ACFIC in organizing the “Press Conference on China’s Top 500 NSOEs” (中國民營企業500強發佈會) and organised the campaign of “NSOEs Entering Guangdong and Guangxi” (民企進兩廣(廣東·廣西)). The campaign has generated enthusiastic response from the society, which significantly enhanced the brand influence of the NSOE financial service of the Company.

As at the end of the reporting period, the Company had 12,973 NSOE customers with outstanding loan balances, and outstanding general loans of NSOEs amounted to RMB585,241 million. In corporate banking business segment, the number of NSOE customers with outstanding loan balances and general loan balances increased as compared with the end of the previous year, accounting for 86.52% and 64.91%, respectively. The strategic position of the Company as a “bank for NSOEs” was further strengthened.

2. Corporate loans

In the reporting period, according to the arrangement of the general strategic plan of the Company and the guiding principles of “liquidizing remnant assets, utilizing the increment, pushing forward the strategic goals and adopting stringent risk control” under the constraints of credit resources, the Company, on the one hand, developed a platform to integrate the traditional loan business and investment banking business so as to accelerate the turnover of remnant assets, achieved dynamic allocation of the line of credits and optimised adjustments of the loan structure. On the other hand, the Company took the allocation of new credit lines as an effective tool to promote the NSOE strategy and strategic businesses and facilitated the implementation of the transformation of corporate banking. Also, in order to strengthen the risk management of key businesses and maintain stable asset quality, the Company closely monitored the macro-economic environment and market changes in response to the risks associated with economic downturn.

The major operating strategies and measures of the Company’s credit business include the followings:

- (1) The Company prioritised the distribution of the limited credit resources to core customers and distinctive businesses, especially to those businesses which are favourable to the joint development of large, medium and small customers in the industry chains, and supported the exploration and cultivation of emerging distinctive industries for advancing business transformation.

- (2) The Company continuously optimised the loan distribution structure by increasing the loans to new industries and businesses such as mid-high technology intensive and advanced manufacturing industry, modern service industry and strategic emerging industry, while reducing the loans to financing platform and industries with high pollution and energy consumption and excess production capacity.
- (3) The Company targeted on four major customer groups, namely industry-concentrated customers, related customers of core enterprises, customers engaging in resources industries and customers with weak cycles, and focused on developing customers with outstanding operating results for major business, excellent management, sound financial position, high operational efficiency and bright prospects in order to further optimise 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 financing and trade financing as well as integrated credit facilities to meet the financing demand of customers. The Company continued to optimise its credit business structure and enhance the cost efficiency of resources.

As at the end of the reporting period, outstanding corporate loans (including discounted bills) of the Company amounted to RMB961,282 million, representing an increase of RMB48,185 million, or 5.28%, as compared with the end of the previous year. Of which, outstanding general corporate loans amounted to RMB901,635 million, representing an increase of RMB28,598 million, or 3.28%, as compared with the end of the previous year. Impaired corporate loan ratio was 1.02%.

In the reporting period, while improving the professional risk prevention and control platform and strengthening standardised operation and stringent risk control, the Company also increased its efforts in improving and optimizing the bill products, services and policies in order to satisfy the needs of customers. The Company launched a new integrated electronic processing platform for bill business, and realised the system support for the management of business procedures, highly efficient operations, prevention of operational risks, and ensured the safe operation through high-tech measures. Meanwhile, the Company also formed a professional bill business team to improve the design capability of integrated bill solutions, and provided effective industry financing solutions based on the business mode of “commercial bills for real economy” to further satisfy customers’ needs for diversified financial products and to provide better service to the customers of basic real economy.

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3. Corporate deposits

In the reporting period, in order to cope with the impacts and challenges brought by the liberalisation of interest rate and internet banking to the corporate deposit business of commercial banks, while enhancing the establishment of settlement platform and further consolidating the customer base of corporate business, the Company accelerated the upgrading of the key products and platforms such as cash management, trade financing and transaction financing and actively explored new sustainable deposit sources with lower costs and cultivated the long-term mechanism for organic growth of corporate deposits.

As at the end of the reporting period, the balance of corporate deposits of the Company was RMB1,614,454 million, representing an increase of RMB96,500 million, or 6.36%, as compared with the end of the previous year.

In the reporting period, the Company adopted an innovative base mode for its cash management business and enhanced capabilities in research, development, innovation and integrated application of products to build up the product portfolio adaptable to the strategic transformation. The Company also cooperated with a number of third-party payment enterprises to expand the customer base, drive the growth of low-cost liability business and promote the optimisation of corporate liability structure so as to make a leap in the corporate business development. As at the end of the reporting period, the Company had 261.9 thousand cash management customers, including 137.8 thousand new customers with their balances of demand deposits accounting for 56.69% of total deposits. In the reporting period, the Company was awarded the “Best Treasury Management Bank” in the “CCTM 2013 • the 3rd Annual Conference of CCTM” (CCTM 2013 • 第三屆中國財資年會) jointly organised by Treasury China (財資中國) and the Treasury Research and Development Centre (財資研究發展中心).

In the reporting period, the Company adhered to the guiding principle of “consolidating regional distinctive business with a focus on industry chain financing” for its transaction financing business, and further strengthened the capabilities of development and planning of distinctive industries. The Company kicked off a campaign of “Long-march for Accessing All Industry Chains” (鏈通天下萬里行) to create a thorough business development model for industry chains. Meanwhile, in order to follow the development trend of electronic and online business, the Company constantly strengthened the establishment of transaction financing business management system and online financial services platform to effectively improve the overall competitiveness of its products. In the reporting period, the business volume of transaction financing of the Company was RMB1,107,915 million. The number of regular customers was 13,966 and the daily average balance of derivative deposits amounted to RMB246,923 million. The Company’s leading competitive edges in the banking industry were constantly consolidated.

In the reporting period, the Company obtained two qualifications of agency bank for the centralised treasury payment (direct-payment and authorised-payment) of the central government and became one of the four commercial banks which serve as the agencies of the central government for centralised payment in China, laying a solid foundation for the development of the treasury payment chain of the central government and further business expansion of the Company.

4. Corporate non-interest income business

In the reporting period, adhering to the guiding principle of expanding the financial assets base, the Company adopted stronger policy support to the intermediary business and products of capital restraint to facilitate the development of large, medium and small customer base according to the financial strategy of the “two chains”. The revenue from trade financing, transaction financing and basic settlement business grew rapidly attributable to the product innovation and the batch business development mode. Moreover, the Company promoted the integrated financial services model of “Financial Stewardship” in order to enhance the major contribution of investment banking business of commercial banks to the revenue of the intelligence-based intermediary business. It also accelerated the development and innovation of investment banking model to improve the professional level and value-creating capability of the intermediary business services. In the reporting period, net fee and commission income of the Company in the corporate banking segment grew rapidly with an aggregated amount of RMB14,295 million, representing an increase of 43.52% as compared with the corresponding period of the previous year.



In respect of the commercial bank’s investment banking business, in order to further advance its business cutting-edge on “commercial banking + investment banking” and “smart financing” and become a distinctive and efficient investment bank providing comprehensive financial services, the Company established seven business segments, including merger and acquisition, capital market, investment management, innovative financing, fixed income, issue of bonds and institutional wealth management. Focusing on the major industries of SBU and regional featured industries of branches, the Company developed investment banking business for enterprises to improve profitability. The Company strived to develop innovative high-end investment banking business with a clear

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profit model to facilitate the upgrade of its investment banking business. As for the services for strategic customers, thorough studies on businesses and industries were conducted and distinctive comprehensive financial services featuring industrial, regional and capital integration were provided to the strategic customers according to their strategic plans and major economic activities. Under the guidelines of regulatory policies, the Company further carried out the innovation of business mode and research and development of product. In the reporting period, the Company achieved substantive breakthrough for its credit assets securitisation business and successfully completed the initial issue of credit asset-backed securities for medium and small-sized enterprises. The Company actively promoted the brand development of its investment banking business by launching “Easy Merger and Acquisition (併購翼)”, the first merger and acquisition brand of commercial banks in the PRC. The Company also established “China Merger and Acquisition Cooperation Association (中國併購合作聯盟)” jointly with outstanding partners in the industry and further promoted the brand of “Listing Express (上市直通車)”. The Company was awarded “2013 Best Investment Financial Service of Commercial Banks in the PRC (2013年中國商業銀行最佳投資金融服務獎)” by the academic committee of the 8th session of “21st Century Asian Financial Forum (21世紀亞洲金融論壇)”.

In respect of debt financing instruments and bond issuing and underwriting, the Company targeted at the direct debt financing instruments in the interbank market and actively explored the new business to facilitate the development of small and micro enterprises. The Company launched the new integrated credit enhancement bonds for small and micro enterprises and initiated the innovative work on products such as revolving bonds and asset-backed bills to enrich and improve the Company’s direct debt financing instrument product portfolio. In the reporting period, 153 bonds including short-term financing bonds, mid-term bills, super short-term financing bills, targeted instruments and integrated credit enhancement bonds for small and micro enterprises were issued with an aggregated amount of RMB110,520 million. Of which, the integrated credit enhancement bonds for small and micro enterprises of RMB4,250 million were issued through underwriting and were given great attention and recognition by the industry as they filled the gap in bond products for the service of small business finance.

In respect of asset custody business, capitalizing on various opportunities arising from the adjustment and enhancement of economic structure, rapid development of the capital market, market trend of large-scale asset custody and the Company’s strategic transformation, the Company further integrated the resources of the whole bank by utilizing the custody business as the Company’s functioning platform and actively promoted cross marketing. The asset custody business achieved remarkable results. As at the end of the reporting period, the assets held by the Company as custodian (including safekeeping) amounted to RMB1,956,703 million, representing an increase of 97.69% as compared with the end of the previous year. Revenue from the custody business was RMB3,024 million, representing an increase of 203.31% 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 honoured as the “Best Custodian Bank” (最佳託管銀行) by the 21st Century Business Herald and the “Robust Custodian Bank” (穩健託管銀行) by Financial Money (《金融理財》). The brand influence was further enhanced.

In respect of pension business, the Company put emphasis on the corporate annuity account management and custodian services and offered innovative financial services such as employee welfare plans and pension management. The Company also explored new businesses such as occupational business unit annuities to zealously build comprehensive financial service platform for pension financing, so as to facilitate the sound development of pension business. As at the end of the reporting period, 138,640 corporate annuity accounts were managed by the Company, representing an increase of 14.28% as compared with the end of the previous year. The corporate annuity funds under custody amounted to RMB9,173 million, representing an increase of 32.31% as compared with the end of the previous year.

5. Operation of the SBUs

In the reporting period, in order to strengthen the development, innovation and operating efficiency of SBUs, the Company launched the SBU reform version 2.0. The Company comprehensively innovated and reformed the operation mode of the industry-oriented finance SBUs based on the four major principles of “quasi corporation nature, professionalism, financial



resources integration and financial stewardship team” to facilitate the transformation of SBUs into a professional investment banking provider from the traditional deposit and loan model, aiming to remain as the leading financial service provider in the industry, expand financial assets, realise the structural transformation and increase capital return. The SBU system version 2.0 will be formally put into operation in 2014.

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(1) Real Estate Finance SBU

In the reporting period, the Real Estate Finance SBU overcame the adverse effects arising from the economic downturn, vigorous competitions in the financial industry and the disintegration of real estate market by maintaining prudent operation, refining innovative cooperation and development strategies and pushing forward the management reforms and steadily carried out different types of work. Therefore, the Real Estate Finance SBU recorded a historic high for the profit and revenue on intermediary business, and the daily average balance of deposits also increased significantly. The SBU also maintained asset quality at a good level and achieved satisfactory results in terms of customer base, team building, products, resources allocation, risk management and brand building.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Real Estate Finance SBU amounted to RMB57,037 million and RMB105,715 million, respectively. The impaired loan ratio was 0.40%. The net non-interest income amounted to RMB774 million, representing an increase of 17.10% as compared with the corresponding period of the previous year.

(2) Energy Finance SBU

In the reporting period, in order to cope with the adverse effects from the macro-economic downturn, the sluggish coal industry and competitions of the industry, the Energy Finance SBU focused on structural adjustment and management improvement. It strengthened the comprehensive risk management, explored new business models and reinforced the development of financial stewardship team to establish the image of “three banks”, namely traditional bank, trading bank and investment bank. Based on the concept of “risk and capital management”, the Company put great efforts to develop key businesses such as credit facilities for merger and acquisition, bond financing, financial management and trade finance by enhancing the innovative capability and operating efficiency so as to enhance the capital yield. In the reporting period, the Energy Finance SBU successfully issued 22 non-financial corporate debt financing instruments of RMB22,545 million and 61 wealth management projects of RMB19,363 million in total.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Energy Finance SBU amounted to RMB62,980 million and RMB101,820 million, respectively. The impaired loan ratio was 0.81% and the net non-interest income amounted to RMB958 million, representing an increase of 8.49% as compared with the corresponding period of the previous year.

(3) Transportation Finance SBU

In the reporting period, in light of the unfavourable conditions including the sluggish shipping industry and increasingly fierce competition in the industry, the Transportation Finance SBU adopted measures such as refining customer management and innovative model to achieve its strategic goal of improving overall efficiency, so as to maintain sound business development.



By treating distributor groups as the core, the Transportation Finance SBU promoted financial services for the whole automobile industry chain. Meanwhile, it actively promoted several business domains such as port, railway and transportation infrastructure. Customers from different levels increased rapidly and the customer services of Financial Stewardship were improved significantly. During the reporting period, the total revenue from the Financial Stewardship customers accounted for 40% of the total profit. Capitalizing on the opportunities arising from the new trend of urbanisation, the Transportation Finance SBU actively explored business opportunities in the construction of integrated transportation hub and transportation resource integration through direct financing, transaction financing and structured financing to promote its transformation towards investment banking. In addition, it strived to develop trade financing and transaction financing by utilizing a wide range of products including bond issuance, wealth management, commercial bill and cash management, which made significant contribution to the growth of income from intermediary business.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Transportation Finance SBU amounted to RMB50,156 million and RMB51,758 million, respectively. The impaired loan ratio was 0.97% and the net non-interest income amounted to RMB796 million, representing an increase of 45.52% as compared with the corresponding period of the previous year.

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(4) Metallurgy Finance SBU

In the reporting period, in response to the unfavourable external conditions including the sluggish metallurgy industry, sharp shrinkage of profitability and increasing losses of operations, the Metallurgy Finance SBU optimised its business and management process and enhanced the ability of its professional team. It continued cultivating core customers, such as NSOEs, and actively explored new business model. By fully utilizing social resources, it also actively expanded wealth management and bond issuance business to further broaden financing channels for customers. It explored new sources of profit to ensure the sustainability of profit growth.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Metallurgy Finance SBU amounted to RMB29,088 million and RMB32,516 million, respectively. The impaired loan ratio was 1.81%, and the net non-interest income amounted to RMB566 million.

(5) Trade Finance SBU

In the reporting period, the Trade Finance SBU continued to implement the operating concept of “becoming a professional service provider of distinctive trade finance”, it adopted the business model of “commercial banking + investment banking”, and integrated capital financing with intelligence and resource. The Trade Finance SBU expanded its business development through distinctive operations and product innovation, and strengthened the stable customer base consisting of the global top 500 enterprises and leading domestic NSOEs as strategic customers and medium-sized NSOEs as regular customers. As at the end of the reporting period, the Trade Finance SBU had established 32 branches and 18 inter-region business centres (secondary institutions). The net non-interest income and off-balance sheet assets denominated in RMB and foreign currencies amounted to RMB5,264 million and RMB269,387 million, respectively. During the reporting period, the rapid and healthy development of the trade finance business attracted extensive attention from domestic and international media of the financial industry. The Company was awarded “The Best Trade Finance Bank in China” (中國最佳貿易金融銀行獎) by The Asian Banker and “The Innovative Transaction Bank in China (2013) (中國年度創新型交易銀行獎(2013)) by Financial Times, a British magazine. The innovative financial product series, namely TSF and Matching Pool (撮合池), were ranked among the Top Ten Innovative Financial Products in Corporate Banking (對公業務十佳金融產品創新獎) by The Chinese Banker (《銀行家》).

The Trade Finance SBU has been devoting itself in building its distinctive trade financing services brand, so as to form a comprehensive product portfolio covering international settlement, international trade financing and domestic trade financing. It has set up a correspondent bank network and smooth settlement channels worldwide and built up correspondent banking relationships with 1,445 banks in 111 countries and regions across the world. Targeting to become

a provider of financial solutions and an integrator of financial services and resources, it put great efforts in providing customers with a series of innovative products and solutions, including factoring and structured trade financing, cross-broader Renminbi transaction and synergy of domestic and overseas finance, so as to satisfy customers' needs in integrated domestic and overseas trade financing services that cover all segments and processes.

Major distinctive businesses, including the factoring business and structured trade financing business, continued to maintain the leading position among domestic banks. In the reporting period, the volume of factoring business amounted to RMB108,391 million with a total of 172 thousand transactions. The total volume of international dual factoring business amounted to US\$1,149 million, ranking the second among domestic peers. A total of 18.6 thousand transactions of international dual factoring business were recorded, ranking the first among domestic peers.

The structured trade financing business, which primarily consisted of “going international” financing, long-term order financing, ship financing and bulk commodity trade financing, maintained rapid growth. Targeting to position itself as a major bank supporting the NSOEs to “go international”, the Company developed distinctive investment and financing businesses including overseas resources, traditional and new energies, privatisation and investment in factories. In respect of ship financing business, high-end ships, which were mainly dry bulk carriers and marine engineering equipment, became a new growth momentum. Long-term order financing business expanded from domestic trading to international trading and from goods trading to services and technology trading. In respect of bulk commodity financing business, the Trade Finance SBU introduced exclusive brand of “CFM” (commodity financing manager) and developed the first business model, CPF (commodity prepayment financing), under the CFM.

The Trade Finance SBU further improved the organisational structure and operating mechanism of Hua Shan Club (華山俱樂部) (the former “Trade Financier Club” (貿易金融家俱樂部)), and set up the Hua Shan stewardship team to provide enterprises with diversified and exclusive services with an aim to foster the future corporate leaders. Currently, the Club, consisting of 29 core NSOE customers of trade finance business, fully demonstrates the strategy of the Company being a “bank for NSOEs” and the advantages of the “Financial Stewardship” service model of the Company.

(6) Modern Agriculture Finance SBU

During the reporting period, according to the strategic objective of becoming a “distinctive bank”, the Modern Agriculture Finance SBU stepped up research and development efforts in various segments in the agricultural industry, including marine fisheries and tea industry, to further expand the cooperation channel of relevant businesses. It entered into strategic cooperation agreements

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with government authorities and associations. Furthermore, it took part in hosting the Hainan Tropical Modern Agriculture Industry Development Financing Session (海南熱帶現代農業發展融資對接會), the 2013 China (Xiamen) International Tea Industry Fair and 2013 Global Tea Industry Forum (2013中國(廈門)國際茶產業博覽會暨2013世界茶產業論壇) and China's Modern Agriculture Investment and Financing Forum (中國現代農業投融資論壇). The Modern Agriculture Finance SBU fully supported the shooting of "Tea, Story of a Leaf" (《茶·一片樹葉的故事》), the first large-scaled documentary in the PRC exploring the tea culture worldwide, which was broadcasted on CCTV.

During the reporting period, the influence of the professional brand of the Company in the modern agriculture financial service sector was further enhanced. The Company initiated the establishment of a financial service platform for modern agriculture, members of which included various financial institutions such as banks, insurance companies, funds, securities dealers and trusts, and adopted a "full and partial outsourcing" (總分包) model to provide agricultural enterprises with comprehensive financial solutions. In addition, it was invited to participate the Eleventh China International Agricultural Products Fair (第十一屆中國國際農產品交易會) and was the first financial institution to set up a financial booth in the fair.

As at the end of the reporting period, the active customers in marine fisheries and tea industry chains amounted to 5,613 and 1,270, representing increases of 127.15% and 248.90% as compared with the end of the previous year, respectively. The outstanding general loans to customers in marine fisheries and tea industry amounted to RMB13,258 million and RMB2,092 million, representing increases of 108.86% and 137.71% from the end of the previous year, respectively.

(7) Culture Industry Finance SBU

During the reporting period, focusing on the seven major industries, namely film and television, cultural tourism, artwork, performing arts, publication, traditional culture and cultural creativity supported by the 12th Five Year Plan of the PRC, the Culture Industry Finance SBU further explored new businesses and commercial models and formulated fundamental targeted customer base to expand financial assets rapidly. The Culture Industry Finance SBU also conducted in-depth research on the asset-light operations of culture industry with light assets and analysed the future cash flow from operations, which effectively solved the financing difficulties of the culture industry with asset-light operations. The Company has established market influence, market share and reputation in the film and television sector.

As at the end of the reporting period, the balance of financial assets of the Culture Industry Finance SBU amounted to RMB3,641 million, which included outstanding credit balance of RMB2,566 million and non-credit balances of RMB1,075 million, accounting for 29.52%, and deposit balance was RMB2,835 million.

(II) Retail banking business

During the reporting period, the Company comprehensively carried out the transformation focusing on “small business finance and community finance” (兩小金融) in full swing in all branches. Apart from further enhancing the small business finance, it officially launched community finance to promote a service system to provide convenience, benefits and welfare to the people. The Company expedited



development while transforming and the retail banking business of the Company entered a new development platform.

In the reporting period, the financial assets of personal customers managed by the Company amounted to RMB903,458 million. The balance of savings deposit increased to over RMB500 billion. The outstanding personal loans amounted to RMB597,980 million, representing an increase of RMB137,140 million as compared with the beginning of the year. The Company ranked the first among the nine national joint stock banks in terms of new saving deposits and personal loans. While achieving rapid business growth, the new risk management concept and model of the Company was challenged. As such, the Company sped up the adjustments of asset structure and enhanced collection efforts on impaired loans and the assets quality remained stable.

Management Discussion and Analysis

1. Small business finance

During the reporting period, the Company expedited the implementation of its strategy of “targeting at small business finance and community finance and freeing up two wings” (聚焦兩小、打通兩翼). It commenced the transformation of branches with a view to “strengthen branches and expand sub-branches” (做強分行、做大支行). In accordance with the principle of developing



standardised and large-scale segment operations, it further improved and optimised the soft power of branches and standardised the operation of segments at branch level, including planning and guiding, centralised marketing, centralised operation and after-sale service. It continued to improve, revise and reengineer the procedure for small business finance. The growth method of small business finance changed amid rapid growth in scale with continuous improvements on structure and quality.

The small and micro asset business maintained rapid growth and the customer structure continued to optimise. As at the end of the reporting period, the outstanding small and micro loans amounted to RMB404,722 million, representing an increase of RMB87,771 million, or 27.69%, as compared with the end of the previous year. Small and micro enterprise customers amounted to 1.9049 million, representing an increase of over 912.6 thousand, or 91.97%, as compared with the end of the previous year. Of which, the number of merchant card holders without loans amounted to 1.2202 million, representing an increase of 132.41%.

As the integrated operation continued to strengthen, small business finance played a more important role in the growth of traditional retail business. During the reporting period, the installed capacity and settlement amount of “Happy Payment” (樂收銀) were over 470 thousand units and RMB3,000 billion respectively, and the amount of deposit balance further increased.

Segmented operation model for small business finance was initially implemented in branches which resulted in material changes in the pattern of business growth. Firstly, credit granted to projects under planning increased significantly through improving the guidance provided by

planning. Credits to 898 small and micro projects under planning were reviewed by the head office, and the approval rate of the projects was 43.87%. Secondly, micro loans were launched and promoted to accelerate the optimisation of customer structure by further increasing customers of smaller size. The average outstanding loans per account of small and micro loan customers reduced from RMB2.03 million as at the beginning of the year to RMB1.79 million. Thirdly, the regional distinctive business grew steadily as the Company drew up new business development models for major enterprises, namely Yili, Shouguang Dili, Haier and Midea and the relevant industry chains.

As the Company actively promoted the new risk concepts and new risk management model, the risk management system of small business finance passed the test. It moved risk prevention to an earlier stage as the credit approval policy changed from case-by-case approval by the head office to pre-approval of small and micro credit plan in branches. A score-decision engine was established and the credit rating module was adopted to kick off operation of the credit factories across the country. The Company also organised retail assets recovery and collection campaigns and controlled the impaired ratio of loans to small and micro enterprises at 0.48%.

2. Community finance

During the reporting period, the Company launched the strategy of community finance for the convenience, benefits and welfare of the people. 3,305 community-based sub-branches and self-service outlets have been completed and commenced operation in 2013. It endeavoured to promote the construction of the product portfolio, channel network and supporting system of community finance in order to become the leading service provider of “small business finance and community finance” in the industry.

Driven by the “small business finance and community finance”, traditional retail business experienced rapid growth. As at the end of the reporting period, the number of VIP customers was 1.0622 million representing an increase of 281.9 thousand customers as compared with the beginning of the year. Financial assets of personal customers managed by the Company amounted to RMB903,458 million, representing an increase of RMB251,078 million, or 38.49%, as compared with the



Management Discussion and Analysis

beginning of the year. Balance of savings deposits amounted to RMB504,554 million, representing an increase of RMB115,316 million, or 29.63%, as compared with the beginning of the previous year.

The Company concentrated its financial resources, logistic resources and human resources to expedite the establishment of the community financial service system and serve numerous customers in community. The Company launched Smart Family product series (智家產品系列) and accelerated the establishment of software supporting platform and non-financial platform to fully integrate preferential merchants surrounding the communities and its small and micro enterprise customers. It also launched community finance website jointly with Minsheng E-commerce so as to provide customers in community with the most convenient financial services.

The Company persisted in the community finance strategy and expedited the upgrade and improvement of the marketing management model for community finance. As the regulatory authorities encouraged medium and small-sized banks to provide community residents with convenient services and to simplify the approval procedures, the Company further strengthened the regional planning of community finance in accordance with the standards for community sub-branch establishment, improved the building quality of its service outlets such as community sub-branches and community self-service banks, optimised channel and network distribution, strengthened the head office-to-head office marketing and implemented the distinctive marketing model for its community finance business.

3. Product innovation

Firstly, the Company strengthened community finance by further promoting the Smart Family product series. As at the end of the reporting period, the Company issued over 400 thousand Smart Family Cards. Secondly, the Company strengthened its micro-loan products. It upgraded the “Micro-loan 1.0 (微貸1.0)” to “Micro-loan 2.0 (微貸2.0)”, introduced five key series of products, namely “recurring loan (流水貸), loan for freight bill (運單貸), loan for sales volume (銷量貸), loan for tax bills (稅單貸) and collection loan (收銀貸)” and launched “Xiaowei Bao (小微寶)” which offered multi-channel acceptance and counter services through mobile operation and sales. Thirdly, the Company strengthened the system establishment for distinctive services. It launched “Neighbourhood Helper (鄰幫鄰)”, a community finance website, to conduct five functions including payment agency, business appointments, business acceptance, enquiry of preferential merchants and B2C. Fourthly, it strengthened the product establishment for electronic channel. Targeting at mobile payment and youngsters, it introduced “Happy Touch (樂碰)” and Minsheng “WILL” card, respectively, in addition to the promotion of the IC card application.

4. Credit card business

As at the end of the reporting period, the aggregate number of issued credit cards of the Company was 17,401.6 thousand, of which, 2,781 thousand were newly issued during the reporting period. Transaction volume of credit card business was RMB582,615 million, representing an increase of 98.32% as compared with the corresponding period of the previous year. Account receivables amounted to RMB113,298 million, representing an increase of 70.87% as compared with the end of previous year. Fee and commission income amounted to RMB8,141 million, representing an increase of 64.64% as compared with the corresponding period of the previous year.

During the reporting period, the Credit Card Centre of the Company continuously adhered to the “customer-centric, market-oriented and innovation-driven” operation philosophy in accordance with market and customer needs. It continued to optimise loan and investment portfolio and expanded and strengthened small business and high-end market. In respect of products, the Credit Card Centre actively promoted



the Tongbao Wealth Management Card (通寶理財卡) to cater for the needs of owners of small and micro enterprises and the Minsheng Shangri-La Co-branded Credit Card to satisfy high-end business travellers. In respect of value-added service, the Company introduced brand-new Minsheng Hengjiang Health Management Centre (民生恒江健康管理中心), golf tournaments, value-added tennis service, skincare services and high-end salons, expanded the scale and optimised the structure of preferential merchants with 25,000 contracted merchants across the country to provide customers with comprehensive value-added services covering all aspects of life from clothing and food to accommodation and travelling. In respect of marketing, the Company successfully launched cross-selling with the film industry through the film “Finding Mr. Right”. A large-scale cross-industry and cobranded marketing activity “Taiwan Tour for 100 Thousand Minsheng Credit Card Users” (十萬民生信用卡客戶寶島遊) was organised with a number of rewards and discount offers provided by the Company, travel agencies and international card issuers to the cardholders, which further improved the brand recognition of the credit card of the Company.

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During the reporting period, the Credit Card Centre of the Company received the “Risk Management Technology Achievement Award” (風險管理技術成就獎) under the award programme for financial service industry by The Asian Banker, which was the highest honour for the financial industry in the Asian-Pacific region. It received the “Rookie Star Award for Best Cooperation in 2013 (2013年度最佳合作新星獎)” from American Express International, Inc.. “Care for and Bring Smiles to Left-behind Children (《關注留守兒童，點亮心的微笑》)”, the charitable commercial produced by the Credit Card Centre of the Company was nominated in the first National Charitable TV Commercial Competition (全國電視公益廣告大賽) hosted by the CCTV. The Company was the only financial institution to receive such award. The commercial was based on the long-term education supporting projects of the employees in a primary school located at Shuanghe Town, Cangxi County, Guangyuan City, Sichuan Province, which is currently named as “Minsheng Credit Card Cuizhu Hope Primary School” (民生信用卡翠竹希望小學).

(III) Private banking business

As at the end of the reporting period, the private banking financial assets under the management of the Company amounted to RMB191,941 million, representing an increase of RMB63,771 million, or 49.76%, as compared with the end of previous year. The number of private banking customers reached 12,900, representing an increase of 3,511, or 37.39%, as compared with the end of previous year. During the reporting period, the net fee and commission income of private banking business amounted to RMB1,699 million, representing an increase of RMB937 million, or 122.97%, as compared with the corresponding period of the previous year.



During the reporting period, in view of the complex internal and external environment, the Company continued to study the need of customers and coordinate internal and external platforms of the bank for the integration of product sources. The Company achieved breakthroughs in asset management, industrial fund and featured funds. In respond to impacts of the external environment, new products were launched to enrich the product portfolio in order to continuously fulfil the short-and-long term investment needs of private banking customers. Through matching business platform,

personal high-end credit granting channel and overseas trust business, the Company further expanded the financing channel for customers and targeted at wealthy family customer groups. Meanwhile, capitalizing on the distinctive high-end non-financial services, the Company conducted thorough research on home office business mode and provided comprehensive stewardship services to wealthy families and their wealth.

During the reporting period, with its excellent results, outstanding performance and good reputation, the private banking business of the Company was widely recognised in the market for its comprehensive strengths and received various awards. It was awarded the “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) in 2013 by Euromoney, the “Best Private Bank with Integrated Services” (最佳綜合服務私人銀行) by the 21st Century Business Herald (《21世紀經濟報道》), the Private Bank of 2013 (2013年度私人銀行大獎) by the Economic Observer and the “Best Domestic Private Banking Performance” (國內私人銀行最佳表現) for 2013 by the Hurun Rich List (胡潤百富).

(IV) Treasury business

1. Investments and Transactions

As at the end of the reporting period, the investment balance of the bank accounts and transaction accounts of the Company amounted to RMB282,329 million and RMB22,262 million, respectively. Yield of the bond market increased significantly to a record high in this year. The Company increased the bonds with long-term interest rates in held-to-maturity accounts and shortened the investment duration of available-for-sale accounts.

During the reporting period, the total transaction volume of RMB denominated domestic bonds of the Company amounted to RMB4,202.347 billion, ranking the top in terms of spot transaction volume of bonds in this year. During the reporting period, the transaction volume of domestic forward settlement and RMB exchange swap of the Company amounted to US\$233,487 million, representing an increase of 59.84% as compared with the corresponding period of the previous year. The transaction volume of spot settlement amounted to US\$188,869 million, representing a decrease of 12.98% as compared with corresponding period of the previous year.

2. Wealth management business

During the reporting period, the wealth management business of the Company strictly complied with various regulatory requirements including the Notice on Relevant Issues Concerning Regulating the Investment Operation of Wealth Management Business of Commercial Banks (《關於規範商業銀行理財業務投資運作有關問題的通知》) (Yin Jian Fa [2013] No. 8). It focused on the brand building

Management Discussion and Analysis

of “Apex Asset Management” and the strengthening of asset management, optimizing management model of the wealth management business, enhancing wealth management product innovations and expanding sales channels so as to promote the steady growth of wealth management business. As at the end of the reporting period, the existing scale of wealth management products amounted to RMB331,596 million, representing an increase of 5.45% as compared with the end of the previous year.

3. Trading in gold and other precious metals

In the reporting period, the on-floor trading volume of gold, including agency sales, of the Company in the precious metals market (the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 377.23 tons. The trading volume of silver, including agency sales, amounted to 587.37 tons. The total trading value amounted to RMB143,732 million. In terms of on-floor trading value, the Company was the fifth largest dealer at the Shanghai Gold Exchange, one of the most active proprietary dealers at the Shanghai Futures Exchange and the third largest gold importer in the PRC.

During the reporting period, the Company leased 12.62 tons of gold to corporate customers, ranking the seventh in the market. It sold 1.58 tons of proprietary physical gold to individual customers. The Company satisfied the needs of customer with various products. 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. The number of customers and transaction volume of mobile banking grew significantly by virtue of the increasingly frequent transactions entered into by customers. The online banking business and inter-bank fund integration business continued to grow rapidly, which further enhanced the advantages of



e-banking channels. The new generation of “95568” customer service system was launched and the service efficiency and customers’ satisfaction rate continued to increase.

1. Mobile banking

The Company strengthened its innovation of mobile banking in response to customers’ needs. During the reporting period, the Company introduced mobile banking application for Windows phone OS, and made it compatible with major operating systems including iOS, Android and Windows phone. The mobile banking service system was enhanced with the introduction of the personal version and small business version 2.0 of mobile banking, as well as corporate version and credit card version of mobile banking. The Company developed various distinctive functions, including inter-bank transactions, self-service withdrawal and repayment services for small business customers, code scanning payment for online shopping, collection accounts with two-dimensional barcode, cardless cash withdrawal, inter-bank auto-repayment of credit card balance, withdrawal appointment, worldwide Union Pay ATM inquiries and private banking, which allowed the Company to continuously maintained its leading position in the industry. In order to satisfy the needs for “food, residence, travelling, shopping and entertainment” as well as concerns over hot spot application and popular services of customers, the Company continuously rolled out more convenient and preferential mobile services, such as redemption of gift points for mobile top up credits, various top up and payment services including mobile top up and payments of phone fees, water and electricity bills and gas bills, mobile commercial services such as purchase of railway tickets and air tickets, purchase of film tickets and selection of seats, top up of prepaid game cards, coupons and preferential merchant zone, creating a preferred living portal for customers. The Company introduced SMS banking and WeChat banking as the ancillary services and extension of the mobile banking, which allowed non-smartphone users and WeChat users to experience the convenient and practical mobile financial services of the Company. As at the end of the reporting period, the number of mobile banking customers reached 5.5452 million, representing an increase of 4.5494 million, or 456.86%, as compared with the end of the previous year. In the reporting period, the number of transactions and transaction volume for the reporting period were 60.0139 million and RMB1,125,851 million, respectively, and the Company became one of the banks in China with transaction volume exceeding RMB1 trillion. The Company’s mobile banking obtained outstanding results with the highest score among 17 national commercial banks in the comprehensive assessment of China’s mobile banking for the year organised by China Financial Certification Authority, and was awarded the “Best Mobile Banking Award in China” (中國最佳手機銀行獎). In the 360° bank assessment for the year organised by Yinhang.com, the Company ranked first in terms of the function diversity and practicability, and won the “Customer Satisfaction Award for Mobile Banking Service” (手機銀行服務消費者滿意度獎) with the highest score in the comprehensive category. The Company also won the “Best Mobile Banking Award” (最佳手機銀行獎) at the 2013 China Banking Development Forum (2013年銀行業發展論壇暨首屆銀行綜合評選) by Sina.com.

2. Online banking

The Company introduced new versions of personal online banking, small business online banking and corporate online banking, which made significant breakthrough in the system platform, products and services, customer experience, security and protection and channel coordination as compared with the former version, improving the overall quality of online banking services and facilitating value enhancement of existing customers and rapid development of new customers. As at the end of the reporting period, the number of personal online banking customers was 7.4323 million, representing an increase of 2.6265 million as compared with the end of the previous year. The number of transactions was 249.0237 million, representing an increase of 138.65% as compared with the corresponding period of the previous year. The transaction turnover amounted to RMB7,680,000 million, representing an increase of 99.67% as compared with the corresponding period of the previous year.

As at the end of the reporting period, the number of corporate online banking customers was 336.8 thousand, representing an increase of 91.9 thousand as compared with the end of the previous year. The number of transactions was 35.1850 million, representing an increase of 101.79% as compared with the corresponding period of the previous year. The transaction volume was RMB21,250,000 million, representing an increase of 99.63% as compared with the same period of the previous year. Online transaction replacement rate was 94.31%. The Company further enhanced the sales of wealth management products via electronic channels, which amounted to RMB1,186,593 million in the reporting period. Sales of personal wealth management products reached RMB1,110,529 million, accounting for 86.76% of the total sales volume of the Company's personal wealth management products via all channels. The Company continued to make innovations for inter-bank fund integration business. Version 3.0 was launched to enrich the variety of products, strengthen the guiding procedure, and expand contracting channels so as to provide more convenient and faster fund integration services for customers. As at the end of the reporting period, the Company's inter-bank fund integration business had 646.7 thousand customers, of which 418.5 thousand were new customers signed up in the reporting period, representing an increase of 183.39% as compare with the end of the previous year. The aggregate fund integrated amounted to RMB569,850 million, representing an increase of 217.09% as compared with the corresponding period of the previous year.

3. “95568” customer hotline service

The Company comprehensively upgraded its customer service operation platform and supporting system by launching a new generation of “95568” customer service system, and commenced the development, upgrade and enhancement of 12 systems and 4 major modules. National hotline of “95568” was put into



operation under the new system to improve customers' experience. The Company released SMS customer service and introduced multimedia channels, including video and WeChat, so as to provide a three-dimensional and professional customer services system. It also launched new versions of application portal, call-out marketing system and call-in system, and developed and applied the corporate level workflow system to provide a centralised channel and adopt centralised management for feedbacks from customers, significantly improving the capability and efficiency of customer services. During the reporting period, the total incoming-calls through hotlines amounted to 44.2401 million, among which 11.1855 million calls were handled manually, representing an increase of 46.75% as compared with the corresponding period of the previous year. Customer satisfaction rate was 97.90%. The Company was awarded the “Financial Services Innovation Award” (金融服務創新獎) in the comprehensive bank evaluation for 2013 organised by Yinhang.com and the “Best Customer Services Centre of Banks” (最佳銀行客戶服務中心) in the “Jin Jue Award” China E-finance competition by China Electronic Commerce Association. In addition, in “Seeking the Voice of Customer Services” (尋找客服好聲音) organised by China Banking Association, candidates from the Company won “the Best Team Award of the Voice of Customer Services” among 161 participants and 48 representative teams with their good spirit and professional services.

The Company established the telephone platform for after-sales services for “small business finance and community finance” and refined the services for community customers in order to offer comprehensive service model for strategic community and small business customers. As at the end of the reporting period, the upgraded “95568” service system covered 1.9158 million customers and the coverage ratio of small business customers was 97.06%. The financial assets of customers increased RMB49,991 million in aggregate, representing an increase of RMB39,708 million during the year and 386.15% as compared with the end of the previous year.

4. New portal website

The Company conducted in-depth investigation and research on the needs of users and business needs of each department, and carried out innovative planning and construction of the portal website in accordance with the needs, experience and habits of Internet users as well as the advanced concepts and experience of international and domestic banks. On 25 December 2013, the Company officially launched the new version of portal website featuring innovative intelligent web experience management system, integrated web group system, application of big data for accurate marketing, customised interactive experience, and fresh and simple visual style. The portal website provided integrated functions of brand promotion, product marketing, online transaction, customer services and social media sharing, which further enhanced the promotion and marketing of the Company's products and businesses and the capabilities of internet and mobile banking services while providing customers with state-of-the-art unique online banking services.

(VI) Major equity investment

1. Major long-term equity investment

The Group's initial investment costs to China Union Pay amounted to RMB125 million and the carrying amount, assessed by the available-for-sale securities investment, was RMB125 million as at the end of the reporting period.

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

(1) Minsheng Leasing

Minsheng Leasing as one of the first five financial leasing companies with banking background approved by the CBRC, was established in April 2008. 51.03% equity interest of Minsheng Leasing was held by the Company.

As at the end of the reporting period, total assets and net assets of Minsheng Leasing amounted to RMB111,706 million and RMB10,115 million respectively. In the reporting period, net profit amounted to RMB1,641 million and return on average equity was 17.64%. Minsheng Leasing has strived for "distinctive and efficient" development mode in order to formulate the business model for major featured businesses such as aircrafts and ships. At present, it has become the largest business jet leasing company in Asia and the largest ship leasing company in China. It boasts 278 business jets, helicopters and aircrafts, and 175 ships. It was rated "AAA" in the bond and issuer credit rating by China Lianhe Credit Rating Co., Ltd. (聯合資信評估有限公司).

During the reporting period, according to the strategies under the “Second Five-Year Outline”, Minsheng Leasing pushed forward the professional development of the SBU reform by establishing the aircraft leasing SBU and ship leasing SBU. For aircraft leasing business, Minsheng Leasing explored new markets of airport and large aircraft



projects. It opened up new channels for overseas financing and received mid and long-term credit support from major foreign financial institutions, such as US\$298 million from Export-Import Bank of the United States and US\$210 million from Export-Import Bank of Canada (加拿大進出口銀行). For ship leasing business, Minsheng Leasing completed its first direct leasing project of yacht and first fishing harbour construction project, as well as the first modern fibre-reinforced plastic fishing boat project in China’s financial industry. Minsheng Leasing strived to become a leading financial leasing company in Asia within five years.

The healthy and sustainable development of Minsheng Leasing received high recognition from the industry. The awards it obtained included the “Best Seller Award of 2013 — the Best Management Innovation” (2013年度贏銷•最佳管理創新), the “Most Influential Financial Leasing Company” (最佳行業影響力金融租賃公司) and “Annual Financial Leasing Competitiveness Award for 2013” (2013•金融租賃年度競爭力). Minsheng Leasing was elected as the deputy director of the Financial Leasing Committee of China Banking Association for three consecutive years.

(2) Minsheng Fund

Minsheng Fund is a Sino-foreign joint venture fund management company established in November 2008 under the approval of the CSRC. 63.33% equity interest of Minsheng Fund was held by the Company.

During the reporting period, net profit of Minsheng Fund amounted to RMB42.7534 million. As at the end of the reporting period, 20 products were managed under Minsheng Fund in total, with net value and shares of fund asset under its management of RMB15,332 million and 15,852 million shares respectively. Fund products of Minsheng Fund covered major fund types with high, medium and low risks such as stock funds, hybrid funds, index funds, bond funds and money market funds.

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According to the Fund Research Centre of Galaxy Securities (銀河證券基金研究中心), Minsheng Fund ranked 43rd among 78 fund companies in China in terms of scale, which remained as a medium-scale fund management company. The account management business of Minsheng Fund continued to expand rapidly, with assets under its management amounting to RMB10,879 million as at the end of the reporting period.

Minsheng Fund initiated and established Minsheng Asset Management on 24 January 2013, and held 40% equity interest of it. Minsheng Asset Management's registered capital was RMB125 million and the scope of business included asset management for specific customers, other businesses approved by the CSRC and investment consultancy. The investment ranged from traditional securities investment in the secondary market, to specific wealth management of equity, bonds and other property rights which have not been transferred through stock exchanges and investment consultation business. As at the end of the reporting period, assets managed by Minsheng Asset Management amounted to RMB137,986 million. It achieved satisfactory business interaction and mutual complement with Minsheng Fund.

During the reporting period, Minsheng Fund was awarded the “Best Fund of the Aggressive Bond Funds of the Year” (年度積極型債券基金明星基金) by Securities Times, the “Golden Bull Fund for 3-year-term Bond Funds” (三年期債券型金牛基金) by China Securities Journal, the “Golden Shell Award – the Best Fund Company of Yield Performance (Fixed income)” (金貝獎 — 最佳收益表現基金公司 (固定收益類)) by 21st Century Business Herald, the “Best Progress Award for Fund Brand Establishment” (基金品牌建設進步獎) in the “3rd Session of Panorama Fund Brand Award” (第三屆全景基金品牌) by Panorama Network (全景網) and Shenzhen Securities Information Co., Ltd. (深圳證券信息公司), and “The Fund Company with Highest Growth Potential” (最具成長潛力基金公司) by East Money Award.

(3) Minsheng rural banks

Minsheng rural banks collectively refer to all rural banks initiated and established by the Company. Based on the management requirements of rural banks of the Company, Minsheng rural banks actively explored small business and rural financial service models with local characteristics. The rural banks extended the Company's financial strategies for NSOEs and small and micro enterprises in order to effectively disseminate and promote the corporate culture of the Company, expand the physical service coverage of the Company and enlarge the market share and coverage of the Company's brand. As at the end of the reporting period, the Company established a total of 29 Minsheng rural banks with total assets amounting to RMB25,702 million, and balances of deposits and total loans were RMB21,711 million and RMB15,001 million, respectively. The business of Minsheng rural banks maintained steady growth. In the National Outstanding Rural Banks Award held by the China Rural Banking Development Forum, three banks including Minsheng

Taicang Rural Bank received the outstanding rural banks awards, three banks including Minsheng Meihekou Rural Bank obtained the award of outstanding services to agriculture, rural area and farmers, while Minsheng Songjiang Rural Bank and Minsheng Jiading Rural Bank also ranked top in the general and individual rankings. Minsheng Songjiang Rural Bank received the “Best Rural Bank of the Year” (年度最佳村鎮銀行) in the “Chinese Financial Institutions Gold Medal List 2013 • Golden Dragon Prize” (2013中國金融機構金牌榜 • 金龍獎) jointly organised by Financial Times and the Institute of Finance and Banking of the Chinese Academy of Social Sciences.

In the reporting period, the Company further improved the risk control model and business development model. As at the end of the reporting period, Minsheng rural banks had an excellent asset quality in respect of risk control, while in terms of business development, the Company focused on small business finance and developed regional features. A sustainable business model was preliminarily established.

During the reporting period, the Company continuously optimised the establishment process and standardised the working procedures for the establishment of rural banks, including detail works for the selection of shareholders, nomination of senior management and external approvals. The Company focused on improving the authorisation management system and strengthening communication with regulatory authorities. The Company comprehensively promoted the development of the Company’s rural bank business. During the reporting period, the Company opened two rural banks, and the total number of rural banks reached 29 with 59 outlets.

During the reporting period, the Company duly performed its duties according to the principle of “maintaining sound risk control with distinctive features to achieve high efficiency and orderly management”. In order to advance the development of rural banks, the Company focused on improving the risk control model, establishing a sustainable business model, improving accounting operating model, upgrading information system establishment, adopting standardised management procedures, speeding up establishment of institutions and improving corporate governance.

(4) Management of consolidated financial statements

In the reporting period, in accordance with the regulatory requirements and the management of consolidated financial statements of the Company and the Group, the Company carried out various specific tasks including establishing and modifying the regular appraisal mechanism and improving the establishment of information system. Management of consolidated financial statements continued to enhance.

Management Discussion and Analysis

The Company implemented various detailed works in relation to the consolidated financial statements of the Group. The annual consolidated financial reports for 2012 and interim report for 2013 of the Group were finalised and submitted to the Board, Supervisory Board and the regulatory authorities. The annual work summary meeting of 2012 and training seminar was held to assign key tasks of the next year and provide business training. The Company conducted research on the management of consolidated financial statements of the Group and prepared relevant research reports. It also reorganised the duties and working procedures regarding consolidated financial statements of the Group to improve corporate governance of the Company. The Company also strengthened communication with the regulatory authorities and exchange with other banks, and held business discussions with certain consultancy firms.

The Company further promoted and developed the regular appraisal mechanism. Specific appraisals of 2012 targeting at the consolidated financial statement management departments of the subsidiaries and the Company were completed and appraisals of 2013 commenced, which enhanced their working efficiency. The Company conducted specific audit of management of consolidated financial statements of the Group and issued audit reports, which strengthened the supervision and evaluation of the management of consolidated financial statements of the Group.

The Company improved the establishment of the information system. Based on the results of the phase I of the consolidated financial statement management system of the Group, the Company completed the system development of phase II to enhance its working efficiency and automation level. It continued to enhance the IT systems of Minsheng rural banks and fended off operating risks by adopting systematic measures to promote the sound development of rural banks.

3. Use of proceeds

On 15 March 2013, upon the approval by the CSRC in its document of Zheng Jian Xu Ke [2012] No. 1573, the Company issued a total of RMB20,000 million A Share Convertible Bonds at par value, which were listed on the SSE on 29 March 2013 and 2 May 2013 (code of Convertible Bonds: 110023). The proceeds from the issuance of A Share Convertible Bonds amounted to RMB20 billion, and RMB19,912 million in net after deducting issuance costs. The net proceeds, together with other funds of the Company, had been used for the business development of the Company. Upon the conversion by the holders of A Share Convertible Bonds, the entire proceeds of the Convertible Bonds converted will be used to replenish the core tier-1 capital of the Company.

As at the end of the reporting period, A Share Convertible Bonds of RMB6.028 million in aggregate were converted into A shares of the Company, and the total number of converted shares was 607,546, accounting for 0.00214% of the total issued shares before conversion of the A Share

Convertible Bonds of the Company. Proceeds from the conversion of A Share Convertible Bonds were used to replenish the capital of the Company in accordance with the relevant requirements of capital management of the CBRC and the prospectus.

X. Risk Management

The guiding principle of the Company's risk management regime is "Creating Value by Managing Risks". Its risk management system focuses on the coordinated development of quality, efficiency and scale. The objective of the risk management of the Company is to enhance its risk management capability by actively implementing the New Basel Accord and the establishment of a comprehensive risk management system, to support business development and strategic restructuring, strengthen core competitiveness of the Company and safeguard the long term interests of employees and customers so as to achieve shareholder value maximisation.

(I) Credit risk

Credit risk is the risk that a borrower or a counterparty fails to discharge its repayment obligation in a timely manner in full amount for whatever reasons. The credit risks of the Company are governed by the credit policy and rating evaluation technical support platform jointly developed by the Risk Management Department, Credit Assessment Department, Asset Monitoring and Control Department, Legal Affairs and Compliance Department and Special Assets Department under the coordination of the Risk Management Committee. The risk management system covers all procedures of pre-approval investigation, approval review, post-loan management, collection and preservation of assets. Credit risks of the on- and off-balance sheet businesses are also strictly controlled by the credit risk control and management mechanism.

At the beginning of the year, the Company issued its 2013 General Guidelines of Risk Policy (《2013年風險政策總體導向》). Such guidelines set out the general objectives for the risk policies of the Company in respect of development scale, asset quality, restructuring, risk limit, and risk compensation, which established the policy direction system covering industries, regions, customers, products and pricing. In the second half of the year, in response to changes in internal and external environment and in order to lead a sustainable, healthy and stable development of all businesses and further promote the strategic transformation and restructuring, the Company gave opinions on policy adjustment and administrative requirements to optimise industry selection and customer structure, expand the regional distribution and adjust business strategies, and issued the Opinions on Adjustment of Risk Policy for the Second Half of 2013 (《2013年下半年風險政策調整意見》). In addition, to evaluate the implementation of risk policy and systematically streamline and solve problems of policy implementation, during the reporting period, the Company carried out survey and assessment on the implementation of risk policy to detect relevant implementation

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problems in a timely manner, which served as the basis for the formulation of the risk policy for the next year and further adjustment and optimisation of risk policy management system.

During the reporting period, substantive progress was made in the establishment and application of credit risk internal rating system covering legal corporations, financial institutions and retail businesses. The rating system of non-retail customers had been further improved and optimised and fully covered the rating of legal person. The rating results were further applied in the entire risk management processes including formulation of risk policies, credit limit management, risk authorisation, credit assessment, loan pricing, economic capital management and risk-adjusted return on capital assessment. A retail business rating model and pool separation system covering small business, credit card and traditional retail businesses were established and has been put into operation. The establishment and application of the above risk measurement tools further enhanced credit risk management of the Company.

(II) Liquidity risk

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds or obtain sufficient funds at reasonable costs in a timely manner to cope with increase in assets or fulfil debt obligations despite its ability to pay off the debt. The targets of the liquidity risk management of the Company during the reporting period are to improve the management and measurement of liquidity risk and to strengthen the capacities of liquidity risk identification, pricing and refined control and management to strike an optimal balance between liquidity risks and returns pursuant to the development strategies of the Company. In the face of the regulatory requirements, increasingly complicated market environment, accelerated financial disintermediation and liberalisation of interest rates during the reporting period, the Company was under mounting pressure of liquidity risk management. At the beginning of the reporting period, the Company determined to maintain liquidity risk tolerance at a relatively stable level to ensure sufficient liquidity for the development of its businesses to fulfil regulatory requirements. While ensuring sufficient realisable assets of high liquidity under the pressure, it also limited risk exposure at a tolerable risk level for enhancing capital utilisation efficiency.

During the reporting period, the liquidity risk management policies of the Company included the followings: Firstly, the Company enhanced liquidity measurement and monitoring and optimised the management mode of liquidity risk. The Company focused on the monitoring of potential liquidity risk related to capital business of the industry based on the important factors affecting the liquidity of the Company. The Company also paid close attention to the impact of the increase in wealth management business on the liquidity. In addition to the restructuring of assets and liabilities and allocation of assets, the Company thoroughly studied the changes in future cash flow shortage of capital business and monitored and managed deposits and loans with different approaches, in

particular during sensitive periods, so as to be well-prepared for the risk hedging or risk overlaying resulting from the fluctuation in capital business and deposits and loans. In terms of business structure, the scale of inter-bank funds and bill business was under the control of the Company during the reporting period.

Secondly, the Company optimised liquidity risk indicator for accurate measurement of liquidity risk level. The Company adjusted liquidity risk control indicators for the reporting period and expanded the scope of liquidity risk monitoring.

Thirdly, the Company maintained the foreseeability and flexibility of liquidity management policy. Due to the complicated grounds of liquidity risks and its vulnerability to the effects and changes of other risks, the Company paid close attention to changes in policies and markets and its own major operation policies, including the effect on liquidity of the changes in asset and liability management policies in addition to carrying out existing risk management policies. The Company also evaluated liquidity risk in different stages and made adjustment when necessary.

(III) Market risk

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices) resulting in losses in on-and off-balance sheet businesses of commercial banks. The Company manages its interest rate risk, exchange rate risk, stock risk and commodity risk in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Guidelines on Market Risk Management of Commercial Banks (《商業銀行市場風險管理指引》), the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Guidelines on Stress Testing of Commercial Banks (《商業銀行壓力測試指引》), and the Guidelines on 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 also formulated and further improved the management system for market risk through formulating, calculating, monitoring and reporting measures on risk limit.

The Company managed risks through setting up market risk limits for bank accounts and transaction accounts. During the reporting period, the Company formulated the Market Risk Limits for 2013 of China Minsheng Banking Corp., Ltd. (《中國民生銀行2013年度市場風險限額》) for risk management of bank accounts and transaction accounts according to its business development plan in order to comply with the risk preference and business strategy of the Board. For bank accounts, the Company managed risk of the re-pricing of interest rates, risk of investment portfolio of bank accounts and exchange rate risk. For transaction accounts, the Company managed the interest rate risk, exchange rate risk, stock risk and commodity risk of transaction accounts and liquidity risk and credit risk related to risk of transaction accounts.

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During the reporting period, the Company strengthened its management foundation by optimizing regular activities, continued to enhance the preparation for reaching the standards of its internal model approach for market risk management, further improved the policies, systems and processes related to market risk management. It further extended the implementation of market risk system and market data collection, and the market risk system phase one was successfully commenced, which provided a platform of data and system for the refinement, optimisation and deepening of market risk management. The Company emphasised the full coverage of risk management and enhanced the market risk management. Risk warning and market risk monitoring and reporting systems were further strengthened and various active risk management measures, including risk evaluation, self-assessment and on-site inspection, were carried out for capital investment businesses in the financial market in respect of potential risks and administrative blind spots detected in risk management. In addition, the Company continued to improve data management by proactively holding various training courses on market risk management, diversifying the measures of market risk management and promoting the ideas of market risks.

During the reporting period, the Company optimised the standard measurement approach of general market risks and specific risks through streamlining the existing scope of market risk measurement with reference to good practices in the industry. Meanwhile, an internal model measurement approach was established by the Company according to the internal model approach required by the New Basel Accord.

(IV) Operational risk

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

During the reporting period, the Company put great emphasis on the application of management tools for operational risks and further improved operational risk management system. The culture and perception of good operational risk management continuously penetrated into each corners of the Company through trainings and promotions. During the reporting period, the Company formulated the Provisional Measures on Business Continuity Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行業務連續性管理辦法(試行)》), Provisional Measures on Evaluation of Operational Risk Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行操作風險管理評價辦法(試行)》) and Administrative Measures for Responding to Emergencies of Assets Risk of Credit and Financial Assets Services Business of China Minsheng Banking Corp., Ltd. (《中

國民生銀行信用與金融資產服務業務資產風險突發事件應急管理辦法》)。The Company organised all departments and all employees to identify, evaluate, supervise and report on operational risks they were exposed to in daily operation through information platform of operational risk management and operational risk management tools. The Company attached importance to the outsourcing of risk management and compiled a manual on risk management outsourcing. Furthermore, the Company evaluated and assessed the operational risk management of its internal departments by officially adopting operational risk management evaluation indicator, and the awareness of the importance of operational risk management among all departments increased. The Company organised specific training in respect of business continuity management for all departments and launched the pilot work of business continuity management.

In terms of IT risk management, the new core system of the Company commenced full operation and the production system operated safely with no material manufacturing and security incidents occurred during the year. The establishment of business continuity has achieved satisfactory results. The construction for disaster recovery system, which mainly consisted of the relocation of engine room of Dr. Peng Telecom & Media Group, has proceeded smoothly. The composition of the new IT management structure was formulated, so as to better ensure the security of the system operation. Furthermore, the risk management centre was established and the risk management system for technology was further improved.

(V) Country risk

Country risk refers to the risk of borrower or debtor failing or unwilling to repay debts to financial institutions in the banking industry, or the financial institutions in the banking industry in a country or region suffered losses in operation or incurred other losses due to economic, political and social changes and incidents in such country or region.

During the reporting period, the Company continued to comply with the requirements regarding country risk management stipulated in the Administrative Measures for the Management of Country Risk of China Minsheng Bank (中國民生銀行國別風險管理辦法), and set the standards for the business approval and concentration of overseas institutions. The Company integrated the country risk management with the rating of financial institutions and quota management. The Company not only included country risk management into the risk rating and quota approval procedures for overseas customers, but also adopted the country risk management concept in the classification management of external business.

During the reporting period, the country risk exposed to the Company mainly related to the credit granted and guaranteed provided to overseas financial institutions and the major source of

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country risk was the U.S. Under the background of the recovery of overseas financial system, the Company cut down the scale of businesses jointly developed with overseas financial institutions and the country risk exposure decreased as compared with the corresponding period of the previous year. During the reporting period, the concentration of country risk of the Company decreased as compared with the corresponding period of the previous year.

(VI) Reputation risk

Reputation risk refers to the risk of negative evaluation of commercial banks by relevant interested parties as a result of the operation, management and other actions of the commercial banks or external events. Currently, the reputation risk management of the Company refers to preventing reputation risk and responding to reputational events by establishing and formulating reputation risk management mechanisms, rules and measures as well as daily management of reputation risk and proper handling of incidents with reputational risk. By actively and effectively preventing reputation risk and handling reputational event, the losses and negative impacts on the public can be minimised and thereby achieving the objective of reputation risk management.

During the reporting period, the Company fully implemented the Guidelines for the Management of Reputation Risk of Commercial Banks (商業銀行聲譽風險管理指引) and the Administrative Measures for Management on Reputation Risk of China Minsheng Bank (中國民生銀行聲譽風險管理辦法). It continued to carry out external promotion, establish and improve bank-wide reputation risk management mechanism by integrating with the establishment of risk linkage system, build public opinion monitoring system, strengthen the brand building and cope with and mitigate reputation risk in a timely manner. Firstly, the Company established monitoring system to dynamically monitor reputation risk. The Company effectively tracked, gave prior warning and monitored public opinions through advanced public opinion monitoring system. Secondly, the Company established an integrated management system emphasizing the coordination and cooperation of all departments of the Company. Through concretely defining the duties of all internal units of the Company, the communication and interaction between all units were enhanced. The Company further improved the information exchange and handling system between all units through organising the customer service forum for customer complaints and case management meeting. Thirdly, the Company strengthened the communication and interaction with media and regulatory authorities and further refined the reporting and examination mechanism of reputation risk. The Company reported material reputation risk events to regulatory authorities in a timely manner and improved the handling efficiency and quality for such incidents. The Company also maintained close communication with media. Lastly, the Company enhanced its brand image and reduced reputation risk. Through strengthening the brand building, the social image of the Company was enhanced and the sound development of all businesses was facilitated. The Company also promoted the understanding and support of the public to its reform, innovation and development to avoid and reduce negative opinions of the public.

(VII) Anti-money laundering

The Company adopts anti-money laundering measures in accordance with the regulatory requirements of the PBOC. It aims to establish a “risk-based” anti-money laundering system to effectively fulfill the social responsibility of anti-money laundering and improve the overall management level of anti-money laundering of the Company.

During the reporting period, the Company paid close attention to the development of overseas and domestic regulation relating to anti-money laundering and explored an effective anti-money laundering system which is appropriate to the Company. The Company completed the pilot projects of the detection of tremendous and suspicious transactions of the PBOC, which enhanced the efficiency and management approaches of anti-money laundering. Through establishing self-monitoring system of anti-money laundering and a brand new monitoring system of anti-money laundering, the Company improved the efficiency and management measures on anti-money laundering. The Company effectively complied with the regulatory requirements of the PBOC and comprehensively initiated the establishment of anti-money laundering system and self-monitoring and self-correction system of data submission. The Company also formulated a correction plan based on the deficiencies found in the self-monitoring. A monitoring module of employee risk was developed and investigation on risks relating to money laundering of employees was conducted to effectively prevent moral hazard among employees. The Company seriously carried out customer identification and due diligence and effectively prevented over one thousand incidents with money laundering risks. By optimizing the functions of systems, the Company was able to collect useful information from the system to improve the analysis of suspicious transactions and major suspicious transaction. The Company continued to organise promotion and training for anti-money laundering, which effectively improved risk prevention and management of anti-money laundering.

During the reporting period, there was no domestic and overseas institution and staff of the Company being found to have participated in or be involved in any money laundering and terrorist financing activities.

XI. Prospects and Measures

(I) Industrial competition and development trend

The recovery of the global economy provides a favourable external environment for China's economy to make progress while maintaining stability. From the view of internal environment, 2014 is the first year upon the Third Plenary Session of the 18th Communist Party of China Central Committee, and various issues and problems in respect of economic, financial and administrative reforms are pending to be solved, including the liberalisation of interest rates, the trend of diversified operations and the adjustments of regulatory rules. Furthermore, with the rapid development of

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internet finance, the banking industry is facing both challenges and opportunities. On one hand, the banking industry is exposed to potential risks relating to the changes in external operation, which poses a big challenge to the management of customers, products innovation, pricing and assets and liabilities. On the other hand, the transformation and upgrade of industries, new urbanisation and the deepening reform of state-owned enterprises due to the development of mixed economy have brought us numerous business opportunities, such as mergers and acquisitions and restructuring, which also resulted in differentiated competitions in the banking industry. As a result, the banking industry needs to refine its business model, undergo strategic transformation and enhance overall risk management, so as to maintain balanced and sustainable development.

(II) Development strategies

In 2014, in order to realise the objectives under the “New Three-Year Plan”, the Company will strive to maintain steady growth through restructuring and risk control while seizing business opportunities. Meanwhile, the Company will build its platform to enhance efficiency. With determination and confidence, liberal mindset, strong breakthrough and brand building, the Company will steadily promote the version 2.0 of commercial banking operation model and management mechanism innovation in order to achieve overall balance and sustainable development.

Firstly, the Company will monitor the achievement and implementation of projects based on the standardised corporate governance procedures. Structure of corporate governance will be further refined while clear guidelines will be provided for the comprehensive risk management, so as to further improve and regulate the corporate governance system of the Company, thereby enhancing the Bank’s corporate values.

Secondly, the Company will fully grasp opportunities to boost its business growth. Leveraging its advantages on business model and systems, the Company will grasp the opportunities brought by the development of mixed economy, new urbanisation and industry upgrades with its reformatory concept, innovative ideas and suitable approach. The Company will enhance its planning and synergy between different operations with focus on regional distinctive services and services for small business finance and community finance as well as the industry chains and supply chains. Through cross-selling and transformation of branches, the Company aims to achieve a breakthrough in its corporate, retail and private banking businesses and strengthen the growth of its branches and expand the scope of sub-branches.

Thirdly, the Company will further enhance its risk control. The Company will put efforts in nurturing the concept, proposition and code of conduct of risk management in all business

process and among all staff by organising risk culture training programs, in order to integrate risk management concept into the Bank's corporate culture. The Company will also improve its risk measurement, identification and early warning capabilities to ensure the legal compliance of operations. Strict control will be imposed to restrict the increase of non-performing loans and the collection and disposal of existing non-performing loans will be strengthened to maintain the quality of assets.

Fourthly, the Company will consolidate its optional management. It will refine the public business platform and implement centralised management to improve the capabilities in preventing liquidity risks and satisfying customer needs. The upgrade and optimisation of systems for risk measurement, customer relations and data supporting will be expedited in order to lay a solid foundation for refined management and enhance management efficiency.

Fifthly, the Company will push forward its reform and innovation. The Company will implement the results of major reforms in SBUs, small business financing and private banking version 2.0, and adopt measures for the integration of information technology, such as internet and big data, and financial services. It will also enhance the innovation of products and services by improving and expanding the application of strategic management tools.

Sixthly, the Company will further improve the establishment and management of electronic channel. Through continuous optimisation of the management system of e-banking business, the Company aims to develop a new electronic platform for customer services, sales of products and financial integration. Meanwhile, the Company will further improve the traditional counter services so as to better serve its customers.

Seventhly, the Company will streamline and optimise the procedures of mid-and back-office. Internal operation efficiency will be further enhanced and the operation cost will be lowered by strengthening and speeding up the Bank's quick response to market change.

Eighthly, the Company will give effect to the guiding function of resources allocation. The Company will adhere to the principle of cost control by implementing effective resource allocation and evaluation to ensure more resources be allocated to units and businesses with higher capital gains and resource utilisation efficiency, and to promote business development, enhance service quality and guide the direction of strategic transformation.

Ninthly, the Company will put more efforts in the reform and innovation of management by accelerating the application of banking version 2.0 for all businesses lines. The Company

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will enhance the coordination and operating model of all departments to intensify innovative and centralised management measures. Application of strategic management tool will also be strengthened and extended. Also, by further improving the IT systems, exploring new operation models and enhancing existing operation models, the optimal management of the Company will be improved.

Lastly, the Company will comprehensively enhance the basic management in all segments. It will carry out strategic transformation, put more efforts in brand building and conduct well-rounded audit of the implementation and effectiveness of strategies. The Company will also establish a multi-level talent supply system with various channels to provide strong support for the establishment of the banking version 2.0.

(III) Potential risks

2014 will be a year full of opportunities and challenges. In the face of the enormous strategic opportunities of China, the Chinese government will reinforce the reform and accelerate the structural adjustment and upgrade of transformation. However, various existing and new risk factors will bring new challenges to the overall risk management, particularly the asset quality management.

In respect of the macro economy, as the economic growth slows down, the exposure to credit risk constantly increases. As the loans to local governments have the same maturity, certain financing platforms may fail to discharge their repayment obligations. Real estate developers, especially the small-and-medium-sized developers in the third-tier and fourth-tier cities, may suffer from the break off of capital flow. As the structural adjustment of industry and elimination of enterprises with low productivity accelerates, enterprises in industries with high pollution, high energy consumption and excessive productivity will be subject to liquidation, suspension, merger and transfer. In respect of economic and financial policy, under the impact of the liberalisation of interest rates, lower entry requirements for the banking industry, internet financing and financial disintermediation, the competition in the banking industry will be further intensified. In order to further improve the risk management capability, the Company will formulate plans and strategies to strengthen the management of various risks as well as the pre-approval investigation, approval review and post-loan management so as to control the asset quality of remnant loans and grant new loans in a prudent manner.

Changes in Share Capital and Information on Shareholders

I. Changes in Shares

(I) Changes in shares:

(Unit: Share)

	31 December 2012		Changes over the reporting period (+,-) Shares converted		31 December 2013	
	Number of shares	Percentage (%)	from Convertible Bonds	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:	—	—	—	—	—	—
Held by domestic legal person	—	—	—	—	—	—
Held by domestic natural person	—	—	—	—	—	—
4. Foreign investor shares	—	—	—	—	—	—
Of which:	—	—	—	—	—	—
Held by overseas legal person	—	—	—	—	—	—
Held by overseas natural person	—	—	—	—	—	—
II. Shares not subject to restriction on sales	28,365,585,227	100	607,546	—	28,366,192,773	100
1. Ordinary shares in RMB	22,587,602,387	79.63	607,546	—	22,588,209,933	79.63
2. Domestic listed foreign invested shares	—	—	—	—	—	—
3. Overseas listed foreign invested shares	5,777,982,840	20.37	—	—	5,777,982,840	20.37
4. Others	—	—	—	—	—	—
III. Total number of shares	28,365,585,227	100	607,546	—	28,366,192,773	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.

Changes in Share Capital and Information on Shareholders

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

1. Issuance and listing of Convertible Bonds

Pursuant to a resolution on the Issuance and Listing Plan of A Share Convertible Corporate Bonds by China Minsheng Banking Corp., Ltd. examined and approved at the 5th extraordinary meeting of the 5th session of the Board held by the Company on 25 February 2011, and the first extraordinary general meeting in 2011, the first A share class meeting in 2011 and the first H share class meeting in 2011 held on 4 May 2011, the issuance and listing of A Share Convertible Bonds of up to RMB20 billion in aggregate of the Company was approved.

Pursuant to a resolution on the Extension of the Validity Period of the Resolution in respect of the Public Issuance of A Share Convertible Bonds by China Minsheng Banking Corp., Ltd. and the Authorisation Period of the Board and its Delegates for Handling Related Matters approved at the 9th extraordinary meeting of the 5th session of the Board held by the Company on 22 February 2012, and the 2nd extraordinary meeting in 2012 held on 3 May 2012, the first A share class meeting in 2012 and the first H share class meeting in 2012, the original validity period of the A Share Convertible Bonds was extended by 12 months.

In accordance with an approval of the CBRC (Yin Jian Fu [2011] No. 328) and the CSRC (Zheng Jian Xu Ke [2012] No. 1573), the Company issued a total of RMB20 billion A Share Convertible Bonds on 15 March 2013. The A Share Convertible Bonds were listed on the SSE on 29 March 2013 and 2 May 2013 (Convertible Bonds code: 110023). The Company issued a total of 200,000,000 A Share Convertible Bonds with a nominal value of RMB100 each. The A Share Convertible Bonds have a term of six years from 15 March 2013 to 15 March 2019. The A Share Convertible Bonds bear an interest at a nominal rate of 0.6% in the first year, 0.6% in the second year, 0.6% in the third year, 1.5% in the fourth year, 1.5% in the fifth year and 1.5% in the sixth year on a per annum basis. The conversion period will be from 16 September 2013 to 15 March 2019. The initial conversion price will be set at RMB10.23 per share. After deducting all issue expenses, the proceeds from the issuance of A Share Convertible Bonds amounted to RMB19.912 billion. The net proceeds raised from the issuance of A Share Convertible Bonds together with other working

capital of the Company will be used in operations and business development of the Company. Upon the conversion by the holders of A Share Convertible Bonds, the entire amount of Convertible Bonds converted will be used in replenishing tier-one core capital of the Company.

2. Issuance of overseas-listed foreign-invested shares (H shares)

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 2012. On 2 April 2012, 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 were approximately HKD11,209 million (equivalent to approximately RMB9,087 million) and the total proceeds, net of issuance expenses, 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 A Share Convertible Bonds amounted to RMB20 billion. According to the relevant regulations and the Prospectus in relation to the Public Issuance of A Share Convertible Bonds (with Subordinated Terms) of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司公開發行A股可轉換公司債券(附次級條款)募集說明書》), the conversion period for the Convertible Bonds commenced on 16 September 2013.

As of 31 December 2013, a total of RMB6,028,000 Convertible Bonds of the Company were converted into A shares of the Company and the total number of shares converted was 607,546, representing 0.00214% of the total issued shares of the Company prior to the conversion. The aggregate number of shares of the Company reached 28,366,192,773.

(III) Employee shares

During the reporting period, the Company had no employee shares.

Changes in Share Capital and Information on Shareholders

(IV) Convertible bonds

1. Shareholdings of the top ten holders of A Share Convertible Bonds

(Unit: RMB)

Name of holders	Nominal value of bonds held
China Life Insurance Co., Ltd. — Traditional-Common Insurance Products — 005L — CT001, SH	1,018,907,000
Shanghai Giant Lifetech Co., Ltd.	716,496,000
Anbang Insurance Inc. — Traditional Products	499,274,000
Good First Group Co., Ltd.	486,884,000
National Social Security Fund 117	462,689,000
Huaxia Life Insurance Co., Ltd. — Universal Insurance Products	431,487,000
Agricultural Bank of China Limited — Fullgoal Convertible Bonds Securities Investment Fund	424,000,000
Guotai Junan Securities Co., Ltd.	420,000,000
National Social Security Fund 103	373,716,000
China Construction Bank Corporation — Fullgoal Tianfeng Enhanced Yield Bond Securities Investment Fund	357,000,000

Note: Pursuant to relevant requirements of the SSE stipulated in the Notice on Participation of Convertible Corporate Bonds in Collateralised Bond Repurchase Business (《關於可轉換公司債券參與質押式回購交易業務的通知》), Convertible Bonds of the Company have participated in collateralised bond repurchase since 29 March 2013. The above data has been summed up by the Company according to the register of holders of Convertible Bonds provided by the China Securities Depository and Clearing Corporation Limited and the information on holders of specific accounts for collateralised bond repurchase of settlement participants.

2. Guarantors of Convertible Bonds

No guarantee was provided for the Convertible Bonds issued by the Company.

3. Adjustment of conversion price of Convertible Bonds

The profit distribution for the second half of 2012 and the interim profit distribution for 2013 was implemented by the Company on 26 June 2013 (i.e. record date) and 9 September 2013 (i.e. record date), respectively. According to the requirements stated in the relevant provisions of the Prospectus in relation to the Public Issuance of A Share Convertible Bonds (with Subordinated Terms) of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司公開發行A股可轉換公司債券(附次級條款)募集說明書》), after the issuance of Convertible Bonds of the Company, the Company shall adjust the conversion price upon distribution of cash dividends. The initial conversion price of the Convertible Bonds of the Company was adjusted from RMB10.23 per share to RMB10.08 per share from 27 June 2013. The conversion price was adjusted from RMB10.08 per share to RMB9.92 per share from 10 September 2013. For details in relation to the conversion price adjustment of the

Convertible Bonds of the Company, please refer to China Securities Journal, Shanghai Securities News and Securities Times published on 20 June 2013 and 3 September 2013.

4. Conversion of Convertible Bonds

The conversion period of the Convertible Bonds of the Company shall commence on the first trading day after the expiry of 6 months from the issuance date and end on the maturity date of Convertible Bonds (i.e. 16 September 2013 to 15 March 2019). The conversion period for the Convertible Bonds commenced on 16 September 2013. As of 31 December 2013, a total of RMB6,028,000 Convertible Bonds of the Company were converted into A shares of the Company and the total number of shares converted was 607,546, representing 0.00214% of the total issued shares of the Company prior to the conversion. As of 31 December 2013, the Convertible Bonds of the Company of RMB19,993,972,000 were not converted, representing 99.96986% of the total issued Convertible Bonds. For details in relation to the conversion of the Convertible Bonds of the Company, please refer to China Securities Journal, Shanghai Securities News and Securities Times published on 3 January 2014.

5. Credit rating of Convertible Bonds

The Company engaged Dagong, a credit rating firm, to trace and analyse the credit rating of the Convertible Bonds of the Company issued on 15 March 2013. Dagong gathered and analysed information regarding the operation and financial position and performance of obligations of the Company since 2012 and issued Credit Report of A Share Convertible Bonds of China Minsheng Banking Corp., Ltd. in 2013 (《中國民生銀行股份有限公司2013年度A股可轉換公司債券跟蹤評級報告》) (Dagong Bao SD [2013] No. 213) on 25 June 2013. According to the report, the credit rating of Convertible Bonds of the Company was AA+ and the corporate credit rating remained at AAA with a stable prospect. For details in relation to the credit rating of the Convertible Bonds of the Company, please refer to China Securities Journal, Shanghai Securities News and Securities Times published on 4 July 2013.

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

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 300 BP on top of the initial interest

Changes in Share Capital and Information on Shareholders

rate applicable to the first ten years if the Company does not exercise any redemption option after 5 years. 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 the basic spread on a year-on-year basis from the 11th interest payment year. As at 28 December 2006, the proceeds from the RMB4,300 million hybrid capital bonds, net of issuance expenses, 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 national 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 issuance expenses, 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 national 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 an 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 issuance expenses, were fully

Changes in Share Capital and Information on Shareholders

credited to the account of the Company and this issue of bonds was thus 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 issued a total of RMB10,000 million subordinated bonds at fixed interest rates through a public offering in the national 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 at par value 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 issuance expenses, 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 small and micro enterprises with a total amount of RMB50,000 million in the national interbank bond market in two instalments in February and May 2012, respectively, and applied all the proceeds from the issuance for supporting loans to small and micro enterprises. 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 issuance expenses, 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 issuance expenses, were fully credited to the account of the Company and thus the issuance of RMB50,000 million special financial bonds for small and micro enterprises was completed.

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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	681,695
Total number of shareholders at the end of the fifth trading day prior to the disclosure of the results announcement (24 March)	659,235

Particulars of shareholdings of the top ten shareholders

Name of shareholders	Type of shareholder	Shareholdings	No. of shares	Shares subject to restriction on sales
HKSCC Nominees Limited	/	20.24%	5,742,566,478	0
New Hope Investment Co., Ltd.	Domestic legal person	4.70%	1,333,586,825	0
China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001, SH	Domestic legal person	4.06%	1,151,307,314	0
Shanghai Giant Lifetech Co., Ltd.	Domestic legal person	3.38%	958,110,824	0
China Shipowners Mutual Assurance Association	Domestic legal person	3.19%	905,764,505	0
Orient Group Incorporation	Domestic legal person	3.13%	888,970,224	0
Anbang Insurance Inc. — Traditional Products	Domestic legal person	2.98%	845,678,191	0
China Oceanwide Holdings Group Co., Ltd.	Domestic legal person	2.46%	698,939,116	0
Good First Group Co., Ltd.	Domestic legal person	2.01%	569,365,227	0
China SME Investment Co., Ltd.	Domestic legal person	1.98%	561,524,098	0

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	5,742,566,478	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
Shanghai Giant Lifetech Co., Ltd.	958,110,824	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
Anbang Insurance Inc. — Traditional Products	845,678,191	Ordinary shares dominated in RMB
China Oceanwide Holdings Group Co., Ltd.	698,939,116	Ordinary shares dominated in RMB
Good First Group Co., Ltd.	569,365,227	Ordinary shares dominated in RMB
China SME Investment Co., Ltd.	561,524,098	Ordinary shares dominated in RMB
Statement on the related relationship or concert actions among the aforesaid shareholders	The Company is not aware of any 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 2013, 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 of:

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.	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,333,586,825*	1	5.90	4.70

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 (%)
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
UBS AG	H	Long	Beneficial Owner	708,273,147			
		Long	Person having a security interest in shares	38,173,890			
		Long	Interest held by the corporation controlled by this substantial shareholder	11,680,200			
				758,127,237	5	13.12	2.67
		Short	Beneficial Owner	52,897,153	5	0.92	0.19
Union Sky Holding Group Limited	H	Long	Beneficial Owner	586,100,000	6	10.14	2.07
Fosun International Limited	H	Long	Beneficial Owner	454,316,500			
		Long	Interest held by the corporation controlled by this substantial shareholder	104,015,500			
				558,332,000	7 & 8	9.66	1.97
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation controlled by this substantial shareholder	558,332,000	7 & 8	9.66	1.97
BlackRock, Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	490,279,662	9	8.49	1.73

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 (%)
JPMorgan Chase & Co.	H	Long	Beneficial Owner	106,280,053			
		Long	Investment Manager	155,960,500			
		Long	Custodian	194,432,690			
				456,673,243	10	7.90	1.61
		Short	Beneficial Owner	37,474,399	10	0.65	0.13
Ge Weidong	H	Long	Beneficial Owner	273,863,500			
			Interest held by the corporation controlled by this substantial shareholder	132,816,000			
				406,679,500	11	7.04	1.43
Morgan Stanley	H	Long	Interest held by the corporation controlled by this substantial shareholder	406,426,083	12	7.03	1.43
		Short	Held by the corporation controlled by this substantial shareholder	402,569,884	12	6.97	1.42
The Goldman Sachs Group, Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	401,959,046	13	6.96	1.42
		Short	Held by the corporation controlled by this substantial shareholder	427,803,277	13	7.40	1.51

* As far as the Company is aware of, the above numbers of shares reflected the interests or short positions of the relevant substantial shareholders as at 31 December 2013. 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.. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held 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. 21.89% and 23.24% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively.

According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 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.

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2. 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 of the Directors, Supervisors and Chief Executives in the Securities and Debentures of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
3. Ms. Liu Chang held 37.66% 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).
4. The interests in the 1,891,893,763 A shares held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang as set out in the above table were from the same block of shares.
5. UBS AG had a long position in 758,127,237 H shares and a short position in 52,897,153 H shares of the Company through a number of wholly-owned subsidiaries. Besides, 72,046,298 H shares (Long position) and 58,232,153 H shares (Short position) were held through derivatives as follows:

1,142,752 H shares (Long position) and 4,125,000 H shares (Short position)	— through physically settled derivatives (on exchange)
1,367,000 H shares (Short position)	— through cash settled derivatives (on exchange)
13,109,126 H shares (Long position) and 47,587,925 H shares (Short position)	— through physically settled derivatives (off exchange)
57,794,420 H shares (Long position) and 5,152,228 H shares (Short position)	— through cash settled derivatives (off exchange)
6. Union Sky Holding Group Limited, wholly-owned by Mr. Shi Yuzhu (a Non-executive Director of the Company), had a long position in 586,100,000 H shares (all held through cash settled derivatives (off exchange)) of the Company. According to the SFO, Mr. Shi Yuzhu was deemed to have interests in the 586,100,000 H shares of the Company in which Union Sky Holding Group Limited had interests (Mr. Shi Yuzhu's interests in shares are disclosed in this annual report in the section headed "Interests of the Directors, Supervisors and Chief Executives in the Securities and Debentures of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
7. The 558,332,000 H shares (Long position) (in which 200,000,000 H shares were held through cash settled derivatives (off exchange)) held by Fosun International Limited comprised 454,316,500 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. 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 79.03% 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 558,332,000 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 of the Directors, Supervisors and Chief Executives in the Securities and Debentures of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
8. The interests in the 558,332,000 H shares held by Fosun International Limited and Fosun International Holdings Ltd. as set out in the above table, were from the same block of shares.
9. BlackRock, Inc. had a long position in 490,279,662 H shares (in which 2,192,000 H shares were held through cash settled derivatives (on exchange)) of the Company through a number of indirect wholly-owned subsidiaries.
10. JPMorgan Chase & Co. had a long position in 456,673,243 H shares and a short position in 37,474,399 H shares of the Company by virtue of its control over a number of corporations, which were direct wholly-owned or indirect wholly-owned subsidiaries of JPMorgan Chase & Co., except the following corporation:
 - 10.1 China International Fund Management Co Ltd had a long position in 14,240,000 H shares of the Company. China International Fund Management Co Ltd was owned as to 49% by JPMorgan Asset Management (UK) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

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The entire interest and short position of JPMorgan Chase & Co. in the Company included a lending pool of 194,432,690 H shares. Besides, 28,153,888 H shares (Long position) and 10,642,984 H shares (Short position) were held through derivatives as follows:

1,990,000 H shares (Long position) and 790,000 H shares (Short position)	– through physically settled derivatives (on exchange)
186,000 H shares (Long position) and 6,246,000 H shares (Short position)	– through cash settled derivatives (on exchange)
1,344,262 H shares (Short position)	– through physically settled derivatives (off exchange)
25,977,888 H shares (Long position) and 2,262,722 H shares (Short position)	– through cash settled derivatives (off exchange)

11. The 406,679,500 H shares (Long position) comprised 273,863,500 H shares directly held by Mr. Ge Weidong and 132,816,000 H shares directly held by Chaos Investment Co., Ltd., which was a wholly-owned subsidiary of Mr. Ge.
12. Morgan Stanley had a long position in 406,426,083 H shares and a short position in 402,569,884 H shares of the Company by virtue of its control over a number of corporations, which were direct wholly-owned or indirect wholly-owned subsidiaries of Morgan Stanley, except the following corporations:
 - 12.1 Morgan Stanley & Co. International plc had a long position in 237,610,756 H shares and a short position in 364,493,075 H shares of the Company. Morgan Stanley & Co. International plc was an indirect wholly-owned subsidiary of Morgan Stanley UK Group. Morgan Stanley UK Group was owned as to 90% and 10% by Morgan Stanley Group Europe and Morgan Stanley Strategic Funding Limited respectively. Morgan Stanley Group Europe was a wholly-owned subsidiary of Morgan Stanley International Limited, which was owned as to 99.99% by Morgan Stanley International Holdings Inc. (an indirect wholly-owned subsidiary of Morgan Stanley). Morgan Stanley Strategic Funding Limited was owned as to 50.28% and 21.55% by Morgan Stanley International Limited and Morgan Stanley UK Group respectively.
 - 12.2 Morgan Stanley Securities Limited had a long position in 14,138,615 H shares of the Company. Morgan Stanley Securities Limited was an indirect wholly-owned subsidiary of Morgan Stanley UK Group (see note 12.1 above).
 - 12.3 Morgan Stanley Smith Barney LLC had a long position in 156,120 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 45.42% and 5.58% 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.

Besides, 214,530,846 H shares (Long position) and 216,094,500 H shares (Short position) were held through derivatives as follows:

156,120 H shares (Long position)	– through physically settled derivatives (on exchange)
229,500 H shares (Short position)	– through physically settled derivatives (off exchange)
214,374,726 H shares (Long position) and 215,865,000 H shares (Short position)	– through cash settled derivatives (off exchange)
13. The Goldman Sachs Group, Inc. had a long position in 401,959,046 H shares and a short position in 427,803,277 H shares of the Company by virtue of its control over a number of corporations, which were direct wholly-owned or indirect wholly-owned subsidiaries of The Goldman Sachs Group, Inc., except the following corporations:
 - 13.1 Goldman, Sachs & Co. had a long position in 530 H shares and a short position in 3,838,672 H shares of the Company. Goldman, Sachs & Co. was owned as to 0.02% by The Goldman, Sachs & Co. L.L.C. The Goldman, Sachs & Co. L.L.C. was a wholly-owned subsidiary of The Goldman Sachs Group, Inc.
 - 13.2 Goldman Sachs International had a long position in 378,057,671 H shares and a short position in 358,763,101 H shares of the Company. Goldman Sachs International was owned as to 99% by Goldman Sachs Holdings (U.K.), which was an indirect wholly-owned subsidiary of Goldman Sachs Group UK Limited. Goldman Sachs Group UK Limited was owned as to 97.21% by Goldman Sachs (UK) L.L.C., which was a wholly-owned subsidiary of The Goldman Sachs Group, Inc.
 - 13.3 Goldman Sachs Asset Management, L.P. had a long position in 1,846,900 H shares of the Company. Goldman Sachs Asset Management, L.P. was owned as to 99% by The Goldman Sachs Group, Inc.
 - 13.4 Goldman Sachs Asset Management International had a long position in 485,000 H shares of the Company. Goldman Sachs Asset Management International was owned as to 98.99% by Goldman Sachs Holdings (U.K.), which was an indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc.

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Besides, 363,660,101 H shares (Long position) and 63,395,500 H shares (Short position) were held through derivatives as follows:

4,437,500 H shares (Short position)	– through physically settled derivatives (on exchange)
10,000 H shares (Long position) and 2,512,500 H shares (Short position)	– through cash settled derivatives (on exchange)
5,343,000 H shares (Long position) and 56,304,000 H shares (Short position)	– through physically settled derivatives (off exchange)
358,307,101 H shares (Long position) and 141,500 H shares (Short position)	– through cash settled derivatives (off exchange)

Save as disclosed above and the section headed “Interests of the Directors, Supervisors and Chief Executives in the Securities and Debentures 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 2013 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 2013, 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 2013, 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 held at beginning of the period (share)	Shares held at the 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	530.63	0
HONG Qi	M	1957	Vice Chairman, Executive Director & President of the Bank	2012.4.10-2015.4.10	0	0	500.63	0
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	2012.4.10-2015.4.10	0	0	87.50	98.70
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	2012.4.10-2015.4.10	0	0	84.50	324.48
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	2012.4.10-2015.4.10	0	0	82.50	0
LIANG Yutang	M	1958	Vice Chairman & Executive Director	2012.4.10-2015.4.10	0	0	462.95	0
WANG Yugui	M	1951	Non-executive Director	2012.4.10-2015.4.10	0	0	79.00	0
SHI Yuzhu	M	1962	Non-executive Director	2012.4.10-2014.3.25	0	0	82.00	0
WANG Hang	M	1971	Non-executive Director	2012.4.10-2015.4.10	0	0	84.50	0
WANG Junhui	M	1971	Non-executive Director	2012.4.10-2015.4.10	0	0	76.00	0
WU Di	M	1965	Non-executive Director	2012.6.15-2015.4.10	0	0	77.50	300.00
GUO Guangchang	M	1967	Non-executive Director	2012.12.17-2015.4.10	0	0	81.50	680.00
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	84.50	0
HAN Jianmin	M	1969	Independent Non-executive Director	2012.4.10-2015.4.10	0	0	91.00	0
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	2012.6.15-2015.4.10	0	0	95.00	0
BA Shusong	M	1969	Independent Non-executive Director	2012.6.15-2015.4.10	0	0	100.50	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	407.35	0
LI Huaizhen	M	1957	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10-2015.4.10	0	0	347.20	0
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10-2015.4.10	633,100	633,100	386.41	0
ZHANG Ke	M	1953	External Supervisor	2012.4.10-2015.4.10	0	0	65.50	0
LI Yuan	M	1954	Supervisor	2012.4.10-2015.4.10	0	0	61.00	0
ZHANG Disheng	M	1955	Supervisor	2012.4.10-2015.4.10	0	0	61.50	0
LU Zhongnan	M	1955	Supervisor	2012.4.10-2015.4.10	0	0	65.00	0
WANG Liang	M	1942	External Supervisor	2012.4.10-2015.4.10	0	0	61.50	0
HU Ying	F	1963	Employee Supervisor	2012.4.10-2013.6.18	0	0	83.36	0
XING Benxiu	M	1963	Vice President	2012.4.10-2015.4.10	0	0	270.74	0
ZHAO Pinzhang	M	1956	Vice President	2012.4.10-2015.4.10	0	0	361.30	0
MAO Xiaofeng	M	1972	Vice President	2012.4.10-2015.4.10	0	0	366.39	0

Directors, Supervisors, Senior Management and Employees

Name	Gender	Year of birth	Position	Term of office	Shares held at beginning of the period (share)	Shares held at the end of the period (share)	Aggregate remuneration before tax payable during the reporting period (RMB ten thousand)	Remuneration received from shareholders (RMB ten thousand)
WAN Qingyuan	M	1965	Board Secretary	2012.4.10–2015.4.10	0	0	299.37	0
BAI Dan	F	1963	Chief Financial Officer	2012.4.10–2015.4.10	0	0	300.40	0
SHI Jie	M	1965	Assistant to President	2012.8.7–2015.4.10	0	0	268.25	0
LI Bin	F	1967	Assistant to President	2012.8.7–2015.4.10	0	0	269.27	0
LIN Yunshan	M	1970	Assistant to President	2012.8.7–2015.4.10	0	0	268.25	0
Total					633,100	633,100	6,543.00	

- Notes:
1. Qin Rongsheng and You Lantian, 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, they have waived their directors' remuneration for 2013. The Board of the Company received the resignation tendered by Mr. Qin Rongsheng on 6 March 2014, which will only come into effect after the newly appointed Independent Director commences his/her service, and prior to that, Mr. Qin Rongsheng will continue to perform his duties as Independent Director;
 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 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 were referred to their remunerations during their terms;
 5. Hu Ying, former Supervisor of the Company, resigned during the reporting period;
 6. Shi Yuzhu, former Director of the Company, resigned on 25 March 2014.

(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
Wang Junhui	China Life Investment Holding Company Limited	President	2011–Present
Wu Di	Fuxin Group Co., Ltd.	President, Chief Executive Office 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 had 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 managing 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

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deputy director of Henan Finance and Management College from 1988 to 1991. Mr. Dong has over 32 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 a 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 was 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 29 years of experience in banking management and finance. Mr. Hong obtained his doctor's degree 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 Economics 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 SSE (stock code: 600811)) and Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 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 was previously a member of the 11th CPPCC and 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., 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 SSE (stock code: 600837)) and the chairman of the board of directors of Oceanwide Real Estate Group Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000046)). 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.

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 a 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), the chairman of the board of Shandong New Hope Liuhe Group Co., Ltd., and director of New Hope Liuhe Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000876), the substantial shareholder of the Company). Mr. Liu was a member of the CPPCC since 1993 to 2013. He was previously a Standing Committee

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member of CPPCC and a vice chairman of Committee for Economic Affairs of the CPPCC during the period. He has been elected as a representative of the National People's Congress in 2013. Mr. Liu was previously the chairman of the board of New Hope Investment Co., Ltd. (the substantial shareholder of the Company), 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. Mr. Wang is also an arbitrator of the Maritime Arbitration Commission of the China Council for the Promotion of International Trade. He was previously the managing director of China Shipowners Mutual Assurance Association, executive director of China Maritime Law Association and the China Association of Trade in Services and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837)). 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, and resigned on 25 March 2014. He was 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 of Giant Interactive Group Inc. (listed on New York Stock Exchange (NYSE: GA)), a director of Shanghai Zhengtu Information Technology Co., Ltd., the ultimate controller of Shanghai Giant Lifetech Co., Ltd.. Mr. Shi was previously the chief executive officer of Giant Interactive Group Inc. (listed on New York stock Exchange (NYSE:GA)), the chief executive officer of Stone Group Holdings Limited from 2004 to 2007 and has been an executive director of Stone Group Holdings Limited from 2004. 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.

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 vice chairman of the board of directors of New Hope Group Co., Ltd. (the substantial shareholder of the Company) 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 (stock code: 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. and the general manager of Beijing Shouwang

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Asset Management 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 doctor's degree 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, a member of the Standing Committee 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 doctor's degree and is a senior economist and a guest professor of Huaqiao University.

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 SSE (stock code: 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 12th session of the CPPCC, the vice council chairman of China Foundation for

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Glory Society and the honorary chairman of Zhejiang Chamber of Commerce in Shanghai. Mr. Guo was previously a member of the 11th National People's Congress of the PRC, a member of the 9th session of the CPPCC and 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 guest 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, executive councilor of the All China Lawyers Association and a non-standing committee member of the third session of Administrative Review Committee of Beijing Municipal People's Government (北京人民政府行政複議委員會). He is also the vice president of the Beijing Xicheng Social Organisation 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 (stock code: 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 the 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 the 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 (stock code: 000972)). Mr. Wang obtained a master 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.

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)), Shanghai Industrial Holdings Limited (listed on the Hong Kong Stock Exchange (stock code: 00363)) and Wing Tai Properties Limited (listed on the Hong Kong Stock Exchange (stock code: 00369)). 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.

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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, vice secretary general of China Society of Macroeconomics and the independent non-executive director of Wanda Commercial Properties (Group) Co., Ltd. (listed on Hong Kong Stock Exchange (stock code: 00169), formerly known as Hengli Commercial Properties Group Limited and was renamed on 15 July 2013). He was the deputy division director of Development and Planning Department of Bank of China Limited (listed on the SSE (stock code: 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 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 (stock code: 002030)), Industrial Bank Co., Ltd. (listed on the SSE (stock code: 601166)), Shanghai Great Wisdom Co., Ltd. (listed on the SSE (stock code: 601519)), AVIC Capital Co., Ltd. (listed on the SSE (stock code: 600705), formerly known as Beiya Industrial (Group) Co., Ltd. and was renamed on 17 July 2012) and Guo Yuan Securities Co., Ltd. (listed on Shenzhen Stock Exchange (stock code: 000728)), and the independent non-executive director of China Chengtong Development Group Limited (listed on the Hong Kong Stock Exchange (stock code: 00217)) and China Investment Development Limited (listed on the Hong Kong Stock Exchange (stock code: 00204)). Mr. Ba obtained a doctor's 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 12th National Committee of CPPCC and vice chairwoman of China Soong Ching Ling Foundation. Ms. You was previously a member of the 11th National Committee of CPPCC, the deputy director of the Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese and 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 Examination 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 Organisation 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. Mr. Duan obtained a master's degree in Business Administration 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 Examination 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 the CBRC from 2008 to February 2012, and served as a director general and a secretary of Party Committee of Hubei Office of the CBRC from 2005 to 2008. He also served as the deputy director general and vice secretary of Party Committee of Shandong Office of the CBRC from 2003 to 2005. Mr. Li has been the vice president of Ji'nan Branch of the 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 the 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 was appointed

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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 Central 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 Central Sub-branch of the PBOC from 1981 to 1983 and also worked as a statistician and loan officer of Feixian sub-branch of the PBOC from 1980 to 1981. Mr. Wang obtained a PhD degree in Economic 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 Examination 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, the chairman of Shinewing Management and Consulting Company Limited and an external director of China National Salt Industry Corporation. 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., and the chairman of the Supervisory Committee of China Life AMP Asset Management Co., 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 SSE (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 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 Examination 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 graduated from Ryutsu Keizai University in Japan with a master's degree and is a senior economist.

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 Examination 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 Examination 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 Shareholders Representative 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.

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".

Directors, Supervisors, Senior Management and Employees

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 director of the Savings Division of the PBOC from 1991 to 1994. He served as a deputy 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 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 the Asset and Liability Management Commission. Mr. Zhao joined the Company in 1996, and was the deputy general manager of Beijing Administrative Department from 1998 to 2000, a deputy general manager of the Risk Management Department of the Company from 2000 to 2001, the general manager of the Credit Assessment Department of the Company from 2001 to 2007, the chief credit officer and a Supervisor of the Company from 2003 to 2007, and an assistant to the President from 2005 to 2008. 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 Central Sub-branch of China Construction Bank. Mr. Zhao has over 30 years of experience in banking management. Mr. Zhao obtained a master's degree in Business Administration and is a senior economist.

Mr. Mao Xiaofeng, is a Vice President of the Company, appointed in April 2008. Mr. Mao is also the chairman of our Banking Management Commission of the Company. 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 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), respectively. Mr. Wan has been working in the financial industry for 28 years. Mr. Wan obtained a master's degree in Business Administration from Wuhan University. He is currently a senior editor.

Ms. Bai Dan, appointed as the Chief Financial Officer of the Company in April 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's degree in Business Administration from Beijing Jiaotong University in 2008 and is an accountant.

Mr. Shi Jie, appointed as the assistant to the President of the Company in August 2012. He is also a general manager of the Credit Assessment Department. 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 preparatory team for the Changchun Branch of the Company 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's degree in Management from Tianjin Institute of Finance and Economics.

Directors, Supervisors, Senior Management and Employees

Ms. Li Bin, appointed as the assistant to the President of the Company in August 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, appointed in August 2012. Mr. Lin is also the chairman of the Retail Banking Management Commission. Mr. Lin joined the Company in 2001, and served as the director of Bills Business Office under the Business Department of the Company from 2002 to 2003, assistant to general manager of the Business Department of the Company from 2003 to 2005, member of the Party Committee and vice president of Shenzhen Branch of the Company from 2005 to 2007, director of the office of the Corporate Banking Management Commission of the Company from 2007 to 2009, and the general manager of the Corporate Banking Department of the Company from 2009 to 2012. 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 the PBOC from 1998 to 1999, and deputy principal staff member and principal staff member of the Accounting Department of the PBOC from 1993 to 1998. Mr. Lin obtained a master's 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 48, 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 a fellow of 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 and Supervisors were as follows:

1. Mr. Lu Zhiqiang, a Non-executive Director of the Company, no longer served as the chairman of Oceanwide Real Estate Group Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000046)).
2. Mr. Liu Yonghao, a Non-executive Director of the Company, was selected as a deputy to the National People's Congress and no longer served as a chairman of New Hope Investment Co., Ltd., a substantial shareholder of the Company.
3. Mr. Wang Hang, a Non-executive Director of the Company, no longer served as the general manager of Beijing Shouwang Asset Management Co., Ltd..
4. Mr. Ba Shusong, an Independent Non-executive Director of the Company, was appointed as the vice secretary general of China Society of Marcoeconomics and no longer served as the independent director of GuoYuan Securities Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 000728)).
5. Mr. Zhang Ke, a Supervisor of the Company, was appointed as the external director of China National Salt Industry Corporation.
6. Mr. Li Yuan, a Supervisor of the Company, was appointed as the chairman of the supervisory committee of China Life AMP Asset Management Co., Ltd..
7. Mr. Wang Yugui, a Non-executive Director of the Company, no longer served as a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837)).

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

1. During the reporting period, Ms. Hu Ying tendered her resignation as the Supervisor representing employees of the Company due to work arrangement.
2. On 25 March 2014, Mr. Shi Yuzhu resigned as a Director of the Company as he is withdrawing gradually from corporate management and preparing for retirement.

(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 RMB1.443 billion. Hangzhou United Bank is a local joint-stock bank of limited liabilities. The customers of Hangzhou United Bank are mainly customers from rural areas and local communities as well as SMEs. According to the unaudited financial statements as at the end of December 2013, the total assets, outstanding deposits, outstanding loans and equity of Hangzhou United Bank were RMB101.4 billion, RMB82.0 billion, RMB57.6 billion and RMB10.4 billion. Hangzhou United Bank is very different from the Company in terms of scale and geographical coverage of business. The board of Hangzhou United Bank has 13 directors in total 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 provision set in 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.

Directors, Supervisors, Senior Management and Employees

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.

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

(l) As at 31 December 2013, the following Directors/Supervisor of the Company had the following interests in the shares/debentures of the Company:

Name	Position	Interests in shares					Interests in debentures			
		Class of shares	Long/short position	Capacity	No. of shares	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued shares (%)	Class of debentures	Capacity	Amount of debentures (RMB)
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporations	1,891,893,763 (note 1)	8.38	6.67			
		H	Long position	Interest held by his controlled corporations	16,987,500 (note 2)	0.29	0.06			
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporations	924,252,482 (note 3)	4.09	3.26	A Share Convertible Bonds	Interest held by his controlled corporations	350,000,000 (note 4)
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporations	725,507,059 (note 5)	3.21	2.56			
		H	Long position	Interest held by his controlled corporations	5,720,500 (note 6)	0.10	0.02	A Share Convertible Bonds	Interest held by his controlled corporations	263,554,000 (note 7)
Shi Yuzhu	Non-executive Director	A	Long position	Interest held by his controlled corporations	1,030,338,243 (note 8)	4.56	3.63			
		H	Long position	Interest held by his controlled corporations	638,829,500 (note 9)	11.06	2.25	A Share Convertible Bonds	Interest held by his controlled corporations	716,496,000 (note 10)
Guo Guangchang	Non-executive Director	A	Long position	Interest held by his controlled corporations	230,000,000 (note 11)	1.02	0.81			
		H	Long position	Interest held by his controlled corporations	558,332,000 (note 12)	9.66	1.97			
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	633,100	0.003	0.002			

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.. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held 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. 21.89% and 23.24% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 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 62.34% 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 16,987,500 H shares were held by New Hope International (Hong Kong) Limited, which was owned as to 75% by South Hope Industrial Co., Ltd. (see note 1 above).
3. The 924,252,482 A shares were held by Orient Group Incorporation. 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 directly by Mr. Zhang Hongwei.
4. The debentures of RMB350,000,000 were held by Orient Group Incorporation (see note 3 above).
5. The 725,507,059 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 96.70% 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..
6. The 5,720,500 H shares were held by Oceanwide International Resources Investment Co., Ltd., which was wholly-owned by China Oceanwide Holdings Group Co., Ltd. (see note 5 above).
7. The debentures of RMB263,554,000 were held by China Oceanwide Holdings Group Co., Ltd. (see note 5 above).
8. The 1,030,338,243 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 Mr. Shi Yuzhu.
9. The 638,829,500 H shares comprised 586,100,000 H shares held directly by Union Sky Holding Group Limited and 52,729,500 H shares 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 52,729,500 H shares held by Vogel Holding Group Limited. Besides, 505,700,000 H shares were held through cash settled options.
10. The debentures of RMB716,496,000 were held by Shanghai Giant Lifetech Co., Ltd. (see note 8 above).
11. Mr. Guo Guangchang had 230,000,000 A shares by virtue of his control over the following corporations:
 - 11.1 Nanjing Iron & Steel Co., Ltd. held 150,000,000 A shares of the Company. Nanjing Iron & Steel Co., Ltd. was owned as to 56.53% by Nanjing Nangang Iron & Steel United Co., Ltd..
 - 11.2 Shanghai Fosun Industrial Technology Development Co., Ltd., a wholly-owned subsidiary of Shanghai Fosun Industrial Investment Co., Ltd., held 80,000,000 A shares of the Company. Shanghai Fosun Industrial Investment Co., Ltd. is a wholly-owned subsidiary of Shanghai Fosun High Technology (Group) Co., Ltd..
12. The 558,332,000 H shares (in which 200,000,000 H shares were held through other category of derivatives) comprised 454,316,500 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. 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 79.03% 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 558,332,000 H shares held by Fosun International Limited.

Directors, Supervisors, Senior Management and Employees

(II) As at 31 December 2013, the following Director of the Company had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd, a subsidiary of the Company:

Name	Position	Long/short position	Capacity	Interest in 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 Rural Bank Co., Ltd.. As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

(III) As at 31 December 2013, the following Director of the Company had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/short position	Capacity	Number of shares	Note	Percentage of the total share capital (%)
Shi Yuzhu	Non-executive Director	Long position	Interest held by his controlled corporations	9,000,000 shares	1	6

Note:

1. Shanghai Giant Lifetech Co., Ltd. entitled to interest of 9,000,000 shares in Shanghai Songjiang Minsheng Rural Bank Co., Ltd.. 95.14% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was indirectly held by Mr. Shi Yuzhu. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. according to the SFO.

Directors, Supervisors, Senior Management and Employees

(IV) As at 31 December 2013, the following Director of the Company had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/short position	Capacity	Number of shares	Note	Percentage of the total share capital (%)
Shi Yuzhu	Non-executive Director	Long position	Interest held by his controlled corporations	2,500,000 shares	1	10

Note:

1. Giant Investment Co., Ltd. entitled to interest of 2,500,000 shares in Tibet Linzhi Minsheng Rural Bank Co., Ltd.. 95% of the issued share capital of Giant Investment Co., Ltd. was held by Mr. Shi Yuzhu. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Giant Investment Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

Save as disclosed above, as at 31 December 2013, 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

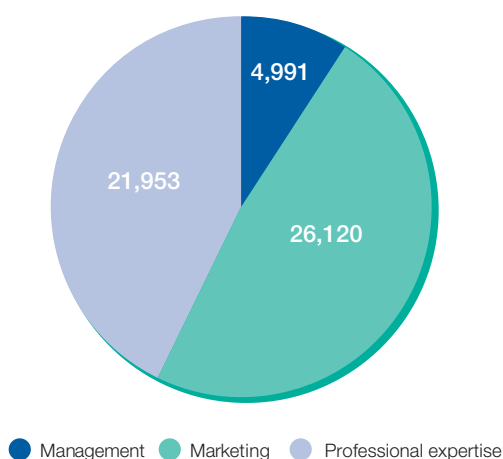
No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, subsisted during the reporting period.

II. Employees

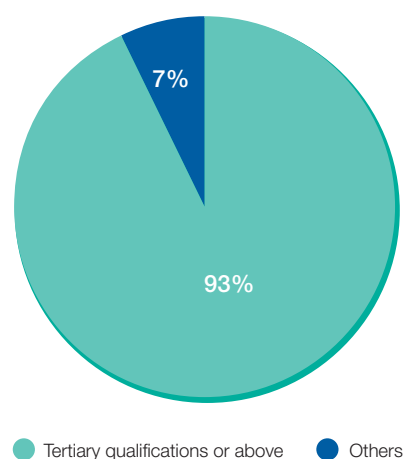
As at the end of the reporting period, the Group had 54,927 employees, of which 53,064 were employees of the Company and 1,863 were employees of the subsidiaries of the Company. Divided by professional specialties, 4,991 were categorised as management team, 26,120 as marketing team, and 21,953 as technical team. The Company had 49,166 employees with tertiary qualifications, accounting for 93% of the total number of employees. In addition, 105 employees of the Company have retired.

Directors, Supervisors, Senior Management and Employees

Composition of employees – by professions (Unit: persons)



Composition of employees – by education background



The guiding principles of the Company's remuneration policy in 2013 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 Bank 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 system.

The Company highly emphasises on employee training. Trainings of the Bank focused on the "building of a competent professional team based on the need for strategic development and business innovation" through the improvement on employees' professional capabilities in three major strategic objectives, capabilities in the execution of strategies and management and business innovation and professionalism. Pursuant to the "three horizontal and one vertical (三橫一縱)" structure, the Company held trainings in various forms for employees at different levels and sectors through various channels and methods to maximise the efficiency of training in order to support and secure the business development of the Bank. Furthermore, the Company established an on-going training and career development system for its employees and standardised all training and development stages throughout their employment. Customised training resources were allocated to employees of different levels and positions. Information technology was applied in training and development activities. In 2013, the Bank organised various training programs with attendance of over 180,000, and a total of 1,840,000 hours of face-to-face training and 960,000 hours of web-based training.

Directors, Supervisors, Senior Management and Employees

III. Business Network

As at the end of the reporting period, the Company had set up 36 branches in 36 cities across China, with 852 banking outlets in total.

During the reporting period, Guiyang Branch, Sanya Branch and Lhasa Branch of the Company had commenced their operation.

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

Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Head Office	1	17,277	1,158,445	No.2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	59	2,912	552,312	No.2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	63	2,704	298,150	No.100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	45	1,922	156,626	Minsheng Tower, No.68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	43	1,526	118,418	Minsheng Bank Tower, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	36	1,460	83,484	China Minsheng Bank Tower, No.396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	36	1,416	85,023	No.2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	55	1,985	114,624	No.10 Xidajie, Shijiazhuang
Dalian Branch	26	977	58,948	No.4A Wuwu Road, Zhongshan District, Dalian
Nanjing Branch	50	2,140	172,165	No.20 Hongwu Bei Road, Nanjing
Hangzhou Branch	35	1,574	118,367	Jinzun, Zunbao Mansion, No.98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	23	1,029	83,090	Tongjiyuanjing Building, No.9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	20	1,014	64,905	China Minsheng Bank Tower, No.78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	26	840	38,912	No.282 Hudong Road, Fuzhou
Jinan Branch	36	1,592	79,810	No.229 Luoyuan Street, Jinan
Ningbo Branch	18	780	37,362	No.348 Min'an Road, Jiangdong District, Ningbo
Chengdu Branch	29	1,265	85,868	Block 6, No.966 North Section of Tianfu Avenue, Gaoxin District, Chengdu



Directors, Supervisors, Senior Management and Employees

Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Tianjin Branch	24	778	41,973	China Minsheng Bank Tower, No.43 Jianshe Road, Heping District, Tianjin
Kunming Branch	19	779	53,432	Chuntian Yinxiang Building, No.331 Huancheng Nan Road, Kunming
Quanzhou Branch	13	471	45,429	No.689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	18	1,040	73,478	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	23	967	42,011	No.18 Fuzhou Nan Road, Shinan District, Qingdao
Wenzhou Branch	13	651	32,111	Hengha Building, No.1707 Wenzhou Avenue, Wenzhou
Xiamen Branch	14	561	41,602	7/F, Lixin Plaza, No.90 Hubin Nan Road, Xiamen
Zhengzhou Branch	30	1,110	86,094	Minsheng Bank Tower, No.1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	19	754	48,238	Minsheng Tower, No.189 Binjiang Road, Yuelu District, Changsha
Changchun Branch	16	553	36,355	Minsheng Tower, No.500 Changchun Street, Changchun
Hefei Branch	12	541	41,763	Tian Qing Building, No.135 Bozhou Road, Hefei
Nanchang Branch	14	557	35,351	No.237 Xiangshan Bei Road, Dong Hu District, Nanchang
Shantou Branch	8	383	10,809	1-3/F, Huajing Plaza, No.17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	8	454	26,186	1, 8-12/F, Guangxi Development Tower, No.111-1 Minzu Avenue, Nanning
Hohhot Branch	7	363	31,040	1-3/F, Block A, Fortune Mansion, No.36 Xinhua East Street, Saihan District, Hohhot
Shenyang Branch	6	312	19,316	No.65 Nanjing North Street, Heping District, Shenyang
Hong Kong Branch	1	143	42,743	36/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Guiyang Branch	2	107	14,195	No.28 Yangguan Avenue, Guanshanhu District, Guiyang
Sanya Branch	2	79	1,023	No.128 Xinfeng Street, Hedong District, Sanya
Lhasa Branch	2	48	1,469	Global Plaza, No.8 Beijing West Road, Lhasa
Inter-region adjustment			(942,141)	
Total	852	53,064	3,088,986	

Notes:

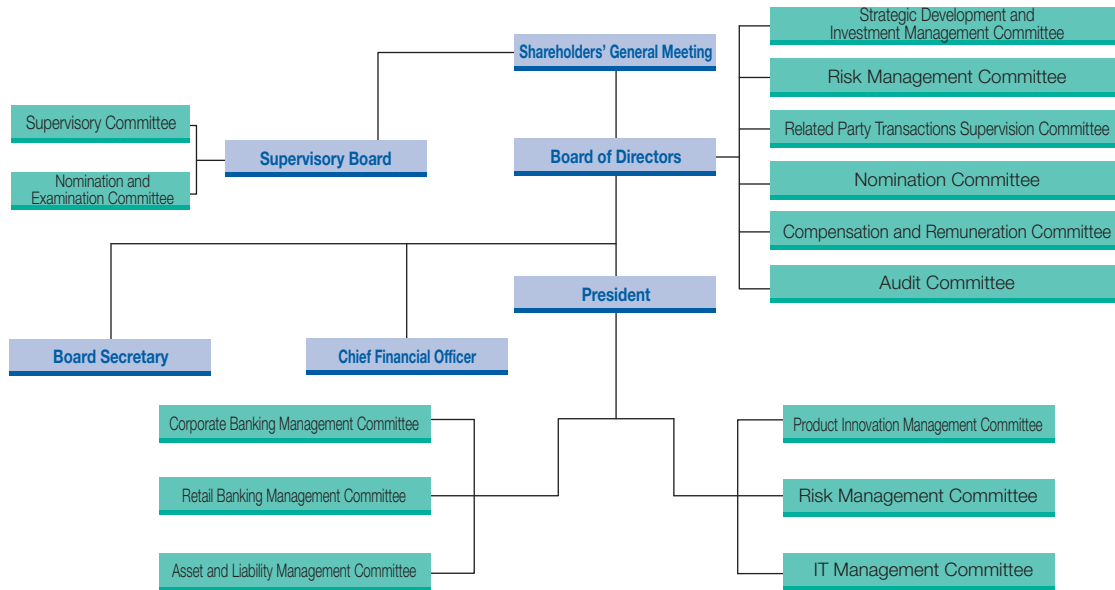
1. The number of outlets takes into account all types of banking establishments, including the head office, tier-one branches, business departments of branches, secondary branches and sub-branches.
2. Total headcount of the Head Office includes the total number of the employees in the Real Estate Finance SBU, the Energy Finance SBU, the Transportation Finance SBU, the Metallurgy Finance SBU, the Trade Finance SBU, the Credit Card Centre and the Financial Market SBU.
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.



Corporate Governance



I. Corporate Governance Structure



II. Corporate Governance Overview

During the reporting period, the Company continuously focused on establishing a transparent and efficient corporate governance structure, ceaselessly refining its systems, enhancing its corporate governance standard through a variety of innovative measures, and strengthening 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 organised and prepared a total of 64 meetings, including a shareholders' general meeting, 7 Board meetings, 43 meetings of the special committees of the Board, 7 meetings of the Supervisory Board and 6 meetings of the special committees of the Supervisory Board. 195 material resolutions such as periodical reports of the Company, working reports of the Board of Directors and the Supervisory Board, working report of the President, financial budgets and report, profit distribution proposals, major related party transactions, establishment of organisations and system revision were considered and approved at these meetings.

2. In accordance with the domestic and overseas regulatory requirements, the Company has timely revised the relevant provisions of the Articles of Association. In accordance with the latest requirements of Corporate Governance Code of the Hong Kong Stock Exchange, the Company has formulated the Policy of Board Diversity (《董事會成員多元化政策》), the Market Risk Management Rules (《市場風險管理制度》), the Administrative Measures for Material Fixed Assets Investment Management (Provisional) (《重大固定資產投資管理辦法(試行)》), the Policy for the Management and Disclosure of Inside Information (《內幕消息管理及披露政策》), the Basic Financial Rules (《基本財務規則》), the Basic Accounting Rules (《基本會計規則》) and the Liquidity Contingency Plan of Minsheng Rural Banks (《民生村鎮銀行流動性危機應急處置預案》), and has amended the Articles of Association, Terms of Reference of the Nomination Committee of the Board (《董事會提名委員會工作細則》), Administrative Measures for Strategy (《戰略管理辦法》), Administrative Measures for Capital Management (Revised) (《資本管理辦法(修訂稿)》), Management Measures on Consolidated Supervisions (《併表管理辦法》), Administrative Measures for Affiliated Entities (《附屬機構管理辦法》), Internal Auditing Rules (《內部審計章程》), Administrative Measures for Fund-raising (《募集資金管理辦法》), Liquidity Contingency Plan of Minsheng Rural Banks (《民生村鎮銀行流動性危機應急處置預案》), Measures on Supervision and Examination of the Supervisory Board (《監事會監督檢查辦法》), Implementation Rules for Financial Supervision and Inspection of the Supervisory Board (《監事會財務監督檢查實施細則案》), Implementation Rules for Supervision and Examination of Risk Management of the Supervisory Board (《監事會風險管理監督檢查實施細則》), Implementation Rules for Supervision and Examination of Internal Control of the Supervisory Board (《監事會內控監督檢查實施細則》), Provisional Measures on Supervision and Appraisal of Performance of the Board of Directors and the Directors by the Supervisory Board (《監事會對董事會及董事履職監督評價試行辦法》), Implementation Rules for Supervision and Appraisal of Performance of the Board of Directors and the Directors by the Supervisory Board (《監事會對董事會及董事履職監督評價實施細則》), Provisional Measures on Supervision and Appraisal of Performance of the Senior Management and Its Members by the 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》), Provisional Measures on Appraisal of Performance of the Supervisors (《監事履職評價試行辦法》), Code of Conduct of Supervisors (《監事行為規範》), Terms of Reference of the Nomination and Examination Committee of the Supervisory Board (《監事會提名與評價委員會工作細則》), Measures on Supervision of Strategy of the Supervisory Board (《監事會戰略監督辦法》), etc.. 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 enhance the corporate governance level of the Company by ceaselessly strengthening the implementation and the enforcement of the rules and regulations.

3. With an aim to implement the second Five-Year Development Outline and the instruction of the Board of Directors on the development and enhancement of corporate governance, the Company launched a project to standardise the operating procedures of corporate governance. The project clarified the boundaries of the responsibilities and also depicted the operational track of the Shareholders' General Meeting, the Board of Directors, the Supervisory Board and the senior management with the aim of improving the corporate governance results. Based on standardised, operational and streamlined procedures, the Company carried out objective assessment of corporate governance to find out the respective fundamental functions of the Shareholders' General Meeting, the Board of Directors, the Supervisory Board and the senior management. It also presented their respective responsibilities at various nodes in the form of a flow chart. A manual on standardised corporate governance procedures was formulated with an electronic corporate governance operation platform. The project enabled the formulation of more specific and transparent corporate governance measures in addition to the complex theory, which significantly enhanced the corporate governance level of the Company.

4. Pursuant to the stipulation of 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, determine their remunerations and appointments based on the results of the performance appraisal in order to continuously facilitate the improvement of their capabilities in performing duties and optimise the systematic, standardised and regular performance evaluation system for the senior management of the Board.

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

5. During the reporting period, the Company fully utilised the public education platforms and training programs provided by the regulatory authorities and arranged different batches of Directors and Supervisors to participate in the relevant training programs for directors and supervisors. All the Directors and Supervisors fulfilled the training requirements for their employment qualification stipulated by the regulatory authority and thereby enhanced their capabilities in carrying out duties.

Corporate Governance

6. During the reporting period, Directors of the Company reviewed the internal control systems of the Company and its subsidiaries and considered them effective. Such review covered all important aspects of control, including financial, operation and compliance control, and risk management function. The Audit Committee of the Board of Directors of the Company conducted specialised internal control research and investigation at four branches, and continued to facilitate the evaluation on internal audit departments of the Company in terms of innovative management and performance appraisal.
7. During the reporting period, the Company completed the largest collation of information on related parties since its establishment and formulated the design of standardised credit granting framework for the related party groups.
8. The Related Party Transactions Supervision Committee and the Audit Committee of the Board of Directors of the Company visited the Taicang Minsheng Rural Bank and Shanghai Songjiang Minsheng Rural Bank to carry out a joint research and investigation on related party transactions and internal control management, and gave guidance to the rural banks on the establishment of a superior corporate governance mechanism and the efficient management on insider trading and related party transactions.
9. During the reporting period, in accordance with the stipulation and requirements of the regulatory authorities, the Supervisory Board further adjusted and improved the functions of the two special committees and completed the corporate governance projects with the Board of Directors. Thereby it set out clearer requirements on the duties of the Supervisory Board and special committees and also optimised and specified the method, process and path for the performance of duties. As a result, the overall efficiency of the Supervisory Board was enhanced with more standardised and efficient performance of duties.
10. During the reporting period, the Supervisory Board of the Company consistently followed the stipulation of the Articles of Association and the requirements of the regulatory authorities, held various meetings to consider the relevant resolutions with regard to key works of the Company. The Supervisory Board also attended different meetings of the Board and important business meetings of the senior management. It further improved the mechanism of the Supervisory Board, formulated working rules on major issues such as operation management, financial operation, internal control, risk management and supervision on performance of duties to standardise the performance of duties. It also strengthened the evaluation on the implementation of key strategies within the Bank through evaluations on reform and development of SBUs and management of middle and back offices of the head office to support the strategy implementation and business development of the Bank.

11. During the reporting period, based on the supervisory responsibilities and monitoring requirements, the Supervisory Board of the Company closely monitored the operation and management of the Company. It organised and conducted specific examinations on wealth management business and relevant asset pool of the Company in accordance with the law. Evaluation on vehicle management of the Bank was also carried out. It also organised teams to pay inspection visits to branches and sub-branches for research, investigation and evaluation. Based on the results, the Supervisory Board submitted various management proposals to the Board and the senior management, which facilitated the compliance of operation and healthy development of the Company.
12. A total of 7 issues of Newsletter of the Board of Directors (《董事會工作通訊》), 43 issues of Internal Reference (《內部參考》) and 3 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.
13. During the reporting period, the Company 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 an equal opportunity to access the information of the Company. The management of investor relations of the Company adhered to the strategy of “bank for NSOEs”, “bank for small and micro enterprises” and “bank for high-end retail customers” proposed by the Chairman of the Board of Directors through adopting a variety of methods and organizing different types of activities. Through fully highlighting the strategic advantages, operation strategies and financial results of the Company, these activities strengthened the presence of the Company in the capital market. Please refer to “Information Disclosure and Investor Relations” in this section for details.
14. According to the internal inspection of the Company, no leakage of important information of the Company had been found as at the end of the reporting period. None of the insiders had purchased or sold the shares of the Company taking the advantage of any share price sensitive inside information prior to the disclosure of such information. On 22 March 2012, the Rules for Insider Registration and Management (《內幕信息知情人登記管理規定》) was considered and approved at the 22nd meeting of the 5th session of the Board of Directors. Since then, the Company has stringently followed the relevant provisions of the Rules for Insider Registration and Management to conduct registration of the insiders possessing insider knowledge for record.

Corporate Governance

15. Compliance with regulatory requirements regarding corporate governance of listed companies issued by the CSRC.

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

III. 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; formulating the Company's major objectives, policies and development plans; deciding on the Company's operating plans, investment proposals and the establishment of internal management units; preparing annual financial budgets, final accounts and profit distribution plans; and appointing members of senior management. The Company's management team shall have the autonomy to operate the Company independently and the Board of Directors shall not interfere with the specific matters of the daily operation and management of the Company.

(I) Composition of the Board

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

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 Company considers diversified composition of the Board is beneficial to enhance the operating quality of the Company. Therefore, the Company formulated the Policy of Board Diversity (《董事會成員多元化政策》) in August 2013, specifying that the Company should take various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, into consideration in determining the members of the Board for more diversified board composition. The final candidates shall be elected based on his/her value and contributions to the Board. The Board shall nominate candidates for directors for their merits and based on the requirements for the diversity of board members. The Nomination Committee shall report the diversified composition of the Board in the annual report. It shall supervise the implementation of the Policy of Board Diversity and review such policy when necessary to ensure its effectiveness. The Nomination Committee shall discuss any amendments to the Policy of Board Diversity when necessary and submit the proposed amendments to the Board for approval.

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., and 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.

(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 operational plans and investment plans of the Company;
4. to formulate the proposed annual budget and annual final accounts of the Company;
5. to formulate the profit distribution plans and plans for recovery of losses of the Company;

Corporate Governance

6. to formulate proposals for increases or reductions of the registered share capital, issuance of bonds or other securities and listing plans of the Company;
7. to formulate proposals for material acquisitions, the purchase of the shares, merger, division, dissolution and change of form of the Company;
8. to decide on external investments, purchases and sales of assets, pledges of assets, material guarantees, and related party transaction matters within the scope authorised by the shareholders' general meetings of the Company;
9. to decide on the establishment of the internal management structure of the Company;
10. to appoint or remove the President and CFO of the Company 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, whose qualifications had been accredited by the CBRC, of branches;
12. to establish the basic management system of the Company;
13. to formulate proposals for any amendment to the Articles of Association of the Company;
14. to manage the disclosure of information of the Company;
15. to propose at the shareholders' general meetings for the appointment or replacement of the accounting firms of the Company 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, stipulate concrete rules and establish corresponding mechanism;
18. the Board shall establish an information reporting system that requires the senior management to report to the Board and Directors the operational issues of the Company regularly, and the reporting system shall cover provisions for the following issues: the scope of the information reported to the Board and Directors and the minimum reporting standards, the information reporting frequency, the information reporting method, the responsible body and liabilities arising from delayed or incomplete information 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 Articles of Association of the Company.



(III) Board meetings and contents of resolutions

During the reporting period, 7 Board meetings were held by the Board of Directors to deliberate on and approve major resolutions in relation to strategies, policies, finance and operation of the Company.

Meeting	Date	Publication	Date of disclosure
8th Meeting of the 6th Session of the Board	28 March 2013	China Securities Journal, Shanghai Securities News, and Securities Times	29 March 2013
4th Extraordinary Meeting of the 6th Session of the Board	7 April 2013	exempt from announcement in accordance with relevant provisions	
9th Meeting of the 6th Session of the Board	24 April 2013	China Securities Journal, Shanghai Securities News, and Securities Times	25 April 2013
10th Meeting of the 6th Session of the Board	28 June 2013	China Securities Journal, Shanghai Securities News, and Securities Times	29 June 2013
11th Meeting of the 6th Session of the Board	28 August 2013	China Securities Journal, Shanghai Securities News, and Securities Times	29 August 2013
12th Meeting of the 6th Session of the Board	30 September 2013	China Securities Journal, Shanghai Securities News, and Securities Times	8 October 2013
13th Meeting of the 6th Session of the Board	30 October 2013	China Securities Journal, Shanghai Securities News, and Securities Times	31 October 2013

In the above 7 meetings, 58 resolutions in respect of 4 periodical reports, working reports of the Board of Directors, working reports of the President, financial budget and final account reports, profit distribution proposals, major related party transactions and the write-off of significant bad debts were considered and approved.

The following table sets out the attendance of Directors of the Company at the meetings of the Board in 2013:

Directors	Attendance/ Number of Meetings
Dong Wenbiao	7/7
Hong Qi	7/7
Zhang Hongwei	7/7
Lu Zhiqiang	5/7
Liu Yonghao	6/7
Liang Yutang	7/7
Wang Yugui	7/7
Shi Yuzhu	7/7
Wang Hang	7/7
Wang Junhui	7/7
Wu Di	7/7
Guo Guangchang	7/7
Qin Rongsheng	7/7
Cheng Hoi-chuen	7/7
Ba Shusong	7/7
You Lantian	7/7
Wang Lihua	7/7
Han Jianmin	7/7

(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 distributed dividends to the shareholders according to the profit distribution plan for the second half of 2012 approved at the 2012 Annual General Meeting. On the basis of a total of 28,365,585,227 capital shares as at 31 December 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 4 July 2013 and 8 August 2013, respectively.

Corporate Governance

The Board of the Company distributed dividends to the shareholders upon approval at the 11th meeting of the 6th session of the Board according to the interim profit distribution plan for 2013 approved at the 2012 Annual General Meeting. On the basis of a total of 28,365,585,227 capital shares as at 30 June 2013, a cash dividend of RMB1.58 (before tax) for every 10 shares, for a total of cash dividend of approximately RMB4,482 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. Dividends to the holders of A Shares and H Shares were paid in Renminbi and Hong Kong dollars, respectively. The Company distributed cash dividend to the holders of A Shares and H Shares on 17 September 2013 and 23 September 2013, respectively.

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

2. Attendance of Directors of the Company at the shareholders' general meetings

The following table sets out the attendance of Directors at the shareholders' general meetings in 2013:

Directors	Attendance/ Number of Meetings
Dong Wenbiao	1/1
Hong Qi	1/1
Zhang Hongwei	1/1
Lu Zhiqiang	0/1
Liu Yonghao	1/1
Liang Yutang	1/1
Wang Yugui	1/1
Shi Yuzhu	1/1
Wang Hang	1/1
Wang Junhui	1/1
Wu Di	1/1
Guo Guangchang	1/1
Qin Rongsheng	1/1
Cheng Hoi-chuen	1/1
Ba Shusong	1/1
You Lantian	1/1
Wang Lihua	1/1
Han Jianmin	1/1

(V) Performance of duties by 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 SSE and Hong Kong Listing Rules. During the reporting period, these Independent Non-executive Directors duly performed their duties by maintaining communication with the Company through various means, such as conducting on-site visits, holding special investigation and conferences, attending the Board meetings and meetings of the special committees conscientiously, making suggestions actively and emphasizing on minority shareholders' interests.

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

In order to fully perform the functions of Independent Non-executive Directors and improve the effectiveness of the Board, the Board of the Company has adopted an on-duty policy since March 2007 pursuant to which Independent Non-executive Directors are required to work in the 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 research and confirm the proposals put forward 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 45 working days in aggregate, had 59 meetings with the management and the relevant department staff and made more than 81 proposals. It is an achievement for the Bank to implement the on-duty policy for Independent Non-executive Directors, which provides important support and help for Independent Non-executive Directors to give full effect of their expertise in research and to provide professional opinion to the decision-making of the Board. The implementation of the policy enhanced the scientific and independence of the decision-making of the Board.

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

In order to further improve the corporate governance of the Company with an aim to fully perform the duties of Independent Non-executive Directors in governing information disclosure so as to ensure the truthfulness, accuracy, completeness and timeliness of the information disclosed in the annual report of the Company, the Working Rules for Involvement of Independent Directors in the Preparation of Annual Report (《獨立董事年報工作制度》) was considered and approved at the 16th Meeting of the 4th session of the Board on 29 February 2008.

Corporate Governance

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 fully 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 verify 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 responsible for the audit of the annual report of the Company 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 2013 Annual Report of the Company. Independent Non-executive Directors have received the reports from the management on the operation and development of material issues of 2013, maintained continuous 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, de facto controllers and their respective related companies and the Company, and whether the Company has taken effective measures to collect outstanding payments;

- (5) Issues that Independent Non-executive Directors considered may prejudice the interests of minority shareholders;
- (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 under the Board. At least one Independent Non-executive Director in each of the Audit Committee and Related Party Transactions Supervision Committee has professional accounting experience.

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

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

Attendance of the Independent Non-executive Directors at the Board meetings in 2013

Directors	Number of meetings	Attendance in person	Attendance by proxy
Qin Rongsheng	7	7	0
Ba Shusong	7	7	0
Cheng Hoi-chuen	7	7	0
You Lantian	7	7	0
Wang Lihua	7	7	0
Han Jianmin	7	7	0

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

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

(VII) Chairman of the Board and President

The roles and duties of the Chairman of the Board and the President of the Company are performed by different persons with clearly defined responsibilities 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 of the Directors and the Supervisors regarding transactions in securities, which is no more lenient 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 2013. The Company also formulated the guidelines on dealings in securities of the Company by employees, which are no more lenient than the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

(IX) Responsibility statement of Directors regarding preparation of account

All Directors of the Company had committed their responsibilities for the preparation of the account of the Company for the year ended 31 December 2013.

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 2013 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 the Articles of Association, Terms of Reference of the Nomination Committee of the Board of Directors and the Policy of Board Diversity (《董事會成員多元化政策》). 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 2013 based on its review.

Members, functions and powers of the 6 special committees of the Board and their works in 2013 are as follows:

(I) Strategic Development and Investment Management Committee

1. Composition of the Strategic Development and Investment Management Committee and meetings in 2013

The Strategic Development and Investment Management Committee of the 6th session of the Board had 8 members. The chairman was Dong Wenbiao and the members were Hong Qi, Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Shi Yuzhu, Wang Junhui and Ba Shusong.

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In 2013, the Strategic Development and Investment Management Committee convened 6 meetings, deliberated on 25 proposals and received 2 reports. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	6/6
Lu Zhiqiang	6/6
Liu Yonghao	6/6
Shi Yuzhu	6/6
Wang Junhui	6/6
Executive Directors	
Dong Wenbiao (chairman of the committee)	6/6
Hong Qi	6/6
Independent Non-executive Director	
Ba Shusong	6/6

2. Major achievements of the Strategic Development and Investment Management Committee in 2013

In 2013, the Strategic Development and Investment Management Committee, under the leadership of the Board and the guidance of the Chairman of the Board on the principles of strategic transformation and focusing on small business, 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

During the reporting period, the Strategic Development and Investment Management Committee convened 6 meetings (an on-site meeting and 5 meetings by way of telecommunications) and an informal discussion meeting in 2013 to discuss material decision issues of the Company, which deliberated on 25 proposals and received 2 reports. It also strengthened research efforts and prepared 15 research reports and hotspot analysis.

(2) Effective implementation of strategic management

The Company formulated and implemented the second Five-Year Development Outline. During the year, under the leadership of the Board and the Chairman, the Company expanded the coverage

of strategic management and preliminarily established the strategic management mechanism for the steady implementation of strategies. The analysis of all strategies for the year was efficiently completed as scheduled.

(3) Continuously strengthening the capital management foundation

During the reporting period, the Strategic Development and Investment Management Committee improved the capital management system, strengthened capital management and streamlined the capital management responsibilities, procedures and system requirements. It also made overall planning pursuant to the new capital regulatory requirements to consolidate the foundation of capital management.

(4) Development of new approach on management of consolidated financial statements of the Group

During the reporting period, the Strategic Development and Investment Management Committee expanded the accounting scope of consolidated financial statements to enhance risk management and control capabilities of the Group. It strengthened supervision on assessment management and improved the overall reporting and assessment mechanism of consolidated financial statement management. Special audit was also conducted on annual consolidated financial statement management. Management of consolidated financial statements of the Group has become a standard routine through daily management and effective establishment of systems and teams.

(5) Optimisation of material fixed assets investment management

During the reporting period, the Strategic Development and Investment Management Committee formulated the Administrative Measures for Material Fixed Assets Investment Management (《重大固定資產投資管理辦法》), which specified the procedures, division of labour of the departments, management principles and mechanism of material fixed assets investment management. It also considered and approved various material fixed assets investment projects and continued to make significant contribution in optimizing the material fixed assets investment management.

(6) Continuous enhancement of corporate value

The Company strived to enhance corporate value in order to maintain the competitive edges of the Company and gain recognition from the investment community. Based on its strategic planning and requirements of strategic transformation, the Company analysed the core elements of value management, and formulated the targets, plan and implementation plan of value enhancement. It also prepared the major measures and missions for value enhancement in the next three years to lay foundation for the Company to become the first listed bank to introduce value management.

(7) Stable development of rural banks

During the reporting period, the Company continued to improve detailed works, including selection of shareholders, nomination of senior management and external approvals of rural banks, in a highly efficient manner by refining establishment and standardisation of procedures and process. The Company focused on the optimisation of authorisation management and maintained close communication with the regulatory authorities to push forward the expansion of rural banks of the Company. 2 new rural banks were established in the year, amounting the total number to 29, and the number of rural banking outlets reached 59.

(8) Enhancing the management of affiliated entities

During the reporting period, the committee revised the Administrative Measures for Affiliated Entities (《附屬機構管理辦法》) based on the requirements of the Company on group-oriented development. The emphasis was placed on the management of affiliated entities with refined management approach and processes of such entities. Based on the strategies, corporate governance and corporate value of affiliated entities, the committee further boosted the sound and substantial development of such entities.

According to the second Five-Year Development Outline and the group-oriented development requirement, the committee assisted Minsheng Leasing and Minsheng Fund in formulating their strategies, so as to manage the formulation, implementation and supervision of strategic plans of affiliated entities. Through conducting annual self-assessment of internal control and establishing internal control system of Minsheng Leasing and Minsheng Fund, refining audit mechanism of dividend payment to major shareholders, and formulating guidelines of risk management, the corporate governance and internal control of affiliated entities were improved. Leveraging the advanced technology and experience of the Company, the committee assisted Minsheng Leasing and Minsheng Fund in setting up information analysis system, which enabled the sharing of credit granting information and other risk-related information between the Company and Minsheng Leasing. The committee also established an online training platform for Minsheng Leasing and Minsheng Fund and supervised the online training of all employees, so as to strengthen the compliance awareness of the employees of affiliated entities.

(II) Nomination Committee

1. Composition of the Nomination Committee and meetings in 2013

The Nomination Committee under the 6th session of the Board comprised 10 members, 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 4 meetings and reviewed 6 proposals in 2013. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	4/4
Wang Yugui	4/4
Wang Hang	4/4
Executive Director	
Hong Qi	4/4
Independent Non-executive Directors	
You Lantian (chairman of the committee)	4/4
Qin Rongsheng	4/4
Cheng Hoi-chuen	4/4
Ba Shusong	4/4
Wang Lihua	4/4
Han Jianmin	4/4

2. Nomination procedures and process adopted by the Nomination Committee

(1) Nomination procedures for Director candidates

(i) General procedures for the nomination of Director candidates

Method of election of the Company's Directors: after soliciting the opinions of the shareholders, the former Board of Directors will, in accordance with the relevant provisions of the Articles of Association of the Company, submit a written proposal at the 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

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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.

(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 analyse 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 2013

During the reporting period, the Nomination Committee of the Board duly performed various duties as assigned by the Board by leveraging its professional capability in the exploration and training of talents for senior management. Major achievements in the year are as follows.

(1) Revision of the Terms of Reference of the Nomination Committee of the Board

In accordance with the provisions of the latest revision of the Corporate Governance Code by the Hong Kong Stock Exchange, the Nomination Committee revised the relevant articles of the Terms of Reference of the Nomination Committee of the Board with inclusion of the content for the performance of duties related to the diversified composition of the Board so as to form a solid foundation for ensuring diversified values of the members of the Board. The Nomination Committee is of the view that the composition of the Board has complied with the requirements set out in the Policy of Board Diversity during the reporting period.

(2) Evaluation of the independence of the work of the Independent Directors in 2012

To assess the independence of the work of the Independent Directors in the year, during the reporting period, the Nomination Committee evaluated the independence and compliance of the work of the six Independent Directors of the Company based on their work in the year in respect of duty performance, annual working reports and key concerned matters. The Nomination Committee is of the view that during the reporting period, all the six Independent Directors of the Company complied with the professional standards of an Independent Director, adhered to principles of fairness, justice and transparency, performed duties in an independent and objective manner and safeguarded the interests of all shareholders of the Company.

(3) Formulation of the Policy of Board Diversity

During the reporting period, in accordance with the provisions of the latest revision of the Corporate Governance Code by the Hong Kong Stock Exchange, the Nomination Committee formulated the Policy of Board Diversity (《董事會成員多元化政策》), which provided that the Nomination Committee shall take into account of the principle of diversified Board composition in discharging its duties.

(4) Examination on the qualifications of the senior management of branches

During the reporting period, the Nomination Committee continued to perform its duty in making decisions on candidate selection and appointment of key officers. It enhanced the standard, transparency and efficiency for the nomination and examination procedures. The Nomination Committee considered a total of 18 candidates for senior management of branches during the year.

(III) Compensation and Remuneration Committee

The Company adopted a model for the determination of remuneration of Directors and senior management which was recommended by the Compensation and Remuneration Committee to the Board.

1. Composition of the Compensation and Remuneration Committee and meetings in 2013

The Compensation and Remuneration Committee of the 6th session of the Board had 9 members. The chairman was Cheng Hoi-chuen and the members were 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 8 proposals and received 1 report in 2013. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Lu Zhiqiang	3/3
Wang Hang	3/3
Guo Guangchang	3/3
Executive Director	
Liang Yutang	3/3
Independent Non-executive Directors	
Cheng Hoi-chuen (chairman of the committee)	3/3
Qin Rongsheng	3/3
You Lantian	3/3
Wang Lihua	3/3
Han Jianmin	3/3

2. Major achievements of the Compensation and Remuneration Committee in 2013

During the reporting period, the Compensation and Remuneration Committee under the Board endeavoured to meet the requirements for strategic transformation, performed duties of remuneration management and performance evaluation of the Company and completed various assigned tasks. Major achievements in the year are as follows:

(1) Determination of the rank and corresponding remuneration for senior management of the head office

The new session of the Board was elected in 2012. The new session of the Board elected and appointed senior management to engage in the daily management and operation of the Company. The Compensation and Remuneration Committee considered and determined the rank and corresponding remuneration for senior management of the head office based on the appraisal results of the previous session with reference to the relevant systems of the Company. The work of the committee ensured the competitiveness of the senior management of the head office and the stability of core and key officers, providing sufficient human resources for the successful implementation of the strategic transformation of the Company.

(2) Determination of target of KPI for senior management in 2013

During the reporting period, in order to strengthen strategy orientation and facilitate the operation management in achieving the goal as determined in the second Five-Year Development Outline, the Compensation and Remuneration Committee adjusted the performance indicators for senior management by replacing duplicated assessment indicators with strategic transformation result indicators in the KPI system for a more scientific and rational result.

(3) Assessment on annual performance of the Directors

During the reporting period, the Compensation and Remuneration Committee conducted an objective performance evaluation during the year on the performance of duties of all Directors in 2012 according to the Provisional Measures on Performance Appraisal of Directors (《董事履職評價試行辦法》) of the Company.

(4) Assessment on annual performance of the senior management

During the reporting period, the Compensation and Remuneration Committee assessed the performance of 13 members of the senior management of the head office and 31 presidents (including vice presidents in charge) of branches in 2012 in accordance with the Provisional Measures on Performance Appraisal of Senior Management (《高級管理人員盡職考評試行辦法》) of the Company 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 branches so as to ensure the sustainable and healthy development of the Company.

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

In compliance with the Rules on Remuneration of Directors and Supervisors (《董事、監事薪酬制度》) of the Company, the Management Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》) 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 evaluation on the performances of the Directors and senior management in 2012, the Compensation and Remuneration Committee reviewed the rationality, fairness and transparency of the remuneration of Directors and senior management for 2012 during the reporting period.

(6) Assessment on the overall competitiveness of compensation of employees of the Bank

In order to maintain the core competitiveness and attraction of compensation of the Company, the Compensation and Remuneration Committee investigated the income of all employees of the Bank from 2010 to 2012 and the income trend during the reporting period. Through the investigation, the committee had a clear picture of the actual income and welfare of employees in recent years and the competitiveness of the compensation in the industry. The committee made recommendations and suggestions on the reform of compensation of employees based on the results of investigation.

(IV) Risk Management Committee**1. Composition of the Risk Management Committee and meetings in 2013**

The Risk Management Committee of the 6th session of the Board of Directors comprised 5 members. The chairman was Ba Shusong and the members were Liang Yutang, Wang Yugui, Wang Hang and Guo Guangchang.

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

The Risk Management Committee convened 16 meetings, reviewed 18 proposals and received 20 working reports on risks in 2013. The committee appraised 143 businesses beyond risk limits with a total amount of RMB230.0 billion.

The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Wang Yugui	15/16
Wang Hang	16/16
Guo Guangchang	16/16
Executive Director	
Liang Yutang	16/16
Independent Non-executive Directors	
Ba Shusong (chairman of the committee)	16/16

2. Major achievements of the Risk Management Committee in 2013

During the reporting period, the Risk Management Committee performed its duties on risk management properly to further improve the rationality and effectiveness of risk management decisions. The major achievements of the Risk Management Committee are as follows:

In 2013, the Risk Management Committee approved various proposals, including the Guiding Opinion on Risk Management by the Board of Directors in 2013 (《董事會2013年風險管理指導意見》), Report on Risk Assessment of 2012 of the Board of Directors (《董事會2012年年度風險評估報告》), Three-year Outline of Overall Risk Management (2012–2014) (《全面風險管理三年規劃(2012年–2014年)》), Market Risk Management Rules (《市場風險管理制度》), Implementation Plan of Internal Model Approach of Market Risk (《市場風險內部模型法實施規劃》), Application for Special Authorisation from Risk Management Committee under the Board of Directors for Approving Business beyond Risk Limits for Steel Trading Industry (《關於向董事會風險管理委員會申請鋼貿行業超風險限額特別授權的請示》), Liquidity Contingency Plan of Minsheng Rural Banks (Draft) (《民生村鎮銀行流動性危機應急處置預案(審議稿)》), Application for Authorisation to Hong Qi (the President) for Handling Liquidity Contingency of Minsheng Rural Banks (《關於授權洪崎行長對民生村鎮銀行流動性危機應急處置權的請示》), Indicator for Liquidity Risk Control in 2013 (Draft) (《2013年流動性風險控制指標(審議稿)》) and proposal for the suspension of the revision of the administrative measures and contingency plan for liquidity risk management, Report on IT Risk Management of 2012 (《2012年度信息科技風險管理報告》), Guiding Opinions on Risk Management of Minsheng Rural Banks by the Board of Directors (《董事會關於民生村鎮銀行風險管理的指導意見》), Interim Risk Evaluation Report of Board of Directors in 2013 (《2013年半年度董事會風險評估報告》), Amendments to Risk Limits for Business Beyond Risk Limits by the Board of Directors (《董事會超風險限額業務風險限額修訂案》) and Guiding Opinion on Risk Management by the Board of Directors in 2014 (Draft) (《董事會2014年風險管理指導意見(審議稿)》). The committee also considered and voted on 143 businesses beyond risk limits. The committee conducted research and reviewed risk management reports from the management quarterly. It considered and approved proposals of the operation management, such as Risk Management Report for the Fourth Quarter of 2012 (《2012年四季度風險總體情況的報告》), Risk Management Report for the First Quarter of 2013 (《2013年1季度風險管理工作報告》) and Risk Management Report for the Second Quarter of 2013 (《2013年2季度風險管理工作報告》). The committee also reviewed special proposals, such as Report of the Head Office on Overall Risk of the Whole Bank and Administrative Measures for the Next Stage (《總行關於當前全行風險狀況及下階段有關管理措施的報告》), Report of the Head Office on Liquidity Risk and Non-Performing Assets (《總行關於當前流動性風險狀況及不良資產情況的匯報》) and Investigation Proposal on Risk of Small Business Model (《小微業務商業模式風險調查方案》).

(V) Audit Committee

1. Composition of the Audit Committee and meetings in 2013

The Audit Committee of the 6th session of the Board comprised 6 members. The chairman was Qin Rongsheng, and the members were Shi Yuzhu, Wu Di, Cheng Hoi-chuen, You Lantian and Han Jianmin. The Audit Committee consists of 4 Independent Non-executive Directors and 2 Non-executive Directors. The 4 Independent Non-executive Directors are experts in finance and management. The 2 Non-executive Directors are key persons in charge 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 the section headed “Directors, Supervisors, Senior Management and Employees” of this report. The members of the committee are in no way related to each other in terms of finance, business, family or other material or relevant relations.

The Audit Committee convened 7 meetings and reviewed 22 proposals in 2013.

The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Shi Yuzhu	7/7
Wu Di	7/7
Independent Non-executive Directors	
Qin Rongsheng (chairman of the committee)	7/7
Cheng Hoi-chuen	7/7
Han Jianmin	7/7
You Lantian	7/7

2. Major achievements of the Audit Committee in 2013

(1) Further implementation of the internal control to regulate various tasks

During the reporting period, the Audit Committee under the Board visited the branches in Chongqing, Dalian, Xiamen and Chengdu to carry out special inspections on internal control and reviewed multiple reports of internal audit departments. The Audit Committee promoted the successful result in internal control standard and supervised and examined the audit exercises to improve the internal control system.

(2) Organisation of the assessment of internal control

The Company included affiliates into the scope of self-assessment for the first time during the reporting period. The Audit Committee 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.

(3) Review of financial statements of the Company

Based on the disclosure requirement of the regulatory authorities for annual financial statements and the review plan of the Audit Committee, the Audit Committee organised the preparation and review of the 2012 Annual Report, and review of the 2012 Report on Final Accounts, 2013 Financial Budget, 2013 Interim Financial Report, and the first and third quarterly reports of 2013 of the Company.

(4) Organisation of evaluation and re-appointment of external auditors for annual audit

During the reporting period, the Audit Committee conducted comprehensive evaluation on the performance of the accounting firms in 2012, and assisted the Board of Directors in completing the re-appointment of external auditors, which ensured the smooth conduction of external audit.

(5) Evaluation on internal audit department

Following the successful evaluation on the audit departments based on the satisfactory rating of customers in 2012, the Audit Committee assigned committee members to the internal audit departments for the evaluation on its innovative management and performance in 2013.

(VI) Related Party Transactions Supervision Committee

1. Composition of the Related Party Transactions Supervision Committee and meetings in 2013

The Related Party Transactions Supervision Committee of the 6th session of the Board comprised 8 members. The chairman of the committee was Qin Rongsheng, and the members were Liang Yutang, Shi Yuzhu, Wang Junhui, Wu Di, Ba Shusong, Wang Lihua and Han Jianmin. The Related Party Transactions Supervision Committee consists of 4 Independent Non-executive Directors, 3 Non-executive Directors and 1 Executive Director. The 4 Independent Non-executive Directors are experts in finance and management. The 3 Non-executive Directors are key persons in charge of renowned companies in China and have extensive experience in management and sufficient knowledge in finance and accounting.

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 the section headed “Directors, Supervisors, Senior Management and Employees” of this report. The members of the committee are in no way related to each other in terms of finance, business, family or other material relations or relevant relations.

The Related Party Transactions Supervision Committee under the Board convened 7 meetings and reviewed 17 proposals in 2013.

The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Shi Yuzhu	7/7
Wang Junhui	7/7
Wu Di	7/7
Executive Director	
Liang Yutang	7/7
Independent Non-executive Directors	
Qin Rongsheng (chairman of the committee)	7/7
Wang Lihua	7/7
Han Jianmin	7/7
Ba Shusong	7/7

2. Major achievements of the Related Party Transactions Supervision Committee in 2013

(1) Organisation of information of related parties of the Company

During the reporting period, the Related Party Transactions Supervision Committee initiated the data collection of related parties at the beginning of 2013, the largest data collection in the history of the Company, with an aim to ensure the timely information disclosure of related party transactions and the compliance of related party transactions. Such work not only ensured the new list of related parties to be adopted in the annual report, but also made the management principles of related party transactions and internal transactions known to related parties, so as to further lay a solid foundation for the supervision of related party transactions of the Company.

(2) Implementation of integrated credit granting for related party groups

During the reporting period, the Related Party Transactions Supervision Committee completed the design of the framework for integrated credit granting for related party groups and completed integrated credit approval on 5 related parties. The integrated credit granting for related party groups was implemented gradually as planned and was in compliance with the relevant regulatory requirements on information disclosure of listed companies and group customer management of banks imposed by the regulatory authorities. The Company's management of credit to related party groups was enhanced through management measures, including name list management and verification and adoption of credit risk limit.

(3) Importing name list of related parties into risk control system

To enable real time control and notification of related party transactions, the Related Party Transactions Supervision Committee took the lead to incorporate the new name list of related parties into the risk control system of credit business system. With an earlier management measures on related party transactions, the business management and compliance management were enhanced effectively.

(4) Organisation of the joint research and investigation by the Audit Committee and the Related Party Transactions Supervision Committee

According to the working plan of the committee of 2013, the Related Party Transactions Supervision Committee and the Audit Committee under the Board visited Taicang Minsheng Rural Bank and Songjiang Minsheng Rural Bank from 7 August to 9 August to conduct joint research and investigation on related party transactions and internal control. According to the joint research and investigation team, in order to leverage the brand advantage of Minsheng Bank and establish first class rural banks, the rural bank shall have in place effective corporate governance mechanism, well-organised audit and internal control systems, effective positioning and satisfactory management on internal transactions and related party transactions.

(5) Effective management of internal transactions of the Group

In 2013, the Related Party Transactions Supervision Committee further enhanced the management of internal transactions and issued the Guiding Opinion on Internal Transactions of 2013 (《2013年度內部交易指導意見》) for the effective management of internal transactions.

V. The Supervisory Board

The Supervisory Board is the supervisory organisation of the Company, which executes its powers and functions in accordance with the laws and regulations, such as the Company Law of the PRC, applicable regulatory provisions and the Articles of 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 8 members, including 3 Shareholder Supervisors, 2 External Supervisors and 3 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 3 Employee Supervisors have been engaged in banking operation and management for a long time, possessing extensive professional experiences. Hu Ying, the former supervisor, resigned as the Supervisor on 18 June 2013.

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

The list of Supervisors and their profiles are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this Report. The members of the Supervisory Board are in no way related to each other in terms of finance, business, family or other material or relevant relations.

(II) The functions and duties of the Supervisory Board

According to the Articles of Association, the Supervisory Board of the Company shall exercise the following 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 to rectify his/her conduct when such conduct is detrimental to the interests of the Company, and to report such conduct to shareholders' general meetings or relevant national regulatory authorities if necessary; and to make proposals to remove any Director and/or member of senior management if they breach any applicable laws, administrative regulations, the Company's Articles of Association or resolutions of 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 the 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 file lawsuits against Directors and member of senior management according to Article 152 of the Company Law of the PRC;
11. to investigate any irregularities in the operations of the Company and, if necessary, may engage accounting firms, law firms or other professional firms to assist its work at the costs of the Company; and
12. to exercise other powers prescribed by the Articles of Association or conferred by the shareholders' general meeting.

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Members of the Supervisory Board may attend 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, 7 meetings have been held by the Supervisory Board of the Company. The details are as follows:

Meeting	Date	Publication	Date of Disclosure
The 2nd Extraordinary Meeting of the 6th Session of the Supervisory Board	29 January 2013	Exempt from announcement in accordance with relevant provisions	
The 9th Meeting of the 6th Session of the Supervisory Board	28 March 2013	Shanghai Securities News, China Securities Journal and Securities Times	29 March 2013
The 10th Meeting of the 6th Session of the Supervisory Board	24 April 2013	Exempt from announcement in accordance with relevant provisions	
The 3rd Extraordinary Meeting of the 6th Session of the Supervisory Board	19 August 2013	Shanghai Securities News, China Securities Journal and Securities Times	20 August 2013
The 11th Meeting of the 6th Session of the Supervisory Board	28 August 2013	Exempt from announcement in accordance with relevant provisions	
The 12th Meeting of the 6th Session of the Supervisory Board	20 October 2013	Shanghai Securities News, China Securities Journal and Securities Times	21 October 2013
The 13th Meeting of the 6th Session of the Supervisory Board	30 October 2013	Exempt from announcement in accordance with relevant provisions	

The Supervisory Board of the Company reviewed and approved 21 proposals of the Company, including without limitation, the 2012 Annual Report, Quarterly Reports and Interim Report for 2013, 2012 Working Report of the Supervisory Board, and Performance Assessment Report of Directors and Senior Management for 2012 by the Supervisory Board at the above meetings. During the reporting period, the Supervisory Board had no objection towards the supervision matters.

(IV) The attendance record of Supervisors of the Company in 2013:

Supervisor	Attendance/ Number of meetings
Duan Qingshan	7/7
Li Huaizhen	7/7
Wang Jiazhi	7/7
Zhang Ke	7/7
Li Yuan	7/7
Zhang Disheng	6/7
Lu Zhongnan	7/7
Wang Liang	7/7
Hu Ying	3/3

Note: Hu Ying, the former supervisor, resigned as the Supervisor on 18 June 2013.

VI. Special Committees under the Supervisory Board

The Supervisory Board of the Company comprises Nomination and Examination Committee and Supervisory Committee. Members, powers and functions of such committees and their works in 2013 are as follows:

(I) Nomination and Examination Committee

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 Examination Committee of the 6th session of the Supervisory Board comprised 6 members, including Zhang Ke (head of the committee), Duan Qingshan, Li Huaizhen, Zhang Disheng, Lu Zhongnan and Wang Liang.

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

In 2013, the Nomination and Examination Committee under the 6th session of the Supervisory Board convened 3 meetings and reviewed 3 proposals. The attendance record of each member is as follows:

Member	Attendance/ Number of Meetings
Nomination and Examination Committee under the 6th session of the Supervisory Board	
Zhang Ke (head of the committee)	3/3
Duan Qingshan	3/3
Li Huaizhen	3/3
Zhang Disheng	3/3
Lu Zhongnan	3/3
Wang Liang	3/3

In 2013, based on the work plan of the Supervisory Board, the Nomination and Examination 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 Examination Committee under the Supervisory Board. It carried out the performance appraisal, defined duties and powers and refined relevant systems and processes. It also reviewed and approved the remuneration distribution plan for the Supervisors and organised and arranged training

programs for Supervisors. All tasks in 2013 were successfully completed and the functions of the committee were performed in a more effective way. The major achievements of the Nomination and Examination Committee under the Supervisory Board in 2013 were as follows:

1. Carrying out performance appraisal

During the reporting period, the Nomination and Examination Committee carried out performance appraisal of the Board, Directors, Supervisors and senior management in 2012. During the year, the committee reviewed and supervised the performance of Directors and members of senior management through different ways on a regular basis, including attending meetings of the Board and senior management, reviewing meeting minutes of the Board, examining the meeting documents of the Board and the senior management and maintaining the filing of the performance appraisal of Directors. During the year, the committee circulated a supervision report on the statistics and appraisal of performance of Directors for the first half of the year to regulate their performance. At the end of the year, the committee carried out the annual performance appraisal of Directors, Supervisors and senior management based on the supervision information of performance during the year. The committee also formulated the Performance Appraisal Report on the Board of Directors and Directors in 2013 (Draft) (《2013年度董事會及董事履職評價報告(草案)》), the Performance Appraisal Report on Supervisors in 2013 (Draft) (《2013年度監事履職評價報告(草案)》) and the Performance Appraisal Report on Senior Management and Its Members in 2013 (Draft) (《2013年度高級管理層及高管人員履職評價報告(草案)》).

2. Defining duties and enhancing corporate governance

The Nomination and Examination Committee further defined its duties, and incorporated the performance appraisal of Directors and senior management and departure audit into its duties. The committee was renamed as “Nomination and Examination Committee” from “Nomination and Remuneration Committee” and relevant provisions in the Articles of Association were revised accordingly.

3. Optimizing relevant policies and processes and enhancing working efficiency

In accordance with the requirements imposed by the regulatory authorities and based on the actual situation of the Company, the committee revised 6 sets of policies, namely the Provisional Measures on Supervision and Appraisal of Performance of the Board of Directors and the Directors by the Supervisory Board (《監事會對董事會及董事履職監督評價試行辦法》), the Implementation Rules for Supervision and Appraisal of Performance of the Board of Directors and the Directors by the Supervisory Board (《監事會對董事會及董事履職監督評價實施細則》), the Provisional Measures on Appraisal of Performance of the Supervisors (《監事履職評價試行辦法》), the Provisional Measures on Supervision and Appraisal of Performance of the Senior Management and

Its Members by the Supervisory Board (《監事會對高級管理層及高級管理人員履職監督評價試行辦法》), Code of Conduct of Supervisors (《監事行為規範》) and Terms of Reference of Nomination and Examination Committee of the Supervisory Board (《監事會提名與評價委員會工作細則》). Its aim was to improve the process of performance appraisal and the quantified scoring scheme, and lay a solid foundation for relevant operations of the committee.

4. Reviewing remuneration distribution policies of Supervisors

According to the Articles of Association, the Nomination and Examination 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 2012 based on fundamental researches, and the result was submitted to the Supervisory Board for review together with the 2012 Annual Report and disclosed to the public accordingly.

5. Organizing training programs for Supervisors

During the reporting period, the committee arranged Supervisors to participate in the training courses for directors and supervisors sponsored by the CSRC, Beijing Branch. The committee also invited the regulatory authorities to hold special training programs for Supervisors on regulatory policies and the duties of supervisors in order to enhance professional knowledge and skills of Supervisors.

(II) Supervisory Committee

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 6 members. The members of the Supervisory Committee included Duan Qingshan (head of the committee), Li Huaizhen, Wang Jiazhi, Zhang Ke, Li Yuan and Lu Zhongnan. Hu Ying, a former member, resigned as Supervisor and the member of the Supervisory Committee on 18 June 2013.

The major duties of the Supervisory Committee under the Supervisory Board include: formulating proposals on the examination and supervision on the financial activities of the Company; formulating proposals on the examination and supervision on the operational decisions, risk management and internal control of the Company; evaluating the compliance and implementation of significant decisions of the Company; organizing visits, researches, and investigations on business units of the Bank and supervising the rectification of relevant deficiencies; carrying out specific investigation on special projects as required by regulatory authorities and submitting investigation report in a timely manner; and performing other duties conferred by the Supervisory Board.

In 2013, the Supervisory Committee under the 6th session of the Supervisory Board convened 3 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 the Supervisory Board	
Duan Qingshan (head of committee)	3/3
Li Huaizhen	3/3
Wang Jiazhi	3/3
Zhang Ke	3/3
Li Yuan	3/3
Lu Zhongnan	3/3
Hu Ying	3/3

In 2013, based on the work plan of the Supervisory Board, the Supervisory Committee under the 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 supervision in a prudent manner, optimised various systems and policies, strengthened the financial and internal control and conducted strategic evaluation, which facilitated the supervision work of the Supervisory Board. The major achievements of Supervisory Committee under the Supervisory Board in 2013 were as follows:

1. Conducting special audits on wealth management business of the Bank

In order to maintain effective supervision and sound development of the wealth management business, the Supervisory Committee conducted special audits on the operation of wealth management and relevant asset pool by organizing interviews of relevant staff, accessing information and data of the wealth management business and reviewing major business contracts and agreements, and provided suggestions for the sound development of wealth management business in compliance with laws.

2. Developing and refining relevant working policies of supervision

In accordance with new regulations, including the Guidance on Corporate Governance of Joint Stock Commercial Banks (《股份制商業銀行公司治理指引》) and Guidelines for Supervisory Board of Commercial Banks (《商業銀行監事會工作指引》), and taking into account the standardised corporate governance scheme of the Company, the Supervisory Committee formulated the Measures on Supervision and Examination of the Supervisory Board (《監事會監督檢查辦法》), Implementation Rules for Financial Inspection and Supervision of the Supervisory Board (《監事會財

務監督檢查實施細則》), Implementation Rules for Supervision and Examination of Risk Management of the Supervisory Board (《監事會風險管理監督檢查實施細則》) and Implementation Rules Supervision and Examination of Internal Control of the Supervisory Board (《監事會內控監督檢查實施細則》), in order to ensure the implementation of supervisory duties. The above measures and rules further defined the terms of reference, perfected the supervision measures and processes of the Supervisory Board, and set out all information required for carrying out supervision. As such, the supervision measures, methods and processes of the Supervisory Committee were ensured to be more standardised, reasonable and operational.

3. Strengthening supervision on financial position

During the reporting period, the committee strengthened supervision on major aspects of financial position of the Company in accordance with regulatory requirements during the reporting period. 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. In addition, the committee continued to pay attention to and study important components of financial management such as financial reports, operation profitability and integrated operation plan of the Company, and provided recommendations to the Board and senior management when appropriate.

4. Reinforcing supervision on internal control and risks

The Committee has kept update of new requirements of regulatory authorities on internal control and risk management of banks, carried out supervision on the scope, effectiveness and compliance of internal control of the Company, and provided independent opinions. The committee focused on the establishment of comprehensive risk management system and management of major business risks, including implementation of supervision and evaluation of liquidity risks and wealth management risks, which helped to enhance compliance awareness of functional managing departments and further regulate operations.

5. Conducting strategic evaluation

During the reporting period, the Supervisory Committee assisted the Board in conducting two large-scaled strategic evaluations based on the working arrangement of the Supervisory Board and the requirement of strategic development of the Company, which included the evaluations of reforms and development of the finance SBU and the management of headquarters and the middle and back offices. It provided opinions and suggestions regarding the problems relating to the business development and operation management of the Company identified during the evaluations, which further enhanced the operation management level of the Company and provided useful references for the decision making of the implementation of corporate strategies.

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 authorisation of the head office and reporting to the head office.

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

VIII. Establishment and Implementation of the Performance Evaluation and Incentive Mechanism for Members of the 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》) of the Company, the performance remuneration of the senior management is pegged to their KPIs. With reference to the 2013 Financial Budget Report (《2013年度財務預算報告》), the Compensation and Remuneration Committee under the Board set the benchmarks of the KPIs for 2013 and the Board determined to evaluate the senior management for 2013 based on their six KPI results, including the net profit and the risk-adjusted return on capital ratio and so on. In accordance with the regulatory requirements, the Company has set up venture funds for senior management since 2009, which are 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 at the same time reflects the principles of human resources management strategy and guidelines of the Company. The Company evaluated performance on the basis of the operating results of senior management so as to encourage members of the senior management to develop together with the Company. The Company formulated a fair and coherent remuneration policy for senior management with reasonable structure and market competitiveness; set up incentive and discipline mechanism for members of 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, allowances for special committees, reimbursement for attending meetings and reimbursement for research and 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 51 interim announcements on SSE. The Company also published over 90 announcements on the Hong Kong Stock Exchange. The 2012 Annual Report of the Company won the gold prize in “LACP Annual Report Competition” (LACP年報比賽金獎) organised by the LACP (League of American Communications Professionals LLC), a professional body formed by well-known media in the US. The 2012 Annual Report of the Company also won the outstanding cover graphic/design award and the outstanding financial data award in the International ARC Awards for Annual Report for 2013.

(II) Investor relations

During the reporting period, investor relations of the Company continue to adhere to the strategy of being “a bank for NSOEs, small and micro enterprises, and high-end customers” promoted by the chairman. It held various activities to highlight its strategic advantage, operation strategy and financial results and strengthen its presence in the market. The Company received the “Listed Company with the Best Investor Relations Management” (最佳投資者關係管理上市公司) award from the



Overseas Summit Forum of Chinese Listed Companies and Award Ceremony of China Securities Golden Bauhinia Awards. The Company won “Golden Bull Prize for the Most Trustworthy Company for Investors” (金牛最受投資者信賴公司) in the 15th session of Golden Bull Prize for Listed Company (第15屆上市公司金牛獎). The Company also won the annual awards of the Listed Financial Company of Best Investor Relations (金融類最佳投資者關係公司) and Best Communications (最佳溝通優秀獎) in Greater China organised by the IR Magazine in 2013.

During the reporting period, the senior management, the head of main business departments and branches of the Company actively participated in the management of investor relations. They visited major shareholders and hosted major domestic and international institutional investors to demonstrate the characteristics, advantages and prospects of the Company in various aspects ranging from strategic positioning to business operations. Its press conference for the results of the first quarter in 2013 was held in Hong Kong with over 300 analysts and funds managers from institutions home and abroad attended in person or through teleconferences. In the roadshow for the issue of Convertible Bonds, the management met representatives from 194 investment institutions and over 300 investors through online roadshow and face-to-face interaction. In the event of emergencies, the management promptly responded to the demands from investors with in-depth communication.

The Company has been constantly improving its communication channels including websites, investor hotlines, investor journals, investment strategy conferences with securities companies and joint researches and investigations. The Company took part in 12 large-scale institutional investment strategy seminars, held 31 joint researches and investigations, and met over 800 investors in aggregate through various ways such as hosting researches and investigation, teleconferences, investor hotlines and emails. The Company also published the 12th special issue 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 at the request of the shareholders individually or jointly holding 10% or more shares of the Bank.

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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.

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 when 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 individually or 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 no 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 shareholders' general meeting. Convener of such shareholders' general meeting shall issue a supplementary notice of the meeting setting out the content of the provisional proposals within 2 days upon the receipt of the proposals.

The Board of Directors shall provide explanation for its decision to exclude any proposal of any shareholder from the agenda at the relevant 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 no 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 within 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 the section headed "2. Procedures for shareholders to make enquiries to the Board".

XI. Amendments to Articles of Association in 2013

The Resolution on the Amendments to Certain Provisions under the Articles of Association of China Minsheng Banking Corp., Ltd. (《關於修訂〈中國民生銀行股份有限公司章程〉個別條款的議案》) was reviewed and approved at the 2012 shareholders' general meeting held on 17 June 2013. The details of the amendments are as follows:

1. Existing Article 231 of the Articles of Association: "The Supervisory Board comprises the Nomination Committee and the Remuneration Committee. The Nomination Committee shall be responsible for seeking the advice of shareholders and collecting the nomination proposals, reviewing whether the qualification of nominees satisfy the requirements of supervisors under the Company Law, the Commercial Banking Law and relevant laws, administrative regulations, department rules and the Articles of Association and submitting findings to the Supervisory Board for review. The Supervisory Board shall propose the report of review to the shareholders' general meeting in the form of resolution for voting. Shareholders (including the proxy of shareholders) who have objections to the candidates shall be entitled to make new proposal as stipulated herein. The Nomination Committee and the Remuneration Committee of the Supervisory Board shall review the qualification of the candidates and report to the Supervisory Board on whether they will propose the candidate list to the shareholders' general meeting for approval."

Revised to: "The Supervisory Board comprises the Nomination and Examination Committee. Such committee shall be responsible for seeking the advice of shareholders and collecting the nomination proposals, reviewing whether the qualification of nominees satisfy the requirements of supervisors under the Company Law, the Commercial Banking Law and relevant laws, administrative regulations, department rules and the Articles of Association and submitting findings to the Supervisory Board for review. The Supervisory Board shall propose the report of review to the shareholders' general meeting in the form of resolution for voting. Shareholders (including the proxy of shareholders) who have objections to the candidates shall be entitled to make new proposal as stipulated herein. The Nomination and Examination Committee of the Supervisory Board shall review the qualification of the candidates and report to the Supervisory Board on whether they will propose the candidate list to the shareholders' general meeting for approval."

2. Existing Article 242 of the Articles of Association: “The Supervisory Board of the Bank shall consist of the Supervisory Committee and the Nomination and Remuneration Committee.

Revised to: “The Supervisory Board of the Bank shall consist of the Supervisory Committee and the Nomination and Examination Committee.”

3. Existing Article 243 of the Articles of Association: “The main duties of the Supervisory Committee under the Supervisory Board are:

- (1) to prepare proposals on the examination and supervision of the financial activities of the Bank;
- (2) to prepare proposals on the departure audit of the director and the senior management;
- (3) to prepare proposals on the examination and supervision of the operation, decision making, risk management and internal control of the Bank;
- (4) other matters authorised by the Supervisory Board.”

Revised to: “The main duties of the Supervisory Committee under the Supervisory Board are:

- (1) to prepare proposals on the examination and supervision of the financial activities of the Bank;
- (2) to prepare proposals on the examination and supervision of the operation, decision making, risk management and internal control of the Bank;
- (3) to organise the audit of the compliance and implementation of major decisions of the Bank, to organise the review and survey on the operating units of the Bank, and to supervise relevant rectification measures;

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- (4) upon the request of regulatory authorities, to conduct special examination of specific projects and promptly submit the examination report;
- (5) other matters authorised by the Supervisory Board.”

4. Existing Article 244 of the Articles of Association: “The main duties of the Nomination and Remuneration Committee of the Supervisory Board are:

- (1) to advise the Supervisory Board on its scale and composition;
- (2) to review the qualification requirements and procedures on the appointment of the supervisors and to make recommendation to the Supervisory Board;
- (3) to carry out large-scale recruitment for eligible candidates of supervisors;
- (4) to carry out initial review and advise on the appointment and requirement of the candidates for the supervisors nominated by the shareholders;
- (5) to study and prepare the remuneration policy of the supervisors and the budget, which shall be approved at the shareholders’ general meeting upon review by the Supervisory Board;
- (6) other matters authorised by the Supervisory Board.”

Revised to: “The main duties of the Nomination and Examination Committee of the Supervisory Board are:

- (1) to advise the Supervisory Board on its scale and composition;
- (2) to review the qualification requirements and procedures on the appointment of the supervisors and to make recommendation to the Supervisory Board;
- (3) to carry out large-scale recruitment for eligible candidates of supervisors;

- (4) to carry out initial review and advise on the appointment and requirement of the candidates for the supervisors nominated by the shareholders;
 - (5) to study and prepare the remuneration policy of the supervisors and the budget, which shall be approved at the shareholders' general meeting upon review by the Supervisory Board;
 - (6) to organise the annual performance review of directors, supervisors and senior management personnel;
 - (7) to organise the departure audit of directors and senior management personnel, if needed;
 - (8) other matters authorised by the Supervisory Board.”
5. Existing of Article 245 of the Articles of Association: “The Nomination and Remuneration Committee of the Supervisory Board may engage intermediaries for their professional advice at the cost of the Bank.”

Revised to: “The Nomination and Examination Committee of the Supervisory Board may engage intermediaries for their professional advice at the cost of the Bank.”

XII. Continuous Professional Development Training of Directors

All Directors of the Company shall be abided by their obligations and duties in the Company and 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 been providing up-to-date information regarding the performance, financial status 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 their knowledge and expertise. Dong Wenbiao, a Director of the Company, attended the briefing sessions and training programs of business organised by the Company and studied relevant financial or corporate governance publications. Hong Qi, Liang Yutang, Shi Yuzhu, Wang Junhui, Wu Di, Qin Rongsheng, and Han Jianmin, Directors of the Company, attended the briefing sessions and training programs of business organised by the Company and financial or corporate governance seminars organised by professional institutions and studied relevant publications. Zhang Hongwei, Wang Hang and Ba Shusong, Directors of the Company, attended the briefing sessions and training programs of business organised by the Company. Lu Zhiqiang, a Director of the Company, attended the financial or corporate governance seminars organised by professional institutions. Liu Yonghao, a Director of the Company, studied relevant financial or corporate governance publications. Wang Yugui, Wang Lihua and You Lantian, Directors of the Company, attended the briefing sessions and trainings of business organised by the Company and financial or corporate governance seminars organised by professional institutions. Guo Guangchang and Cheng Hoi-chuen, Directors of the Company, attended financial and corporate governance seminars organised by professional institutions and studied relevant publications.

All Directors had submitted their training records during the year ended 31 December 2013 to the Company Secretary.

XIII. Training of Company Secretaries

During the financial year ended 31 December 2013, both Wan Qingyuan and Soon Yuk Tai, the Joint Company Secretaries, had attended no less than 15 hours of relevant professional training organised by the SSE, Hong Kong Stock Exchange or other professional bodies.

XIV. Contract 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 the primary contact person of the Company.

XV. Compliance with the Corporate Governance Code Set Out in Appendix 14 of the Hong Kong Listing Rules

For Code A.6.7 of the Corporate Governance Code, a Non-executive Director failed to attend the 2012 annual general meeting held on 17 June 2013 due to other work arrangement.

Saved as disclosed above, during the reporting period, the Company has fully complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Hong Kong Listing Rules and most of the recommended best practices contained therein.

Shareholders' General Meeting

During the reporting period, the Company held one shareholders' general meeting. Details are as follows:

On 17 June 2013, the 2012 annual general meeting of the Company was held in Beijing in which shareholders attended and voted in person and online. The resolutions on the 2012 Annual Report of the Company, the 2012 Final Financial Report of the Company, the 2013 Annual Budgets Report of the Company, the Work Report of the Board of Directors of the Company for 2012, the Work Report of the Supervisory Board of the Company for 2012, the Proposed Profit Distribution Plan for the Second Half of 2012 and the Interim Profit Distribution Policy for 2013 of the Company, the Re-appointment and Remuneration of the Auditing Firm for 2013, the Amendments to the "Terms of Reference of the Supervisory Board of China Minsheng Banking Corp., Ltd.", the Amendments to the "Administrative Measures for Connected Transactions of China Minsheng Banking Corp., Ltd.", the Proposed Issuance Plans of Eligible Tier-2 Capital Instruments of China Minsheng Banking Corp., Ltd. for 2013-2014, and the Amendments to Certain Provisions of the "Articles of Association of China Minsheng Banking Corp., Ltd." were examined and passed. Please refer to the announcement published in China Securities Journal, Shanghai Securities News and Securities Times on 18 June 2013 for details.

I. Adequacy, Effectiveness and Completeness of Internal Control

(1) Organisation structure of internal control system

The Company has established an independent internal control organisation structure. The Shareholders' General Meeting, the Board of Directors, the Supervisory Board and the management team led by the Board perform their respective functions and duties. Under the comprehensive corporate governance structure of the Company, the internal control system works effectively. In the internal control system, the highest authority of the Company is the Shareholders' General Meeting. The Board of Directors is the decision-making body of the Company and is responsible for ensuring the integrity and effective implementation of the internal control system. Under the Board of Directors, the Audit Committee supervises and directs the establishment of the internal control system by reviewing the internal control reports, inspection of internal control and self-evaluation on a regular basis. The Supervisory Board is the supervisory unit of the Company and is required under the Company Law of the PRC (《中華人民共和國公司法》), the Articles of Association and other applicable regulatory requirements to supervise the compliance of the Board of Directors and the senior management with the laws and regulations. The Supervisory Board is accountable to the Shareholders' General Meeting and shall ensure the compliance and promote healthy development throughout the Company's operation. The President and the management team act according to decisions made by the Board of Directors and are responsible for decision-making, guidance, coordination, management and supervision of the Company's daily operational activities. The Company has established an effective and standard internal control and management system that incorporates education, early warning, prevention, and incentive and punitive functions. Each department has clearly defined responsibility and cooperates with one another under mutual restriction and supervision.

(2) Internal control system

In compliance with the Commercial Bank Law of the PRC (《中華人民共和國商業銀行法》), the Guidelines of Internal Control of Commercial Banks and other laws and regulations, and for the purpose of risk prevention and prudent business operation, the Company has constantly 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 of the Company covers corporate governance policies cored on the Company's Articles of Association and the rules of procedures of the 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

Internal Control

clients, corporate deposits, loans to individuals, personal deposits, other personal business, treasury, wealth management, trade finance internet banking, credit card, investment banking and asset custody. Management systems also covers regulations of business management, accounting and auditing, financial management, IT, computer system risk control, corporate culture establishment, organisation and position setting and definition of responsibilities, employment, qualification, compulsory vacation, authority management, seal management, security, rewards and penalty, supervision and inspection over organisation and personnel. The system also covers information control systems, in particular, the Management Rules for Information Disclosure (《信息披露管理制度》), the Rules for Internal Reporting of Operation Information (《經營信息內部報告制度》) and the 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 the annual report 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

During the reporting period, the Company further refined and improved its internal control system by taking the following measures: (i) the Company established a comprehensive risk management system and a refined risk management system version 2.0 for small and micro enterprises according to the quasi-corporation nature of SBUs to complement the transformation and reform of the Bank's SBUs as well as the strategy of small business finance, which is in line with the risk management and strategy implementation; (ii) the capability of overall risk management of the Company was enhanced by actively implementing the Basel III in accordance with its requirements and agendas. With the main purpose of establishing management systems for credit risk, market risk and operational risk of the first Pillar, the implementation of 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 management consulting project was entirely launched and the first phase of the market risk management information system has completed. The operational risk management system was satisfactorily completed and the system was launched for full operation; (iii) the Company continued the implementation 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, organisation structure, working procedures and administrative measures. According to "effective and normalised"

philosophy, a three-layered risk prevention system was established to form a matrix network for risk prevention with clear division of responsibilities and full cooperation, which was supervised by the management team and implemented by the business units in order to ensure the healthy and steady operation of each business of the Bank; (iv) the Company comprehensively upgraded its IT system and successfully launched a new version of the core banking system and maintained the secure and stable operation of the information system. Progress has been made in the establishment of the disaster recovery system. Various application systems were promptly developed to meet the business needs of the Bank. The significant development of the IT systems provided technical support for the transformation and evolvement of the Bank; (v) the project of “enhancing the establishment and implementation of basic policies for risk management” was launched to further optimise the management of the internal control system. This project has eliminated the ambiguity and inefficiency of the system by reviewing and refining the policies and revising the Internal Control Manual (《内部控制手冊》). The practicability of the policies was improved through refinement of the management procedures. The policies were renewed in a timely manner to eliminate the loopholes so as to ensure the effective operation of the internal control system. A new control mechanism was established to regulate operation procedures so that businesses with significant risks can be managed by all relevant departments. The establishment and effectiveness of the control system were improved; (vi) the “strict operation compliance” campaign was launched to promote the culture of internal control. The campaign covered all businesses, departments and employees of the Bank through four stages of learning and assessment, self-inspection and self-improvement, cross-checking as well as improvement and enhancement. During the campaign, 30,252 employees of the Bank took part in the online test for compliance education, 96 compliance seminars were held by the management, and over 40,000 reviews on compliance were written by the senior management and junior employees, which enhanced the awareness on compliance and capability on self-control of all employees. Through self-inspection and self-rectification, 1,089 risks and defects were identified and the self-rectification rate was 93%. Through cross-checking, 587 people were accounted for the non-compliance, which further improved the effectiveness of internal control; and (vii) the Company strengthened the inspection on the effectiveness of the implementation of its internal control and risk management. It established a rapid risk responding system considering the risk exposures during economic downturns through specific examinations and researches and investigation on business lines including credit, financial accounting and retail banking, and continued to reinforce supervision and inspection in 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 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 of the establishment and implementation of internal control policies and procedures. It oversees and facilitates the branches and business departments to revise and refine in response to changes in the laws and regulations of the country, the Company's organisation structure, business performance and market environment.

During the reporting period, the Audit Department of the Company optimised and adjusted the internal control evaluation system in respect of the procedures, reports, criteria and grading methods and defects identification of internal control based on the business transformation feature of the Company and the evaluation results of internal control 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. In light of the aforesaid, the Company completed comprehensive internal control evaluation on ten branches including Dalian, Ningbo, Shantou, Xi'an, Chongqing, Shenyang, Chengdu, Hanzhou, Qingdao and Xiamen, three SBUs including the Culture Industry SBU, Modern Agriculture SBU and Stone Materials Industry SBU, and two branch offices of the Trade Finance SBU as well as the secondary branches in Nanyang, Hengyang, Lvliang, Yancheng, Longyan and Zhongshan. Regarding the Company's subsidiaries, the Company also carried out comprehensive internal control evaluation on ten Minsheng rural banks including Meihekou, Yulin Yuyang, Zhidan, Tiantai as well as Minsheng Leasing to supervise the internal control and standardised management of newly launched institutions 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 units and enhanced the internal momentum of prudent 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 of the Bank.

(5) Culture of internal control

The Company attaches high importance to create and cultivate an outstanding corporate culture which conforms to the requirements of modern commercial banks while retaining its own characteristics. Having reviewed, concluded, standardised 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 with the core value, and through promoting the culture of “achieving a win-win result through trust, responsibility and regulations”, guides all employees to cultivate proper business performance values, and prudent risk and compliance awareness.

The internal control system of the Company covers all existing organisations, 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 completeness of business records, financial information and other management information. The Company will continuously enhance the completeness, 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 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 will continue with the implementation of the Three-year Internal Control Plan. In order to consolidate the result and have constant improvement, the Company strengthened the enforcement of Standards for Risk Management in Internal Control Compliance, improved the internal control focusing on the key risk sectors and established and implemented management tools such as staff violation record, optimised internal control technology

Internal Control

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 and risk prevention, and to ensure the effective implementation of development strategies of the Company.

II. 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 internal control are to ensure the compliance of the operation, the security of assets and the truthfulness, completeness and credibility 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.

III. Self-Assessment Report of Internal Control and Auditor's Opinion

The Board of Directors has carried out evaluation on the internal control system in accordance with the Basic Standard for Corporate Internal Control and its guidelines and other regulatory requirements on internal control and concluded that the system was effective on 31 December 2013. 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, which confirmed the Company maintained effective internal control of financial report in all material aspects as of 31 December 2013 in accordance with the Basic Standard for Corporate Internal Control and relevant regulations, and no material defect was identified in all material aspects of internal control on non-financial items.

IV. Internal Audit

The Company has an internal audit organisation — the 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 Audit Department has five regional audit centres in Northern China, Eastern China, Southern China, Mid-China and Northeastern China. The 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 specialised operating characteristics of the Company. Business management centre, evaluation and accountability centre and supervision and coordination centre were also established. The 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 standardised internal audit system, and an integrated audit examination system comprising on-site audit and off-site audit. Off-site audit system covers all asset and liability businesses of the Company. Risk-oriented audit on internal control covers all business lines and internal management procedures including corporate banking, retail banking, 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.

The Company performed supervision and examination on internal control of business units through on-site audits, off-site audits, special audits and departure audits. It conducted a total of 102 audits during the reporting period, representing an increase of 12.9% as compared with the previous year, which involved over 20 major business sectors, including small business finance, SBUs and private banking. 87 on-site audits were carried out, with coverage ratios of 100% on tier-one branches and 71% on secondary branches and special sub-branches. It also carried out 15 off-site audits with a coverage ratio of 100%, and 256 departure audits. The Audit Department issued 442 audit reports and investigation and research reports, 53 risk reminders and audit comments and 123 reports on material matters and highlights. The Company performed its audit supervision, evaluation and consultation duties in a more effective way. 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 and management throughout the Bank.

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 2013 amounted to RMB41,260 million. The net profit of the Company for the second half of 2013 amounted to RMB18,876 million. The Company has proposed its profit distribution plan for the second half of 2013 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 relevant regulations amounted to RMB1,888 million. According to the Measures for Managing the Appropriation of Provisions of Financial Enterprises issued by the Ministry of Finance, the Company is not required to make any appropriation to the general reserve as the balance of the general reserve at the end of 2013 exceeded 1.5% of the balance of risky assets. The profit distributable to shareholders as at the end of 2013 amounted to RMB62,264 million. The Company plans to distribute cash dividend of RMB1 (before tax) and 2 shares of stock dividends for every 10 shares to the holders of A Shares and H Shares whose names appear on the register of member on the record date. As the conversion of the A Share Convertible Bonds issued by the Company is in progress, the total number of shares on the record date for A shares is uncertain, and the total amount of dividends to be distributed will be based on the total number of shares on the record date. As at 31 December 2013, on the basis of the 28,366,192,773 issued share, the total cash dividends and stock dividends to be distributed would be approximately RMB2,837 million and 5,673 million shares respectively. 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 distribution plan will be implemented within two months upon obtaining the approval from the 2013 annual general meeting of the Company.

The formulation and implementation of the cash dividend policy by the Company are in compliance with the stipulations of the Articles of Association and the requirements stated in the resolutions approved by shareholders’ general meeting of the Company. The basis and proportion of dividend distribution are clearly specified. Effective determination and approval procedures and mechanisms are in place. The said distribution shall be examined and approved by independent Directors. Legitimate rights and interests of minority shareholders are well protected by being entitled to attend shareholders’ general meeting to exercise their voting rights and make proposals or enquiries on the operations of the Company.

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

(Unit: RMB million)

	2012	2011	2010
Cash dividends	8,510	8,510	2,672
Net profit attributable to equity shareholders of the Bank	37,563	27,920	17,581
Cash dividend payout ratio (%)	22.66	30.48	15.20

IV. Cash Dividends Policy of the Company

According to Article 292 of the Articles of Association, the distribution of profits of the Company emphasises 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 make any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the use of proceeds retained by the 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 Guiding Opinion on Risk Management by the Board of Directors in 2013 and Guiding Opinion in 2014

(I) Implementation of the Guiding Opinion on Risk Management by the Board of Directors in 2013

The Guiding Opinion on Risk Management by the Board of Directors in 2013 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”) is the guidelines for the Board of Directors to execute risk strategies and a guiding document for risk management. The 2013 Guidelines mainly includes the macro-economic and financial trend and the focus of the Company’s risk management in 2013, the guiding principle as well as objectives and guidelines of risk management in 2013 and the implementation of the guidelines.

The management is required by the 2013 Guidelines to formulate specific and practicable annual risk management policy and plan based on the 2013 Guidelines, which set 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 2013 Guidelines. The Office of Risk Management Committee under the Board conducts evaluation on the risks and risk management and the implementation of the 2013 Guidelines of the Company every half a year or according to the operational need of risk management. In addition, the Risk Management Committee identifies and monitors potential risks and oversees risks and 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 to the management.

(II) Guiding Opinion on Risk Management by the Board of Directors in 2014

In order to strengthen the establishment of a comprehensive risk management system, enhance risk prevention capability, secure business development and strategic transformation and effectively implement the development strategies of the Board, the Board of the Company formulated the Guiding Opinion on Risk Management by the Board of Directors in 2014 of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會2014年風險管理指導意見》) (the “2014 Guidelines”), which provide guidelines on the risk management of the Company in 2014.

Based on the development strategy of the Board and regulatory requirements and taking into account the macro-economic trend, the risks and risk management of the Company, the 2014 Guidelines specify the principles of the Board on risk management, formulate the risk management

objectives for 2014, provide the Board's opinions on risk management, outline the risk appetite of the Board, and guide the risk management of the management in 2014. The 2014 Guidelines mainly include the macro-economic outlook and the focus of the risk management of the Company for 2014, the guiding principles and objectives of risk management, guidelines on risk management, and the security measures and implementation of the guidelines.

By formulating the 2014 Guidelines, the Board refined the risk management and communication mechanism of risk management, optimised 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 2014 Guidelines ensured the safe and stable operation, strategic transformation and sustainable development of the Company.

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 Accounting Firm

The Company's 2013 financial statements prepared under the IFRS were audited by KPMG 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; issuing rights 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 Provisional Measures on Supervision and Appraisal of Performance of the Board of Directors and the Directors by the Supervisory Board, the Implementation Rules for Supervision and Appraisal of Performance of the Board of Directors and the Directors by the Supervisory Board, the Provisional Measures on Supervision and Appraisal of Performance of the Senior Management and Its Members by the Supervisory Board, the Provisional Measures on Appraisal of Performance of the Supervisors, the Code of Conduct of Supervisors and the Terms of Reference of the Nomination and Examination Committee of the Supervisory Board, formulated the Measures on Supervision and Examination of the Supervisory Board, the Implementation Rules for Financial Inspection and Supervision of the Supervisory Board, the Implementation Rules for Supervision and Examination of Risk Management of the Supervisory Board, the Implementation Rules for Supervision and Examination of Internal Control of the Supervisory Board and the Measures on Supervision of Strategy of the Supervisory Board, and submitted the amended Articles of Association and the Rules of Procedures of the Supervisory Board to the shareholders' general meeting for approval.

(II) Special audits and investigations

1. In January 2013, the Supervisory Board investigated the management of the wealth management business and the operation of the relevant asset pools of the Bank.
2. In October 2013, the Supervisory Board evaluated the effectiveness of the reform on business vehicle management of the Bank.
3. In 2013, the External Supervisors investigated the development of Minsheng rural banks.

(III) Strategic evaluations

1. From March to May 2013, the Supervisory Board conducted evaluation on the progress of the reform and development of four industry-oriented SBUs of the Company, which involved 86 interviews with SBUs, 28 interviews with branches, 14 interviews with regulatory authorities and 17 interviews with functional departments of the head office with a total of 811 interviewees and 39 customers. On-site evaluation of the branches was conducted with a coverage rate of 50%. The coverage rate of evaluation on total loans was up to 71%. The investigations and evaluations constituted a comprehensive and objective evaluation for the reform and development of the SBUs of the Company. The Supervisory Board, addressed the existing problem during the development and provided opinions and suggestions to further facilitate the SBU reform.

2. From September to December 2013, the Supervisory Board conducted evaluation on the management of middle and back offices of the head office, which was the first review and assessment on the management ability and efficiency of the head office since the establishment of the Bank. The Supervisory Board formed three evaluation teams and carried out investigations and researches on a total of 91 units of various levels, held 139 meetings, interviewed and investigated 2,269 personnel of various positions, and collected 56 reporting materials from branches, 38 self-assessment reports and 933 questionnaires from departments of the middle and back offices of the head office. The evaluation provided an objective analysis and evaluation on the Company's management system, processes-building and implementation of policies of middle and back offices, and identified existing problems to provide references for decision making regarding further reforms of middle and back offices of the Company.

(IV) Supervision on performance

In accordance with the Measures on Performance Appraisal of Directors of Commercial Banks (Provisional) (《商業銀行董事履職評價辦法(試行)》) promulgated by the CBRC and the Articles of Association, the Supervisory Board formed and refined the filing system of the performance records of Directors, supervised and evaluated the annual performance of the Directors, Supervisors and senior management based on reviews of data and materials, site visits and inspection, and formulated and submitted the performance evaluation reports for Shareholders' approval at the 2012 Annual General Meeting and to the regulatory authorities according to the requirements. In July 2013, the Supervisory Board evaluated the performance of Directors for the first half of the year and formulated interim supervision report on the performance of Directors through collecting relevant data such as attendance of Directors in meetings, investigations and time commitment, and provided specific suggestions.

(V) Performance ability-building

1. Adjusted the orientation of the committees' functions: In 2013, the Supervisory Board adjusted the orientation of functions of two special committees according to the rules and regulations of the regulatory authorities and its own working requirements. The Nomination and Examination Committee has been assigned to supervise the performance of the Supervisory Board, and the duties of the Supervisory Committee in assisting the Supervisory Board in financial, risk, and internal control supervision have been refined and specified. A clearer supervision system of the Supervisory Board was primarily formed, with the Supervisory Committee responsible for the supervision of functions and the Nomination and Examination Committee responsible for the supervision of individual performance.

Report of the Supervisory Board

2. Coordinating with the standardisation of corporate governance: According to the consolidated plans of the Board, in the first half of 2013, the Board, the Supervisory Board and the senior management completed the standardisation project of corporate governance, which further improved the overall standard of corporate governance. The scopes of duties of the Board, the Supervisory Board and the senior management were explicitly defined, enabling them to perform their respective duties in an efficient, practical and transparent way and also in compliance with the applicable laws, rules and regulations.

3. Strengthened communication:

During the reporting period, the Supervisory Board reorganised the information and materials regarding the performance of duties based on their types and contents into three major categories with more than 70 items and identified various important meetings of the Bank which required the participation and



attention of Supervisors. The channel for information exchange was further developed and the contents and requirements for transmission of information were standardised, which provided more information for the Supervisory Board to fully perform their supervisory functions. As the Supervisory Board emphasised the communication and coordination with the Board and senior management, it strengthened the interaction with departments of the head office, SBUs and branches, and further rationalised the key parts of its performance on supervision duties. In addition, the Supervisory Board continued to improve the reports to and communication with regulatory authorities to gain their business guidance and support.

4. Emphasised interaction with other banks and financial institutions: During the reporting period, the Supervisory Board strengthened knowledge sharing with other banks and financial institutions. The Supervisory Board strengthened the communication with the supervisory boards of all commercial banks in China by organizing research visits with more than 50 visitors from the supervisory boards of approximately 10 financial institutions. The Supervisory Board also learned from the advanced management experience and methods of international banks through various ways to broaden the perspective and improve the effectiveness of its work.

5. Organised trainings for Supervisors: On the one hand, based on its working needs, the Supervisory Board convened various non decision-making meetings in a timely manner to report and discuss major work reports and status of the Supervisory Board, and invited regulatory authorities, the China Association for Public Companies and relevant experts to hold training courses on topics such as the latest regulatory policies, analysis on macro-economic environment and working practice for supervisory boards. During the reporting period, the Supervisory Board arranged two training courses with over 80% attendance of the Supervisors. On the other hand, according to the requirements, it assigned certain Supervisors to participate in two annual trainings organised for directors and supervisors of listed companies by regulatory authorities. Through appropriate performance trainings, Supervisors are equipped with more knowledge in relation to their performance of duties and broader knowledge base which are beneficial to the improvement of the overall standard of the Supervisory Board and the quality of its supervision.

II. Independent Opinion of the Supervisory Board

(I) Lawful operation of the Company

During the year, 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 Articles of Association of the Company or any act which would prejudice the interests of the Company and its 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 truthfully, accurately and completely reflect its financial position and business performance.

(III) Use of proceeds from fund-raising activities

In accordance with 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 the CSRC on 7 February 2013, the Company has publicly issued an aggregate of RMB20 billion A Share Convertible Bonds at par value on 15 March 2013, which provided strong support for the expansion of its businesses.

(IV) External investments of the Company

During the year, the Company established two Minsheng rural banks in Xiang'an of Xiamen and Linzhi of Tibet with an aggregate investment of RMB48.45 million. The Supervisory Board is of the opinion that the equity investments in the rural banks were in line with the national policies and the diversified development strategies of the Company, and the decision-making procedures of the investments 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. With the increasing number of Minsheng rural banks, the Company, as the major investor, should further refine the group management of the rural banks and strengthen the business connections between the rural banks and the Company to promote their sound and sustainable development.

(V) Related party transactions

During the year, the Related Party Transactions Supervision Committee and relevant departments identified, assessed and disclosed related party transactions in accordance with the relevant provisions of the Administrative Measures for 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 which would prejudice the interests of the Company and its shareholders.

(VI) Internal control

During 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 fundamentally sound and effective. The awareness and ability of internal control and risk aversion were gradually improved. There was no material crisis and default liability during the reporting period.

(VII) Risk management

During 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 optimisation and adjustment of business structure. Risk control capability was also strengthened. However, due to the impact brought by both of the cyclical adjustment and the structural contradiction of the PRC economy, the requirement for risk management increased. Comprehensive risk management, in particular for liquidity risk and operational risk, should be strengthened, and the asset quality should

be monitored closely. The Supervisory Board considers that in face of financial disintermediation, liberalisation of interest rate and increasingly intense competition, the Company should continuously improve and strengthen the overall risk management system. It should enhance the comprehensive risks management for liquidity risks, interest rate risks, operational risks and ethical risks and reinforce the staff awareness of risk responsibility. Risk management measures should be improved and implemented in earlier stages. The Company should refine the implementation of risk management responsibilities, and strengthen risk prevention in key areas and industries and continue to improve its risk management capability in the future in order to adapt to market changes and support business transformation and enhancement.

(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.

In 2013, based on its previous experiences, the Supervisory Board implemented the working principle of emphasizing on both supervision and service, as well as regular supervision and supervision of key areas, in order to continuously enhance the overall standard and effectiveness of its works, and achieved satisfactory results. However, there were still some problems and shortcomings. Firstly, the Supervisory Board should base on the practical needs to adopt more standardised and innovative methods and means in supervision of key areas. Secondly, it should further enhance its reports to and maintain closer communication with the regulatory authorities. Thirdly, it should strengthen research on economic, financial and regulatory policies and step up its effort to supervise the risk management of the Bank.

Major Events

I. Material Litigation and Arbitration Proceedings

In the reporting period, the Company had no litigation or arbitration proceedings that had significant impact on its operations. As of 31 December 2013, there were 1,142 outstanding litigations with disputed amounts over RMB1 million involving the Company as plaintiff for approximately RMB10,311.51 million and 58 litigations involving the Company as defendant for approximately RMB527.67 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Company has strictly complied with the Articles of Association, the Basic Accounting Rules (《基本財務規則》) and the Administrative Measures for Fixed Assets (《固定資產管理辦法》) of the Company. The Company has made arrangements for writing off residual value and account treatment of fixed assets so as to satisfy the conditions for disposal. The shareholders' interest has not been prejudiced and the Company have not experienced any loss of assets due to the aforesaid.

III. Material Contracts and Their Performance

The Company participated in 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. In May 2013, the Company obtained the Reply on the Approval for Pre-Schedule Biddings for Inspection and Design of the Z4 Project of Core Area of CBD (《關於CBD核心區Z4項目提前開展勘察設計招標工作核准的批覆》) (Jing Fa Gai [2013] No. 999) from the Beijing Municipal Commission of Development and Reform. In September 2013, the design plan of the project was completed and submitted to the Beijing Municipal Commission of Urban Planning. In October 2013, the consultancy on and application for the change of use of land for civil air defense were completed. In November 2013, the evaluations of the impacts on environment and transportation conditions were conducted and submitted for approval. In December 2013, the Company obtained the Reply on the Approval of the Environment Impact Report in relation to the Commercial and Financial Project (China Minsheng Bank Tower) at Plot Z4 of Core Area of Beijing CBD Located at East 3rd Ring Road in Chaoyang District (《關於朝陽區東三環北京商務中心(CBD)核心區Z4地塊商業金融項目(中國民生銀行大廈)環境影響報告書的批覆》) (Jing Huan Shen [2013] No. 528) from Beijing Municipal Environment Protection Bureau.

The Company participated in and won the bid for the land use right of Plot 2010P26 located at the intersection of Douziwei Road and Hubin South Road, Xiamen. The progress of the project is satisfactory. The Company has obtained all the necessary approvals for the project and is carrying out underground construction.

The progress of the construction of Shunyi Headquarter in Beijing is satisfactory. Civil engineering construction, indoor decoration and construction of specific items have been completed and the headquarter commenced operation on 8 October 2013.

IV. Major Guarantees

The Company has not entered into guarantees other than those for its financial guarantee business in accordance to the business scope as approved by the PBOC.

V. Commitments by the Company

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

VI. Appointment of Accountants

The general meeting of the Company resolved to engage KPMG Huazhen (Special General Partnership) and KPMG as the domestic and international auditors of the Company for 2013, respectively.

According to the terms of contracts, the total remuneration agreed between the Company and the above auditors in respect of their audit services for the year, including audit of the 2013 financial statements, review of the 2013 interim financial statements and audit of internal control for 2013, was RMB9.80 million, including fees for internal control audit of RMB1 million.

As at the end of the reporting period, KPMG Huazhen (Special General Partnership) and KPMG have been providing audit services to the Company for three consecutive years. Pu Hongxia and Shi Jian, the signing accountants, have been providing services to the Company for two and three consecutive years, respectively.

VII. Major Related Party Transactions

During the reporting period, there was no major related party 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 44 to the Consolidated Financial Statements.

Major Events

VIII. Repurchase, Sale or Redemption of Securities

During the twelve months ended 31 December 2013, the Group neither sold any securities of the Company nor repurchased or redeemed any securities of the Company and its subsidiaries.

IX. Audit Committee

The members of Audit Committee of the Company comprise Mr. Qin Rongsheng (chairman), Mr. Cheng Hoi-chuen, Ms. You Lantian, Mr. Han Jianmin, Mr. Shi Yuzhu and Mr. Wu Di. The main responsibilities of the Audit Committee include reviewing and scrutinizing the financial reporting procedures and internal control system of the Company and providing advices to the Board. The Audit Committee of the Company reviewed and confirmed the annual report for the year ended 31 December 2013 and the results announcement for 2013.

X. Restriction Commitments regarding Additional Shares for Shareholders with Shareholding of 5% or More in the Company

Not applicable.

XI. Incentive Share Option Scheme and its Implementation during the Reporting Period

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

XII. Other Major Events

1. During the reporting period, the Company received the Approval on the Commencement of Business Operation of Guiyang Branch (Qian Yin Jian Fu [2013] No. 148) from Guizhou Branch of the CBRC. The Guizhou Branch of the CBRC approved the commencement of business operation and the qualifications of senior management, including the vice president and the assistant to the president, of the Guiyang Branch of the Company. The Guiyang Branch shall conduct businesses within the scope of business approved by the Company in compliance with the law. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 18 June 2013.

2. During the reporting period, the Company received the Approval on the Commencement of Business Operation of Xiamen Xiang'an Minsheng Rural Bank Co., Ltd. (Xia Yin Jian Fu [2013] No. 83) from the Xiamen Branch of the CBRC. The Xiamen Branch of the CBRC approved the commencement of business operation and the Articles of Association of Xiamen Xiang'an Minsheng Rural Bank Co., Ltd.. It also approved the business scope and the qualifications of its senior management, including the chairman of the board of directors, directors, chairman of the supervisory board and president. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 5 July 2013.
3. During the reporting period, the Company received the Approval on the Commencement of Business Operation of Sanya Branch (Qiong Yin Jian Fu [2013] No. 182) from the Hainan Branch of the CBRC. The Hainan Branch of the CBRC approved the commencement of business operation and the qualifications of senior management, including the vice president and the assistant to the president, of the Sanya Branch of the Company. The Sanya Branch shall conduct businesses within the scope of business approved by the Company in compliance with the law. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 17 September 2013.
4. During the reporting period, the Company received the Approval on the Issuance of Tier-2 Capital Bonds by Minsheng Bank (Yin Jian Fu [2013] No. 570) from the CBRC. The CBRC approved the issuance of tier-2 capital bonds by the Company with an aggregate amount up to RMB20 billion, which shall be counted as tier-2 capital in accordance with relevant regulations. The aforesaid matter has been approved by the PBOC. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 18 November 2013 and 5 March 2014, respectively.
5. During the reporting period, the Company received the Approval on the Commencement of Business Operation of Lhasa Branch (Zang Yin Jian Fu [2013] No. 58) from Tibet Branch of the CBRC. The Tibet Branch of the CBRC approved the commencement of business operation and the qualifications of the vice president of the Lhasa Branch of the Company. The Lhasa Branch shall conduct businesses within the scope of business approved the Company in compliance with the law. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 23 December 2013.
6. During the reporting period, the Company received the Approval on the Commencement of Business Operation of Linzhi Minsheng Rural Bank Co., Ltd. (Lin Yin Jian Fu [2013] No. 11) from Linzhi Branch of the CBRC. The CBRC approved the commencement of business operation, the scope of business and the place of business of Linzhi Minsheng Rural Bank Co., Ltd.. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 23 December 2013.

Corporate Social Responsibility



Corporate Social Responsibility

During the reporting period, the Company was committed to serving the society by adhering to the concept of “serving the community and caring for the people”. The Company upheld the principles of service consciousness, innovation and endurance with determination to move forward. As a result, the Company achieved the goal of maintaining harmonious development of both the Company and the society. The Company’s performance of social responsibility has marked a new milestone.

Improving management and communication of social responsibility. The Company continued to further improve its social responsibility management and effectively performed its social responsibility in a scientific way with meticulous management and innovative practices. The Company optimised the communication mechanism with a focus on the social responsibility report. The 2012 Social Responsibility Report (《2012年度社會責任報告》) was honoured as the “Best Social Responsibility Report in China’s Banking Industry” (中國銀行業社會責任報告第一名) and the “Best Social Responsibility Report of Non-state-owned Enterprises in China” (中國民營企業社會責任報告第一名) in the 2013 White Paper on Corporate Social Responsibility of China (《中國企業社會責任報告白皮書(2013)》). The Company enhanced the evaluation and management system for charity and donation projects, and has established an annual report system for the implementation of donation projects. The Company commenced the preparation of the “Implementation Report on Charity and Donation Projects of China Minsheng Banking Corp., Ltd. (2008–2013)” (《中國民生銀行公益捐贈基金項目執行報告(2008–2013)》) to review and monitor the implementation of donation projects. The Company also organised the “Extra-curricular Course for Corporate Social Responsibility” (企業社會責任校外課堂) of the Graduate School of Chinese Academy of Social Sciences to support the education of corporate social responsibility and demonstrate the fruitful achievement of the theoretical research and innovative implementation of social responsibility of the Company.

Strictly putting the risk exposure under control and serving the real economy. The Company strived for comprehensive risk management and continued to improve the legal compliance procedures and management covering policy guidance, integrated services, early warnings and standardised management. The Company actively facilitated the establishment of comprehensive risk management mechanism and advanced capital measurement mechanism under capital constraints to prevent credit risk, market risk and operational risk. In addition, comprehensive innovation and reform were carried out on the operating modes of the SBUs with an aim to transform the SBUs into a “Financial Stewardship team with quasi-corporation nature, professional operations and integrated financial resources”. By boosting the development and innovation of the SBUs, the Company aimed to turn the SBUs into a professional investment bank from the traditional deposit and lending business model. The Company further carried out the transformation of branches so as to provide more efficient financial services for the development of the real economy.

Focusing on small business finance and community finance with innovative business models. Adhered to the strategy of “Focusing on small business finance and community finance and freeing up two wings”, the Company restructured the small business process on a standardised model and batch-based basis to ensure improvements in risk control, business efficiency, operation effectiveness and customers’ experience. The Company further strengthened the professional level of small business finance by establishing specialised sub-branches of small business finance targeting at industries and commercial circles. The Company also supported the construction of urban commercial cooperatives and promoted mutual cooperative fund products to build a platform for the consolidation and common development of small and micro enterprises. Aiming to provide quality and convenient financial services to community residents, the Company actively and gradually developed community finance, and established a smart and convenient service network to satisfy the needs of community residents with simple outlets in communities and innovative business models.

Caring for customers and employees to contribute to a harmonious society. Focusing on optimizing the experience of customers, the Company continued to increase customer satisfaction by monitoring the service quality of outlets, zealously improving and optimizing the functions of customer service system, establishing an effective management system for the confidentiality of customers’ information and extending the promotion of financial knowledge. The Company provided financial services to special groups by increasing credit support for public welfare projects including affordable housing, education assistance and medical and health care. Moreover, the Company placed strategic emphasis on carrying out human resources management, promoted the homeland culture with core values of “common interest, joint career-building and achievement-sharing”. A scientific and effective system was established for the recruitment, training, incentive and promotion of talents. The Company also implemented democratic management to protect the democratic rights of the employees and cared for their well-being to bond the Company and its employees in the pursuit of the common core value.

Introducing green finance for better China. The Company strictly implemented the “green credit” appraisal mechanism by restricting loans to industries with excess capacity and against the green credit policy. As a result, the outstanding loans to industries with excess capacity dropped significantly. The Company focused on supporting energy-saving and environmental-friendly, new energy and low-carbon industries that were encouraged by the national industrial policies by actively participating in energy-saving and environment-friendly projects so as to promote efficient, high-quality and low-carbon development of the green industry. In addition, the Company promoted the concept of green office by adhering to its green procurement and energy-saving practices, such as reducing the use of water, electricity, gas, paper and office supplies at workplace and encouraging the recycling of resources and materials.

Fulfilling its responsibilities in public welfare and charity work. The Company adopted scientific and efficient measures to manage the “Welfare Donation Fund” (公益捐贈基金) so as to promote welfare development with innovative models. The Company continued to launch the “Poverty Alleviation by Information Provision” (信息扶貧模式) to broadcast free advertisement of agricultural products nationwide for over 13 counties and cities in ten provinces, which facilitated the selling of over 2.7 billion kilograms of overstocked agricultural products. The Company launched a series of welfare activities under the “Long March for Social Responsibility” (社會責任萬里行) and organised the “Beautiful Villages — Preservation Action for the Ancient Villages” (美麗鄉村 — 古村落保護行動) in Guizhou and Yunnan to provide comprehensive financial assistance for the protection of local endangered ancient villages, such as establishing fund for poverty alleviation, developing tourist spots and building the cultural brand, in order to help them achieve development both in urbanisation and eco-cultural industry. Under the “Guangcai Minsheng Program” (光彩民生工程) in Xinjiang, the Company installed household solar power generation equipment for the nomads in Altay to solve the long-term power access problem. The Company also organised a bank-wide donation activity for the patients with congenital heart disease in Tibet to contribute to the harmonious social development.

The Company continued to support charity campaigns aiming to help the targets achieve sustainable development and have carried on the poverty alleviation effort in target counties, namely Hua County and Fengqiu County in Henan Province and Lintao County and Weiyuan County in Gansu Province, for 11 years in a row. During the reporting period, training programs were carried out in Beijing for a total of over 150 outstanding teachers and educational staff members from the four target counties as well as from Luquan County in Yunnan Province. Initiated and established the “China Red Ribbon Foundation” (中華紅絲帶公益基金會), the Company has made donations to support the efficient prevention and treatment of AIDS for a long time. The Company also placed concern on the education development and sponsored the establishment of “Beijing Minsheng Wealth Research Academy” (北京民生財富研修學院), a higher education training institution, and cooperated with Tsinghua University for the establishment of “Minsheng Wealth Research Centre” (民生財富研究中心) to improve the education of financial knowledge. The Company continued to support the China Education Development Foundation (中國教育發展基金會) and made donations to the Department of Chinese Language and Literature of Peking University for the establishment of the Centennial Library (百年文庫).

Corporate Social Responsibility

The Company has been devoting to specialised charity programs by supporting the cultural and public welfare sectors in response to the government's policy of "Cultural Revitalisation" (文化振興). To provide an excellent art education platform for the public, Shanghai Minsheng Modern Art Museum, which was sponsored by the Company, launched a total of 8 modern art exhibitions and 70 academic lectures and art activities covering social, cultural and art aspects during the reporting period. The large-scale art exhibitions of "Forward! — Contemporary Art & Contemporary City" (向前進 — 當代藝術與當代城市) and "Designing 007 — 50 Years of Bond Style" (流金50年 — 007電影設計展) were highly praised by the art sector. The "Poetries at Art Museums" (詩歌來到美術館), one of the series of lectures on art and humanities held by the Company, was awarded the "Event of the Year" (年度事件大獎) of the "2013 Figure of the Year in the Chinese Culture" (2013文化中國年度人物大獎). The Company also prepared to establish the Beijing Minsheng Contemporary Art Museum (北京民生現代美術館), Shanghai 21st Century Minsheng Art Museum (上海二十一世紀民生美術館) and Chinese Calligraphy Museum (中國書法館), and continued to sponsor the Yan-Huang Art Museum for the organisation of the 8th "Kuai Zai Ya Ji" (快哉雅集) to promote the traditional culture of poetry and calligraphy. With all these efforts, the Company has been striving to expand cultural and public welfare channels and to establish the most influential international cultural exchange platform.

The Company's social responsibility management and practices were highly recognised by the third parties such as the relevant government authorities, research institutes, charity organisations and mainstream media. Hong Qi, the Vice Chairman and President, was honoured with the "Leading Person Award of the Year for Social Responsibility" (年度社會責任引領人物獎) by the China Banking Association. The Company won the "China Charity Award" (中華慈善獎), the highest award in China's charity sector issued by the Ministry of Civil Affairs, the General Award of the 10th "Corporate Civilian of the Year in China" (中國最佳企業公民年度綜合大獎), the "2013 Most Responsible Enterprise Award" (2013最具責任感企業獎), the "2013 China Welfare Award" (2013中國公益獎), the "Innovative Welfare Award" (創新公益獎), the "Social Responsibility Award of National Vision" (大國遠見之社會責任獎) and the "2013 Welfare and Charity Projects of the Year" (2013年度公益慈善優秀項目獎). In the 2013 Blue Book on Corporate Social Responsibility in China (《中國企業社會責任藍皮書(2013)》), the Company was ranked No. 1 in the Social Responsibility Index of China's Listing Companies (中國企業上市公司社會責任指數第一名), the Social Responsibility Index of China's Non-state-owned Enterprises (中國民營企業社會責任指數第一名) and 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 Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity and 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 212 to 408, which comprise the consolidated and Bank statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, 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 2013, 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 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2013	2012
Interest income		182,154	151,887
Interest expense		(99,121)	(74,734)
Net interest income	6	83,033	77,153
Fee and commission income		33,061	22,091
Fee and commission expense		(3,105)	(1,568)
Net fee and commission income	7	29,956	20,523
Net trading (loss)/gain	8	(25)	509
Net gain arising from disposals of securities and discounted bills	9	2,505	4,407
Impairment losses on assets	10	(12,989)	(9,320)
Operating expenses	11	(45,962)	(42,889)
Other operating income		633	269
Profit before income tax		57,151	50,652
Income tax expense	13	(13,869)	(12,344)
Net profit		43,282	38,308
Net profit attributable to:			
Equity shareholders of the Bank		42,278	37,563
Non-controlling interests		1,004	745
		43,282	38,308
Earnings per share (expressed in RMB)	14		
Basic earnings per share		1.49	1.34
Diluted earnings per share		1.43	1.34

The notes on pages 221 to 408 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2013	2012
Net profit		43,282	38,308
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:	39	(2,434)	(318)
Other comprehensive income, net of tax		(2,434)	(318)
Total comprehensive income		40,848	37,990
Total comprehensive income attributable to:			
Equity shareholders of the Bank		39,852	37,245
Non-controlling interests		996	745
		40,848	37,990

The notes on pages 221 to 408 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2013	2012
ASSETS			
Cash and balances with central bank	15	433,802	420,418
Balances with banks and other financial institutions	16	88,885	236,161
Precious metals		2,913	3,723
Financial assets at fair value through the profit or loss	17	22,262	26,318
Positive fair value of derivatives	18	1,986	1,234
Placements with banks and other financial institutions	19	108,026	80,082
Financial assets held under resale agreements	20	570,424	732,662
Loans and advances to customers	21	1,539,447	1,351,512
Investment securities:			
— available-for-sale securities	22	111,532	117,275
— held-to-maturity securities	22	133,124	83,653
— loans and receivables	22	37,818	15,040
Finance lease receivables	23	82,543	74,809
Property and equipment	24	24,102	13,631
Deferred income tax assets	25	10,683	8,817
Other assets	27	58,663	46,666
Total assets		3,226,210	3,212,001

The notes on pages 221 to 408 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2013
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2013	2012
LIABILITIES			
Borrowings from central bank		405	331
Deposits from customers	29	2,146,689	1,926,194
Deposits and placements from banks and other financial institutions	30	573,677	777,262
Financial assets sold under repurchase agreements	31	64,567	133,335
Borrowings from banks and other financial institutions	32	81,430	71,804
Negative fair value of derivatives	18	1,883	1,335
Provisions		2,188	3,173
Debt securities issued	33	91,968	74,969
Current income tax liabilities		2,475	3,263
Other liabilities	34	56,641	51,791
Total liabilities		3,021,923	3,043,457
EQUITY			
Share capital	35	28,366	28,366
Capital reserve	35	49,234	45,714
Surplus reserve	36	16,456	12,330
General reserve	36	42,487	39,480
Investment revaluation reserve	39	(2,842)	(427)
Retained earnings	36	64,023	37,615
Exchange reserve		(12)	(1)
Total equity attributable to equity shareholders of the Bank		197,712	163,077
Non-controlling interests	37	6,575	5,467
Total equity		204,287	168,544
Total liabilities and equity		3,226,210	3,212,001

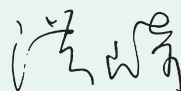
Approved and authorised for issue by the Board of Directors on 28 March 2014.

Chairman



Dong Wenbiao

Director and
president



Hong Qi

Director



Qin Rongsheng

(Company Chop)



The notes on pages 221 to 408 form part of these financial statements.

Statement of Financial Position

As at 31 December 2013

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2013	2012
ASSETS			
Cash and balances with central bank	15	430,132	417,648
Balances with banks and other financial institutions	16	82,502	232,985
Precious metals		2,913	3,723
Financial assets at fair value through the profit or loss	17	22,262	26,318
Positive fair value of derivatives	18	1,986	1,234
Placements with banks and other financial institutions	19	108,026	80,082
Financial assets held under resale agreements	20	570,424	732,662
Loans and advances to customers	21	1,524,803	1,341,035
Investment securities:			
— available-for-sale securities	22	111,512	117,245
— held-to-maturity securities	22	133,124	83,653
— loans and receivables	22	37,818	15,040
Property and equipment	24	18,622	12,407
Deferred income tax assets	25	10,135	8,523
Investment in subsidiaries	26	3,725	3,676
Other assets	27	41,137	29,054
Total assets		3,099,121	3,105,285

The notes on pages 221 to 408 form part of these financial statements.

Statement of Financial Position (Continued)

As at 31 December 2013
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2013	2012
LIABILITIES			
Deposits from customers	29	2,124,978	1,910,622
Deposits and placements from banks and other financial institutions	30	579,989	781,495
Financial assets sold under repurchase agreements	31	55,345	127,506
Negative fair value of derivatives	18	1,883	1,335
Provisions		2,188	3,173
Debt securities issued	33	91,968	74,969
Current income tax liabilities		2,125	2,996
Other liabilities	34	45,768	41,937
Total liabilities		2,904,244	2,944,033
EQUITY			
Share capital	35	28,366	28,366
Capital reserve	35	48,937	45,417
Surplus reserve	36	16,456	12,330
General reserve	36	41,700	38,800
Investment revaluation reserve	39	(2,842)	(427)
Retained earnings	36	62,264	36,767
Exchange reserve		(4)	(1)
Total equity		194,877	161,252
Total liabilities and equity		3,099,121	3,105,285

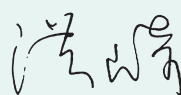
Approved and authorised for issue by the Board of Directors on 28 March 2014

Chairman



Dong Wenbiao

Director and
president



Hong Qi

Director



Qin Rongsheng



The notes on pages 221 to 408 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

(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			Sub-total
At 1 January 2013		28,366	45,714	12,330	39,480	(427)	37,615	(1)	163,077	5,467	168,544
Net profit		-	-	-	-	-	42,278	-	42,278	1,004	43,282
Other comprehensive income, net of tax		-	-	-	-	(2,415)	-	(11)	(2,426)	(8)	(2,434)
Total comprehensive income		-	-	-	-	(2,415)	42,278	(11)	39,852	996	40,848
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	121	121
Conversion of convertible bonds		-	6	-	-	-	-	-	6	-	6
Appropriation to surplus reserve	36	-	-	4,126	-	-	(4,126)	-	-	-	-
Appropriation to general reserve	36	-	-	-	3,007	-	(3,007)	-	-	-	-
Cash dividends	38	-	-	-	-	-	(8,737)	-	(8,737)	(9)	(8,746)
Equity component of convertible bonds	33	-	3,514	-	-	-	-	-	3,514	-	3,514
At 31 December 2013		28,366	49,234	16,456	42,487	(2,842)	64,023	(12)	197,712	6,575	204,287

	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			Sub-total
At 1 January 2012		26,715	38,360	8,647	16,740	(110)	39,245	-	129,597	4,513	134,110
Net profit		-	-	-	-	-	37,563	-	37,563	745	38,308
Other comprehensive income, net of tax		-	-	-	-	(317)	-	(1)	(318)	-	(318)
Total comprehensive income		-	-	-	-	(317)	37,563	(1)	37,245	745	37,990
Capital injection by shareholders		1,651	7,354	-	-	-	-	-	9,005	204	9,209
Equity dilution of non-controlling interests		-	-	-	-	-	(5)	-	(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)	-	(12,765)
At 31 December 2012		28,366	45,714	12,330	39,480	(427)	37,615	(1)	163,077	5,467	168,544

The notes on pages 221 to 408 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013
(Expressed in millions of Renminbi, unless otherwise stated)

	2013	2012
Cash flows from operating activities:		
Profit before income tax	57,151	50,652
Adjustments for:		
– Impairment losses on assets	12,989	9,320
– Depreciation and amortisation	2,417	1,719
– Changes in provisions	(985)	123
– Losses on disposal of property and equipment and other long-term assets	11	16
– Losses/(gains) from changes in fair value	378	(12)
– Net gains on disposal of investment securities	(182)	(141)
– Interest expense on debt securities issued and other financing activities	4,186	3,159
– Interest income from investment securities	(11,209)	(7,448)
	64,756	57,388
Changes in operating assets:		
Net increase in balances with central bank, banks and other financial institutions	(1,414)	(110,686)
Net decrease/(increase) in placements with banks and other financial institutions	5,504	(30,924)
Net decrease/(increase) in financial assets held under resale agreements	163,920	(589,628)
Net increase in loans and advances to customers	(202,340)	(182,624)
Net increase in other operating assets	(12,317)	(80,143)
	(46,647)	(994,005)
Changes in operating liabilities:		
Net increase in deposits from customers	220,495	281,456
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(203,585)	497,921
Net (decrease)/increase in financial assets sold under repurchase agreements	(68,221)	79,468
Income tax paid	(15,719)	(16,580)
Net increase in borrowings from central bank	74	171
Net increase in other operating liabilities	13,609	74,292
	(53,347)	916,728
Net cash from operating activities	(35,238)	(19,889)

The notes on pages 221 to 408 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2013
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	2013	2012
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		223,410	141,735
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		690	751
Cash payment for purchase of investment securities		(283,121)	(161,783)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(14,700)	(9,298)
Net cash from investing activities		(73,721)	(28,595)
Cash flows from financing activities:			
Capital contribution from non-controlling interests to subsidiaries		121	204
Proceeds from shares issuance		—	9,005
Proceeds from issue of debt securities		19,912	49,919
Repayments of debt securities issued		—	(6,000)
Interest paid on debt securities issued		(3,490)	(1,560)
Dividends paid		(8,746)	(12,765)
Net cash from financing activities		7,797	38,803
Net decrease in cash and cash equivalents		(101,162)	(9,681)
Cash and cash equivalents at 1 January		258,568	268,262
Effect of foreign exchange rate changes		(405)	(13)
Cash and cash equivalents at 31 December	40	157,001	258,568

The notes on pages 221 to 408 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 issued 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 2013, the Bank has 36 tier-one branches and 31 subsidiaries in the PRC.

These financial statements were authorised for issue by the Board of Directors on 28 March 2014.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies

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

(1) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except that: (i) available-for-sale securities are measured at fair value; 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (Continued)

(1) Basis of preparation (Continued)

(i) Changes in accounting policies

The Group has adopted new International Financial Reporting Standards (“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:

Standard	Content
• IAS 1 (Amendments)	Presentation of financial statements — Presentation of items of other comprehensive income
• IFRS 10	Consolidated financial statements
• IFRS 11	Joint Arrangements
• IFRS 12	Disclosure of interests in other entities
• IFRS 13	Fair value measurement
• IAS 19 (Amendments)	Employee Benefits
• IFRSs 2009–2011 Cycle	Annual Improvements
• IFRS 7 (Amendments)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities

Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in these financial statements has been modified accordingly.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (Continued)

(1) Basis of preparation (Continued)

(i) Changes in accounting policies (Continued)

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 11, Joint arrangements

IFRS 11, which replaces IAS 31, Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As the group has no joint arrangements, the adoption of IFRS 11 does not have any material impact on the financial position and the financial result of the group.

2 Basis of preparation and accounting policies (Continued)

(1) Basis of preparation (Continued)

(i) Changes in accounting policies (Continued)

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this financial statements as a result of adopting IFRS 12.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and nonfinancial instruments. Some of the disclosures are specifically required for financial instruments in the financial statements. The Group has provided those disclosures in Note 45. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

IAS 19, Employee Benefits

Revised IAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised IAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognized in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognized immediately in other comprehensive income. Revised IAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

The revision of IAS 19 does not have any material impact on the financial statements of the Group in 2013.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (Continued)

(1) Basis of preparation (Continued)

(i) Changes in accounting policies (Continued)

Annual Improvements to IFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have any impact on the financial statements of the Group in 2013, because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and 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 2013

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 2013 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 32 (amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9 (2010)	Financial instruments	1 January 2015

(2) Consolidated financial statements

The Group's consolidated financial statements comprise the Bank and all subsidiaries.

The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Bank has power, only substantive rights (held by the Bank and other parties) are considered.

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 Basis of preparation and 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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 “financial assets at fair value through the profit or loss” in the statement of financial position.

b Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term; (ii) those that the Group upon initial recognition designates as at fair value through profit or loss or as available-for-sale; or (iii) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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 (the decline of fair value over 50%) or prolonged decline (the continued decline of fair value over one year) in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of the financial asset.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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. The impairment losses recognised in an interim period in respect of such financial assets are not reversed in a subsequent period. This is the case even if no loss or a smaller loss would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and 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

A financial liability is classified as financial liabilities at fair value through profit or loss if it is incurred principally for the purpose of repurchasing it in the near term.

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 Basis of preparation and 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 Basis of preparation and 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 without any deduction for transaction costs that may occur on sale or other disposal. The appropriate quoted price in an active market for a financial asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, etc, and represent prices of actual and regularly occurring market transactions on an arm's length basis.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include recent arm's length market transactions between knowledgeable and willing parties, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(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 Basis of preparation and 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.

Reposessed assets are initially recognized at fair value plus related costs when they are obtained as compensation for loan principal and interest. Subsequently, the reposessed collateral assets are measured at the lower of their carrying amount and fair value less costs to sell. Repossessed assets do not carry depreciation and amortization. The impairment losses of initial measurement and subsequent revaluation are charged to the income statement.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and 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 Basis of preparation and 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 rate
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 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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 Basis of preparation and 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and 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 Basis of preparation and 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 2013, 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 29 township banks. Its subsidiaries as separate entities, are responsible for financial risk management in their respective businesses. In 2013, 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 the income statement.

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	
	2013	2012	2013	2012
Balances with central bank	424,643	413,928	421,130	411,326
Balances with banks and other financial institutions	88,885	236,161	82,502	232,985
Financial assets at fair value through the profit or loss	22,262	26,318	22,262	26,318
Positive fair value of derivatives	1,986	1,234	1,986	1,234
Placements with banks and other financial institutions	108,026	80,082	108,026	80,082
Financial assets held under resale agreements	570,424	732,662	570,424	732,662
Loans and advances to customers				
— Corporate loans and advances	945,913	897,523	938,646	891,702
— Personal loans and advances	593,534	453,989	586,157	449,333
Investment securities				
— Debt securities	282,040	215,829	282,040	215,799
Finance lease receivables	82,543	74,809	—	—
Other financial assets	47,368	36,247	34,812	22,891
Total	3,167,624	3,168,782	3,047,985	3,064,332
Off-balance sheet credit commitments	824,756	857,300	822,121	852,055
Maximum credit risk exposure	3,992,380	4,026,082	3,870,106	3,916,387

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	
	2013	2012	2013	2012
Gross balance of loans and advances to customers				
Neither past due nor impaired	1,546,301	1,364,909	1,531,799	1,354,313
Past due but not impaired	14,558	9,178	14,199	9,135
Impaired	13,404	10,523	13,264	10,489
	1,574,263	1,384,610	1,559,262	1,373,937
Less: allowance for impairment loss				
Neither past due nor impaired	(28,060)	(26,559)	(27,773)	(26,377)
Past due but not impaired	(1,619)	(1,396)	(1,606)	(1,394)
Impaired	(5,137)	(5,143)	(5,080)	(5,131)
	(34,816)	(33,098)	(34,459)	(32,902)
Net balance				
Neither past due nor impaired	1,518,241	1,338,350	1,504,026	1,327,936
Past due but not impaired	12,939	7,782	12,593	7,741
Impaired	8,267	5,380	8,184	5,358
	1,539,447	1,351,512	1,524,803	1,341,035

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	
	2013	2012	2013	2012
Corporate loans and advances	951,502	907,307	944,297	901,405
Personal loans and advances	594,799	457,602	587,502	452,908
Total	1,546,301	1,364,909	1,531,799	1,354,313

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	
	2013	2012	2013	2012
Unsecured loans	265,784	191,438	265,572	191,191
Guaranteed loans	554,932	469,430	546,484	462,862
Loans secured by				
— tangible assets other than monetary assets	520,588	539,385	516,693	536,242
— monetary assets	204,997	164,656	203,050	164,018
Total	1,546,301	1,364,909	1,531,799	1,354,313

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

	2013				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	5,617	797	639	247	7,300
Personal loans and advances	3,313	1,833	1,636	476	7,258
Total	8,930	2,630	2,275	723	14,558

	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

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)

Bank

	2013				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	5,536	785	620	198	7,139
Personal loans and advances	3,221	1,801	1,624	414	7,060
Total	8,757	2,586	2,244	612	14,199

	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

As at 31 December 2013, the balance of loans and advances past due but not impaired which were covered by collateral was RMB6,515 million (2012: RMB4,579 million). The fair value of collateral held against these loans and advances was amounted to RMB6,772 million (2012: RMB5,656 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	
	2013	2012	2013	2012
Corporate loans and advances	9,932	8,260	9,846	8,236
Personal loans and advances	3,472	2,263	3,418	2,253
Total	13,404	10,523	13,264	10,489
% of total loans and advances	0.85%	0.76%	0.85%	0.76%
Allowance for impairment losses				
– Corporate loans and advances	(3,344)	(3,855)	(3,311)	(3,847)
– Personal loans and advances	(1,793)	(1,288)	(1,769)	(1,284)
Total	(5,137)	(5,143)	(5,080)	(5,131)

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	
	2013	2012	2013	2012
Unsecured loans	2,775	852	2,775	852
Guaranteed loans	5,936	3,564	5,826	3,545
Loans secured by				
— tangible assets other than monetary assets	3,594	5,560	3,570	5,545
— monetary assets	1,099	547	1,093	547
Total	13,404	10,523	13,264	10,489
Fair value of collateral held against impaired loans	4,230	5,363	4,219	5,353

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 RMB612 million as at 31 December 2013 (2012: RMB1,227 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	
	2013	2012
Loans and advances to customers	135	38
% of total loans and advances	0.01%	0.00%

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 overdue nor impaired by credit rating is listed as follows:

	Group		Bank	
	2013	2012	2013	2012
Grade A to AAA	484,453	643,332	478,320	640,240
Grade B to BBB	226,099	167,229	225,849	167,145
Unrated	56,783	238,344	56,783	238,344
Total	767,335	1,048,905	760,952	1,045,729

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	
	2013	2012
Present value of minimum finance lease receivables		
Neither past due nor impaired	80,395	73,993
Past due but not impaired	3,698	2,084
Impaired	688	330
	84,781	76,407
Less: allowance for impairment loss		
Neither past due nor impaired	(1,423)	(1,334)
Past due but not impaired	(519)	(185)
Impaired	(296)	(79)
	(2,238)	(1,598)
Net balance	82,543	74,809

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 and Bank

	Financial assets at fair value through the profit or loss	2013			Total
		Available-for-sale securities	Held-to-maturity securities	Loans and receivables	
Neither past due nor impaired	22,262	110,065	132,857	37,818	303,002
Total	22,262	110,065	132,857	37,818	303,002

Group

	Financial assets at fair value through the profit or loss	2012			Total
		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

Bank

	Financial assets at fair value through the profit or loss	2012			Total
		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

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)

The following tables show Standard & Poor's ratings on foreign currency debt securities of the Group and the Bank.

Group and Bank

	Financial assets at fair value through the profit or loss	2013		Total
		Available-for-sale securities	Held-to-maturity securities	
AA- to AA+	—	885	—	885
Lower than A-	—	84	—	84
Unrated	—	64	267	331
Total	—	1,033	267	1,300

	Financial assets at fair value through the profit or loss	2012		Total
		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

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 RMB344 million as at 31 December 2013 (2012: RMB332 million), incurring an impairment loss of RMB290 million (2012: RMB299 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 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

	2013				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	401,325	11,807	3,849	7,662	424,643
Balances with banks and other financial institutions	51,552	19,768	8,895	8,670	88,885
Placements with banks and other financial institutions	85,888	12,969	1,600	7,569	108,026
Financial assets held under resale agreements	207,580	152,111	53,346	157,387	570,424
Gross loans and advances to customers	475,995	506,901	169,256	422,111	1,574,263
Less: allowance for impairment losses	(9,866)	(12,353)	(3,829)	(8,768)	(34,816)
Finance lease receivables	81,539	—	—	1,004	82,543
Other financial assets	42,439	4,540	1,350	1,025	49,354
Total	1,336,452	695,743	234,467	596,660	2,863,322

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)

	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)

Bank

	2013				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	401,130	9,929	3,592	6,479	421,130
Balances with banks and other financial institutions	47,914	18,745	8,087	7,756	82,502
Placements with banks and other financial institutions	85,888	12,969	1,600	7,569	108,026
Financial assets held under resale agreements	207,580	152,111	53,346	157,387	570,424
Gross loans and advances to customers	475,787	498,382	168,445	416,648	1,559,262
Less: allowance for impairment losses	(9,861)	(12,121)	(3,811)	(8,666)	(34,459)
Other financial assets	30,100	4,475	1,266	957	36,798
Total	1,238,538	684,490	232,525	588,130	2,743,683

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)

	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 — securities (by issuers' location)

Group and Bank

	2013				Total
	Mainland China	North America	Europe	Others	
Financial assets at fair value through the profit or loss	22,262	—	—	—	22,262
Available-for-sale debt securities	110,195	53	64	786	111,098
Held-to-maturity investments	132,857	130	137	—	133,124
Loans and receivables	37,818	—	—	—	37,818
Total	303,132	183	201	786	304,302

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)

Group

	2012				Total
	Mainland China	North America	Europe	Others	
Financial assets at fair value through the profit or loss	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

Bank

	2012				Total
	Mainland China	North America	Europe	Others	
Financial assets at fair value through the profit or loss	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

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

	2013						Total
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	424,643	–	–	–	–	–	424,643
Balances with banks and other financial institutions	–	88,885	–	–	–	–	88,885
Placements with banks and other financial institutions	–	108,026	–	–	–	–	108,026
Financial assets held under resale agreements	–	570,424	–	–	–	–	570,424
Corporate loans and advances	–	27,245	216,638	162,108	539,922	–	945,913
– of which balance secured by collateral	–	23,165	73,849	146,216	261,938	–	505,168
Personal loans and advances	–	–	–	–	–	593,534	593,534
– of which balance secured by collateral	–	–	–	–	–	216,308	216,308
Investment securities							
– debt securities	162,194	51,998	11,633	1,245	54,970	–	282,040
Finance lease receivables	–	257	26,511	5,071	50,704	–	82,543
Other financial assets	10,007	7,491	3,802	5,891	42,512	1,913	71,616
Total	596,844	854,326	258,584	174,315	688,108	595,447	3,167,624

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)

	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)

Bank

	2013						Total
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	421,130	–	–	–	–	–	421,130
Balances with banks and other financial institutions	–	82,502	–	–	–	–	82,502
Placements with banks and other financial institutions	–	108,026	–	–	–	–	108,026
Financial assets held under resale agreements	–	570,424	–	–	–	–	570,424
Corporate loans and advances	–	27,245	213,429	162,108	535,864	–	938,646
– of which balance secured by collateral	–	23,165	72,502	146,216	260,459	–	502,342
Personal loans and advances	–	–	–	–	–	586,157	586,157
– of which balance secured by collateral	–	–	–	–	–	213,330	213,330
Investment securities							
– debt securities	162,194	51,998	11,633	1,245	54,970	–	282,040
Other financial assets	10,007	7,305	3,790	5,885	30,190	1,883	59,060
Total	593,331	847,500	228,852	169,238	621,024	588,040	3,047,985

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)

	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

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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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 assets and liabilities denominated in foreign currencies have been converted into RMB.

Group

	2013				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	402,368	30,820	400	214	433,802
Balances with banks and other financial institutions	79,754	6,941	622	1,568	88,885
Placements with banks and other financial institutions	98,647	7,177	393	1,809	108,026
Financial assets held under resale agreements	570,424	—	—	—	570,424
Loans and advances to customers	1,473,687	60,583	3,955	1,222	1,539,447
Investment securities	281,174	514	786	—	282,474
Finance lease receivables	79,784	2,759	—	—	82,543
Other assets	116,156	1,240	168	3,045	120,609
Total assets	3,101,994	110,034	6,324	7,858	3,226,210
Liabilities:					
Borrowings from central bank	405	—	—	—	405
Deposits from customers	2,075,649	57,856	10,762	2,422	2,146,689
Deposits and placements from banks and other financial institutions	561,738	6,358	165	5,416	573,677
Financial assets sold under repurchase agreements	64,567	—	—	—	64,567
Borrowings from banks and other financial institutions	69,913	11,517	—	—	81,430
Debt securities issued	91,968	—	—	—	91,968
Other liabilities	62,362	519	219	87	63,187
Total liabilities	2,926,602	76,250	11,146	7,925	3,021,923
Net position	175,392	33,784	(4,822)	(67)	204,287
Foreign currency derivatives	141	(41)	3	—	103
Off-balance sheet credit commitments	779,203	43,541	94	1,918	824,756

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)

	RMB	USD	2012 HKD	Others	Total
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:					
Borrowings from central bank	331	—	—	—	331
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	53,563	2,786	540	2,673	59,562
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)

Bank

	2013				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	398,698	30,820	400	214	430,132
Balances with banks and other financial institutions	73,378	6,934	622	1,568	82,502
Placements with banks and other financial institutions	98,647	7,177	393	1,809	108,026
Financial assets held under resale agreements	570,424	—	—	—	570,424
Loans and advances to customers	1,459,043	60,583	3,955	1,222	1,524,803
Investment securities	281,154	514	786	—	282,454
Other assets	96,327	1,240	168	3,045	100,780
Total assets	2,977,671	107,268	6,324	7,858	3,099,121
Liabilities:					
Deposits from customers	2,053,938	57,856	10,762	2,422	2,124,978
Deposits and placements from banks and other financial institutions	568,050	6,358	165	5,416	579,989
Financial assets sold under repurchase agreements	55,345	—	—	—	55,345
Debt securities issued	91,968	—	—	—	91,968
Other liabilities	51,139	519	219	87	51,964
Total liabilities	2,820,440	64,733	11,146	7,925	2,904,244
Net position	157,231	42,535	(4,822)	(67)	194,877
Foreign currency derivatives	141	(41)	3	—	103
Off-balance sheet credit commitments	776,568	43,541	94	1,918	822,121

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)

	RMB	USD	2012 HKD	Others	Total
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)

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 2013, 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 RMB35 million (2012: increase by RMB6 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 RMB35 million (2012: decrease by RMB6 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

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 assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

Group

	Note	2013					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		424,643	—	—	—	9,159	433,802
Balances with banks and other financial institutions		72,715	8,701	3,858	3,611	—	88,885
Placements with banks and other financial institutions		79,749	20,177	8,100	—	—	108,026
Financial assets held under resale agreements		249,360	215,907	105,157	—	—	570,424
Loans and advances to customers	(i)	1,430,769	89,501	18,190	987	—	1,539,447
Investment securities		25,509	52,585	155,929	48,017	434	282,474
Finance lease receivables		82,543	—	—	—	—	82,543
Other assets		29,524	4,625	13,804	2,369	70,287	120,609
Total assets		2,394,812	391,496	305,038	54,984	79,880	3,226,210
Liabilities:							
Borrowings from central bank		35	350	20	—	—	405
Deposits from customers		1,424,986	480,768	240,894	41	—	2,146,689
Deposits and placements from banks and other financial institutions		434,473	135,104	4,100	—	—	573,677
Financial assets sold under repurchase agreements		58,006	2,988	3,191	382	—	64,567
Borrowings from banks and other financial institutions		17,990	50,737	9,706	2,997	—	81,430
Debt securities issued		18,651	1,000	49,937	22,380	—	91,968
Other liabilities		27,749	—	—	—	35,438	63,187
Total liabilities		1,981,890	670,947	307,848	25,800	35,438	3,021,923
Total interest sensitivity gap		412,922	(279,451)	(2,810)	29,184	44,442	204,287

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)

	Note	2012				Non-interest bearing	Total
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years		
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:							
Borrowings from central bank		—	331	—	—	—	331
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	3	—	—	36,910	59,562
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

(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 RMB20,733 million as at 31 December 2013 (2012: RMB11,504 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

	Note	2013					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		421,130	—	—	—	9,002	430,132
Balances with banks and other financial institutions		70,232	8,662	3,608	—	—	82,502
Placements with banks and other financial institutions		79,749	20,177	8,100	—	—	108,026
Financial assets held under resale agreements		249,360	215,907	105,157	—	—	570,424
Loans and advances to customers	(i)	1,418,953	86,677	18,186	987	—	1,524,803
Investment securities		25,509	52,586	155,928	48,017	414	282,454
Other assets		13,557	4,624	13,805	2,369	66,425	100,780
Total assets		2,278,490	388,633	304,784	51,373	75,841	3,099,121
Liabilities:							
Deposits from customers		1,412,001	473,436	239,500	41	—	2,124,978
Deposits and placements from banks and other financial institutions		440,816	135,073	4,100	—	—	579,989
Financial assets sold under repurchase agreements		55,345	—	—	—	—	55,345
Debt securities issued		18,651	1,000	49,937	22,380	—	91,968
Other liabilities		26,963	—	—	—	25,001	51,964
Total liabilities		1,953,776	609,509	293,537	22,421	25,001	2,904,244
Total interest sensitivity gap		324,714	(220,876)	11,247	28,952	50,840	194,877

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)

	Note	2012				Non-interest bearing	Total
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years		
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

(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 RMB20,309 million as at 31 December 2013 (2012: RMB11,451 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 2014, 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	
	2013 Gain/(loss)	2012 Gain/(loss)	2013 Gain/(loss)	2012 Gain/(loss)
Up 100 bps parallel shift in yield curves	1,924	3,482	1,510	2,993
Down 100 bps parallel shift in yield curves	(1,924)	(3,482)	(1,510)	(2,993)

In performing the interest rate sensitivity analysis, the Group and the Bank have made general assumptions in defining business terms and financial parameters, but have not considered the following:

- a business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;
- b the impact of interest rate fluctuations on customers' behaviour;
- c the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- d the impact of interest rate fluctuations on market prices;
- e the impact of interest rate fluctuations on off-balance sheet products;
- f the impact of interest rate fluctuations on fair value of financial instruments;
- g other variables (including foreign exchange rate); and
- h other risk management measures in the Group.

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 2013, 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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

	Note	2013						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		388,289	45,513	—	—	—	—	433,802
Balances with banks and other financial institutions		—	14,663	49,736	11,494	8,918	3,858	88,885
Placements with banks and other financial institutions		—	—	31,987	47,762	20,177	8,100	108,026
Financial assets held under resale agreements		—	—	47,111	202,249	215,907	105,157	570,424
Loans and advances to customers	(ii)	12,166	9,040	182,914	164,614	767,519	302,652	1,539,447
Investment securities								
— available-for-sale securities		488	—	3,203	12,735	24,462	64,682	111,532
— held-to-maturity securities		—	—	525	7,836	12,011	74,001	133,124
— loans and receivables		—	—	485	681	16,113	17,289	37,818
Finance lease receivables		4,155	—	2,739	3,699	19,796	47,829	82,543
Other assets		37,604	3,122	28,093	10,767	20,847	16,620	120,609
Total assets		442,702	72,338	346,793	461,837	1,105,750	640,188	3,226,210
Liabilities:								
Borrowings from central bank		—	—	—	35	350	20	405
Deposits from customers		—	1,012,149	143,971	269,504	478,498	240,347	2,146,689
Deposits and placements from banks and other financial institutions								
Financial assets sold under repurchase agreements		—	—	43,559	7,670	9,765	3,191	64,567
Borrowings from banks and other financial institutions		—	—	5,440	12,550	50,737	9,706	81,430
Debt securities issued		—	—	—	—	—	49,937	91,968
Other liabilities		2,282	22,214	8,611	5,243	12,830	10,354	63,187
Total liabilities		2,282	1,075,271	479,821	410,327	687,284	317,655	3,021,923
Net position		440,420	(1,002,933)	(133,028)	51,510	418,466	322,533	204,287
Notional amount of derivatives		—	—	79,154	72,068	152,621	77,752	381,595

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)

	Note	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:									
Borrowings from central bank		—	—	—	—	331	—	—	331
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	14,437	10,215	1,350	59,562
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)

Bank

	Note	2013							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		385,404	44,728	–	–	–	–	–	430,132
Balances with banks and other financial institutions		–	14,647	44,974	10,611	8,662	3,608	–	82,502
Placements with banks and other financial institutions		–	–	31,987	47,762	20,177	8,100	–	108,026
Financial assets held under resale agreements		–	–	47,111	202,249	215,907	105,157	–	570,424
Loans and advances to customers	(ii)	11,898	8,879	182,045	162,673	756,538	302,250	100,520	1,524,803
Investment securities									
– available-for-sale securities		468	–	3,203	12,735	24,462	64,682	5,962	111,512
– held-to-maturity securities		–	–	525	7,836	12,011	74,001	38,751	133,124
– loans and receivables		–	–	485	681	16,113	17,289	3,250	37,818
Other assets		34,000	3,348	12,394	10,534	20,434	16,686	3,384	100,780
Total assets		431,770	71,602	322,724	455,081	1,074,304	591,773	151,867	3,099,121
Liabilities:									
Deposits from customers		–	1,007,424	138,813	265,764	473,436	239,500	41	2,124,978
Deposits and placements from banks and other financial institutions		–	40,909	284,591	115,316	135,073	4,100	–	579,989
Financial assets sold under repurchase agreements		–	–	43,033	5,535	6,777	–	–	55,345
Debt securities issued		–	–	–	–	–	49,937	42,031	91,968
Other liabilities		2,194	21,954	8,373	4,582	10,845	3,936	80	51,964
Total liabilities		2,194	1,070,287	474,810	391,197	626,131	297,473	42,152	2,904,244
Net position		429,576	(998,685)	(152,086)	63,884	448,173	294,300	109,715	194,877
Notional amount of derivatives		–	–	79,154	72,068	152,621	77,752	–	381,595

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)

	Note	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		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	127,841	1,341,035
Investment securities									
— available-for-sale securities		172	—	1,700	5,915	36,155	59,338	13,965	117,245
— 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
Other assets		26,951	3,820	3,429	7,352	23,192	15,549	4,642	84,935
Total assets		373,343	114,327	506,855	549,024	996,039	398,164	167,533	3,105,285
Liabilities:									
Deposits from customers		—	721,831	269,902	261,921	465,059	185,177	6,732	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	8,982	74,969
Other liabilities		3,165	13,906	7,067	8,229	11,847	4,892	335	49,441
Total liabilities		3,165	782,399	696,711	420,550	759,983	265,176	16,049	2,944,033
Net position		370,178	(668,072)	(189,856)	128,474	236,056	132,988	151,484	161,252
Notional amount of derivatives		—	—	63,514	90,121	83,216	96,564	16,350	349,765

(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 represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For loans and advances to customers and finance lease receivables, the “indefinite” period amount represents the balance being impaired or overdue for more than one month. The balance not impaired and overdue within one month is included in “repayable on demand”.

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

	2013					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	45,513	—	—	—	388,306	433,819
Balances with banks and other financial institutions	64,607	11,660	9,281	4,187	228	89,963
Placements with banks and other financial institutions	31,999	47,843	20,553	8,603	—	108,998
Financial assets held under resale agreements	47,778	208,379	224,273	116,759	—	597,189
Loans and advances to customers	214,258	175,942	804,715	361,897	120,619	1,677,431
Investment securities	4,180	21,421	52,736	158,703	50,038	287,078
Finance lease receivables	3,508	4,679	24,289	56,107	10,218	98,801
Other financial assets	24,156	8,867	21,409	40,638	10,407	105,477
Total financial assets (expected maturity date)	435,999	478,791	1,157,256	746,894	579,816	3,398,756
Financial liabilities:						
Borrowings from central bank	—	35	356	21	—	412
Deposits from customers	1,172,111	296,629	529,271	296,210	2,863	2,297,084
Deposits and placements from banks and other financial institutions	281,393	121,719	166,606	4,318	—	574,036
Financial assets sold under repurchase agreements	43,615	7,772	9,905	3,190	382	64,864
Borrowings from banks and other financial institutions	5,456	12,685	52,538	10,621	4,189	85,489
Debt securities issued	—	105	53	50,629	45,886	96,673
Other financial liabilities	4,026	1,019	3,226	7,349	1,693	17,313
Total financial liabilities (contractual maturity date)	1,506,601	439,964	761,955	372,338	55,013	3,135,871

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)

	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:						
Borrowings from central bank	—	—	331	—	—	331
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	3,733	5,767	1,298	15,250
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)

Bank

	2013					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	44,728	—	—	—	385,421	430,149
Balances with banks and other financial institutions	59,829	10,777	9,025	3,937	—	83,568
Placements with banks and other financial institutions	31,999	47,843	20,553	8,603	—	108,998
Financial assets held under resale agreements	47,778	208,379	224,273	116,759	—	597,189
Loans and advances to customers	212,961	174,000	793,727	361,495	120,597	1,662,780
Investment securities	4,180	21,421	52,736	158,703	50,038	287,078
Other financial assets	11,642	8,994	21,599	40,650	13,986	96,871
Total financial assets (expected maturity date)	413,117	471,414	1,121,913	690,147	570,042	3,266,633
Financial liabilities:						
Deposits from customers	1,162,090	292,513	523,674	295,166	53	2,273,496
Deposits and placements from banks and other financial institutions	287,744	121,710	166,575	4,318	—	580,347
Financial assets sold under repurchase agreements	43,086	5,637	6,918	—	—	55,641
Debt securities issued	—	105	53	50,629	45,886	96,673
Other financial liabilities	3,604	700	1,706	1,008	73	7,091
Total financial liabilities (contractual maturity date)	1,496,524	420,665	698,926	351,121	46,012	3,013,248

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)

	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

(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

	2013					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	(14)	(7)	(19)	12	—	(28)
Credit derivatives	—	—	—	—	—	—
Total	(14)	(7)	(19)	12	—	(28)

	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

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

	2013					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	(56,471)	(53,471)	(92,869)	(497)	–	(203,308)
– Cash inflow	56,539	53,563	92,790	497	–	203,389
Precious metal derivatives						
– Cash outflow	(1,680)	–	–	–	–	(1,680)
– Cash inflow	1,659	–	–	–	–	1,659
Total cash outflow	(58,151)	(53,471)	(92,869)	(497)	–	(204,988)
Total cash inflow	58,198	53,563	92,790	497	–	205,048

	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

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

	2013			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	522,849	—	—	522,849
Letters of credit	126,647	287	—	126,934
Re-factoring	22,112	321	—	22,433
Guarantees	60,857	32,387	12,467	105,711
Unused credit card commitments	40,377	—	—	40,377
Capital commitments	4,604	3,960	—	8,564
Finance lease commitments	1,373	736	—	2,109
Operating lease commitments	3,441	8,912	4,528	16,881
Irrevocable loan commitments	2,109	1,022	1,212	4,343
Total	784,369	47,625	18,207	850,201

	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

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

	2013			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	522,325	—	—	522,325
Letters of credit	126,647	287	—	126,934
Re-factoring	22,112	321	—	22,433
Guarantees	60,855	32,387	12,467	105,709
Unused credit card commitments	40,377	—	—	40,377
Operating lease commitments	3,419	8,839	4,505	16,763
Capital commitments	718	195	—	913
Irrevocable loan commitments	2,109	1,022	1,212	4,343
Total	778,562	43,051	18,184	839,797

	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

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 promoted the establishment of business continuity management system by setting up rules and regulations, establishing management structures, organizing and delivering trainings throughout the Bank to improve the management skills; furthermore, the Bank also carried out pilot implementation of business continuity management among key departments, and try to build up linkage mechanism for front office, middle office and back office for sudden incidents gradually.

(6) 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Capital management (Continued)

In recent years, the Group increased capital utilisation. To ensure the capital adequacy ratio (“CAR”) is in line with regulatory requirements etc., 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.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group’s management based on regulations issued by the CBRC. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly.

On 1 January 2013, the Group started computing the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC. As at 31 December 2013, the Group had been computing the capital adequacy ratios in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks* and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the *Capital Rules for Commercial Banks (Provisional)*. For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio not below the minimum of 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Capital management (Continued)

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for OTC derivatives are the summation of default risk-weighted assets and credit value adjustment (“CVA”). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The Group computes the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the *Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBRC. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises (“ASBE”). During the year, the Group has complied in full with all its externally imposed capital requirements.

The Group calculates the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBRC.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Capital management (Continued)

	Note	2013
Core tier-one capital adequacy ratio		8.72%
Tier-one capital adequacy ratio		8.72%
Capital adequacy ratio		10.69%
Components of capital base		
Core tier-one capital:		
Share capital		28,366
Valid portion of capital reserve		46,392
Surplus reserve		16,456
General reserve		42,487
Retained earnings		64,023
Valid portion of non-controlling interests		6,050
Others	(1)	(12)
Total core tier-one capital		203,762
Core tier-one capital deductions		(1,108)
Net core tier-one capital		202,654
Other tier-one capital	(2)	129
Net tier-one capital		202,783
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium		22,535
Surplus provision for loan impairment		23,114
Valid portion of non-controlling interests		783
Tier-two capital deductions		(600)
Net tier-two capital		45,832
Net capital base		248,615
Credit risk-weighted assets		2,101,930
Market risk-weighted assets		35,680
Operational risk-weighted assets		187,495
Total risk-weighted assets		2,325,105

(1) Pursuant to the *Capital Rules for Commercial Banks (Provisional)* issued by the CBRC, others represent the balance of exchange reserve at the year end.

(2) As at 31 December 2013, the Group's other tier-one capital is the valid portion of non-controlling interests.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 31 December 2012 in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks* and relevant requirements promulgated by the CBRC.

	2012
Core capital adequacy ratio	8.13%
Capital adequacy ratio	10.75%

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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Significant accounting estimates and judgements (Continued)

(2) Fair value of derivative and other financial instruments

The Group establishes fair value of financial instruments with reference to quoted market prices in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

(3) Impairment of available-for-sale securities and held-to-maturity securities

The Group follows the guidance of IAS 39 in determining impairment of available-for-sale securities and held-to-maturity securities. The determination of impairment requires a high level of management judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and perspective of the investee, including 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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Significant accounting estimates and judgements (Continued)

(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.

5 Segment information

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.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

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.
- (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”), Xiang’an Minsheng Township Bank Co., Ltd. (“Xiang’an Township Bank”) and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen, Nanning and Sanya.
- (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”), Linzhi Minsheng Township Bank Co., Ltd. (“Linzhi Township Bank”) and the branches in Xi’an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang, Hong Kong, Gui Yang and Lhasa.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Geographical segments: (Continued)

Group

	2013					Total
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	
External net interest income	31,215	21,995	4,354	25,469	—	83,033
Inter-segment net interest (expense)/income	1,424	(522)	4,931	(5,833)	—	—
Net interest income	32,639	21,473	9,285	19,636	—	83,033
Fee and commission income	24,083	3,618	2,450	2,910	—	33,061
Fee and commission expense	(894)	(839)	(861)	(511)	—	(3,105)
Net fee and commission income	23,189	2,779	1,589	2,399	—	29,956
Operating expenses	(19,695)	(11,701)	(5,457)	(9,109)	—	(45,962)
Impairment losses on assets	(3,670)	(4,631)	(1,399)	(3,289)	—	(12,989)
Net other income	1,433	843	310	527	—	3,113
Total profit	33,896	8,763	4,328	10,164	—	57,151
Depreciation and amortization	1,447	414	225	331	—	2,417
Capital expenditure	13,250	1,309	485	1,205	—	16,249
Segment assets	2,058,831	941,591	441,054	716,192	(942,141)	3,215,527
Deferred income tax assets						10,683
Total assets						3,226,210
Segment liabilities/total liabilities	(1,915,900)	(925,294)	(432,462)	(690,408)	942,141	(3,021,923)
Credit commitments	371,436	218,567	55,527	179,226	—	824,756

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Geographical segments: (Continued)

Group (Continued)

	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	(2,381)	(3,385)	(1,163)	(2,391)	—	(9,320)	
Net other income	(153)	2,784	1,764	790	—	5,185	
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)

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

	2013				Total
	Corporate banking	Personal banking	Treasury	Others	
Net interest income	44,605	22,396	13,283	2,749	83,033
Of which: inter-segment net interest (expense)/income	(11,358)	(6,183)	17,554	(13)	—
Net fee and commission income	14,295	10,000	4,846	815	29,956
Of which: inter-segment net fee and commission income/(expense)	4	—	—	(4)	—
Operating expenses	(24,607)	(12,787)	(7,636)	(932)	(45,962)
Impairment losses on assets	(8,368)	(3,927)	58	(752)	(12,989)
Other net income	2,604	89	(35)	455	3,113
Total profit	28,529	15,771	10,516	2,335	57,151
Depreciation and amortisation	1,010	532	298	577	2,417
Capital expenditure	7,055	3,713	2,083	3,398	16,249
Segment assets	1,351,718	607,844	1,138,435	117,530	3,215,527
Deferred income tax assets					10,683
Total assets					3,226,210
Segment liabilities/total liabilities	(1,620,539)	(558,776)	(737,192)	(105,416)	(3,021,923)
Credit commitments	782,270	40,377	—	2,109	824,756

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information (Continued)

Business segments: (Continued)

Group (Continued)

	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	(2,986)	(5,469)	—	(865)	(9,320)
Other net income	4,410	(5)	704	76	5,185
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)

6 Net interest income

	2013	2012
Interest income arising from:		
– Loans and advances to customers		
– corporate loans and advances	61,735	64,291
– personal loans and advances	39,161	30,306
– discounted bills	4,030	3,605
– Financial assets held under resale agreements	37,548	19,354
– Balances with banks and other financial institutions	9,447	12,533
– Investment securities	11,992	8,690
– Balances with central bank	6,567	5,303
– Finance lease receivables	7,189	5,327
– Placements with banks and other financial institutions	4,485	2,478
Subtotal	182,154	151,887
Interest expense arising from:		
– Deposits from customers	(48,392)	(41,386)
– Borrowings from central bank	(479)	(7)
– Deposits and placements from banks and other financial institutions	(38,484)	(23,301)
– Financial assets sold under repurchase agreements	(3,520)	(3,741)
– Borrowings from banks and other financial institutions	(4,060)	(3,140)
– Debt securities issued	(4,186)	(3,159)
Subtotal	(99,121)	(74,734)
Net interest income	83,033	77,153
Of which:		
Interest income from impaired financial assets identified	470	334

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

7 Net fee and commission income

	2013	2012
Fee and commission income		
– Trust and other fiduciary services	9,764	6,431
– Bank card services	8,609	5,331
– Settlement services	3,041	2,734
– Agency services	5,121	2,573
– Credit commitments	3,654	2,491
– Financial advisory services	2,277	1,734
– Finance lease services	517	721
– Others	78	76
Subtotal	33,061	22,091
Fee and commission expense	(3,105)	(1,568)
Net fee and commission income	29,956	20,523

8 Net trading (loss)/gain

	2013	2012
Loss on exchange rate instruments	(125)	(93)
Gain on precious metals and other products	924	349
(Loss)/gain on interest rate instruments	(824)	253
Total	(25)	509

9 Net gain arising from disposals of securities and discounted bills

	2013	2012
Net gain arising from disposals of discounted bills	2,261	4,224
Net gain arising from disposals of securities	244	183
Total	2,505	4,407

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

	2013	2012
Loans and advances to customers	12,947	8,331
Finance lease receivables	692	774
Others	(650)	215
Total	12,989	9,320

11 Operating expenses

	2013	2012
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances	13,264	13,859
– Social insurance	2,721	2,383
– Other benefits	3,160	2,609
Business tax and surcharges	8,004	7,825
Office expenses	3,589	2,231
Rental and property management expenses	2,939	1,946
Depreciation and amortisation	2,114	1,588
CBRC supervisory charges	195	134
Business expenses and others	9,976	10,314
Total	45,962	42,889

Auditors' remuneration included in the operating expenses of the Group for the year ended 31 December 2013 was RMB12 million (2012: RMB12 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 2013 (in thousands of RMB)

	2013			Total
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	
Dong Wenbiao ⁽¹⁾⁽³⁾	4,517	409	380	5,306
Hong Qi ⁽¹⁾⁽³⁾	4,274	409	323	5,006
Liang Yutang ⁽¹⁾⁽³⁾	4,013	307	310	4,630
Duan Qingshan ⁽¹⁾⁽³⁾	3,483	307	284	4,074
Wang Jiazhi ⁽¹⁾⁽³⁾	3,312	307	245	3,864
Li Huaizhen ⁽¹⁾⁽³⁾	2,945	307	220	3,472
Ba Shusong	1,005	—	—	1,005
Zheng Haiquan	950	—	—	950
Han Jianmin	910	—	—	910
Zhang Hongwei	875	—	—	875
Lu Zhiqiang	845	—	—	845
Wang Hang	845	—	—	845
Wang Lihua	845	—	—	845
Hu Ying	726	45	63	834
Liu Yonghao	825	—	—	825
Shi Yuzhu	820	—	—	820
Guo Guangchang	815	—	—	815
Wang Yugui	790	—	—	790
Wu Di	775	—	—	775
Wang Junhui	760	—	—	760
Zhang Ke	655	—	—	655
Lu Zhongnan	650	—	—	650
Zhang Disheng	615	—	—	615
Wang Liang	615	—	—	615
Li Yuan	610	—	—	610
Qin Rongsheng ⁽²⁾	—	—	—	—
You Lantian ⁽²⁾	—	—	—	—

(1) The Bank defers part of the performance-based compensations to the executive directors, the Chairman and Vice Chairman of the Supervisory Board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 44.

(2) Qin Rongsheng, You Lantian waived emoluments for the year ended 31 December 2013. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2013 financial statements.

(3) The emoluments before tax of executive directors, the Chairman and Vice Chairman of the Supervisory Board are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2013 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 2012 (in thousands of RMB)

	2012			Total
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	
Dong Wenbiao ⁽¹⁾⁽³⁾	4,637	334	2,280	7,251
Hong Qi ⁽¹⁾⁽³⁾	4,498	334	2,275	7,107
Liang Yutang ⁽¹⁾⁽³⁾	4,088	259	2,024	6,371
Duan Qingshan ⁽¹⁾⁽³⁾	3,563	259	1,914	5,736
Wang Jiazhi ⁽¹⁾⁽³⁾	2,546	90	1,344	3,980
Li Huaizhen ⁽¹⁾⁽³⁾	2,012	30	978	3,020
Qiao Zhimin ⁽³⁾	1,280	94	996	2,370
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, the Chairman and Vice Chairman of the Supervisory Board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 44.
- (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.
- (3) The emoluments before tax of executive directors, the Chairman and Vice Chairman of the Supervisory Board were approved by the Compensation and Remuneration Committee of the Board of Director. 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.

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

	2013	2012
Current tax for the year	15,018	14,064
Adjustment for prior years	(87)	9
Subtotal	14,931	14,073
Changes in deferred tax (Note 25)	(1,062)	(1,729)
Total	13,869	12,344

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:

	Note	2013	2012
Profit before income tax		57,151	50,652
Income tax at the tax rate of 25%		14,288	12,663
Effect of non-taxable income	(i)	(618)	(598)
Effect of non-deductible expenses	(ii)	288	278
Others		(89)	1
Income tax expense		13,869	12,344

(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.

The applicable income tax rate for mainland China is 25% for the year ended 31 December 2013 (2012: 25%). The applicable income tax rate for Hong Kong branch is 16.5% (2012: 16.5%).

14 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Net profit attributable to equity shareholders of the Bank	42,278	37,563
Weighted average number of ordinary shares in issue (in millions)	28,366	27,946
Basic earnings per share (in RMB)	1.49	1.34

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

14 Earnings per share (Continued)

Diluted earnings per share is calculated by dividing the adjusted profit attributable to equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue. The Bank has the convertible corporate bonds as dilutive potential ordinary shares.

	2013	2012
Net profit attributable to equity shareholders of the Bank	42,278	37,563
Add: interest expense on convertible corporate bonds, net of tax, outstanding as at 31 December	509	—
Net profit used to determine diluted earnings per share	42,787	37,563
Weighted average number of ordinary shares in issue (in millions)	28,366	27,946
Add: weighted average number of ordinary shares for diluted earnings per share (in millions)	1,607	—
Weighted average number of ordinary shares for diluted earnings per share (in millions)	29,973	27,946
Diluted earnings per share (in RMB)	1.43	1.34

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

15 Cash and balances with central bank

	Group		Bank	
	2013	2012	2013	2012
Cash	9,159	6,490	9,002	6,322
Balances with central bank				
– Statutory deposit reserves	387,830	338,365	384,945	336,064
– Surplus deposit reserves	36,354	74,334	35,726	74,033
– Fiscal deposits	459	1,229	459	1,229
Total	433,802	420,418	430,132	417,648

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 2013, the statutory deposit reserve rate applicable to the Bank for RMB deposits is 18% and the reserve rate for foreign currency deposits is 5% (2012: 18% of RMB deposits and 5% of foreign currency deposits).

The 29 township banking subsidiaries of the Bank are required to place statutory RMB deposit reserve at rates 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	
	2013	2012	2013	2012
Mainland China				
– Banks	81,093	227,785	74,710	224,609
– Other financial institutions	1,674	1,827	1,674	1,827
Overseas				
– Banks	6,118	6,549	6,118	6,549
Total	88,885	236,161	82,502	232,985

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

17 Financial assets at fair value through the profit or loss

	Group and Bank	
	2013	2012
Held for trading purpose		
Government		
— Listed outside Hong Kong	912	396
Central bank		
— Listed outside Hong Kong	20	50
Policy banks		
— Listed outside Hong Kong	6,325	4,541
Banking and non-banking financial institution bonds		
— listed in Hong Kong	—	12
— listed outside Hong Kong	2,091	100
Other corporates		
— Listed outside Hong Kong	10,497	19,240
Designated at fair value through profit or loss		
Other corporates		
— Unlisted	2,417	1,979
Total	22,262	26,318

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

	2013		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	95,524	719	(621)
Foreign exchange forwards	15,285	141	(156)
Currency swaps	184,124	1,120	(1,104)
Precious metal derivatives	1,659	—	(1)
Credit derivatives	72,487	—	—
Extension options	8,300	—	—
Currency options	4,216	6	(1)
Total		1,986	(1,883)

	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)

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	
	2013	2012
Exchange rate contracts	779	459
Interest rate contracts	211	80
Precious metal contracts	69	60
Total	1,059	599

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	
	2013	2012
Mainland China		
– Banks	60,265	41,228
– Other financial institutions	19,368	34,246
– Others*	20,854	–
Overseas		
– Banks	7,539	4,608
Total	108,026	80,082

* 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	
	2013	2012
Discounted bills	383,494	616,805
Government and quasi-government bonds	9,878	19,086
Others*	177,052	96,771
Total	570,424	732,662

* Others mainly represent 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	
	2013	2012	2013	2012
Corporate loans and advances				
— Corporate loans	908,642	878,843	901,635	873,037
— Discounted bills	33,364	15,764	32,919	15,633
— Others	26,728	24,427	26,728	24,427
Subtotal	968,734	919,034	961,282	913,097
Personal loans and advances				
— Micro lending*	408,891	317,470	404,722	316,951
— Residential mortgage	62,096	71,518	62,087	71,518
— Credit cards	113,298	66,305	113,298	66,305
— Others	21,244	10,283	17,873	6,066
Subtotal	605,529	465,576	597,980	460,840
Gross balance	1,574,263	1,384,610	1,559,262	1,373,937
Less: allowance for impairment losses				
— Individual assessment	(3,344)	(3,855)	(3,311)	(3,847)
— Collective assessment	(31,472)	(29,243)	(31,148)	(29,055)
Subtotal	(34,816)	(33,098)	(34,459)	(32,902)
Net balance	1,539,447	1,351,512	1,524,803	1,341,035

* Micro lending is a loan product offered to the small and 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

	2013				
	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	958,802	–	9,932	9,932	968,734
– Personal loans and advances	602,057	3,472	–	3,472	605,529
Allowance for impairment losses	(29,679)	(1,793)	(3,344)	(5,137)	(34,816)
Net balance of loans and advances to customers	1,531,180	1,679	6,588	8,267	1,539,447

	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

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

	2013				
	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	951,436	–	9,846	9,846	961,282
– Personal loans and advances	594,562	3,418	–	3,418	597,980
Allowance for impairment losses	(29,379)	(1,769)	(3,311)	(5,080)	(34,459)
Net balance of loans and advances to customers	1,516,619	1,649	6,535	8,184	1,524,803

	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

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 2013, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB9,932 million (2012: RMB8,260 million). The covered portion and uncovered portion of these loans and advances were RMB4,126 million (2012: RMB5,081 million) and RMB5,806 million (2012: RMB3,179 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB2,980 million (2012: RMB3,161 million). As at 31 December 2013, the individual impairment allowances made for these loans and advances were RMB3,344 million (2012: RMB3,855 million).

As at 31 December 2013, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB9,846 million (2012: RMB8,236 million). The covered portion and uncovered portion of these loans and advances were RMB4,108 million (2012: RMB5,071 million) and RMB5,738 million (2012: RMB3,165 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB2,972 million (2012: RMB3,154 million). As at 31 December 2013, the individual impairment allowances made for these loans and advances were RMB3,311 million (2012: RMB3,847 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			
	2013		2012		2013		2012	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Corporate loans and advances								
Manufacturing	222,573	14.14	208,160	15.03	219,276	14.06	205,479	14.96
Real estate	165,570	10.52	147,958	10.69	165,570	10.62	147,953	10.77
Wholesale and retail	145,202	9.22	123,031	8.89	143,838	9.22	122,166	8.89
Leasing and commercial services	92,611	5.88	98,453	7.11	92,247	5.92	98,262	7.15
Mining	80,941	5.14	81,405	5.88	80,935	5.19	81,388	5.92
Transportation, storage and postal service	61,454	3.90	63,936	4.62	61,361	3.94	63,898	4.65
Construction	44,916	2.85	39,411	2.85	44,458	2.85	38,974	2.84
Water, environment and public utilities management	32,188	2.04	31,551	2.28	32,147	2.06	31,526	2.29
Public administration, social security and social organisations	31,502	2.00	30,014	2.17	31,494	2.02	30,004	2.18
Financial services	27,480	1.75	18,415	1.33	27,480	1.76	18,415	1.34
Production and supply of electric power, heat, gas and water	19,965	1.27	20,132	1.45	19,931	1.28	20,122	1.46
Accommodation and catering	15,503	0.98	13,056	0.94	15,440	0.99	13,032	0.95
Agriculture Forestry Animal Husbandry and fishery	12,015	0.76	7,586	0.55	10,844	0.70	6,515	0.48
Others	16,814	1.09	35,926	2.58	16,261	1.04	35,363	2.58
Subtotal	968,734	61.54	919,034	66.37	961,282	61.65	913,097	66.46
Personal loans and advances	605,529	38.46	465,576	33.63	597,980	38.35	460,840	33.54
Total	1,574,263	100.00	1,384,610	100.00	1,559,262	100.00	1,373,937	100.00

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			
	2013		2012		2013		2012	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Unsecured loans	272,459	17.31	195,313	14.11	272,247	17.46	195,065	14.20
Guaranteed loans	565,010	35.89	474,570	34.27	556,153	35.67	467,949	34.06
Loans secured by								
– tangible assets other than monetary assets	529,564	33.64	548,463	39.61	525,610	33.71	545,298	39.69
– monetary assets	207,230	13.16	166,264	12.01	205,252	13.16	165,625	12.05
Total	1,574,263	100.00	1,384,610	100.00	1,559,262	100.00	1,373,937	100.00

(4) Overdue loans analysed by overdue period

Group

	2013				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	4,173	1,878	354	–	6,405
Guaranteed loans	5,555	3,629	781	8	9,973
Loans secured by					
– tangible assets other than monetary assets	5,755	2,617	353	40	8,765
– monetary assets	1,390	675	113	–	2,178
Total	16,873	8,799	1,601	48	27,321
% of total loans and advances	1.07%	0.56%	0.10%	0.01%	1.74%

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)

	2012				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
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%

Bank

	2013				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	4,173	1,878	354	–	6,405
Guaranteed loans	5,329	3,460	768	8	9,565
Loans secured by					
– tangible assets other than monetary assets	5,732	2,597	339	40	8,708
– monetary assets	1,371	667	113	–	2,151
Total	16,605	8,602	1,574	48	26,829
% of total loans and advances	1.06%	0.55%	0.10%	0.01%	1.72%

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)

	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%

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

	2013			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,855	17,656	11,587	33,098
Charge for the year	8,478	2,309	4,304	15,091
Release during the year	(1,975)	—	(169)	(2,144)
Reclassification	485	(485)	—	—
Transfer out	(5,731)	—	(1,572)	(7,303)
Write-offs	(1,670)	—	(2,379)	(4,049)
Recoveries	277	—	319	596
Unwinding of discount	(375)	—	(95)	(470)
Exchange gain or loss	—	(3)	—	(3)
At 31 December	3,344	19,477	11,995	34,816

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)

	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

Bank

	2013			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,847	17,548	11,507	32,902
Charge for the year	8,374	2,265	4,193	14,832
Release during the year	(1,975)	—	(169)	(2,144)
Reclassification	485	(485)	—	—
Transfer out	(5,682)	—	(1,572)	(7,254)
Write-offs	(1,640)	—	(2,360)	(4,000)
Recoveries	277	—	319	596
Unwinding of discount	(375)	—	(95)	(470)
Exchange gain or loss	—	(3)	—	(3)
At 31 December	3,311	19,325	11,823	34,459

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)

	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

22 Investment securities

	Note	Group		Bank	
		2013	2012	2013	2012
Available-for-sale securities	(1)	111,532	117,275	111,512	117,245
Held-to-maturity securities	(2)	133,124	83,653	133,124	83,653
Loans and receivables	(3)	37,818	15,040	37,818	15,040
Total		282,474	215,968	282,454	215,938
Analysed as follows:					
— Listed in Hong Kong		357	681	357	681
— Listed outside Hong Kong		242,754	198,406	242,754	198,406
— Unlisted		39,363	16,881	39,343	16,851
Total		282,474	215,968	282,454	215,938

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	
	2013	2012	2013	2012
Debt securities at fair value				
Government				
— listed in Hong Kong	98	529	98	529
— listed outside Hong Kong	5,642	10,919	5,642	10,919
— unlisted	786	405	786	405
Central bank				
— listed outside Hong Kong	—	230	—	230
Policy banks				
— listed in Hong Kong	—	88	—	88
— listed outside Hong Kong	45,471	53,319	45,471	53,319
Banking and non-banking financial institution				
— listed outside Hong Kong	8,689	7,505	8,689	7,505
— unlisted	117	836	117	806
Other corporates				
— listed in Hong Kong	—	64	—	64
— listed outside Hong Kong	50,295	43,241	50,295	43,241
Subtotal	111,098	117,136	111,098	117,106
Equity investment				
Financial institution securities				
— listed in Hong Kong	259	—	259	—
— listed outside Hong Kong	—	14	—	14
— unlisted	175	125	155	125
Total	111,532	117,275	111,512	117,245

The book value of the Group's impaired available-for-sale financial assets amounted to RMB937 million as at 31 December 2013 (2012: RMB896 million) and the provision amounted to RMB854 million (2012: RMB863 million).

The Group has reclassified a total amount of RMB20.09 billion debt securities out of available-for-sale to held-to-maturity investments during the year ended 31 December 2013, and as at the reclassification date, the estimated amount of cash flows the Group expected to recover was RMB24.27 billion. As at reporting date, the carrying amount of the above debt security was RMB19.00 billion, and the fair value was RMB18.72 billion. The Group has recognized a fair value loss of RMB1.04 billion in other comprehensive income during the year. Except from the above, the Group did not reclassify any investment securities in and out from available-for-sale category in 2013.

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	
	2013	2012	2013	2012
Government				
— listed outside Hong Kong	79,479	58,907	79,479	58,907
Central bank				
— listed outside Hong Kong	—	80	—	80
Policy banks				
— listed outside Hong Kong	30,385	9,044	30,385	9,044
Banking and non-banking financial institution				
— listed outside Hong Kong	8,611	324	8,611	324
— unlisted	467	475	467	475
Other corporates				
— listed outside Hong Kong	14,182	14,823	14,182	14,823
Total	133,124	83,653	133,124	83,653
Fair value of listed securities	128,548	83,461	128,548	83,461

(3) Loans and receivables

	Group and Bank	
	2013	2012
Bond		
Government	332	965
Banking and non-banking financial institution	4,115	5,685
Other corporates	3,373	350
Trust beneficiary rights	8,891	8,040
Asset management plan	21,107	—
Total	37,818	15,040

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	
	2013	2012
Finance lease receivables	98,801	89,110
Less: unearned finance lease income	(14,020)	(12,703)
Present value of minimum finance lease receivables	84,781	76,407
Less: allowance for impairment losses		
— Collective assessment	(1,942)	(1,519)
— Individual assessment	(296)	(79)
Net balance	82,543	74,809

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

Group

	2013			2012		
	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	32,902	(5,573)	27,329	31,588	(5,302)	26,286
1 year to 2 years	26,660	(3,506)	23,154	24,024	(3,265)	20,759
2 years to 3 years	15,847	(1,963)	13,884	15,569	(1,817)	13,752
3 years to 5 years	13,795	(1,516)	12,279	12,998	(1,535)	11,463
More than 5 years	5,115	(674)	4,441	4,931	(784)	4,147
Indefinite	4,482	(788)	3,694	—	—	—
	98,801	(14,020)	84,781	89,110	(12,703)	76,407

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment

Group

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Original cost				
Buildings	7,413	2,103	—	9,516
Leasehold improvements	3,316	2,047	(14)	5,349
Office equipment	4,230	1,840	(255)	5,815
Motor vehicles	383	71	(20)	434
Operating lease fixed assets	1,077	4,605	(159)	5,523
Construction in progress	2,817	3,294	(1,216)	4,895
Total	19,236	13,960	(1,664)	31,532
Accumulated depreciation				
Buildings	(1,303)	(247)	—	(1,550)
Leasehold improvements	(1,846)	(884)	5	(2,725)
Office equipment	(2,213)	(722)	239	(2,696)
Motor vehicles	(213)	(47)	20	(240)
Operating lease fixed assets	(30)	(133)	24	(139)
Total	(5,605)	(2,033)	288	(7,350)
Impairment losses				
Operating lease fixed assets	—	(80)	—	(80)
Total	—	(80)	—	(80)
Net value				
Buildings	6,110	1,856	—	7,966
Leasehold improvements	1,470	1,163	(9)	2,624
Office equipment	2,017	1,118	(16)	3,119
Motor vehicles	170	24	—	194
Operating lease fixed assets	1,047	4,392	(135)	5,304
Construction in progress	2,817	3,294	(1,216)	4,895
Total	13,631	11,847	(1,376)	24,102

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (Continued)

Group (Continued)

	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)

Bank

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Original cost				
Buildings	7,406	2,098	—	9,504
Leasehold improvements	3,188	2,021	(6)	5,203
Office equipment	4,133	1,822	(254)	5,701
Motor vehicles	355	68	(20)	403
Construction in progress	2,817	3,293	(1,215)	4,895
Total	17,899	9,302	(1,495)	25,706
Accumulated depreciation				
Buildings	(1,302)	(248)	—	(1,550)
Leasehold improvements	(1,814)	(862)	5	(2,671)
Office equipment	(2,172)	(702)	239	(2,635)
Motor vehicles	(204)	(44)	20	(228)
Total	(5,492)	(1,856)	264	(7,084)
Net value				
Buildings	6,104	1,850	—	7,954
Leasehold improvements	1,374	1,159	(1)	2,532
Office equipment	1,961	1,120	(15)	3,066
Motor vehicles	151	24	—	175
Construction in progress	2,817	3,293	(1,215)	4,895
Total	12,407	7,446	(1,231)	18,622

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Property and equipment (Continued)

Bank (Continued)

	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

As at 31 December 2013 and 31 December 2012, 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)

The carrying value of buildings and leasehold improvements is analysed by the remaining terms of the leases as follows:

	Group		Bank	
	2013	2012	2013	2012
Held in mainland China				
on long-term lease				
(more than 50 years)	5	1,470	—	1,375
on medium-term lease				
(10–50 years)	7,957	5,957	7,951	5,950
on short-term lease				
(less than 10 years)	2,628	153	2,535	153
Total	10,590	7,580	10,486	7,478

As at 31 December 2013, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB1,574 million (2012: RMB228 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

	2013		2012	
	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	7,499	29,996	6,995	27,980
Employee benefits payable	1,905	7,620	1,537	6,147
Fair value losses of				
– derivatives	471	1,884	327	1,308
– available-for-sale securities	969	3,876	227	909
– financial assets at fair value through the profit or loss	167	668	26	105
Others	193	772	97	387
Subtotal	11,204	44,816	9,209	36,836
Deferred income tax liabilities				
Fair value gains of				
– derivatives	(499)	(1,996)	(302)	(1,210)
– available-for-sale securities	(20)	(80)	(82)	(327)
– financial assets at fair value through the profit or loss	(2)	(8)	(8)	(31)
Subtotal	(521)	(2,084)	(392)	(1,568)
Deferred income tax assets, net	10,683	42,732	8,817	35,268

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

	2013		2012	
	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	7,096	28,384	6,742	26,968
Employee benefits payable	1,871	7,484	1,512	6,046
Fair value losses of				
– derivatives	471	1,884	327	1,308
– available-for-sale securities	969	3,876	227	909
– financial assets at fair value through the profit or loss	167	668	26	105
Others	82	328	81	324
Subtotal	10,656	42,624	8,915	35,660
Deferred income tax liabilities				
Fair value gains of				
– derivatives	(499)	(1,996)	(302)	(1,210)
– available-for-sale securities	(20)	(80)	(82)	(327)
– financial assets at fair value through the profit or loss	(2)	(8)	(8)	(31)
Subtotal	(521)	(2,084)	(392)	(1,568)
Deferred income tax assets, net	10,135	40,540	8,523	34,092

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 2013	6,995	580	1,634	9,209	(392)	(392)
Recognised in profit or loss	504	285	464	1,253	(191)	(191)
Recognised in other comprehensive income	—	742	—	742	62	62
At 31 December 2013	7,499	1,607	2,098	11,204	(521)	(521)
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)

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 2013	6,742	580	1,593	8,915	(392)	(392)
Recognised in profit or loss	354	285	360	999	(191)	(191)
Recognised in other comprehensive income	—	742	—	742	62	62
At 31 December 2013	7,096	1,607	1,953	10,656	(521)	(521)
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)

(3) Offsetting of balances within the same tax jurisdiction of deferred income tax assets and liabilities are as follows:

	Group		Bank	
	2013	2012	2013	2012
Deferred income tax assets	—	—	—	—
Deferred income tax liabilities	(521)	(392)	(521)	(392)

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

	2013		2012	
	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting
Deferred income tax assets	10,683	42,732	8,817	35,268
Deferred income tax liabilities	—	—	—	—

Bank

	2013		2012	
	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting
Deferred income tax assets	10,135	40,540	8,523	34,092
Deferred income tax liabilities	—	—	—	—

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

26 Investment in subsidiaries

	2013	2012
Minsheng Leasing	2,600	2,600
Minsheng Fund	190	190
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	26
Yidu Township Bank	26	26
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	15
Jinghong Township Bank	15	15
Zhidan Township Bank	7	7
Ningguo Township Bank	20	20
Yuyang Township Bank	25	25
Guichi Township Bank	26	26
Tiantai Township Bank	31	31
Tianchang Township Bank	20	20
Tengchong Township Bank	20	20
Xiang'an Township Bank	36	—
Linzhi Township Bank	13	—
Total	3,725	3,676

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	Guangdong 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	Zhejiang 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
Tianchang Township Bank	Anhui China	Commercial bank	40	Limited company	51	51
Tengchong Township Bank	Yunnan China	Commercial bank	40	Limited company	51	51
Xiang'an Township Bank	Fujian China	Commercial bank	70	Limited company	51	51
Linzhi Township Bank	Tibet China	Commercial bank	25	Limited company	51	51

All interests in subsidiaries are directly held by the Bank.

* Although the Bank holds half or less than half of the rights in five township banks mentioned above, it has the majority of the seats in their boards of directors, which enables it to have power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. These township banks 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

	Note	2013			2012		
		Gross balance	Allowance for impairment losses (Note 28)	Carrying amount	Gross balance	Allowance for impairment losses (Note 28)	Carrying amount
Items in the process of clearance and settlement		14,651	—	14,651	7,468	—	7,468
Prepayments for leased assets	(1)	12,409	(152)	12,257	13,283	(181)	13,102
Interest receivable	(2)	12,339	—	12,339	9,638	—	9,638
Intangible assets	(3)	5,392	—	5,392	4,961	—	4,961
Repossessed assets	(4)	2,183	(57)	2,126	2,456	(90)	2,366
Investment properties		3,563	—	3,563	2,981	—	2,981
Prepayment of decoration		2,629	—	2,629	1,195	—	1,195
Commission receivable		1,156	—	1,156	1,118	—	1,118
Prepayment of properties		1,678	—	1,678	1,654	(27)	1,627
Prepayment of rent and deposits		848	—	848	138	—	138
Prepayment of equipment		283	—	283	524	—	524
Claims and legal fees recoverable		268	(77)	191	118	(45)	73
Long-term deferred expenses		214	—	214	111	—	111
Prepayment of land use rights		—	—	—	163	—	163
Others		1,341	(5)	1,336	1,221	(20)	1,201
Total		58,954	(291)	58,663	47,029	(363)	46,666

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Other assets (Continued)

Bank

	Note	2013			2012		
		Gross balance	Allowance for impairment losses (Note 28)	Carrying amount	Gross balance	Allowance for impairment losses (Note 28)	Carrying amount
Interest receivable	(2)	12,093	—	12,093	9,497	—	9,497
Items in the process of clearance and settlement		14,633	—	14,633	7,464	—	7,464
Intangible assets	(3)	4,000	—	4,000	3,685	—	3,685
Repossessed assets	(4)	2,178	(57)	2,121	2,456	(90)	2,366
Prepayment of properties		1,678	—	1,678	1,654	(27)	1,627
Prepayment of decoration		2,624	—	2,624	1,193	—	1,193
Commission receivable		1,156	—	1,156	1,118	—	1,118
Prepayment of equipment		283	—	283	524	—	524
Prepayment of land use rights		—	—	—	163	—	163
Prepayment of rent and deposits		842	—	842	131	—	131
Claims and legal fees recoverable		266	(77)	189	118	(45)	73
Long-term deferred expenses		204	—	204	112	—	112
Others		1,319	(5)	1,314	1,120	(19)	1,101
Total		41,276	(139)	41,137	29,235	(181)	29,054

(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	
	2013	2012	2013	2012
Loans and advances to customers	4,961	4,130	4,902	4,095
Debt securities	4,903	3,631	4,902	3,631
Others	2,475	1,877	2,289	1,771
Total	12,339	9,638	12,093	9,497

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 2013	Increase	Decrease	At 31 December 2013
Cost				
Land use right	4,431	304	—	4,735
Others	1,445	670	—	2,115
Total	5,876	974	—	6,850
Less: Accumulated amortisation				
Land use right	(242)	(130)	—	(372)
Others	(673)	(413)	—	(1,086)
Total	(915)	(543)	—	(1,458)
Net value				
Land use right	4,189	174	—	4,363
Others	772	257	—	1,029
Total	4,961	431	—	5,392

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 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)

Bank

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Cost				
Land use right	3,086	155	—	3,241
Others	1,411	658	—	2,069
Total	4,497	813	—	5,310
Less: Accumulated amortisation				
Land use right	(154)	(92)	—	(246)
Others	(658)	(406)	—	(1,064)
Total	(812)	(498)	—	(1,310)
Net value				
Land use right	2,932	63	—	2,995
Others	753	252	—	1,005
Total	3,685	315	—	4,000

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 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

(4) Repossessed assets

Repossessed assets include buildings, machinery and equipment. The disposal of repossessed assets made by the Group during the year of 2013 amounted to RMB36 million at cost (2012: RMB34 million).

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

28 Movements in allowances for impairment losses

Group

	Note	2013				At 31 December
		At 1 January	Charge	Transfer out	Write-offs	
Loans and advances to customers	21	33,098	12,947	(7,180)	(4,049)	34,816
Available-for-sale securities	22	863	—	(9)	—	854
Finance lease receivables	23	1,598	692	(2)	(50)	2,238
Others		363	60	(38)	(14)	371
Total		35,922	13,699	(7,229)	(4,113)	38,279

	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

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	2013				
		At 1 January	Charge	Transfer out	Write-offs	At 31 December
Loans and advances to customers	21	32,902	12,688	(7,131)	(4,000)	34,459
Available-for-sale securities	22	863	—	(9)	—	854
Other assets	27	181	10	(38)	(14)	139
Total		33,946	12,698	(7,178)	(4,014)	35,452

	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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

29 Deposits from customers

	Group		Bank	
	2013	2012	2013	2012
Demand deposits				
– Corporate deposits	677,725	621,592	668,213	615,696
– Personal deposits	132,703	107,861	131,181	106,381
Time deposits (including call and notice deposits)				
– Corporate deposits	951,778	906,970	946,241	902,258
– Personal deposits	378,241	285,913	373,373	282,857
Outward remittance and remittance payables	4,258	3,230	3,986	2,802
Certificates of deposit	1,984	628	1,984	628
Total	2,146,689	1,926,194	2,124,978	1,910,622

The pledged deposits included in deposits from customers are analysed as follows:

	Group		Bank	
	2013	2012	2013	2012
Pledged deposits for bank acceptances	268,516	279,918	267,790	279,117
Pledged deposits for letters of credit and guarantees	46,946	29,790	46,945	29,790
Other pledged deposits	70,741	51,406	69,953	50,834
Total	386,203	361,114	384,688	359,741

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	
	2013	2012	2013	2012
Mainland China				
— Banks	273,850	565,199	280,043	569,432
— Other financial institutions	288,200	209,117	288,319	209,117
Overseas				
— Banks	11,627	2,946	11,627	2,946
Total	573,677	777,262	579,989	781,495

31 Financial assets sold under repurchase agreements

	Group		Bank	
	2013	2012	2013	2012
Discounted bills	6,931	100,635	6,747	100,485
Investment securities	48,598	27,021	48,598	27,021
Finance lease receivables	9,038	5,679	—	—
Total	64,567	133,335	55,345	127,506

As at 31 December 2013, the balances under repurchase agreements include bills transactions with the PBC amounting to RMB6,915 million (31 December 2012: RMB2,027 million).

32 Borrowings from banks and other financial institutions

	Group	
	2013	2012
Credit borrowings	73,809	67,870
Secured borrowings		
— by monetary assets	702	1,491
— by tangible assets other than monetary assets	6,919	2,443
Total	81,430	71,804

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 2013, the secured borrowings by monetary assets of RMB702 million (2012: RMB1,491 million) were secured by the finance lease receivables of RMB339 million (2012: RMB1,612 million) and 1,092 million property and equipment (2012: nil). The secured borrowings of RMB6,919 million (2012: RMB2,443 million) were secured by the assets under financial lease of RMB7,000 million (2012: RMB1,014 million) and other assets of RMB242 million (2012: RMB1,325 million), with 1,309 million property and equipment as collateral (2012: RMB459 million). There was no remaining credit limit under such secured borrowings (2012: nil).

33 Debt securities issued

	Note	Group and Bank	
		2013	2012
Financial bonds	(1)	49,949	49,932
Subordinated bonds	(2)	15,762	15,757
Hybrid capital bonds	(3)	9,281	9,280
Convertible corporate bonds	(4)	16,976	—
Total		91,968	74,969

(1) Financial bonds

	Note	Group and Bank	
		2013	2012
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	29,968	29,957
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	19,981	19,975
Total		49,949	49,932

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.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(2) Subordinated bonds

	Note	Group and Bank	
		2013	2012
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(i)	5,989	5,988
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(ii)	3,992	3,991
RMB5.8 billion — 10-year subordinated fixed rate bonds 2010	(iii)	5,781	5,778
Total		15,762	15,757

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.

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

	Note	Group and Bank	
		2013	2012
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	3,317	3,317
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	1,671	1,671
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(iii)	3,295	3,294
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(iv)	998	998
		9,281	9,280

- (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.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(4) Convertible corporate bonds

	Group and Bank	
	2013	2012
RMB20 Billion — 6-year fixed rate convertible corporate bonds 2013	16,976	—

Pursuant to the approval by China Securities Regulatory Commission (“CSRC”), on 15 March 2013, the Bank issued A-share convertible corporate bonds with total par value of RMB20 billion on the SSE. The convertible corporate bonds have a term of six years (from 15 March 2013 to 15 March 2019) and bear a fixed interest rate of 0.60% for the first three years, and 1.5% from the fourth year to the sixth year. The convertible bond holders may exercise their rights to convert the convertible corporate bonds into the Bank’s A shares at the stipulated conversion price during the period (“conversion period”) beginning from six months after the issuance date until the maturity date (from 16 September 2013 to 15 March 2019). Within 5 trading days after maturity, the Bank shall redeem the outstanding convertible corporate bonds at 106% of par value, including interest for the sixth year.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Debt securities issued (Continued)

(4) Convertible corporate bonds (Continued)

During the conversion period, if the closing price of the Bank's A shares is not lower than or equal to 130% of the prevailing conversion price in at least 15 trading days out of any 30 consecutive trading days, the Bank has the right to redeem all or part of the outstanding convertible corporate bonds at par value plus accrued interest. The exercise of the conditional redemption rights should be approved by the CBRC as a prerequisite.

During the term of the convertible corporate bonds, if the closing price of the Bank's A shares in 15 trading days out of any 30 consecutive trading days is lower than 80% of the prevailing conversion price of the convertible corporate bonds, the Bank may also propose downward adjustments to the conversion price for the approval of the shareholder's meeting within ten working days as of knowing the above conditions.

The initial conversion price was RMB10.23 per share. The conversion price of the convertible corporate bonds will be adjusted for the dilutive effects of distribution of stock dividends, specified increases in share capital, new share issuance, offering, and cash dividends.

During the year from the issuance date to 31 December 2013, the conversion price was adjusted from RMB10.23 per share to RMB9.92 per share, as a result of paying cash dividends of A share and H share.

The convertible corporate bonds issued have been split into the liability and equity components as follows:

	Liability component	Equity component	Total
Nominal value of convertible corporate bonds	16,469	3,531	20,000
Less: direct transaction costs	(72)	(16)	(88)
Balance as at the issuance date	16,397	3,515	19,912
Conversion	(5)	(1)	(6)
Amortisation	584	—	584
Balance as at 31 December 2013	16,976	3,514	20,490

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Other liabilities

	Note	Group		Bank	
		2013	2012	2013	2012
Interest payable	(1)	27,749	22,639	26,963	22,142
Employee benefits payable	(2)	7,682	7,711	7,488	7,583
Guarantee deposits for finance lease		7,391	1,133	—	—
Other tax payable	(3)	2,637	3,046	2,966	2,976
Items in the process of clearance and settlement		4,039	2,640	4,039	2,640
Suspense balance of wealth management products		450	2,129	450	2,129
Deferred fee and commission income		1,333	1,902	1,013	1,659
Receipt in advance		2,242	7,893	77	549
Accrued expenses		248	1,243	247	1,239
Payable of equipment purchase		341	444	273	366
Withholding tax payable		6	169	6	168
Dividend payable		54	54	54	54
Others		2,469	788	2,192	432
Total		56,641	51,791	45,768	41,937

(1) Interest payable

	Group		Bank	
	2013	2012	2013	2012
Deposits from customers	19,142	15,630	18,975	15,524
Deposits from banks and other financial institutions	5,129	3,804	5,126	3,815
Debt securities issued	2,596	2,507	2,596	2,507
Borrowings from banks and other financial institutions	628	395	—	—
Others	254	303	266	296
Total	27,749	22,639	26,963	22,142

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 2013	Increase	Decrease	At 31 December 2013
Salaries, bonuses and allowances	6,572	13,264	(13,525)	6,311
Staff welfare fees	—	1,797	(1,797)	—
Social insurance	1,051	2,721	(2,505)	1,267
Housing fund	63	832	(796)	99
Labour union fee, staff and workers' education fee	25	531	(551)	5
Total	7,711	19,145	(19,174)	7,682

	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

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 2013	Increase	Decrease	At 31 December 2013
Salaries, bonuses and allowances	6,446	12,797	(13,095)	6,148
Staff welfare fees	—	1,767	(1,767)	—
Social insurance	1,050	2,661	(2,474)	1,237
Housing fund	63	814	(778)	99
Labour union fee, staff and workers' education fee	24	519	(539)	4
Total	7,583	18,558	(18,653)	7,488

	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

(3) Other tax payable

	Group		Bank	
	2013	2012	2013	2012
Business tax payable	2,030	2,757	1,990	2,714
Others	607	289	976	262
Total	2,637	3,046	2,966	2,976

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

35 Share capital and capital reserve

	2013	2012
Common shares listed in Mainland China (A share)	22,588	22,588
Common shares listed in Hong Kong (H share)	5,778	5,778
Total shares	28,366	28,366

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 RMB49,234 million as at 31 December 2013 (2012: RMB45,714 million), which mainly comprises capital premium and equity component of convertible bonds.

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 ASBE, 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 ASBE to the statutory surplus reserve, which amounts to RMB4,126 million for the year 2013 (2012: RMB3,683 million). The Bank did not make any appropriation to discretionary surplus reserve in 2013 and 2012.

(2) General reserve

Pursuant to the *Measures for Managing the Appropriation of Provisions of Financial Enterprises* (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

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 (Continued)

In accordance with the resolution of the 11th meeting of the 6th session of the Board of Directors held on 28 August 2013, the Bank appropriated RMB2,900 million of profits recorded to the general reserve in 2013 (2012: RMB22,100 million).

In addition, 29 township banking subsidiaries and Minsheng Leasing of the Group also appropriated 1.5% of the balance of risk-bearing assets as at 31 December 2013 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 CSRC.

In total, the subsidiaries appropriated RMB217 million (2012: RMB1,264 million) to the general reserve for the year ended 31 December 2013, including RMB107 million (2012: RMB640 million) attributable to the Bank.

(3) Retained earnings

As at 31 December 2013, the retained earnings included the statutory surplus reserve of RMB232 million contributed by the subsidiaries and attributable to the Bank (2012: RMB151 million), of which RMB80 million (2012: RMB66 million) was the appropriation made by the subsidiaries for the year ended 31 December 2013. The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.

37 Non-controlling interests

The non-controlling interests of the subsidiaries are as follows:

	2013	2012
Tianjin Fortune Real Estate Co., Ltd.	1,191	1,000
Beijing Dayixingye Real Estate Development Corp., Ltd.	893	750
Shanghai Guozhijie Investment Development Corp., Ltd.	794	667
Jiangsu Sunshine Group Corp., Ltd.	596	500
Shanghai Guozheng Investment Management Corp., Ltd.	596	500
Guangzhou Ziquan Real Estate Development Corp., Ltd.	397	333
China Century Investment Corp., Ltd.	397	333
Shengjinda Investment Corp., Ltd.	89	75
Royal Bank of Canada	52	45
Others	1,570	1,264
Total	6,575	5,467

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

38 Dividends

The Board of Directors approved the profit distribution plan for the second half of 2013 in the 15th meeting of the 6th session of the Board of Directors held on 28 March 2014. The cash dividends declared was RMB1.00 (before tax) for every 10 shares, and the stock dividends declared was 2 shares for every 10 existing shares. Both cash dividends total RMB2,837 million and stock dividends, totalling 5,673 million shares, are based on total stock of 28,366 million as of 31 December 2013. Since the convertible bond of the Bank is still under conversion period, the total amount of equity stock at the date of registry cannot be determined, and the actual total amount of cash and stock dividends will depend on that.

The Board of Directors approved the cash dividend distribution plan for the first half of 2013 during the 11th meeting of the 6th session of the Board of Directors held on 28 August 2013. The cash dividends declared was RMB1.58 (before tax) for every 10 shares of the Bank's total equity stock as at 30 June 2013, totalling RMB4,482 million.

The shareholders approved the cash dividend distribution plan for the second half of 2012 during the Annual General Meeting held on 17 June 2013. The cash dividends declared was RMB1.50 (before tax) for every 10 shares of the Bank's total equity stock as at 26 June 2013, totalling RMB4,255 million.

39 Investment revaluation reserve

	Group and Bank	
	2013	2012
At 1 January	(427)	(110)
Changes in fair value of available-for-sale securities	(3,127)	(393)
Less: deferred income tax	782	98
Transfer to profit or loss upon disposal	(182)	(141)
Less: deferred income tax	45	36
Transfer to profit or loss due to amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	90	111
Less: deferred income tax	(23)	(28)
At 31 December	(2,842)	(427)

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	
	2013	2012
Cash (Note 15)	9,159	6,490
Surplus deposit reserve with central bank (Note 15)	36,354	74,334
Original maturity within 3 months:		
– Balances with banks and other financial institutions	66,336	166,331
– Placements with banks and other financial institutions	45,152	11,413
Total	157,001	258,568

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	
	2013	2012	2013	2012
Bank acceptances	522,849	586,654	522,325	585,276
Letters of credit	126,934	134,985	126,934	134,985
Guarantees	105,711	68,488	105,709	68,471
Re-factoring	22,433	33,600	22,433	33,600
Unused credit card commitments	40,377	25,722	40,377	25,722
Irrevocable loan commitments				
— original maturity date within 1 year	2,109	769	2,109	769
— original maturity date over 1 year (inclusive)	2,234	3,232	2,234	3,232
Finance lease commitments	2,109	3,850	—	—
Total	824,756	857,300	822,121	852,055
Credit risk weighted amounts of credit commitments	327,515	352,776	324,881	347,540

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	
	2013	2012	2013	2012
Contracted but not paid for	8,557	11,780	906	1,791
Authorised but not contracted for	7	101	7	101
Total	8,564	11,881	913	1,892

(3) Operating lease commitments

The future minimum lease payments under non-cancellable operating lease of the Group are summarised as follows:

	Group		Bank	
	2013	2012	2013	2012
Within 1 year	3,441	1,648	3,419	1,607
After 1 year but within 5 years	8,912	4,855	8,839	4,774
After 5 years	4,528	2,031	4,505	1,987
Total	16,881	8,534	16,763	8,368

(4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments as at 31 December 2013, in material respects, as specified in the contracts.

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	
	2013	2012	2013	2012
Discounted bills	6,777	100,519	6,634	100,360
Investment securities	48,599	28,251	48,599	28,251
Finance lease receivables	16,931	8,555	—	—
Property and equipment	2,401	459	—	—
Other assets	242	1,325	—	—
Total	74,950	139,109	55,233	128,611

Some of the Group's assets are pledged as collateral under repurchase agreements, 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 RMB383,494 million as at 31 December 2013 (2012: RMB616,805 million). As at 31 December 2013, the Group sold or repledged RMB6,496 million of pledged assets which it has an obligation to repurchase on due dates (2012: RMB100,169 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	
	2013	2012
Medium- and short-term finance bills	60,300	48,408

(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 2013 was RMB7,477 million (2012: RMB2,674 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 2013. With consideration of the 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 Involvement with unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an interest.

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include trust beneficiary plan, specialised asset management plans and asset-backed financings and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors including the Group.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2013 in the structured entities sponsored by third party institutions:

	Group 31 December 2013	
	carrying amount	maximum exposure
Trust beneficiary plan	127,955	127,955
Speicalised asset management plan	63,892	63,892
Asset-backed financings	526	526
Total	192,373	192,373

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Involvement with unconsolidated structured entities (Continued)

(1) Structured entities sponsored by third party institutions in which the Group holds an interest. (Continued)

The following table sets out an analysis of the line items in the statement of financial position as at 31 December 2013 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	Group 31 December 2013		
	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held under resale agreements
Trust beneficiary plan	8,891	—	119,064
Speicalised asset management plan	21,107	—	42,785
Asset-backed financings	377	149	—
Total	30,375	149	161,849

The maximum exposures to loss in the above trust beneficiary plan, segregated asset management plans are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

(2) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest.

The types of unconsolidated structured entities sponsored by the Group include investment funds and non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2013, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Involvement with unconsolidated structured entities (Continued)

(2) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest. (Continued)

As at 31 December 2013, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, is RMB287.17 billion and RMB164.2 billion respectively.

(3) Structured entities sponsored by the Group during the year which the Group does not consolidate and holds an interest at 31 December 2013.

During the year of 2013, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB5.12 billion, including the amount of RMB4.90 billion and RMB0.22 billion from investment funds and non-principal-guaranteed wealth management products, respectively.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2013 but matured before 31 December 2013 is RMB1,210.45 billion.

43 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 RMB57,906 million as at 31 December 2013 (2012: RMB63,740 million). The Group's balances of corporate annuity funds custodian operations were RMB9,836 million as at 31 December 2013 (2012: RMB6,933 million). The Group's balances of credit assets entrusted management were RMB2,423 million as at 31 December 2013 (2012: RMB2,524 million). And the Group's balances of entrusted loans were RMB118,818 million as at 31 December 2013 (2012: RMB92,258 million).

44 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)

44 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	2013	2012
Sinopharm Group Co., Ltd. and its subsidiaries	Pledged	980	19
	Guaranteed	163	101
	Unsecured	—	620
Orient Group Incorporation	Pledged	500	—
	Guaranteed	—	400
Legend Holdings Ltd.	Guaranteed	440	1,640
Good First Group Co., Ltd.	Guaranteed	330	—
	Collateralised	100	453
	Guaranteed	400	—
Wuxi Giant Pharmaceutical Co., Ltd.	Pledged	—	400
	Guaranteed	300	—
Jiangxi Xindi Investment Co., Ltd.	Guaranteed	300	—
Wuxi Giant Bioengineering Co., Ltd.	Guaranteed	100	100
Sichuan Minjiang Snow Salinization Co., Ltd.	Collateralised	8	30
	Pledged	148	—
Chengdu Mayflower Computer School	Guaranteed	50	20
Chengdu Minjiang Snow Chemical Industry Co., Ltd.	Guaranteed	50	—
Jinan Qilipu Market Co., Ltd.	Guaranteed	18	15
CSPC Group Ltd.	Guaranteed	—	460
Orient Group Industrial Co., Ltd.	Pledged	—	200
Shanghai Xingye Investment Development Co., Ltd.	Guaranteed	—	150
Fosun Group Co., Ltd.	Guaranteed	—	100
Sichuan Hope West Construction Co., Ltd.	Guaranteed	—	30
Chongqing Langfu Properties Limited	Collateralised	—	50
Sichuan Tequ Investment Co., Ltd.	Guaranteed	—	15
Guangdong 21st Century Media Co., Ltd.	Unsecured	—	10
Sichuan Xiwang Shenlan Energy Chemical Industry Co., Ltd.	Guaranteed	—	10
Chongqing YaoPharm Co., Ltd.	Unsecured	—	5
Individuals	Collateralised	95	41
Total		3,982	4,869
Ratio to similar transactions (%)		0.26	0.36

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 Related party transactions (Continued)

(2) Related party transactions (Continued)

(ii) Loans to related parties (Continued)

Amount of transactions:

	2013	2012
Interest income from loans	238	259
Ratio to similar transactions (%)	0.13	0.17

As at 31 December 2013, none of the above loans are found to be impaired individually (2012: nil).

(iii) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	2013		2012	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Balances with banks and other financial institutions	3,860	4.34	7,748	3.28
Financial assets at fair value through the profit or loss	—	—	2,281	8.67
Placements with banks and other financial institutions	287	0.27	200	0.25
Investment securities:				
— available-for-sale securities	254	0.23	595	0.51
— held-to-maturity securities	80	0.06	—	—
— loans and receivables	—	—	100	0.66
Finance lease receivables	498	0.60	430	0.57
Other assets	30	0.05	340	0.73
Deposits from customers	36,348	1.69	35,332	1.83
Deposits and placements from banks and other financial institutions	420	0.07	6,961	0.90
Other liabilities	1,057	1.87	762	1.47

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 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 RMB74 million (2012: RMB186 million), accounting for 0.04% (2012: 0.12%) of that of similar transactions, and the interest expense is RMB1,663 million (2012: RMB1,480 million), accounting for 1.68% (2012: 1.98%) of that of similar transactions. Other related-party transactions have no material impact on the Group's income statement.

Balances of items off the statement of financial position outstanding as at the end of the reporting period:

	2013		2012	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Guarantees	700	0.66	1,148	1.68
Bank acceptances	48	0.01	1,112	0.19
Re-factoring	—	—	102	0.30
Operating lease commitments	110	0.65	109	1.28
Letters of credit	—	—	38	0.03

Balances of other items outstanding as at the end of the reporting period:

	2013		2012	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	1,698	0.11	1,710	0.13
Discounted bills under resale agreements, issued by related parties	249	0.06	359	0.06
Discounted bills issued by related parties	10	0.03	7	0.04

None of the above related party transactions have a material impact on the Group's profit or loss for the years ended 31 December 2013 and 31 December 2012, and the Group's financial position as at 31 December 2013 and 31 December 2012.

44 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 significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2013 and 31 December 2012.

(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 RMB65 million as at 31 December 2013 (2012: RMB21 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 RMB150 million for the year ended 31 December 2013 (2012: RMB132 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 RMB83 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2012: RMB63 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 2013 and 31 December 2012.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 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 2013 financial statements.

(vi) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	2013	2012
Balances with banks and other financial institutions	52	22
Other assets	300	16
Deposits and placements from banks and other financial institutions	6,468	4,578
Other liabilities	10	16

Amount of transactions for the reporting period:

	2013	2012
Interest income	11	4
Interest expense	149	75
Fee and commission income	80	20
Operating expenses	139	97
Other operating expenses	2	10

For the year ended 31 December 2013, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 31 December 2013, the balance of the above transactions was RMB140 million (2012: RMB60 million).

The balances and amount with the subsidiary and inter-subsidiaries have been offset in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Fair value of financial instruments

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange-traded derivatives like futures (e.g. Nasdaq, S&P 500).

Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters.

Level 3: unobservable inputs for assets or liabilities. This level includes equity investments and debt instruments with one or more than one significant unobservable component. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2013, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Fair value of financial instruments (Continued)

(1) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group

	31 December 2013			Total
	Level 1	Level 2	Level 3	
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through the profit or loss				
— Debt securities	—	19,845	—	19,845
Financial assets designated at fair value through profit or loss				
— Debt securities	—	2,417	—	2,417
Derivative financial assets				
— Interest rate contracts	—	719	—	719
— Exchange rate contracts	—	1,267	—	1,267
Available-for-sale financial assets				
— Debt securities	129	110,852	117	111,098
— Equity investments	259	175	—	434
Total	388	135,275	117	135,780
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
— Interest rate contracts	—	(621)	—	(621)
— Exchange rate contracts	—	(1,261)	—	(1,261)
— Others	—	(1)	—	(1)
Total	—	(1,883)	—	(1,883)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Fair value of financial instruments (Continued)

(1) Financial instruments recorded at fair value (Continued)

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy: (Continued)

Group (Continued)

	31 December 2012			Total
	Level 1	Level 2	Level 3	
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through the profit or loss				
– Debt securities	12	24,327	–	24,339
Financial assets designated at fair value through profit or loss				
– Debt securities	–	1,979	–	1,979
Derivative financial assets				
– Interest rate contracts	–	324	–	324
– Exchange rate contracts	–	785	–	785
– Others	–	125	–	125
Available-for-sale financial assets				
– Debt securities	713	116,290	133	117,136
– Equity investments	14	125	–	139
Total	739	143,955	133	144,827
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
– Interest rate contracts	–	(297)	–	(297)
– Exchange rate contracts	–	(970)	–	(970)
– Others	–	(68)	–	(68)
Total	–	(1,335)	–	(1,335)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Fair value of financial instruments (Continued)

(1) Financial instruments recorded at fair value (Continued)

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy: (Continued)

Bank

	31 December 2013			Total
	Level 1	Level 2	Level 3	
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through the profit or loss				
— Debt securities	—	19,845	—	19,845
Financial assets designated at fair value through profit or loss				
— Debt securities	—	2,417	—	2,417
Derivative financial assets				
— Interest rate contracts	—	719	—	719
— Exchange rate contracts	—	1,267	—	1,267
Available-for-sale financial assets				
— Debt securities	129	110,852	117	111,098
— Equity investments	259	155	—	414
Total	388	135,255	117	135,760
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
— Interest rate contracts	—	(621)	—	(621)
— Exchange rate contracts	—	(1,261)	—	(1,261)
— Others	—	(1)	—	(1)
Total	—	(1,883)	—	(1,883)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Fair value of financial instruments (Continued)

(1) Financial instruments recorded at fair value (Continued)

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy: (Continued)

Bank (Continued)

	31 December 2012			Total
	Level 1	Level 2	Level 3	
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through the profit or loss				
– Debt securities	12	24,327	–	24,339
Financial assets designated at fair value through profit or loss				
– Debt securities	–	1,979	–	1,979
Derivative financial assets				
– Interest rate contracts	–	324	–	324
– Exchange rate contracts	–	785	–	785
– Others	–	125	–	125
Available-for-sale financial assets				
– Debt securities	713	116,290	103	117,106
– Equity investments	14	125	–	139
Total	739	143,955	103	144,797
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
– Interest rate contracts	–	(297)	–	(297)
– Exchange rate contracts	–	(970)	–	(970)
– Others	–	(68)	–	(68)
Total	–	(1,335)	–	(1,335)

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Fair value of financial instruments (Continued)

(2) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

Group

	2013		Total assets
	Available-for-sale securities		
	Debt securities	Equity securities	
At 1 January	133	—	133
— in profit or loss	9	—	9
— in other comprehensive income	8	—	8
Settlements	(33)	—	(33)
At 31 December	117	—	117
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	22	—	22

	2012		Total assets
	Available-for-sale securities		
	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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Fair value of financial instruments (Continued)

(2) Movement in level 3 financial instruments measured at fair value (Continued)

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year: (Continued)

Bank

	2013		Total assets
	Available-for-sale securities		
	Debt securities	Equity securities	
At 1 January	103	—	103
— in profit or loss	9	—	9
— in other comprehensive income	8	—	8
Settlements	(3)	—	(3)
At 31 December	117	—	117
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	22	—	22

	2012		Total assets
	Available-for-sale securities		
	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

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Fair value of financial instruments (Continued)

(3) Transfers between levels

During the year, the transfers among level 1, level 2 and level 3 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(4) Fair value of financial assets and liabilities not carried at fair value

- a Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, 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)

45 Fair value of financial instruments (Continued)

(4) Fair value of financial assets and liabilities not carried at fair value (Continued)

e Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, loans and receivables, financial bonds, subordinated bonds, hybrid capital bonds, convertible corporate bonds and deposits from customers:

Group

	31 December 2013					31 December 2012	
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value amount
Financial assets							
Loans and receivables	37,818	37,402	—	37,402	—	15,040	15,007
Loans and advances to customers	1,539,447	1,574,603	—	1,574,603	—	1,351,512	1,392,774
Held-to-maturity investments	133,124	128,548	—	128,548	—	83,653	83,461
Total	1,710,389	1,740,553	—	1,740,553	—	1,450,205	1,491,242
Financial liabilities							
Deposits from customers	2,146,689	2,219,088	—	2,219,088	—	1,926,194	1,931,416
Financial bonds	49,949	47,675	—	47,675	—	49,932	49,386
Subordinated bonds	15,762	15,316	—	15,316	—	15,757	15,294
Hybrid capital bonds	9,281	8,885	—	8,885	—	9,280	9,176
Convertible corporate bonds	16,976	19,382	—	19,382	—	—	—
Total	2,238,657	2,310,346	—	2,310,346	—	2,001,163	2,005,272

Notes to the Consolidated Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Fair value of financial instruments (Continued)

(4) Fair value of financial assets and liabilities not carried at fair value (Continued)

Bank

	31 December 2013					31 December 2012	
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value amount
Financial assets							
Loans and receivables	37,818	37,402	—	37,402	—	15,040	15,007
Loans and advances							
to customers	1,524,803	1,559,602	—	1,559,602	—	1,341,035	1,382,101
Held-to-maturity investments	133,124	128,548	—	128,548	—	83,653	83,461
Total	1,695,745	1,725,552	—	1,725,552	—	1,439,728	1,480,569
Financial liabilities							
Deposits from customers	2,124,978	2,194,314	—	2,194,314	—	1,910,622	1,915,872
Financial bonds	49,949	47,675	—	47,675	—	49,932	49,386
Subordinated bonds	15,762	15,316	—	15,316	—	15,757	15,294
Hybrid capital bonds	9,281	8,885	—	8,885	—	9,280	9,176
Convertible corporate bonds	16,976	19,382	—	19,382	—	—	—
Total	2,216,946	2,285,572	—	2,285,572	—	1,985,591	1,989,728

46 Subsequent events

Pursuant to the *Approval Regarding the Public Issuance of Tier Two Capital Bonds of China Minsheng Banking Corp., Ltd.* (Zheng Jian Xu Ke [2013] No. 570) issued by CSRC, the Bank has issued 20 billion Tier two capital bonds of A-shares at par value on 18 March 2014.

In addition, details of dividend distribution of 2013 are set out in Note 38.

47 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

	2013	2012
RMB current assets to RMB current liabilities	29%	35%
Foreign currency current assets to foreign currency current liabilities	96%	142%

Liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with ASBE released by the MOF.

2 Currency concentrations

	2013			Total
	USD	HKD	Others	
Spot assets	111,572	6,416	7,939	125,927
Spot liabilities	(77,688)	(11,210)	(7,891)	(96,789)
Forward purchases	96,953	11,362	1,739	110,054
Forward sales	(101,023)	(3,654)	(3,819)	(108,496)
Net long/(short) position*	29,814	2,914	(2,032)	30,696

	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

* 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

	Northern China	Eastern China	2013 Southern China	Other Locations	Total
Impaired loans	5,824	5,333	633	1,614	13,404
Allowance for impairment losses					
– Individual assessment	1,381	1,226	134	603	3,344
– Collective assessment	1,012	499	122	160	1,793

	Northern China	Eastern China	2012 Southern China	Other Locations	Total
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

Bank

	Northern China	Eastern China	2013 Southern China	Other Locations	Total
Impaired loans	5,824	5,214	632	1,594	13,264
Allowance for impairment losses					
– Individual assessment	1,380	1,202	134	595	3,311
– Collective assessment	1,012	477	122	158	1,769

	Northern China	Eastern China	2012 Southern China	Other Locations	Total
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

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

	2013				Total
	Northern China	Eastern China	Southern China	Other Locations	
Overdue loans	4,916	3,937	578	1,017	10,448
Allowance for impairment losses					
– Individual assessment	1,114	723	121	115	2,073
– Collective assessment	1,292	933	159	252	2,636

	2012				Total
	Northern China	Eastern China	Southern China	Other 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

	2013				Total
	Northern China	Eastern China	Southern China	Other Locations	
Overdue loans	4,916	3,759	576	973	10,224
Allowance for impairment losses					
– Individual assessment	1,114	702	121	113	2,050
– Collective assessment	1,288	794	151	197	2,430

	2012				Total
	Northern China	Eastern China	Southern China	Other 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

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Cross-border claims

	2013				Total
	Asia pacific excluding mainland China	North America	Europe	Other Locations	
Banks and other financial institutions	6,666	5,971	1,416	—	14,053
Public sector entities	786	—	—	—	786
Others	20,823	10,124	118	9,367	40,432
Total	28,275	16,095	1,534	9,367	55,271

	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

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 auditor's 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 by the Company during the reporting period in China Securities Journal, Shanghai Securities News and Securities Times
- V. Articles of Association of the Company

Organisation 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: Minsheng Tower, No.68 Liede Avenue,
Zhujiang New Town,
Tianhe District, Guangzhou

Postal code: 510623

Telephone no: 020-38380111

Fax no: 020-38380000

■ Shenzhen

Entity: Shenzhen Branch

Address: Minsheng Bank Tower,
11th Xinzhou Street,
Futian District, Shenzhen

Postal code: 518048

Telephone no: 0755-82806003

Fax no: 0755-82806555

■ Wuhan

Entity: Wuhan Branch

Address: China Minsheng Bank Tower,
No.396 Xinhua Road,
Jianghan District, Wuhan

Postal code: 430022

Telephone no: 027-85735869

Fax no: 027-85735531

■ Dalian

Entity: Dalian Branch

Address: No.4A Wuwu 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,
Shijiazhuang

Postal code: 050011

Telephone no: 0311-86678533

Fax no: 0311-86678522

■ Hangzhou

Entity: Hangzhou Branch

Address: Jinzun, Zunbao Mansion,
No.98 Shimin Street,
Qianjiang New Town,
Jiangnan District, Hangzhou

Postal code: 310016

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: Tongjuyuanjing Building,
No.9 Jianxin Bei Road,
Jiangbei District, Chongqing

Postal code: 400020

Telephone no: 023-67695146

Fax no: 023-67695107

■ Xi'an

Entity: Xi'an Branch

Address: China Minsheng Bank Tower,
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.282 Hudong Road, Fuzhou
Postal code: 350003
Telephone no: 0591-87875012
Fax no: 0591-87617310

■ Jinan

Entity: Jinan Branch

Address: No.229 Luoyuan Street, Jinan
Postal code: 250001
Telephone no: 0531-86121673
Fax no: 0531-86121690

■ Ningbo

Entity: Ningbo Branch

Address: No.348 Min'an Road,
Jiangdong District, Ningbo
Postal code: 315040
Telephone no: 0574-87260600
Fax no: 0574-87270075

■ Chengdu

Entity: Chengdu Branch

Address: Block 6, No.966 North Section of
Tianfu Avenue,
Gaoxin District, 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: China Minsheng Bank Tower,
No.43 Jianshe Road,
Heping District, Tianjin
Postal code: 300040
Telephone no: 022-58925555
Fax no: 022-58925000

■ Kunming

Entity: Kunming Branch

Address: Chuntian Yinxiang Building,
No.331 Huancheng Nan Road,
Kunming
Postal code: 650011
Telephone no: 0871-63565666
Fax no: 0871-63565000

■ 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: Minsheng Finance Tower,
Block 23, Times Square,
Suzhou Industrial Park, Suzhou
Postal code: 215028
Telephone no: 0512-62569018
Fax no: 0512-62569005

■ Qingdao

Entity: Qingdao Branch

Address: No.18 Fuzhou Nan Road,
Shinan District, Qingdao
Postal code: 266071
Telephone no: 0532-85978689
Fax no: 0532-85978667

■ Wenzhou

Entity: Wenzhou Branch

Address: Hengha Building,
No.1707 Wenzhou Avenue, Wenzhou
Postal code: 325001
Telephone no: 0577-88903961
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: Minsheng Bank Tower,
 No.1 CBD Shangwu Waihuan Road,
 Zhengdong New District, Zhengzhou
 Postal code: 450046
 Telephone no: 0371-69166666
 Fax no: 0371-69166916

■ Changsha

Entity: Changsha Branch
 Address: Minsheng Tower, No.189 Binjiang Road,
 Yuelu District, Changsha
 Postal code: 410013
 Telephone no: 0731-84907000
 Fax no: 0731-84907010

■ Changchun

Entity: Changchun Branch
 Address: Minsheng Tower,
 No.500 Changchun Street,
 Nanguan District, Changchun
 Postal code: 130041
 Telephone no: 0431-88553293
 Fax no: 0431-88553099

■ Hefei

Entity: Hefei Branch
 Address: Tian Qing Building,
 No.135 Bozhou Road, Hefei
 Postal code: 230041
 Telephone no: 0551-65682900
 Fax no: 0551-65682901

■ Nanchang

Entity: Nanchang Branch
 Address: No.237 Xiangshan Bei Road,
 Nanchang
 Postal code: 330008
 Telephone no: 0791-86751227
 Fax no: 0791-86761557

■ Nanning

Entity: Nanning Branch
 Address: 1, 8-12/F,
 Guangxi Development Tower,
 No.111-1 Minzu Avenue, Nanning
 Postal code: 530022
 Telephone no: 0771-5772193
 Fax no: 0771-5772168

■ Hohhot

Entity: Hohhot Branch
 Address: 1-3/F, Block A,
 Fortune Mansion,
 No.36 Xinhua East Street,
 Saihan District, Hohhot
 Postal code: 010010
 Telephone no: 0471-3333122
 Fax no: 0471-3333081

■ Shenyang

Entity: Shenyang Branch
 Address: No.65 Nanjing North Street,
 Heping District, Shenyang
 Postal code: 110071
 Telephone no: 024-22587777
 Fax no: 024-22587704

■ Hong Kong

Entity: Hong Kong Branch
 Address: 36/F, Bank of America Tower,
 12 Harcourt Road, Central, Hong Kong
 Postal code: —
 Telephone no: 00852-22816800
 Fax no: 00852-28992617

■ Guiyang

Entity: Guiyang Branch
 Address: No.28 Yangguan Avenue,
 Guanshanhu District, Guiyang
 Postal Code: 550008
 Telephone no: 0851-8508011
 Fax no: 0851-8508012

■ Sanya Branch

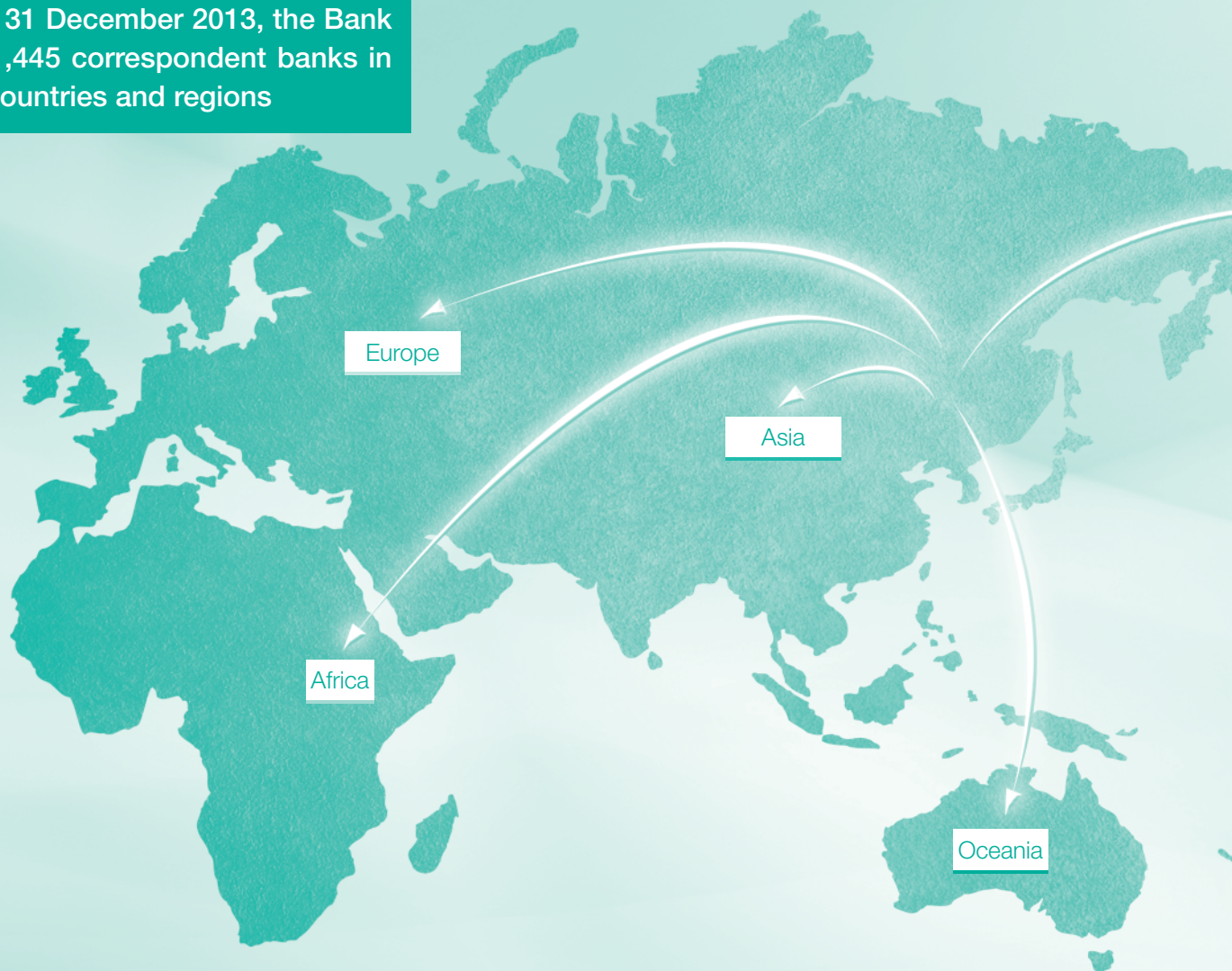
Entity: Sanya Branch
 Address: No.128 Xinfeng Street,
 Hedong District, Sanya
 Postal Code: 572000
 Telephone no: 0898-88693333
 Fax no: 0898-88986508

■ Lhasa Branch

Entity: Lhasa Branch
 Address: Global Plaza,
 No.8 Beijing West Road,
 Lhasa
 Postal Code: 850000
 Telephone no: 0891-6853619
 Fax no: 0891-6363808

Statistics of Correspondent Banks of China Minsheng Bank

As at 31 December 2013, the Bank had 1,445 correspondent banks in 111 countries and regions



Asia (714 banks in 33 countries and regions)

China	196	India	21	Jordan	2
Hong Kong	110	Pakistan	10	Qatar	3
Macau	11	Lebanon	1	Israel	6
Taiwan	48	Iran	10	Oman	3
Japan	41	The United Arab Emirates	19	Bahrain	6
Singapore	70	Nepal	3	North Korea	2
South Korea	35	Saudi Arabia	7	Syria	4
Thailand	18	Kuwait	3	Mongolia	1
Malaysia	17	Vietnam	24	Cambodia	2
Indonesia	23	Sri Lanka	3	Laos	2
Philippines	6	Bangladesh	6	Iraq	1

Europe (469 banks in 39 countries)

Germany	79	Austria	17	Cyprus	1
UK	50	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	23	Czech Republic	10	Latvia	2
Spain	17	Slovakia	5	Ukraine	2
Italy	63	Croatia	3	Malta	3
Sweden	12	Russia	18	Albania	2
Denmark	7	Slovenia	1	Kazakhstan	3
Greece	12	Serbia and Montenegro	1	Monaco	1
Finland	8	Turkey	18	Liechtenstein	1



America (189 banks in 18 countries)

USA	115	Uruguay	5
Canada	15	Cuba	1
Peru	5	Panama	3
Chile	7	Bolivia	2
Bahamas	1	Mexico	6
Columbia	3	Belize	1
Argentina	5	Guatemala	1
Brazil	15	Cayman Islands	2
The Dominican Republic	1	Venezuela	1

Africa (43 banks in 18 countries)

Egypt	10	Sudan	2
Tunisia	4	Morocco	3
South Africa	6	Algeria	1
Mauritius	2	Libya	1
Kenya	2	Nigeria	4
Namibia	1	Ghana	1
Zambia	1	Ethiopia	1
Cameroon	1	Gabon	1
Congo	1	Mozambique	1

Oceania (30 banks in 3 countries)

New Zealand	6
Australia	23
Fiji	1



Add.: No. 2, Fuxingmennei Avenue, Xicheng District,
Beijing, China

Tel. : (+86-10) 58560666

Fax. : (+86-10) 58560690

Zip Code: 100031

Website: www.cmbc.com.cn



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