

# 2015 ANNUAL REPORT

STOCK CODE : 01988



**中国民生银行**  
**CHINA MINSHENG BANK**



**与民共生**  
1996-2016

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

## Important Notice

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

This Annual Report was considered and approved on 30 March 2016 at the 26th meeting of the sixth session of the Board of the Company. Of the 18 Directors who were entitled to attend the meeting, nine Directors attended the meeting in person, five Directors, namely Vice Chairman Zhang Hongwei and Liu Yonghao as well as the Directors Guo Guangchang, Cheng Hoi-chuen and Han Jianmin, attended by teleconference, one Director was represented by proxy, Director Wang Yugui entrusted Director Wang Hang, in writing, to exercise his voting rights at the meeting, and three Directors, namely Qin Rongsheng, Ba Shusong and You Lantian were absent from the meeting.

According to the profit distribution plan for the second half of 2015 passed by the Board, on the basis of the total share capital of the Company as at the record date for the purpose of profit distribution, a cash dividend of RMB1.60 (before tax) for every 10 shares will be distributed to shareholders of the Company. Such profit distribution plan shall be subject to the approval of the general meeting of the Company.

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

The financial data and indicators contained in this Annual Report are prepared according to the rules of the IFRS. Unless otherwise specified, all amounts are the consolidated data of the Group and denominated in RMB.

KPMG Huazhen LLP and KPMG Certified Public Accountants, auditors of the Company, have audited the financial reports of 2015 prepared in accordance with the CAS and the IFRS respectively, and issued standard and unqualified auditors’ reports.

Board of Directors  
China Minsheng Banking Corp., Ltd.

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

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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”	board of directors of the Company
“CBRC”	China Banking Regulatory Commission
“CIRC”	China Insurance Regulatory Commission
“CMBC International”	CMBC International Holdings Limited
“Convertible Bond(s)” or “Minsheng Convertible Bond(s)” or “A Share Convertible Bond(s)”	A Share convertible bonds
“CPPCC”	The National Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議全國委員會)
“CSRC”	China Securities Regulatory Commission
“Director”	a director of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on SEHK

## Definitions

“Minsheng Financial Leasing”	Minsheng Financial Leasing Co., Ltd.
“Minsheng Royal Asset Management”	Minsheng Royal Asset Management Co., Ltd.
“Minsheng Royal Fund”	Minsheng Royal Fund Management Co., Ltd.
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“NPC”	National People’s Congress (全國人民代表大會)
“NSOE(s)”	non-state-owned enterprise(s)
“PBOC”	People’s Bank of China
“Phoenix Project” (鳳凰計劃)	a comprehensive customer-oriented project for strategic transformation and restructuring of the Company in response to the liberalization of interest rate
“SBU(s)”	strategic business unit(s)
“SEHK”	The Stock Exchange of Hong Kong Limited

## Definitions

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SSE”	Shanghai Stock Exchange
“Supervisor”	supervisor of the Company
“SZSE”	Shenzhen Stock Exchange
“Reporting Period”	the period from 1 January 2015 to 31 December 2015



## Material Risk Warning

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



## Message from the Chairman



Chairman

**Mr. HONG Qi**

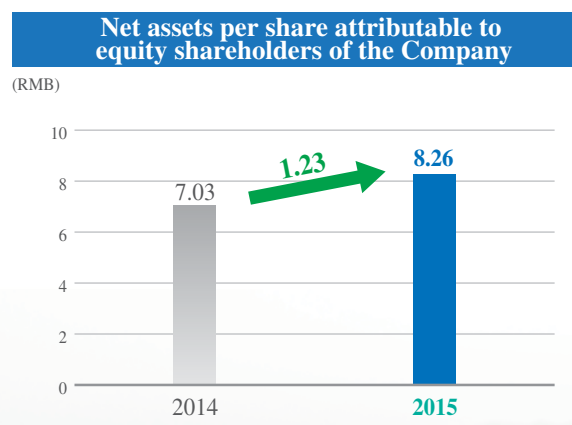
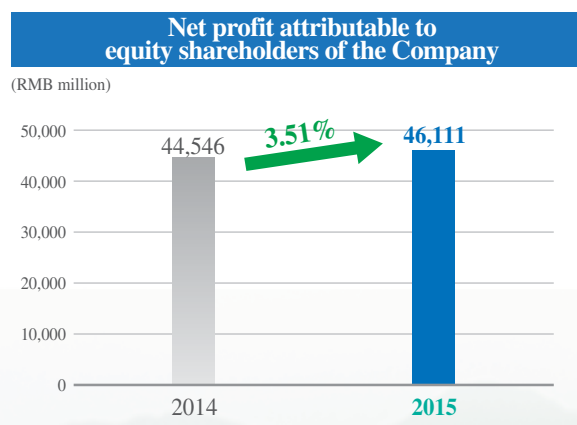


## Message from the Chairman

In 2015, despite the sluggish recovery of global economy, the Chinese economy maintained steady growth supported by the new growth drivers arising from the implementation of supply-side reforms and active economic restructuring. The reform in financial system made a breakthrough and the liberalization of interest rate was generally completed. The liberalization of exchange rate and internationalization of RMB were in progress. Under the rapid development of diversified capital market, the banking industry in China was generally in stable operation yet facing the pressure of maintaining continuous and stable profit growth.

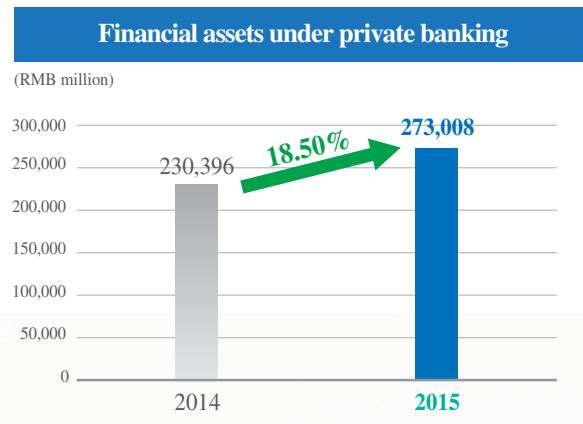
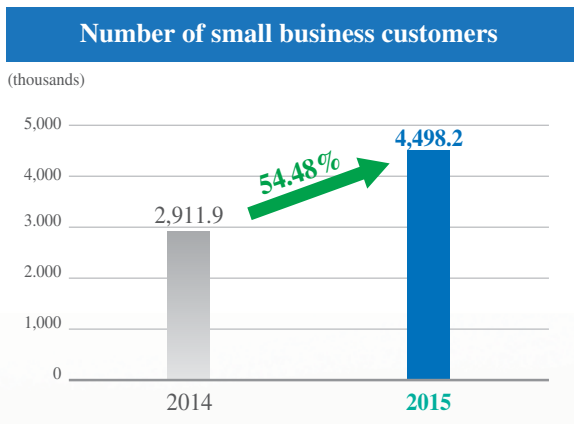
In 2015, in face of the changing macro-economic situation and regulatory policies, the Company took an initiative to overcome the difficulties and challenges by accelerating the strategic transformation and implementing the “Phoenix Project”. Remarkable results were achieved in the following aspects:

Steady growth of operating results. The net profit attributable to equity shareholders of the Company for 2015 amounted to RMB46,111 million, representing an increase of 3.51% as compared with the corresponding period of the previous year. Returns on average assets and return on average shareholders’ equity were 1.10% and 17.04%, respectively, representing a slight decrease as compared with the corresponding period of the previous year. Basic earnings per share amounted to RMB1.30, representing a decrease of RMB0.01 as compared with the corresponding period of the previous year. Net assets per share attributable to equity shareholders of the Company amounted to RMB8.26, representing an increase of RMB1.23 as compared with the end of the previous year.



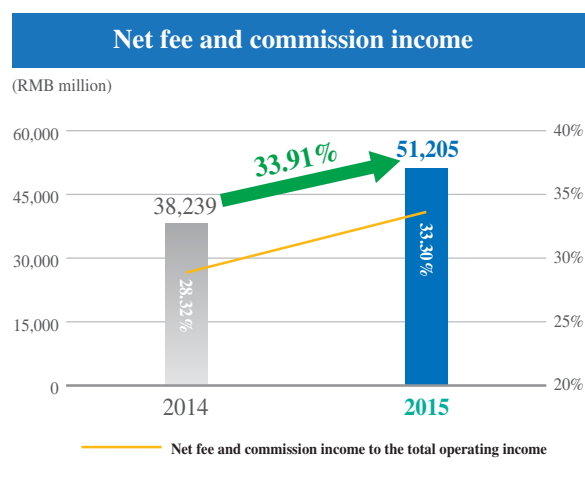
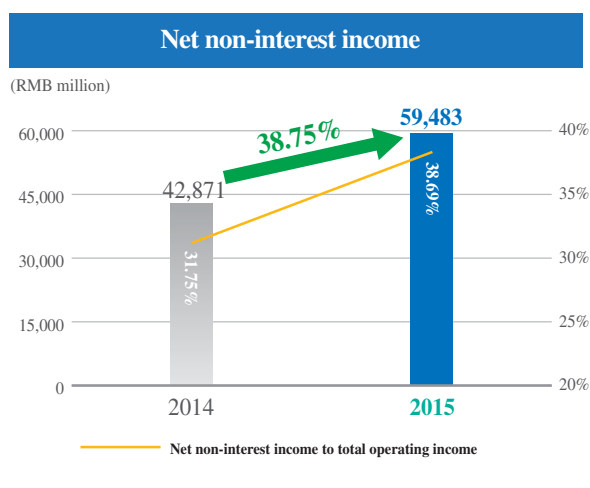
## Message from the Chairman

Accelerated development of strategic businesses. In 2015, the Company focused on strategic customers in key regions and key industries in accordance with its strategic orientation. Targeting at customers base in upstream and downstream, crucial elements markets, and e-commerce platforms of core customers, the Company continuously made efforts in developing the Company's customer base. As at the end of 2015, the number of domestic corporate customers with deposits of the Company was 692.0 thousand and the number of domestic customers with general loans of the Company was 13,557. The Company had 9,580 domestic NSOE customers with outstanding general loans of RMB678,318 million. As for the domestic corporate banking business, the number of domestic NSOE customers with outstanding general loans and the outstanding general loan to NSOEs accounted for 70.66% and 57.07%, respectively. Aiming to increase revenue of retail business, the Bank strengthened the professional management of customer base and the scale of our customer base and financial assets recorded sustainable growth. As at the end of 2015, the number of retail customers with existing deposits was increased by 5,829.6 thousand, or 29.47%, as compared with the beginning of the year. Financial assets of personal customers increased by RMB97,109 million, or 9.05%, as compared with the beginning of the year. Of such financial assets, saving deposits was increased by RMB27,746 million, or 5.22%, as compared with the beginning of the year. As at the end of 2015, financial assets under the management of private banking amounted to RMB273,008 million, representing an increase of 18.50%, as compared with the end of the previous year.



Optimization of income structure. In 2015, the Group continued to adjust its income structure by focusing on the vigorous development of intermediary business. The Group recorded net non-interest income of RMB59,483 million, representing an increase of RMB16,612 million or 38.75% as compared with the corresponding period of the previous year, accounting for 38.69% of the total operating income, representing an increase of 6.94 percentage points as compared with the corresponding period of the previous year. Net fee and commission income amounted to RMB51,205 million, representing an increase of 33.91% as compared with the corresponding period of the previous year, accounting for 33.30% of the total operating income, representing an increase of 4.98 percentage points as compared with the corresponding period of the previous year.

## Message from the Chairman



In 2015, amid the complicated macro-economic condition and increasingly competitive industry, the Company implemented different reforms under the “Phoenix Project” based on its insights and strategic planning. With the strategic transformation, the Company optimized implementation efforts and adopted customer-oriented management philosophy. As a result, the business development has shown breakthroughs in the following aspects:

Firstly, the Company launched the “Phoenix Project” to facilitate the reforms of SBUs. At this stage, the reform mainly focused on four major areas including establishing an effective head office for the Corporate and Investment Banking SBU to enhance the experience and capability of operation management of SBUs, setting up Group Client Finance Department to raise the customer development capability and client service quality, strengthening the product innovation capability to enrich the product and service offerings, and establishing relevant mechanism, procedures and systems for the operation of SBUs. By carrying out reforms on business model, the Company aimed to form a customer-oriented governance model to support business growth within three to five years, so as to become a leading bank with its core competitive edges and sustainable development.

## Message from the Chairman

Secondly, the Company reinforced its strategies by developing the corporate banking business with an internet and investment banking perspective. By organizing its business around strategic customers, transaction banking and institutional financing business, the Company seized business opportunities in capital market and sped up the transformation of its growth structure. The Company strengthened the development of its settlement business platform and online transaction financing platform while substantially reducing core cost-related liabilities. To promote the transition of its banking service model, the Company established Online Corporate Finance and Cash Management Department, serving as new integrated internet finance service platform for the corporate banking business, focusing on value creation for strategic customers and corporate settlement customers.

Thirdly, the Company put forward the transformation of retail business and developed consumer credit business. To cater to the upgraded and diversified consumption demands of residents, the Company focused on developing innovative consumer credit products and promoting the batch development model to achieve substantial growth in consumption loans. By implementing “small and micro enterprises finance strategy”, the Company adjusted its product portfolio and promoted cross-selling to better satisfy customers’ needs and enhance overall development of small and micro enterprises customers. As at the end of 2015, the number of small and micro enterprises customers was 4,498.2 thousand, representing an increase of 54.48% as compared with the end of the previous year. Average balance of loans per account of small and micro loan customers was RMB1.52 million, representing a decrease of 1.94% as compared with the end of the previous year.

Fourthly, the Company optimized the strategies to speed up the transformation. The Head Office established Channel Management Department to coordinate the planning and management of all channels. Development of outlets focused on optimizing the network coverage in addition to scale expansion. In view of the community finance, the development model was further refined and application for business licenses of community sub-branches achieved rapid progress. In 2015, 1,576 community sub-branches obtained business licenses, representing an increase of 833 as compared to the end of the previous year. Layout of community outlets was optimized to increase their operation efficiency. In 2015, community outlets had financial assets and customers of RMB119.0 billion and 3,980 thousand, representing an increase of RMB43.3 billion and 1,560 thousand as compared to the beginning of the year, respectively.

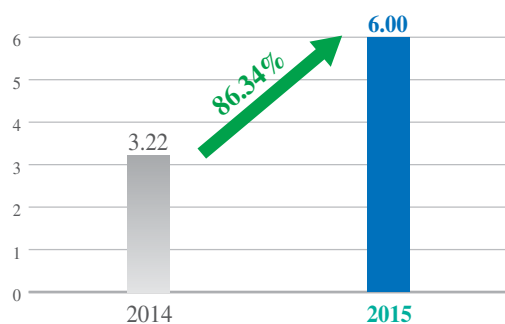
Fifthly, in response to the changing market, the financial market business has experienced an exponential growth. In strict compliance with regulatory requirement, the Company set up a special department to implement centralized management of interbank customers. A three-layered management mechanism for interbank customers was established to ensure the healthy and lawful development of the interbank business. Seizing the development opportunities arising from the growth of investment banking, asset management and wealth management industries, we launched the first capital management system for online transaction platform in the industry based on our “Custody Plus” (託管+) service platform to strengthen our competitive edges in credit assets securitization business. Thus, our custody business saw healthy and coordinated development. In order to enhance asset management and brand building of “Apex Asset Management”, the Company also explored more sales channels to facilitate a rapid and healthy development of wealth management business.

## Message from the Chairman

Sixthly, the Company captured opportunities arising from “Internet Plus” (互聯網+) and continuously pushed forward innovation of internet finance. With our constant efforts in enriching the product portfolio and distinctive services, customer experience was greatly improved and the awareness and reputation of our internet finance brand continued to increase, which facilitated us to expand the business scale and secure a leading position in market shares among commercial banks. As at the end of 2015, the number of our mobile banking customers reached 19,025.7 thousand, representing an increase of 6,004.5 thousand as compared with the end of the previous year. The number of transactions for 2015 was 342 million, representing an increase of 87.91% as compared with the corresponding period of the previous year, while the transaction turnover amounted to RMB6.00 trillion, representing an increase of 86.34% as compared with the corresponding period of the previous year. The average transaction turnover per account amounted to RMB315.4 thousand, and frequency of transactions conducted by our customers has always led the banking industry. The number of direct banking customers was 2,867.2 thousand and the total subscription volume of Ru Yi Bao (如意寶) amounted to RMB847,532 million.

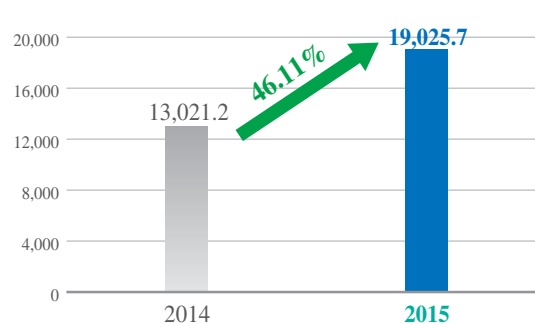
### Mobile banking transaction volume

(RMB trillion)



### Number of mobile banking customers

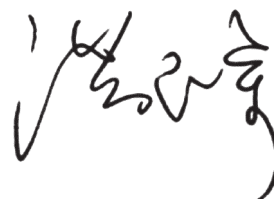
(thousands)



The achievements above were made with the endeavour of our employees as well as the strong support from customers, investors and the society. On behalf of the Company, I would like to express our heartfelt appreciation to all members of the society for their care and support for the development of China Minsheng Bank!

## Message from the Chairman

In 2016, as the global economy will continue to undergo restructuring, there is still a long way to resume a high growth rate. A relatively high downward pressure exists in the economy of China as structural contradictions will remain acute and development dynamics are in an evolving period. Embarking on a new beginning upon its 20th anniversary, the Company will uphold the development objective of “becoming a bank well known for its continuous innovation, pursuit of excellence, global deployment and win-win cooperation”. We will seize the opportunities arising from the starting year of the 13th Five-Year Plan to expedite the implementation of the “Phoenix Project” and new strategies in order to establish a new four-wheeled business model of financing with capital, intelligence, commerce and internet. By facilitating internationalization with advanced information technology and optimized group structure, Minsheng Bank is dedicated to creating more favourable returns to all shareholders, building up desirable working environment for its staff and shouldering more corporate social responsibilities. We will strive for new heights and better performance!



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

**30 March 2016**

# Strategic Positioning and Targets of the Company

## I. Mission

In view of the complicated macro-economic environment and the intensifying competition in the market, coupled with the accelerating liberalization of interest rates and internationalization of Reminbi, the similar strategic positioning of the domestic commercial banks will see some changes. In the coming three to five years, the Company will speed up its transformation and deepen its reform. It will focus on NSOEs to establish clear business positioning and strategic targets. Differentiated operation strategies will be adopted to cater for the needs of the real economy. It will develop innovative services for small business finance to facilitate its brand building as a distinctive financial institution and fully enhance its corporate value.

## II. Strategic Positioning and Targets

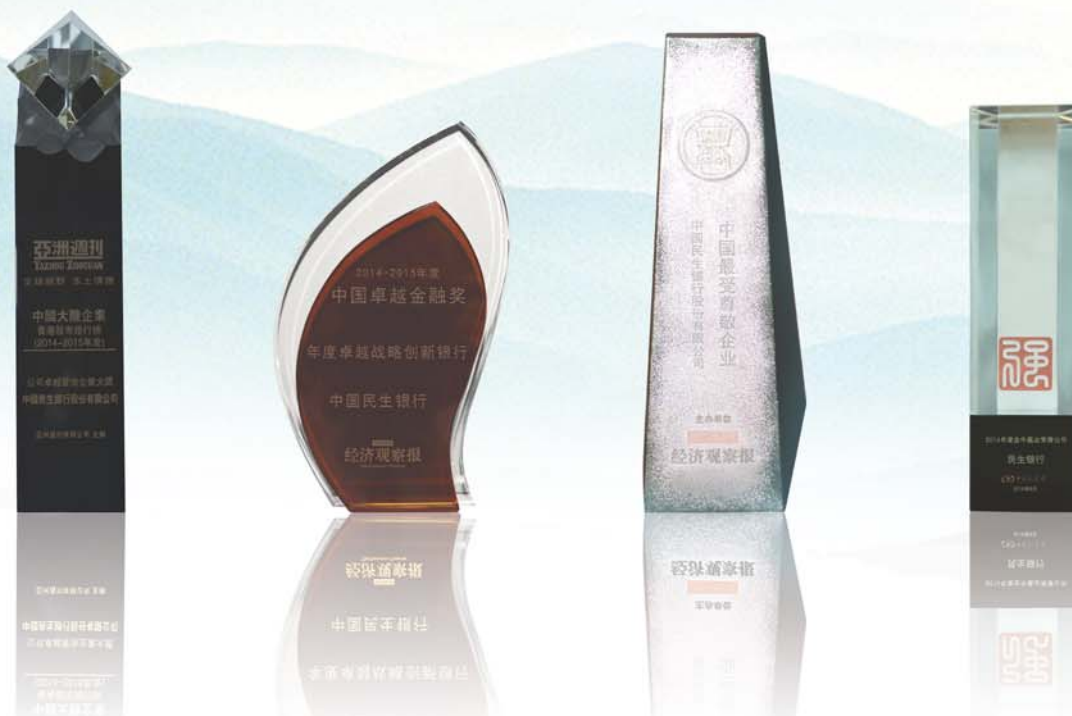
### (I) Strategic positioning

In the next three to five years, the Company will undergo transformation and reform in its growth pattern and management model in order to develop a brand new, customer-oriented “Minsheng Bank” adaptable to the changing market.

### (II) Strategic targets

Striving for its strategic target of being a distinctive and efficient bank, the Company will accelerate its branch transformation and deepen the SBU reform to develop itself as a national leading joint stock commercial banks in the PRC with core competitiveness and sustainable development.

## Annual Awards



1. The Company won the award of Excellent Corporate Governance Enterprise (公司卓越管治企業) from Asia Week (《亞洲周刊》);
2. The Company won the award of Listing Company with Highest Investment Value Award (最具投資價值上市公司獎) in the "China Securities Golden Bauhinia Awards" competition;
3. 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 Eleventh Golden Round Table Award for the Board of Directors of Chinese Listed Companies (第十一屆中國上市公司董事會金圓桌獎);
4. The Mobile Banking of the Company won the award of Internet Financial Innovation of the Year (年度互聯網金融創新獎) in the second Internet Financial Forum in China jointly organized by the China Electronic Finance Industry Alliance and the Internet Financial Committee of Internet Society of China;
5. The Company won the Best Mobile Banking of the Year (年度最佳手機銀行) in the General Election in Banking Industry of 2015 organized by Sina Finance (新浪財經) again;
6. The Direct Banking of the Company was awarded the prize of Top Ten Internet Banking Innovations (十佳互聯網金融創新獎) at the 2015 Chinese Innovation Forum of Internet Finance and Banking Industry (2015中國金融創新論壇暨中國金融創新獎頒獎典禮) jointly organized by the Banker, the Institute of Finance and Banking of Chinese Academy of Social Sciences and the IFC1000;
7. The Direct Banking of the Company was elected as the Best Direct Banking in China (中國最佳直銷銀行) by the Chinese Finance Certification Agency at the 11th Annual Meeting of China Electronic Banking (第十一屆中國電子銀行年會);
8. The Company won the Top 50 RH China New Financial Institutions of 2016 (2016胡潤中國新金融50強) and The Most Innovative New Financial Institutions in China of 2016 (2016中國最具創新模式新金融企業) awards;
9. The Small Business Finance (小微寶) of the Company was awarded the prize of Ten Best Innovative Banking Products of 2015 (Retail Sales) (2015年十佳金融產品創新獎(零售業務)) at the Financial Innovation Awards of China (中國金融創新獎) organized by The Banker (《銀行家》);
10. The Company won the 2015 Competitive Small Business Finance Bank (2015卓越競爭力小微金融服務銀行) award at the 2015 Most Competitive Financial Institutions Award jointly organized by China Business and the Research Division of China Business;



## Annual Awards



11. The Company won The Most Influential Inclusive Financial Provider in China of 2015 (2015中國最具影響力普惠金融服務提供商) award at the Zhongguancun Internet Banking Forum and the Third Inclusive Financial Forum;
12. The Company won The Best Trade Finance Bank of China (中國區最佳貿易金融銀行) from Euromoney (《歐洲貨幣》);
13. The Company was awarded the Golden Shell Award of Asset Management in China for 2015 (2015中國資產管理金貝獎) in the China Asset Management Annual Meeting in 2015 (2015年中國資產管理年會) organized by the 21st Century Business Herald (《21世紀經濟報道》);
14. The Company was awarded the “Best Innovative Custody Bank for 2015” (金牌創新力託管銀行獎) in the Golden Pixiu Award of 2015 (2015年度金融理財金貔貅獎) organized by Finance (《金融理財》);
15. The Company was the top seller of gold in 2015 according to a survey conducted by Euromoney;
16. The Company was awarded the First Prize of Best Foreign Exchange Transaction Bank of 2015 (2015年最佳外匯資金交易銀行) by the Beijing News (新京報);
17. The management accounting system of the Company was awarded the Outstanding Contribution in Management Accounting (管理會計特別貢獻獎) by the Institute of Management Accountants (“IMA”);
18. The Company was awarded the prize of Excellent Customer Services (客戶服務協作獎) by China UnionPay;
19. The Company was awarded the prize of Best High-end Product Design of 2015 (2015年度最佳高端產品設計獎) by VISA;
20. The Company was awarded the prize of Best Long-standing Partner of 2015 (2015年度最佳深度合作夥伴) by American Express Company; and
21. The Company was awarded the prize of Best Multi-channel Management Project in China of 2015 (中國最佳多渠道管理項目) by Asian Banker (《亞洲銀行》).

## Bank Profile

1. Registered Chinese Name of the Company: 中國民生銀行股份有限公司  
(Abbreviation: “中國民生銀行”)  
Registered English Name of the Company: CHINA MINSHENG BANKING CORP., LTD.  
(Abbreviation: “CMBC”)
2. Legal Representative of the Company: Hong Qi
3. Authorized Representatives of the Company: Han Jianmin  
Soon Yuk Tai
4. Board Secretary: Wan Qingyuan  
Joint Company Secretaries: Wan Qingyuan  
Soon Yuk Tai  
Representatives of Securities Affairs: Wang Honggang
5. Mailing Address: China Minsheng Bank Building,  
No. 2 Fuxingmennei Avenue,  
Xicheng District, Beijing, China  
Postal Code: 100031  
Telephone: 86-10-68946790  
Facsimile: 86-10-58560720  
Email: cmbc@cmbc.com.cn
6. Registered Address: No. 2 Fuxingmennei Avenue, Xicheng District,  
Beijing, China  
Postal Code: 100031  
Website: www.cmbc.com.cn  
Email: cmbc@cmbc.com.cn
7. Branch Office and Place of Business in Hong Kong: 36/F, Bank of America Tower, 12 Harcourt Road,  
Central, Hong Kong
8. Newspapers Selected by the Company for Information Disclosure: China Securities Journal, Shanghai Securities News and Securities Times  
Website for Publishing the A Share Annual Report Designated by the CSRC: www.sse.com.cn  
Website for Publishing the H Share Annual Report Designated by the SEHK: www.hkexnews.hk  
Annual reports are available at Office of the Board of Directors of the Company
9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office  
Legal Adviser as to Hong Kong Law: Clifford Chance

## Bank Profile

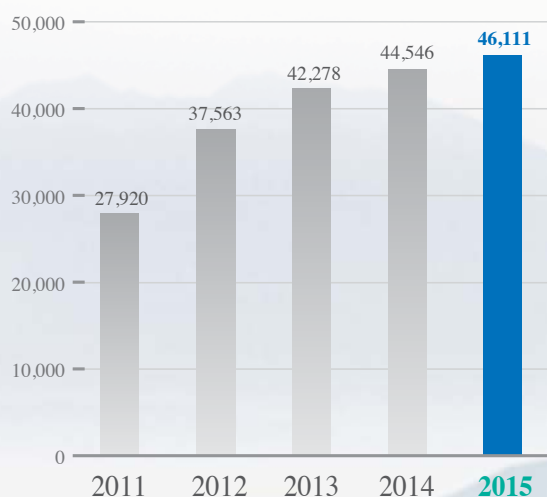
10. Domestic Accounting Firm: KPMG Huazhen LLP  
Office Address: 8th Floor, KPMG Tower Oriental Plaza,  
No. 1 East Chang An Avenue, Beijing, China
- International Accounting Firm: KPMG Certified Public Accountants  
Office Address: 8th Floor, Prince's Building, 10 Chater Road,  
Central, Hong Kong
- Signing Accountants: Jin Naiwen, 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,  
New Pudong District, Shanghai, China
- H Share Registrar: Computershare Hong Kong Investor Services Limited  
Office Address: Shops 1712–1716, 17 Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong
12. Places of Listing, Stock Names and Stock Codes:  
A Share: SSE; Stock Name: MINSHENG BANK;  
Stock Code: 600016  
H Share: SEHK; Stock Name: MINSHENG BANK;  
Stock Code: 01988
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 Accounting Data and Financial Indicators

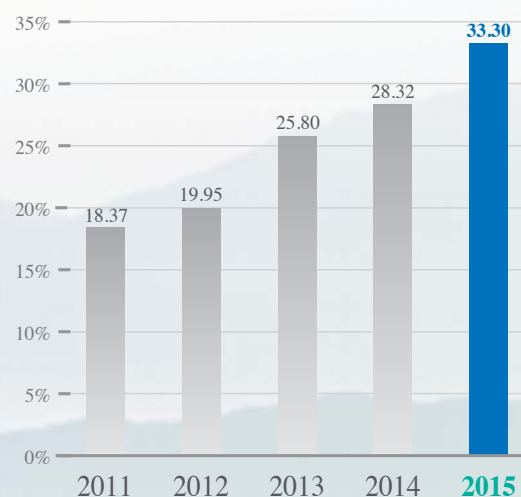
### I. Major Accounting Data and Financial Indicators

	2015	2014	Changes of the Reporting Period over the corresponding period of the previous year	2013	2012	2011
<b>Operating results</b> (RMB million)			Increase/decrease (%)			
Net interest income	94,268	92,136	2.31	83,033	77,153	64,821
Net non-interest income	59,483	42,871	38.75	33,069	25,708	17,375
Operating income	153,751	135,007	13.88	116,102	102,861	82,196
Operating expenses	58,176	54,082	7.57	45,962	42,889	35,449
Impairment losses on loans and advances	33,029	19,928	65.74	12,947	8,331	7,973
Profit before income tax	60,774	59,793	1.64	57,151	50,652	37,175
Net profit attributable to equity shareholders of the Company	46,111	44,546	3.51	42,278	37,563	27,920
Net cash flow from operating activities	225,121	229,163	-1.76	-35,238	-19,889	100,926
<b>Data per share</b> (RMB)						
Basic earnings per share	1.30	1.31	-0.76	1.24	1.12	0.87
Diluted earnings per share	1.27	1.24	2.42	1.19	1.12	0.87
Net cash flow per share from operating activities	6.17	6.71	-8.05	-1.04	-0.58	3.15
<b>Profitability indicators</b> (%)			Changes in percentage points			
Return on average assets	1.10	1.26	-0.16	1.34	1.41	1.40
Return on average shareholders' equity	17.04	20.35	-3.31	23.44	25.67	23.89
Cost-to-income ratio	31.35	33.39	-2.04	32.69	34.09	35.71
Net fee and commission income to operating income ratio	33.30	28.32	4.98	25.80	19.95	18.37
Net interest spread	2.10	2.41	-0.31	2.30	2.75	2.96
Net interest margin	2.26	2.59	-0.33	2.49	2.94	3.14

**Net Profit Attributable to Equity Shareholders of the Company (RMB million)**



**Net Fee and Commission Income to Operating Income Ratio (%)**



## Summary of Accounting Data and Financial Indicators

	31 December 2015	31 December 2014	Comparison between the end of the previous year and the end of the reporting period	31 December 2013	31 December 2012	31 December 2011
<b>Scale indicators</b>			Increase/decrease			
(RMB million)			(%)			
Total assets	4,520,688	4,015,136	12.59	3,226,210	3,212,001	2,229,064
Total balance of loans and advances to customers	2,048,048	1,812,666	12.99	1,574,263	1,384,610	1,205,221
Total liabilities	4,210,905	3,767,380	11.77	3,021,923	3,043,457	2,094,954
Deposits from customers	2,732,262	2,433,810	12.26	2,146,689	1,926,194	1,644,738
Share capital	36,485	34,153	6.83	28,366	28,366	26,715
Total equity attributable to equity shareholders of the Company	301,218	240,142	25.43	197,712	163,077	129,597
Net assets per share attributable to equity shareholders of the Company (RMB)	8.26	7.03	17.50	5.81	4.79	4.04
			Changes in			
			percentage points			
<b>Assets quality indicators (%)</b>						
Impaired loans ratio	1.60	1.17	0.43	0.85	0.76	0.63
Provision coverage ratio	153.63	182.20	-28.57	259.74	314.53	357.29
Provision for total loans ratio	2.46	2.12	0.34	2.21	2.39	2.23
<b>Capital adequacy ratio indicators (%)</b>			Changes in			
			percentage points			
Core tier-one capital adequacy ratio	9.17	8.58	0.59	8.72	N/A	N/A
Tier-one capital adequacy ratio	9.19	8.59	0.60	8.72	N/A	N/A
Capital adequacy ratio	11.49	10.69	0.80	10.69	10.75	10.86
Total equity to total assets ratio	6.85	6.17	0.68	6.33	5.25	6.02

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 Company/average balance of equity attributable to equity shareholders of the Company at the beginning and the end of the period.

3. Cost-to-income ratio = (Operating and other operating 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 impaired 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 loans ratio = Allowance for impairment losses on loans/total balance of loans and advances to customers.

## II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicators	Benchmark	31 December 2015	31 December 2014	31 December 2013	
Liquidity ratios	Consolidated in RMB	≥25	44.72	36.00	29.31
Loan-to-deposit ratio	Consolidated in RMB	≤75	71.00	69.88	73.39

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



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## Management Discussion and Analysis



### I. Review of Economic and Financial Conditions and Government Policies

In 2015, the international economy and financial conditions remained complex and grim, and the global economic recovery was generally feeble. Nonetheless, China's economy improved steadily with new growth engines picking up the momentum driven by the implementation of supply-side reforms, effective fiscal and monetary policies supporting the real economy and favourable progress in the economic restructuring. Breakthroughs were achieved in the reform of financial system. Interest rate liberalization accelerated in line with the liberalization of exchange rates and internationalization of RMB. Development of the multi-layered capital market became more mature with significant increase in the proportion of direct financing. In general, the banking industry operated in a stable and healthy manner. However, successive interest rate cuts and declining asset qualities posed increasing pressure on the ability to maintain solid profit growth. As the innovation of internet finance continued, regulatory authorities further reinforced the business guidance and standards so as to improve the comprehensive risk management and control. In response to the changes in operating environment and to effectively support the development of real economy, the Company has taken the following measures:

(i) In order to provide strategic guidelines, the Board timely organized the formulation of the Medium-to Long-term Development Strategies of China Minsheng Bank for 2016–2025 (中國民生銀行中長期發展戰略) (2016–2025) so as to further refine the strategic management system for the improvement of governance of the Company.

(ii) The Company further pushed forward the strategic transformation by carrying out various reforms, mainly including the Phoenix Project. The marketing system consisting of three headquarters was implemented widely. Advanced management tools such as Voice of Customers (客戶之聲), Lean Six Sigma (精益六西格瑪) and balanced scorecards (平衡計分卡) were adopted to strengthen the implementation of strategies and promote the steady and healthy development of various businesses.



## Management Discussion and Analysis



(iii) The Company continued to enhance the construction of a comprehensive risk management system by establishing a risk management department for retail business and accelerating the construction of a disposal platform for non-performing assets. In order to maintain stable asset quality, disposal of non-performing assets as well as the risk management and control in key areas were strengthened.

(iv) The Company supported major infrastructure projects and development of emerging industries in active response to national strategies such as “the Belt and Road Initiative” and the integrated development of Beijing, Tianjin and Hebei and development of Yangtze River Economic Zone. The structures of customers and credit assets were further optimized to promote steady business growth of the Company.

(v) The Company developed a new financial service model of “small business finance and community finance”. Coordination among various business lines was strengthened through the application of Internet. By serving “mass entrepreneurship and innovation (大眾創業·萬眾創新)”, the Company expanded its customer base and actively explored new value growth points.

(vi) The Company promoted innovation in key products and business models. Customer base and transaction volumes of mobile banking and direct banking grew rapidly while other businesses including cash management, asset management, transaction banking, investment banking, internet finance and credit card businesses experienced stable growth.

## Management Discussion and Analysis

(vii) Platform construction was further promoted with the integration of centralized credit approval and standardized management of branches. With the satisfactory progress in the three projects of Aladdin (阿拉丁), Smart Stewardship (智能管家) and data standardization, the service support abilities continued to improve. Systems and data applications were further refined with the launch of assets and liabilities information management systems.

(viii) The Company optimized the allocation of resources, strengthened the management of assets and liabilities, human resources, finance and IT resources, reinforced the construction of lawful operation and livelihood. Also, the Company developed sound corporate culture to increase cohesion of the Company. The Company adopted new recruitment and selection systems to enhance the building of teams and improve the lean management level.

## II. Overview of Operations

In 2015, in order to actively respond to the adjustments and changes in macroeconomic environment and regulatory policies, the Company, under the proper leadership of the Board, launched and implemented the Phoenix Project, and deepened the reform on operating systems. Through the acceleration of strategic transformation and business restructuring and the intensified comprehensive risk management, the business scale continued to expand with steady growth in profitability.

### (I) Steady improvement in profitability and stable return to shareholders

During the Reporting Period, the Group's net profit attributable to equity shareholders of the Company amounted to RMB46,111 million, representing an increase of RMB1,565 million, or 3.51%, as compared with the corresponding period of the previous year. Operating income amounted to RMB153,751 million, representing an increase of RMB18,744 million, or 13.88%, as compared with the corresponding period of the previous year. Net interest margin and net interest spread were 2.26% and 2.10%, respectively, representing a decrease of 0.33 percentage point and 0.31 percentage point, respectively, as compared with the corresponding period of the previous year. Due to the diluted earnings from the conversion of convertible bonds into shares, basic earnings per share was RMB1.30, representing a decrease of RMB0.01, or 0.76%, as compared with the corresponding period of the previous year. Net assets per share attributable to equity shareholders of the Company were RMB8.26, representing an increase of RMB1.23, or 17.50%, as compared with the end of the previous year. During the Reporting Period, affected by various factors including interest rate cuts by the central bank and increase of non-performing assets, return on average assets and return on average shareholders' equity of the Group were 1.10% and 17.04%, respectively, representing a decrease of 0.16 percentage point and 3.31 percentage points respectively as compared with the corresponding period of the previous year.

## Management Discussion and Analysis

### **(II) Coordinated development of assets and liabilities and further optimization of business structure**

As at the end of the Reporting Period, total assets of the Group amounted to RMB4,520,688 million, representing an increase of RMB505,552 million, or 12.59%, as compared with the end of the previous year, among which, total balance of loans and advances to customers amounted to RMB2,048,048 million, representing an increase of RMB235,382 million, or 12.99%, as compared with the end of the previous year, net investment balance of trading and banking books amounted to RMB913,562 million, representing an increase of RMB315,398 million, or 52.73%, as compared with the end of the previous year. Total liabilities amounted to RMB4,210,905 million, representing an increase of RMB443,525 million, or 11.77%, as compared with the end of the previous year. Total deposits amounted to RMB2,732,262 million, representing an increase of RMB298,452 million, or 12.26%, as compared with the end of the previous year.

On the basis of coordinated development of assets and liabilities, the Company proactively adjusted and optimized business structure and customer structure with focus on supporting the development of major businesses.

In respect of business structure and major businesses, the Company continued to optimize the investments in assets portfolio to facilitate the development of major businesses. As at the end of the Reporting Period, gross balance of loans and advances to customers accounted for 46.62% of total assets, representing an increase of 0.13 percentage point as compared with the end of previous year. For personal loans and advances to customers, the loans to small and micro enterprises accumulated for the whole year amounted to RMB493,062 million, while the balance at the period end was RMB371,224 million, accounting for 51.76% of personal loans and advances to customers. The personal consumption loans accounted for 24.41% of personal loans and advances to customers, representing an increase of 9.96 percentage points as compared with the end of the previous year. Net investment balance of trading and banking books accounted for 20.86% of total assets, representing an increase of 5.56 percentage points as compared with the end of the previous year. Balances and placements with banks and other financial institutions and financial assets held under resale agreements accounted for 20.55% of total assets, representing a decrease of 3.35 percentage points as compared with the end of the previous year.

## Management Discussion and Analysis

In respect of customer structure, the Company continued to expand transaction channels based on the needs of business development and market changes. As at the end of the Reporting Period, the number of domestic corporate customers with deposit balance was 692.0 thousand, representing an increase of 145.0 thousand as compared with the end of the previous year. The number of domestic customers with general loans balance was 13,557, including 9,580 NSOE customers, accounting for 70.66%. The number of retail customers with balance was 25,613.9 thousand, representing an increase of 5,829.6 thousand as compared with the end of previous year. The number of small and micro enterprise customers was 4,498.2 thousand, representing an increase of 1,586.3 thousand as compared with the end of previous year. The number of mobile banking customers was 19,025.7 thousand, representing an increase of 6,004.5 thousand as compared with the end of previous year. The number of retail e-banking customers was 14,508.1 thousand, representing an increase of 2,897.8 thousand as compared with the end of previous year. The number of direct banking customers was 2,867.2 thousand, representing an increase of 1,399.1 thousand as compared with the end of previous year. The number of WeChat banking customers was 3,435.3 thousand, representing an increase of 1,254.2 thousand as compared with the end of previous year.

### **(III) Continuous optimization of income structure and improvement of operating efficiency**

During the Reporting Period, the Group continued to adjust and optimize its income structure. Net non-interest income was RMB59,483 million, representing an increase of RMB16,612 million, or 38.75% as compared with the corresponding period of the previous year, accounting for 38.69% of the total operating income, representing an increase of 6.94 percentage points as compared with the corresponding period of the previous year. While continuous optimization of income structure, the Group further strengthened cost control and optimized cost management to enhance operating efficiency. The cost-to-income ratio was 31.35%, representing a decrease of 2.04 percentage points as compared with the corresponding period of the previous year.

### **(IV) Enhanced risk management and integral controllability of asset quality**

The Group continued to improve its management system of risk policy by strengthening the controllability of credit risk during the whole procedures and reinforcing the disposal of non-performing assets in order to effectively control asset quality and ensure the asset quality was generally under control. As at the end of the Reporting Period, impaired loan ratio of the Group was 1.60%, representing an increase of 0.43 percentage point as compared with the end of the previous year. Provision coverage ratio and provision for total loans ratio were 153.63% and 2.46%, respectively.

## Management Discussion and Analysis

### III. Analysis of Major Items of Income Statement

During the Reporting Period, the Group continuously improved its profitability and realised a net profit attributable to equity shareholders of the Company of RMB46,111 million, representing an increase of RMB1,565 million, or 3.51% as compared with the corresponding period of the previous year, primarily attributable to the expansion of business scale, increase of operating income and improvement of operating efficiency.

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

*(Unit: RMB million)*

Item	2015	2014	Increase (%)
Operating income	153,751	135,007	13.88
Of which: Net interest income	94,268	92,136	2.31
Net non-interest income	59,483	42,871	38.75
Operating expenses	58,176	54,082	7.57
Impairment losses on assets	34,801	21,132	64.68
Profit before income tax	60,774	59,793	1.64
Less: Income tax expense	13,752	14,226	-3.33
Net profit	47,022	45,567	3.19
Of which: Net profit attributable to equity shareholders of the Company	46,111	44,546	3.51
Profit or loss attributable to non-controlling interests	911	1,021	-10.77

## Management Discussion and Analysis

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

(Unit: RMB million)

Item	2015		2014		Increase (%)
	Amount	% of total	Amount	% of total	
Net interest income	94,268	61.31	92,136	68.25	2.31
Of which: Interest income from loans and advances to customers	117,594	76.50	116,924	86.60	0.57
Interest income from investment balance of trading and banking books	34,463	22.41	21,449	15.89	60.67
Interest income from financial assets held under resale agreements	22,335	14.53	34,355	25.45	-34.99
Interest income from placements with banks and other financial institutions	12,015	7.81	7,164	5.31	67.71
Interest income from balances with the central bank	6,818	4.43	6,655	4.93	2.45
Interest income from long-term receivables	6,157	4.00	6,962	5.16	-11.56
Interest income from balances with banks and other financial institutions	4,000	2.60	5,543	4.10	-27.84
Interest expenses	-109,114	-70.97	-106,916	-79.19	2.06
Net non-interest income	59,483	38.69	42,871	31.75	38.75
Of which: Net fee and commission income	51,205	33.31	38,239	28.32	33.91
Other net non-interest income	8,278	5.38	4,632	3.43	78.71
<b>Total</b>	<b>153,751</b>	<b>100.00</b>	<b>135,007</b>	<b>100.00</b>	<b>13.88</b>

### (I) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group was RMB94,268 million, representing an increase of RMB2,132 million, or 2.31%, as compared with the corresponding period of the previous year. Among which, the growth of business scale contributed to an increase of RMB14,463 million in net interest income and the changes in interest rate contributed to a decrease of RMB12,331 million in the net interest income.

## Management Discussion and Analysis

During the Reporting Period, the net interest margin of the Group was 2.26%, representing a decrease of 0.33 percentage point as compared with the corresponding period of the previous year. The decrease was mainly due to the interest rate cuts by the central bank.

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

(Unit: RMB million)

Item	2015			2014		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
<b>Interest-earning assets</b>						
Total balance of loans and advances to customers	1,942,707	117,594	6.05	1,703,039	116,924	6.87
Of which: Corporate loans and advances	1,243,934	71,040	5.71	1,085,564	72,517	6.68
Personal loans and advances	698,773	46,554	6.66	617,475	44,407	7.19
Investment balance of trading and banking books	734,799	34,463	4.69	420,053	21,449	5.11
Financial assets held under resale agreements	542,067	22,335	4.12	651,848	34,355	5.27
Placements with banks and other financial institutions	280,864	12,015	4.28	139,504	7,164	5.14
Balances with the central bank	445,250	6,818	1.53	435,648	6,655	1.53
Long-term receivables	93,041	6,157	6.62	86,235	6,962	8.07
Balances with banks and other financial institutions	138,659	4,000	2.88	126,212	5,543	4.39
<b>Total</b>	<b>4,177,387</b>	<b>203,382</b>	<b>4.87</b>	<b>3,562,539</b>	<b>199,052</b>	<b>5.59</b>

## Management Discussion and Analysis

Item	2015			2014		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	2,569,985	58,370	2.27	2,274,787	54,320	2.39
Of which: Corporate deposits	2,023,906	46,405	2.29	1,739,194	41,888	2.41
Demand	678,316	5,278	0.78	631,846	4,912	0.78
Time	1,345,590	41,127	3.06	1,107,348	36,976	3.34
Personal deposits	546,079	11,965	2.19	535,593	12,432	2.32
Demand	135,762	509	0.37	131,500	511	0.39
Time	410,317	11,456	2.79	404,093	11,921	2.95
Deposits from banks and other financial institutions	946,255	32,951	3.48	773,892	37,666	4.87
Debt securities issued	179,323	8,417	4.69	112,958	5,761	5.10
Borrowings from central bank and other financial institutions and others	147,858	6,334	4.28	101,899	5,225	5.13
Financial assets sold under repurchase agreements	44,343	1,606	3.62	59,645	2,567	4.30
Placements from banks and other financial institutions	45,253	1,436	3.17	38,078	1,377	3.62
<b>Total</b>	<b>3,933,017</b>	<b>109,114</b>	<b>2.77</b>	<b>3,361,259</b>	<b>106,916</b>	<b>3.18</b>
Net interest income		94,268			92,136	
<b>Net interest spread</b>			<b>2.10</b>			<b>2.41</b>
<b>Net interest margin</b>			<b>2.26</b>			<b>2.59</b>

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 in scale from 2014 to 2015	Changes in interest rate from 2014 to 2015	Net increase/decrease
<b>Changes in interest income:</b>			
Total balance of loans and advances to customers	16,455	-15,785	670
Investment balance of trading and banking books	16,072	-3,058	13,014
Financial assets held under resale agreements	-5,786	-6,234	-12,020
Placements with banks and other financial institutions	7,259	-2,408	4,851
Balances with the central bank	147	16	163
Long-term receivables	549	-1,354	-805
Balances with banks and other financial institutions	547	-2,090	-1,543
Subtotal	35,243	-30,913	4,330
<b>Changes in interest expenses:</b>			
Deposits from customers	7,049	-2,999	4,050
Deposits from banks and other financial institutions	8,389	-13,104	-4,715
Debt securities issued	3,385	-729	2,656
Borrowings from the central bank and other financial institutions and others	2,357	-1,248	1,109
Financial assets sold under repurchase agreements	-659	-302	-961
Placements from banks and other financial institutions	259	-200	59
Subtotal	20,780	-18,582	2,198
<b>Changes in net interest income</b>	<b>14,463</b>	<b>-12,331</b>	<b>2,132</b>

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.

## Management Discussion and Analysis

### 1. Interest income

During the Reporting Period, interest income of the Group was RMB203,382 million, representing an increase of RMB4,330 million, or 2.18%, as compared with the corresponding period of the previous year. The increase in interest income was mainly due to the expansion of the scale of interest-bearing assets and business restructuring. In respect of interest income structure, interest income from loans and advances accounted for 57.82% of the total interest income. Interest income from investment balance of trading and banking books accounted for 16.94% 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 RMB117,594 million, representing an increase of RMB670 million, or 0.57%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances accounted for 39.59% of total interest income from loans and advances, representing an increase of 1.61 percentage points as compared with the corresponding period of the previous year.

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

During the Reporting Period, interest income from investment balance of trading and banking books of the Group was RMB34,463 million, representing an increase of RMB13,014 million, or 60.67%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of investment scales of the Group.

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

During the Reporting Period, interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements was RMB38,350 million, representing a decrease of RMB8,712 million, or 18.51%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in return of interbank asset business.

#### **(4) Interest income from balances with the central bank**

During the Reporting Period, interest income from balances with the central bank of the Group was RMB6,818 million, representing an increase of RMB163 million, or 2.45%, as compared with the corresponding period of the previous year.

## Management Discussion and Analysis

### **(5) Interest income from long-term receivables**

During the Reporting Period, interest income of the Group from long-term receivables amounted to RMB6,157 million, representing a decrease of RMB805 million, or 11.56%, as compared with the corresponding period of the previous year.

## **2. Interest expenses**

During the Reporting Period, interest expenses of the Group was RMB109,114 million, representing an increase of RMB2,198 million, or 2.06%, as compared with the corresponding period of the previous year. The increase was mainly due to the increases in deposits from customers, deposits from banks and other financial institutions and debt securities issued. As to the components of interest expenses, the interest expenses on deposits from customers accounted for 53.49% of the total interest expenses while interest expenses on deposits and placements from banks and other financial institutions as well as financial assets sold under repurchase agreements accounted for 32.99% 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 RMB58,370 million, representing an increase of RMB4,050 million, or 7.46%, as compared with the corresponding period of the previous year. The increase was mainly due to the 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 RMB35,993 million, representing a decrease of RMB5,617 million, or 13.50%, as compared with the corresponding period of the previous year. The decrease was mainly due to the business restructuring and decrease in the cost of interbank liability business.

### **(3) Interest expenses on debt securities issued**

During the Reporting Period, interest expenses of the Group on debt securities issued amounted to RMB8,417 million, representing an increase of RMB2,656 million, or 46.10%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the scale of the bonds issued.

## Management Discussion and Analysis

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

During the Reporting Period, interest expenses of the Group on borrowings from the central bank and other financial institutions and other interest expenses amounted to RMB6,334 million, representing an increase of RMB1,109 million, or 21.22%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the borrowings from the central bank and other financial institutions.

### **(II) Net non-interest income**

During the Reporting Period, the net non-interest income of the Group amounted to RMB59,483 million, representing an increase of RMB16,612 million, or 38.75%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2015	2014	Increase (%)
Net fee and commission income	51,205	38,239	33.91
Other net non-interest income	8,278	4,632	78.71
Total	59,483	42,871	38.75

#### **1. Net fee and commission income**

During the Reporting Period, net fee and commission income of the Group amounted to RMB51,205 million, representing an increase of RMB12,966 million, or 33.91%, as compared with the corresponding period of the previous year, which was mainly due to the increases in fee and commission income from agency services, bank card services, trust and other fiduciary services.

(Unit: RMB million)

Item	2015	2014	Increase (%)
Agency services	15,926	9,666	64.76
Bank card services	15,266	12,242	24.70
Trust and other fiduciary services	11,800	8,911	32.42
Credit commitments	5,502	4,398	25.10
Financial advisory services	2,839	3,608	-21.31
Settlement services	2,529	2,349	7.66
Finance lease services	861	992	-13.21
Others	384	127	202.36
Fee and commission income	55,107	42,293	30.30
Less: Fee and commission expenses	3,902	4,054	-3.75
Net fee and commission income	51,205	38,239	33.91

## Management Discussion and Analysis

### 2. Other net non-interest income

During the Reporting Period, other net non-interest income of the Group was RMB8,278 million, representing an increase of RMB3,646 million, or 78.71%, as compared with the corresponding period of the previous year, which was mainly due to the increase in investment gains, income from the lease of precious metal and income from operating lease of subsidiary as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2015	2014	Increase (%)
Net gains arising from disposals of securities and discounted bills	4,584	2,014	127.61
Net trading gains	1,264	1,666	-24.13
Other operating income	2,430	952	155.25
Total	8,278	4,632	78.71

### (III) Operating expenses

During the Reporting Period, operating expenses of the Group amounted to RMB58,176 million, representing an increase of RMB4,094 million, or 7.57%, as compared with the corresponding period of the previous year. The increase was mainly due to the input in staff costs, expenses of outlets, IT systems, establishment of channels, etc. The cost-to-income ratio of the Group was 31.35%, representing a decrease of 2.04 percentage points as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2015	2014	Increase (%)
Staff costs (including Director's emoluments)	24,074	22,427	7.34
Business tax and surcharges	9,968	9,005	10.69
Rental and property management expenses	4,787	3,979	20.31
Depreciation and amortisation	3,781	2,994	26.29
Office expenses	2,656	3,739	-28.96
Business expenses and others	12,910	11,938	8.14
Total	58,176	54,082	7.57

## Management Discussion and Analysis

### (IV) Impairment losses on assets

During the Reporting Period, the Group recorded impairment losses on assets of RMB34,801 million, representing an increase of RMB13,669 million, or 64.68%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2015	2014	Increase (%)
Loans and advances to customers	33,029	19,928	65.74
Loans and receivables	779	943	-17.39
Long-term receivables	551	288	91.32
Others	442	-27	Negative for the corresponding period of the previous year
<b>Total</b>	<b>34,801</b>	<b>21,132</b>	<b>64.68</b>

### (V) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB13,752 million, representing a decrease of RMB474 million as compared with the corresponding period of the previous year, and accounting for 22.63% of the total profit before tax.

## 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 RMB4,520,688 million, representing an increase of RMB505,552 million, or 12.59%, as compared with the end of the previous year. The assets continued to grow.

## Management Discussion and Analysis

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

(Unit: RMB million)

Item	31 December 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Gross balance of loans and advances to customers	2,048,048	45.30	1,812,666	45.15	1,574,263	48.80
Less: Allowance for impairment losses on loans	50,423	1.11	38,507	0.96	34,816	1.08
Net balance of loans and advances to customers	1,997,625	44.19	1,774,159	44.19	1,539,447	47.72
Net investment balance of trading and banking books	913,562	20.21	598,164	14.90	304,736	9.45
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	901,302	19.94	927,756	23.11	767,335	23.78
Cash and balances with the central bank	432,831	9.57	471,632	11.75	433,802	13.45
Long-term receivables	92,579	2.05	88,824	2.21	82,543	2.56
Property and equipment	41,151	0.91	36,936	0.92	24,102	0.75
Derivative financial assets	5,175	0.11	3,231	0.08	1,986	0.06
Others	136,463	3.02	114,434	2.84	72,259	2.23
<b>Total</b>	<b>4,520,688</b>	<b>100.00</b>	<b>4,015,136</b>	<b>100.00</b>	<b>3,226,210</b>	<b>100.00</b>

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

### 1. Loans and advances to customers

As at the end of the Reporting Period, gross balance of loans and advances to customers of the Group amounted to RMB2,048,048 million, representing an increase of RMB235,382 million, or 12.99%, as compared with the end of the previous year. The gross balance of loans and advances to customers accounted for 45.30% of total assets, representing an increase of 0.15 percentage point as compared with the end of the previous year.

## Management Discussion and Analysis

Breakdown of loans and advances by product type is as the following:

(Unit: RMB million)

Item	31 December 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	1,320,020	64.45	1,157,985	63.88	968,734	61.54
Of which: Discounted bills	79,084	3.86	26,930	1.49	33,364	2.12
Personal loans and advances	728,028	35.55	654,681	36.12	605,529	38.46
Total	2,048,048	100.00	1,812,666	100.00	1,574,263	100.00

Breakdown of personal loans and advances is as the following:

(Unit: RMB million)

Item	31 December 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	378,177	51.95	410,139	62.65	408,891	67.53
Credit card overdrafts	170,910	23.48	147,678	22.56	113,298	18.71
Residential mortgage	114,328	15.70	69,606	10.63	62,096	10.25
Others	64,613	8.87	27,258	4.16	21,244	3.51
Total	728,028	100.00	654,681	100.00	605,529	100.00

### 2. Investment on trading and banking books

As at the end of the Reporting Period, net investment balance of trading and banking books of the Group amounted to RMB913,562 million, representing an increase of RMB315,398 million, or 52.73%, as compared with the end of the previous year, mainly attributable to the restructuring of asset portfolio of the Group.



## Management Discussion and Analysis

### (1) The structure of investment on trading and banking books

Investment on trading and banking books of the Group structured by holding purpose is as the following:

(Unit: RMB million)

Item	31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Loans and receivables	451,239	49.39	234,393	39.19
Held-to-maturity securities	278,364	30.47	176,834	29.56
Available-for-sale securities	157,000	17.19	159,724	26.70
Financial assets at fair value through the profit or loss	26,959	2.95	27,213	4.55
Total	913,562	100.00	598,164	100.00

### (2) Holdings of financial bonds

As at the end of the Reporting Period, financial bonds held by the Group were mainly policy financial bonds, debt securities of some 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
2014 financial bonds	5,370	5.70	2017-01-14	—
2013 financial bonds	4,800	3.68	2016-04-11	—
2012 financial bonds	4,200	4.20	2017-02-28	—
2013 financial bonds	3,100	3.98	2016-07-18	—
2013 financial bonds	3,000	4.37	2018-07-29	—
2013 financial bonds	2,480	3.15	2020-04-08	—
2015 financial bonds	2,300	4.18	2018-04-03	—
2010 financial bonds	1,930	2.00	2020-02-25	—
2015 financial bonds	1,900	4.21	2025-04-13	—
2013 financial bonds	1,630	3.15	2018-04-08	—
Total	30,710			

## Management Discussion and Analysis

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

As at the end of the Reporting Period, balances and placements with banks and other financial institutions and financial assets held under resale agreements amounted to RMB901,302 million, representing a decrease of RMB26,454 million, or 2.85%, as compared with the end of the previous year, and accounted for 19.94% to the total assets, representing a decrease of 3.17 percentage points as compared with the end of the previous year.

### 4. Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	355,851	3,235	2,657
Interest rate swaps	287,842	456	447
Precious metal derivatives	36,906	1,154	125
Credit derivatives	22,275	—	—
Currency options	21,694	112	64
Foreign exchange forwards	9,159	98	33
Extension options	8,300	—	—
Others	265	120	—
<b>Total</b>		<b>5,175</b>	<b>3,326</b>

### (II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB4,210,905 million, representing an increase of RMB443,525 million, or 11.77%, 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 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	2,732,262	64.89	2,433,810	64.60	2,146,689	71.04
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,039,904	24.70	975,010	25.88	638,244	21.12
Debt securities issued	181,233	4.30	129,279	3.43	91,968	3.04
Borrowings from the central bank and other financial institutions	171,015	4.06	149,592	3.97	81,835	2.71
Others	86,491	2.05	79,689	2.12	63,187	2.09
<b>Total</b>	<b>4,210,905</b>	<b>100.00</b>	<b>3,767,380</b>	<b>100.00</b>	<b>3,021,923</b>	<b>100.00</b>

### 1. Deposits from customers

As at the end of the Reporting Period, total balance of deposits from customers of the Group amounted to RMB2,732,262 million, representing an increase of RMB298,452 million, or 12.26%, as compared with the end of the previous year, accounting for 64.89% of the total liabilities. In respect of customer structure, the proportion of corporate deposits, personal deposits and other deposits in total deposits were 78.62%, 20.94% and 0.44%, respectively. In respect of maturity structure, the proportion of demand deposits, time deposits and other deposits in total deposits were 35.24%, 64.32% and 0.44%, respectively.

(Unit: RMB million)

Item	31 December 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	2,148,159	78.62	1,884,081	77.41	1,629,503	75.91
Of which: Demand	803,352	29.40	707,374	29.06	677,725	31.57
Time	1,344,807	49.22	1,176,707	48.35	951,778	44.34
Personal deposits	572,053	20.94	539,173	22.15	510,944	23.80
Of which: Demand	159,682	5.84	137,342	5.64	132,703	6.18
Time	412,371	15.10	401,831	16.51	378,241	17.62
Certificates of deposit	6,185	0.23	5,698	0.24	1,984	0.09
Outward remittance and remittance payables	5,865	0.21	4,858	0.20	4,258	0.20
<b>Total</b>	<b>2,732,262</b>	<b>100.00</b>	<b>2,433,810</b>	<b>100.00</b>	<b>2,146,689</b>	<b>100.00</b>

## Management Discussion and Analysis

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

As at the end of the Reporting Period, total deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,039,904 million, representing an increase of RMB64,894 million, or 6.66%, as compared with the end of the previous year.

### 3. Debt securities issued

As at the end of the Reporting Period, total debt securities issued of the Group amounted to RMB181,233 million, representing an increase of RMB51,954 million, or 40.19%, as compared with the end of the previous year.

### (III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB309,783 million, representing an increase of RMB62,027 million, or 25.04%, as compared with the end of the previous year. Total equity attributable to the equity shareholders of the Company amounted to RMB301,218 million, representing an increase of RMB61,076 million, or 25.43%, 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 2015	31 December 2014	Increase (%)
Share capital	36,485	34,153	6.83
Capital reserve	64,744	49,949	29.62
Surplus reserve	25,361	17,077	48.51
General reserve	56,351	49,344	14.20
Investment revaluation reserve	1,291	-392	Negative for the end of previous year
Retained earnings	116,826	90,019	29.78
Exchange reserve	160	-8	Negative for the end of previous year
<b>Total equity attributable to equity shareholders of the Company</b>	<b>301,218</b>	<b>240,142</b>	<b>25.43</b>
Non-controlling interests	8,565	7,614	12.49
<b>Total</b>	<b>309,783</b>	<b>247,756</b>	<b>25.04</b>

## 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 2015	31 December 2014	Increase (%)
Bank acceptances	694,294	594,300	16.83
Guarantees	267,341	205,168	30.30
Letters of credit	107,950	170,666	-36.75
Unused credit card commitments	50,385	47,830	5.34
Irrevocable loan commitments	2,762	3,846	-28.19
Re-factoring	—	300	Nil for this period
Capital commitments	20,262	20,375	-0.55
Operating lease commitments	16,916	16,533	2.32
Finance lease commitments	5,142	3,007	71.00

### (V) Market share of major products and services

According to the Summary of Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) (《金融機構本外幣信貸收支月報表》) released by the PBOC in December 2015, among nine national joint-stock commercial banks in China, as at the end of the Reporting Period, the market share of total deposits and total personal deposits of the Company were 12.98% and 13.62%, respectively. Among nine national joint-stock commercial banks in China, the market share of total loans and total personal loans of the Company were 13.02% and 13.67%, 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. According to the Notice on Adjusting the Statistical Standards of Loans and Deposits for Financial Institutions (Yin Fa [2015] No. 14) (《中國人民銀行關於調整金融機構存貸款統計口徑的通知》(銀發[2015]14號)) released by the PBOC, with effect from 2015, the deposit-taking financial institutions shall include deposits and placements with non-deposit-taking financial institutions in “Total Deposits” and “Total Loans”, respectively, for statistical purpose.)

## Management Discussion and Analysis

### V. Qualitative Analysis of Loans

#### (I) Industry concentration of loans

(Unit: RMB million)

Item	31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Of which: Manufacturing	257,157	12.56	230,875	12.74
Real estate	243,983	11.91	236,931	13.07
Wholesale and retail	181,659	8.87	149,983	8.27
Leasing and commercial services	164,557	8.03	126,971	7.00
Mining	115,682	5.65	96,949	5.35
Transportation, storage and postal service	72,867	3.56	65,088	3.59
Financial services	58,564	2.86	28,988	1.60
Construction	54,000	2.64	49,785	2.75
Water, environment and public utilities management	52,502	2.56	54,107	2.98
Production and supply of electric power, heat, gas and water	30,588	1.49	25,144	1.39
Public administration, social security and social organizations	26,235	1.28	31,366	1.73
Agriculture, forestry, animal husbandry and fishery	12,393	0.61	14,897	0.82
Accommodation and catering	9,411	0.46	12,540	0.69
Others	40,422	1.97	34,361	1.90
Subtotal	1,320,020	64.45	1,157,985	63.88
Personal loans and advances	728,028	35.55	654,681	36.12
Total	2,048,048	100.00	1,812,666	100.00

## Management Discussion and Analysis

### (II) Geographical distribution of loans

(Unit: RMB million)

Item	31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Northern China	624,249	30.48	541,053	29.85
Eastern China	610,632	29.82	556,898	30.72
Southern China	247,295	12.07	195,054	10.76
Other regions	565,872	27.63	519,661	28.67
Total	2,048,048	100.00	1,812,666	100.00

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

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

(Unit: RMB million)

Item	31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Unsecured loans	378,198	18.47	332,482	18.34
Guaranteed loans	601,837	29.38	604,994	33.38
Loans secured by				
Of which: tangible assets other than				
monetary assets	789,273	38.54	664,031	36.63
monetary assets	278,740	13.61	211,159	11.65
Total	2,048,048	100.00	1,812,666	100.00

## Management Discussion and Analysis

### (IV) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of the Group's top ten loan customers sorted by the loan balance were RMB50,410 million, accounting for 2.46% of the gross loans. The top ten loan customers of the Group were as follows:

*(Unit: RMB million)*

Top ten loan customers	Balance	% of gross loans
A	6,712	0.33
B	6,445	0.32
C	6,439	0.31
D	5,505	0.27
E	4,924	0.24
F	4,831	0.24
G	4,554	0.22
H	3,765	0.18
I	3,735	0.18
J	3,500	0.17

As at the end of the Reporting Period, the percentage of loans to the single largest loan customer and the top ten loan customers were as follows:

*(Unit: %)*

Major indicator	Benchmark	31 December 2015	31 December 2014	31 December 2013
Percentage of loan to the single largest loan customer	≤10	1.75	2.11	2.59
Percentage of loans to the top ten loan customers	≤50	13.11	13.60	14.44

Notes: 1. Percentage of loan to the single largest loan customer = Total loan to the single largest loan customer/net capital base.

2. Percentage of loans to top ten loan customers = Total loans to top ten loan customers/net capital base.

### (V) Five-category classification of credit assets

As at the end of the Reporting Period, the percentage of provisions to impaired loans ratio of the Group was 1.60%, representing an increase of 0.43 percentage point as compared with the end of previous year.



## Management Discussion and Analysis

(Unit: RMB million)

Item	31 December 2015		31 December 2014		Increase (%)
	Amount	% of total	Amount	% of total	
Performing loans	2,015,227	98.40	1,791,532	98.83	12.49
Of which: Pass	1,939,680	94.71	1,755,630	96.85	10.48
Special-mention	75,547	3.69	35,902	1.98	110.43
Impaired loans	32,821	1.60	21,134	1.17	55.30
Of which: Substandard	20,595	1.00	16,591	0.92	24.13
Doubtful	8,536	0.42	3,267	0.18	161.28
Loss	3,690	0.18	1,276	0.07	189.18
Total	2,048,048	100.00	1,812,666	100.00	12.99

### (VI) Migration ratio of loans

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

(Unit: %)

Item	31 December 2015	31 December 2014	31 December 2013
Pass	4.59	3.05	2.40
Special-mention	27.19	16.67	23.71
Substandard	23.69	12.30	19.60
Doubtful	52.01	14.57	11.79

### (VII) Restructured loans and overdue loans

As at the end of the Reporting Period, the balance of the restructured loans of the Group was RMB5,568 million, representing an increase of RMB2,412 million as compared with the end of the previous year. The percentage of restructured loans to total loans and advances to customers was 0.27%, representing an increase of 0.10 percentage point as compared with the end of the previous year. The balance of overdue loans was RMB80,715 million, representing an increase of RMB31,029 million as compared with the end of the previous year. The percentage of overdue loans to total loans and advances to customers was 3.94%, representing an increase of 1.20 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Restructured loans	5,568	0.27	3,156	0.17
Overdue loans	80,715	3.94	49,686	2.74

- 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 Company as a result of deteriorated financial status of the borrower or inability of the borrower to repay the debt due.
  2. Overdue loans are loans of which the repayment of principal or interest is overdue for one or more days.

## Management Discussion and Analysis

### (VIII) Changes in allowance for impairment losses on loans

(Unit: RMB million)

Item	31 December 2015	31 December 2014
Opening balance	38,507	34,816
Charge for the period	35,528	22,559
Release during the period	-2,499	-2,631
Transfer out	-9,065	-10,056
Write-offs	-12,255	-7,119
Recoveries	1,165	1,616
Unwinding of discount	-1,032	-674
Exchange gain or loss	74	-4
Ending balance	50,423	38,507

Method for assessing allowances for impairment losses on loans:

On reviewing the book values of the Group's loans as at the balance sheet date, 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 recognize 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 recognized at its impaired value, no collective impairment provision is required.

## Management Discussion and Analysis

### (IX) Impaired loans and related measures

As at the end of the Reporting Period, the Group had impaired loan balance of RMB32,821 million, representing an increase of RMB11,687 million, or 55.30%, as compared with the end of the previous year.

#### 1. Industry concentration of impaired loans

(Unit: RMB million)

Item	31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Of which: Manufacturing	9,657	29.42	6,062	28.68
Wholesale and retail	7,176	21.86	6,498	30.75
Construction	697	2.12	250	1.18
Transportation, storage and postal service	609	1.86	236	1.12
Mining	483	1.47	128	0.61
Real estate	346	1.05	486	2.30
Agriculture, forestry, animal husbandry and fishery	192	0.58	103	0.49
Leasing and commercial services	133	0.41	—	—
Production and supply of electric power, heat, gas and water	110	0.34	—	—
Accommodation and catering	70	0.21	75	0.35
Financial services	45	0.14	36	0.17
Water, environment and public utilities management	40	0.12	—	—
Others	152	0.47	102	0.48
Subtotal	19,710	60.05	13,976	66.13
Personal loans and advances	13,111	39.95	7,158	33.87
Total	32,821	100.00	21,134	100.00

## Management Discussion and Analysis

### 2. Geographical distribution of impaired loans

(Unit: RMB million)

Item	31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Northern China	14,505	44.19	9,465	44.78
Eastern China	7,544	22.99	5,925	28.04
Southern China	3,585	10.92	2,035	9.63
Other regions	7,187	21.90	3,709	17.55
Total	32,821	100.00	21,134	100.00

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

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

- (1) Proactively adjusting loan distribution, and continuously optimizing asset structure in line with the changing economic environment and requirements of macroeconomic policies;
- (2) Further improving the risk management policies and imposing multidimensional risk limit management for various industries and regions;
- (3) Strengthening the management of credit approval, optimizing post-loan management procedures, improving the system of risk monitoring and early-warning as well as conducting various risk identification and special examination, closely monitoring loans with potential problems in order to identify potential risk factors and promptly formulate collection and disposal plans so as to control the increase of non-performing and overdue loans;
- (4) Further enhancing collection and disposal of impaired loans by strengthening the quality control of credit assets, 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 and conducting specific recovery and disposal activities;

## Management Discussion and Analysis

- (5) Promoting innovative management by actively exploring and implementing new recovery methods, expanding internal and external channels and establishing exchange platforms for innovative recovery and disposal approaches in order to improve the efficiency of collection and disposal;
- (6) Further speeding up the development and application of monitoring and management systems to effectively improve the asset monitoring and management ability, strengthening training programs to improve the professional skills and the comprehensive qualities of the risk management team and foster the philosophy of compliant operation.

### 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 Measures”) promulgated by the CBRC and other relevant regulatory provisions. The calculation of capital adequacy ratio covers the Company and the financial institutions directly or indirectly invested by the Company in accordance with the requirements of the New Measures. As at the end of the Reporting Period, the capital adequacy ratio, core tier-one capital adequacy ratio and tier-one capital adequacy ratio of the Group satisfied the requirements of the New Measures of the CBRC.

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

*(Unit: RMB million)*

Item	31 December 2015	
	The Group	The Company
Net core tier-one capital	306,873	290,270
Net tier-one capital	307,360	290,270
Total net capital base	384,391	365,109
Core tier-one capital	308,039	296,577
Core tier-one capital deductions	-1,166	-6,307
Other tier-one capital	487	—
Other tier-one capital deductions	—	—
Tier-two capital	77,031	74,839
Tier-two capital deductions	—	—
Total risk-weighted assets	3,346,232	3,175,727
Of which: Credit risk-weighted assets	3,070,856	2,912,241
Market risk-weighted assets	23,997	21,375
Operational risk-weighted assets	251,379	242,111
Core tier-one capital adequacy ratio (%)	9.17	9.14
Tier-one capital adequacy ratio (%)	9.19	9.14
Capital adequacy ratio (%)	11.49	11.50

## Management Discussion and Analysis

Capital instruments entitled for the preferential policy during the transitional period: According to the applicable requirements under the New Measures, non-qualified tier-two capital instruments issued by commercial banks before 12 September 2010 may be entitled to preferential policy of a progressive deduction of book value by 10% per annum starting from 1 January 2013. As at the end of the Reporting Period, the balance of non-qualified tier-two capital instruments of the Company was RMB17.6 billion, which can be put into the calculation.

As at the end of the Reporting Period, the net tier-one capital, on- and off- balance sheet assets after adjustment and leverage ratio increased by RMB8.7 billion, RMB73.8 billion and 0.09 percentage point, respectively, as compared with the end of September 2015. The leverage ratio of the Group is as follow:

Item	31 December 2015	30 September 2015	30 June 2015	31 March 2015
Leverage ratio (%)	5.60	5.51	5.40	5.28
Net tier-one capital	307,360	298,622	286,216	259,688
On- and off- balance sheet assets after adjustment	5,488,943	5,415,173	5,302,584	4,919,301

For details of the regulatory capital, please refer to “Investor Relations — Announcements and Disclosures — Regulatory Capital” on the Company’s website ([www.cmbc.com.cn](http://www.cmbc.com.cn)).

## Management Discussion and Analysis

### VII. Segment Report

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

#### (I) Segment operating results by geographical region

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Northern China	3,097,436	81,869	41,035
Eastern China	1,202,523	29,563	5,809
Southern China	654,656	15,377	5,579
Other regions	967,318	26,942	8,351
Inter-segment elimination	-1,417,108	—	—
<b>Total</b>	<b>4,504,825</b>	<b>153,751</b>	<b>60,774</b>

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

#### (II) Segment operating results by business line

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate banking business	1,841,262	76,102	33,592
Personal banking business	730,090	45,629	9,222
Treasury business	1,778,918	25,773	14,195
Other businesses	154,555	6,247	3,765
<b>Total</b>	<b>4,504,825</b>	<b>153,751</b>	<b>60,774</b>

## Management Discussion and Analysis

### VIII. Other Financial Information

#### (I) Items relating to fair value measurement

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

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

##### 2. Items measured at fair value

The Company's financial instruments measured at fair value include: financial assets at fair value through the profit or loss, derivative financial instrument, available-for-sale securities and precious metals. In particular, the valuation methods of financial assets at fair value through the profit or loss and the bond investment of the available-for-sale security investments were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply; for bonds denominated in foreign currencies, market value was determined through a combination of BLOOMBERG quotes and enquiries; 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.



## Management Discussion and Analysis

(Unit: RMB million)

Item	Opening balance	Gain/loss from fair value changes for the period	Accumulated fair value changes charged to equity	Impairment allowance for the period	Closing balance
Financial assets					
Of which: Precious metals	—	960	—	—	18,187
Financial assets at fair value through the profit or loss	27,213	2,189	—	—	26,959
Positive fair value of derivatives	3,231	1,944	—	—	5,175
Available-for-sale securities	159,577	—	2,471	-379	156,853
<b>Total</b>	<b>190,021</b>	<b>5,093</b>	<b>2,471</b>	<b>-379</b>	<b>207,174</b>
Financial liabilities					
Of which: Financial liabilities at fair value through the profit or loss	21	-2	—	—	337
Negative fair value of derivatives	2,558	768	—	—	3,326
<b>Total</b>	<b>2,579</b>	<b>766</b>	<b>—</b>	<b>—</b>	<b>3,663</b>

**(II) Overdue and outstanding liabilities**

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

## Management Discussion and Analysis



### IX. Performance of Key Business Lines

#### (I) Corporate and investment banking

During the Reporting Period, to actively cope with the challenges arising from the liberalization of interest rates and changes of market and customers, the Company adopted a customer-oriented approach and focused on the integration of front office, professionalization of middle office and centralization of back office according to the overall planning and arrangements of the Phoenix Project by leveraging on the international advanced experience and the experience of the reforms and explorations carried out by the Company's SBUs in the past seven years. The Company furthered the reform of the corporate banking SBU to support its healthy and sustainable development of businesses. The reform of the corporate and investment banking SBUs was in full swing since 2015.

The Company carried out reform of the corporate and investment banking SBUs according to the plans under the Phoenix Project, with strategic objective to establish a national leading benchmark financial enterprise to better meet the needs of the current reform development and market competition. Through refining the financial structure and system of the Company, defining the functions of each position, specifying the management duties of different departments and continuously consolidating the foundation of management, the Company established a marketing service model with fast market response, high operating efficiency and sound management system to enhance the vitality of business development, operating and management efficiency and competitiveness. The system reform will be implemented in stages within three to five years to steadily push forward the transformation into a customer-oriented management model with stable growth in order to build a different version of Minsheng Bank, a leading bank with core competitiveness and sustainable development. The current phase of reform focuses on four main areas. First, the Company will establish a strong headquarter of the corporate and investment banking SBUs in order to accumulate experience and develop capabilities regarding the operation and management of major SBUs. Second, the Company targets to establish the Group Customer Finance Department and improve its capabilities in developing customer base and customer service. Third, the innovation capabilities of products will be strengthened to build a comprehensive product and service system. Fourth, relevant internal mechanism, process and system for the operation of SBUs will be established.

## Management Discussion and Analysis

During the Reporting Period, while steadily pushing forward the reform, the Company proactively embraced the new opportunities and challenges arising from the liberalization of interest rate as well as the “New Normal” of Chinese economy. By developing the corporate banking business with internet and investment banking perspective, organizing its business around strategic customers, transaction banking and institutional financing business, seizing business opportunities in capital market, speeding up the transformation of its growth structure, the Company has secured healthy development of the corporate banking business.

### 1. Customer base of corporate banking

During the Reporting Period, the Company focused on strategic customers in key regions and key industries in accordance with its strategic orientation. Targeting at customers base in upstream and downstream, crucial elements markets, and e-commerce platforms of core customers, the Company continuously made efforts in developing the Company’s customer base. As at the end of the Reporting Period, the number of domestic corporate customers with deposits of the Company increased by 145.0 thousand, representing an increase of 26.51%, to 692.0 thousand as compared with the end of previous year. The number of customers with general loans balance of the Company was 13,557 and the customer base of the asset business remained stable.

As at the end of the Reporting Period, the Company had 9,580 domestic NSOE customers with outstanding general loans of RMB678,318 million. In domestic corporate banking business, the number of NSOE customers with outstanding general loans accounted for 70.66% and the relevant general loan amount accounted for 57.07%.

### 2. Corporate deposits and loans

During the Reporting Period, to effectively cope with the impacts and challenges brought by the liberalization of interest rate and the internet banking to the corporate deposit of commercial banks, the Company strengthened the development of its settlement business platform and online transaction financing platform while substantially reducing core cost-related liabilities. As at the end of the Reporting Period, the balance of corporate deposits of the Company amounted to RMB2,130,767 million, representing an increase of RMB266,614 million, or 14.30%, as compared with the end of the previous year.

During the Reporting Period, the Company proactively tapped into business opportunities resulting from strategies, among others, the integrated development of Beijing, Tianjin and Hebei, the development of the Yangtze River Economic Zone, the Belt and Road Initiative and the Free Trade Zones. Focusing on its strategic customers at the upstream and downstream, strengthening the transaction financing service model, the Company established a business ecosystem through online

## Management Discussion and Analysis

integration and supervision of logistics, capital flow, invoice flow and customer flow to reduce the use of risk capital. During the Reporting Period, the bill business of the Company was in line with its business tenet of “customer-based, market-oriented and product-emphasized”. The Company further promoted the commercial bill business, especially electronic commercial discounted bill business, to fulfill the corporate financing needs, consolidate the relationship between the Company and the enterprises and support the development of real economy. With the foundation of a strong customer base, the Company continued to develop innovative products and services for bill business, enriched product portfolio and cooperation models and launched electronic bill agency service business to increase the channels for bill transactions, which may lower the financing costs of enterprises. The financing channels for small and medium enterprises were expanded by actively promoting the product of “eBill (e票通)”. The product system of “Kuai Yi Tie (快易貼)” was upgraded and developed to continue to provide effective and convenient service to customers. The Company also strengthened the professional platform for bill business, optimized the bill business management system and product promotion system, built a professional team for the bill business and provided tailored financial service solutions and product and business supports to better fulfill customers’ business needs in the real economy.

As at the end of the Reporting Period, the outstanding corporate loans (including discounted bills) of the Company amounted to RMB1,314,402 million, representing an increase of RMB160,773 million, or 13.94%, as compared with the end of the previous year. In particular, the outstanding general corporate loans amounted to RMB1,237,237 million, representing an increase of RMB109,751 million, or 9.73%, as compared with the end of the previous year. The impaired corporate loan ratio was 1.50%.

### 3. Investment banking

During the Reporting Period, in respect of the investment banking business, the Company mainly focused on the following five areas: (1) comprehensive financial services for the multi-layered capital market; (2) bond issuance, underwriting, investment and transaction; (3) mergers and acquisitions relating to integration of industries, regions and enterprises as well as reforms of mixed-ownership; (4) structured finance pillared by securitization; and (5) wealth management of investment banking. Concentrating on such five areas, the Company has been and will continue to focus on, among others, the expansion of merger and acquisition finance, listing finance, structured finance, cross-border finance, investment management, bond issuance, securitization and wealth management businesses in the next few years. During the Reporting Period, the Company had successively won the “Most Effective Merger, Acquisition and Reorganization for Conventional Industries in 2015 (2015年度傳統產業併購重組最佳效果獎)” by China Securities Journal, the “Best Service Bank in the New Third Board (新三板最佳服務銀行) in the second session of Chinese New Award (華新獎) granted by China Business News (第一財經日報) and the “Bole Award in the New Third Board (新三板伯樂獎)” by the Economic Observer, demonstrating the constant surge of the brand influence of its investment banking business.

## Management Discussion and Analysis

During the Reporting Period, the Company achieved a major breakthrough in the capital market by completing a number of significant projects such as ST Chaori (ST超日) restructuring and backdoor listing of Focus Media, which had great influence on the market and fostered brand effects in areas like mergers and acquisitions, industry consolidation and homecoming of China concept stocks.

During the Reporting Period, the Company actively seized market opportunities by prioritizing its customer base of large and medium-sized state-owned enterprises, and focusing on key regions, industries, customers and products. It actively adjusted marketing strategies, integrated internal and external resources and carried out delayering assessment and management systems to boost its core competitiveness. During the Reporting Period, the Company issued 229 short-term debt financing bills, medium-term notes (including medium-term notes with long-term rights), super short-term debt financing bills, targeted instruments, integrated credit enhancement bonds for small and micro enterprises and other financing instruments for 323 enterprises in total with an aggregate value of RMB244.6 billion, representing a year-on-year growth of 67%. This growth rate ranked top of major joint-equity commercial banks. The bond underwriting business recorded fee and commission income of RMB987 million.

During the Reporting Period, the Company set up various brands, such as “Chuang Fu (創富)”, “Qi Fu (企富)” and “Hui Fu (匯富)”, for its securitization business. A number of ground-breaking products, such as private credit assets securitization products, housing fund corporate assets securitization products, Residential Mortgage-Backed Securities (RMBS), corporate assets securitization products with receivables under letter of guarantee, were issued under these brands.

During the Reporting Period, the Company recorded rapid increase in net fee and commission income of the corporate business segment. The aggregated amount of net fee and commission income was RMB22,898 million, representing a year-on-year growth of 19.01%.

### **4. Transaction banking**

During the Reporting Period, in order to build a bank-wide transaction platform, the Company established the Transaction Banking Department to enhance services, restructure product system, foster innovative mechanisms and construct IT platforms and systems. Transaction banking business mainly focused on trade finance through corporate network financing and cash management. Instead of just providing single product or service to the specific production or transaction process of an enterprise, its scope has further penetrated and extended to logistics, capital flow, information flow and other aspects of enterprises, with an aim to provide a comprehensive package of financial services solutions for enterprises and enhance customer service levels and capabilities.

## Management Discussion and Analysis

In respect of the trade finance business, the Company has always been devoting itself in building its distinctive brand of trade financing services and formed a comprehensive product portfolio covering international settlement, international trade financing and domestic trade financing. It has established a global correspondent banking network and clearing channels by building up correspondent banking relationships with 1,532 banks in 115 countries and regions across the world. The Trade Finance SBU continued to exert great efforts to become a provider of financial solutions and an integrator of finance and resources, and strived to provide customers with a series of innovative products and solutions, including factoring, overseas investment and financing, cross-border RMB 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. The Company launched a series of innovative factoring products including "Yin Zu Tong" (銀租通), "domestic dual factoring" (國內雙保理), property supply chain factoring, non-recourse factoring and import factoring. During the year, the volume of factoring transfer amounted to RMB213.8 billion with a total of 232.1 thousand transactions. The volume of international factoring business amounted to RMB17,782 million and a total of 31.7 thousand transactions were recorded. Moreover, businesses in relation to the "going global" strategy, free trade zone, e-commerce, foreign and local fund pools and overseas bonds issuance were continuously carried out to provide integrated financial solutions for cross-border transactions of enterprises. The clear positioning and development concept of being a leading bank in promoting internationalization of private enterprises were favoured and recognized by the market, building up differentiated characteristics and advantages of the Company among commercial banks. The Company actively built cross-border e-commerce platform by cooperating with certain cross-border e-commerce operators to jointly develop systems and platforms. The phase I of cross-border payment platform linking with the payment system of institution customers was launched. Besides, the Company strengthened process management, introduced the successful experiences of the "Six Sigma" management instrument through domestic factoring business, and commenced five "Six Sigma" projects covering international payments and receipts, letters of credit payment for import, overseas remittance between enterprises, file management and foreign exchange trading, which improved the risk control level of the Company while enhancing its operating efficiency and reflected the true value of a processes-oriented bank. During the Reporting Period, the rapid and healthy development of trade finance attracted wide attention from domestic and foreign financial media. The Company was successively awarded the "Best Trade Finance Bank in China (中國最佳貿易金融銀行獎)" by Euromoney, the "Innovative Trade Finance Bank (貿易金融產品創新銀行)" by the China Banking Association, and the "Best Trade Finance Bank for Small and Medium-sized Enterprises in China (中國最佳中小企業貿易金融銀行獎)" by The Asian Banker.

## Management Discussion and Analysis

In respect of internet finance and cash management, the Company promoted the transition of its banking service model in a timely manner with the aim of setting up new integrated online finance service platform for the corporate banking business, focusing on strategic customers and creating value for corporate settlement customers. Firstly, the online corporate finance service platform will be set up and offer online supply chain financing, online wealth management, online core customer billing management, customer order management and other functions to realize the ultimate integration of “transaction finance plus online finance”. Secondly, the Company is developing new cash management products such as “Tender Express (招標通)”, “Market Express (市場通)” as well as continually upgrading and refining products such as “Value-adding for Liquidity Income (流動利增值)”, “Cash Pools (現金池)” in order to boost deposit balance. As at the end of the Reporting Period, cash management service and deposit value-added service have been made available to all 48,256 core customers of the Company, generating a daily average deposits of RMB293.2 billion, representing an increase of RMB88.5 billion as compared with the end of the previous year. The number of active customers of the Company’s online corporate banking system was 581.0 thousand, representing an increase of 98.7 thousand as compared with the end of the previous year. The number of corporate mobile banking users amounted to 92.3 thousand, representing an increase of 56.9 thousand as compared with the end of the previous year. Thirdly, the Company sped up the development of the Company’s online corporate banking business. The optimization and upgrade of the online corporate financing were completed. Customers can now complete their financing, pledging, delivery, repayment and other transactions on the internet through the Company’s online corporate banking platform, which further reduces their transaction costs. Fourthly, the Company has insisted on broadening its integrated financial services for supply chain. Adhering to the core idea of focusing on the target industries and large-scale development, the Company developed core customers in the industry with weak cyclical influence and provided integrated financial services including financing, fund management, risk aversion of price.

## Management Discussion and Analysis

### (II) Retail banking

#### 1. Personal finance

During the Reporting Period, the Company endeavoured to adjust its retail banking business in an income-oriented approach and strengthened professional management of customer base. The scale of its customer base and financial assets maintained steady growth. As a result of the strong efforts in developing consumer credit service, consumer credit saw a rapid growth. In addition, the Company also made great efforts in product innovation to boost business growth.

Both the scale of customer base and financial assets experienced steady growth. During the Reporting Period, the Company launched a series of marketing campaigns such as “Growing Together (客戶提升、助我成長)” and established customer classification system to promote the customer base analyses and informatized marketing as well as to strengthen the cross selling of credit cards. As at the end of the Reporting Period, the number of retail customers with existing deposits increased by 5,829.6 thousand or 29.47% as compared with the end of the previous year to 25,613.9 thousand. Financial assets of retail customer under management amounted to RMB1,170,132 million, representing an increase of RMB97,109 million or 9.05% as compared with the end of the previous year. Of such financial assets, saving deposits amounted to RMB559,374 million, representing an increase of RMB27,746 million or 5.22% as compared with the end of the previous year.

The wealth management business saw accelerated growth. During the Reporting Period, following the changes in market condition, the Company seized opportunities to develop wealth management business and introduce asset management products based on the principles of combination of scientific allocation and risk control, so as to satisfy the financial asset allocation needs of customers in all aspects. As at the end of the Reporting Period, the balance of brokered funds amounted to RMB93,009 million, representing an increase of 183.87%, as compared with the end of the previous year. The amount of brokered insurance amounted to RMB30,250 million, representing an increase of 70.35 times as compared with the corresponding period of the previous year.

Consumer credit maintained rapid growth. During the Reporting Period, in order to satisfy the demands arising from the upgrade of consumption, the Company further promoted the consumer credit business and enhanced the innovation of consumer credit products. Besides, the Company actively expanded the mass development mode so as to improve business efficiency with the streamlined system and procedures. As at the end of the Reporting Period, outstanding consumer loans increased by RMB82,099 million or 88.28% as compared with the end of the previous year. The overall assets and liabilities structure of retail business was further improved.



## Management Discussion and Analysis

Product innovation was further promoted. Firstly, the Company continued to pursue upgrades of consumer credit products and launched innovative products such as “Overseas Studies Loan (留學貸)”, “Happy Salary Loan (薪喜貸)” and “Happy Corporate Loan (公喜貸)” during the Reporting Period. Secondly, the Company took the lead to issue the Personal Residential Mortgage-Backed Security (RMBS) in the industry after the implementation of registration system by the PBOC. Thirdly, the marketing management platform of the WeChat micro-community was formally launched, which linked the WeChat accounts of its 34 branches. With the number of fans substantially surpassing the anticipated target, it became an integral part of the mobile internet business of the Company. Fourthly, with living circle as its focus, the Company established the multilateral marketing platform and promoted the use of UnionPay wallet, sales rewards and other products by customers through their user devices. Fifthly, a reward point-based online shopping platform for retail banking business throughout the Company and its branches was also formally set up to promote new “2+N” procedures and automatic issuance of credit and debit cards in full steam, thereby further deepening the integration of retail resources.

### 2. Small and micro business finance

During the Reporting Period, the Company continued the implementation of its “small and micro business finance strategy”. Based on a deeper understanding of customers’ demands, it adjusted its product portfolio, promoted cross selling and enhanced the overall development of small and micro business customers in accordance with the framework of “sustaining scale, refining structure and increasing income”.

The Company further adjusted and optimized the structure of loans to small and micro enterprises. Firstly, the Company refined the procedures and channels of “Easy Secured Loan (易押貸)” and “Super Lucky Loan (超吉貸)” and continued to increase the ratio of the loans secured by tangible assets other than monetary assets and loans secured by monetary assets. As at the end of the Reporting Period, the loans secured by tangible assets other than monetary assets and loans secured by monetary assets accounted for over 50% of the total loans to small and micro enterprises, representing an increase of 9 percentage points as compared with the end of the previous year. Secondly, the Company increased the loans to small and micro enterprises in weak-cyclical industries. Over RMB45.0 billion of loans were granted to the ten industries closely related to the people’s livelihood, such as resident services, agriculture and medical and healthcare services, representing an increase of over RMB43.0 billion as compared with the end of the previous year.

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The Company actively improved customer experience through innovation. The Company has established and refined the customer development scheme of its supply chain finance business and explored new development opportunity of small and micro business finance. Through unified and standardized marketing, credit granting and rates pricing systems, the Company's professional team focused on the consumption industry, consolidated resources of core supply chain and boosted the development of the supply chain finance. During the Reporting Period, marketing campaigns targeting at upstream and downstream partners of several leading enterprises in various industries were conducted to provide comprehensive financial services such as financing and settlement. The "House of Small and Micro Business Finance (小微之家)", the new one-stop financial service platform for small and micro enterprises, was launched in certain pilot regions. Small and micro customers can obtain real-time financial products and services related to enterprise operations online in future, such as making appointment for account opening, application of loans, bill collection and investment. To support the online marketing platform of the "House of Small and Micro Business Finance (小微之家)", the 2.0 "Online Loan (網樂貸)" was upgraded to realize online automatic approval of loans, which has been well received by the customers. In addition, on the basis of a combined card of deposit and loan, "God of Fortune Card (財神卡)" was launched as a comprehensive bank card by the Company and provided various financial services such as deposit, wealth management, revolving loan facilities, payment and settlement. In order to meet the demands of valuable customers and improve their experience, "Super Lucky Loan (超吉貸)", a pledge product bearing interest accrued on a daily basis, was launched with the application of online assessment technology, which enabled customers to make loan application and repayment at anytime.

As at the end of the Reporting Period, the outstanding loans to small and micro enterprises was RMB371,224 million, and the total loans to small and micro enterprises for the year amounted to RMB493,062 million. The number of small and micro business customers was 4,498.2 thousand, representing an increase of 1,586.3 thousand, or 54.48%, as compared with the end of the previous year. The average of loans to small and micro enterprises per account amounted to RMB1.52 million, representing a decrease of 1.94% as compared with the end of the previous year. The small and micro business of the Company attracted 334.3 thousand VIP customers for conventional retail business, representing an increase of 44.6 thousand as compared with the end of the previous year.

## Management Discussion and Analysis

### 3. Credit card business

During the Reporting Period, adhering to its philosophy to maintain customer-oriented operation based on market conditions through technology and innovation, the Credit Card Center recorded stable growth with the innovation of products and technology and strict risk management and control. In respect of innovation of products, the Company issued Centurion Card, which was the first titanium black card meeting the global standards in China and the first credit card providing customers in China with travel and concierge services of American Express. The Company also issued a series of all-currency credit cards and provided free foreign currency exchange services with one product. In respect of technology innovation, the Company strived to formulate the planning of “Internet Plus” and achieved breakthroughs in issuing credit cards online, Wechat banking, new generation data platform and “new e-payment (新e付)” system, so as to position itself as a leader in the industry. In respect of risk management and control, the Company conducted research on the asset quality control reform for the whole process and proactively controlled and dynamically managed its credit card assets. The Company aimed to enhance the collection capability through controlling risk exposure. In addition, the Company further improved cardholders’ experience by providing diversified preferential promotion activities. Firstly, the Company launched “Every Day, Minsheng Day (天天民生日)”, a platform for promotion activities held by national brands. Through cooperation with well-known national chain brands, customers with high number of transactions and meeting the specified spending requirements for each month were offered with preferential benefits for food, beverage and various types of entertainment activities. Secondly, the Company proactively explored participating merchants. The Company had 75 thousand participating merchants in China and provided diversified preferential promotion to customers throughout the year. Lastly, the Company established a new closed-loop service system featuring cardless online payment. The service system covered seven categories, including airport VIP services in China and overseas, comprehensive health care services, insurance services, beauty and body care services, personal legal assistance, roadside assistance services and golf club services.



## Management Discussion and Analysis

During the Reporting Period, the Credit Card Center of the Company was rewarded the “Best Cooperation Partner Award in 2015 (2015年度最佳深度合作夥伴獎)” by American Express and won the second prize of the “Best Customer Services Team (客服好聲音團隊獎)” in the “Second Best Customer Services Competition (尋找客服好聲音)” held by China Banking Customer Service Center. The online application service of the Company was awarded the “Best Multi-channel Innovative Project Award (最佳多渠道創新項目獎)” in Technology Implementation Award in 2015 (最佳科技實踐獎) by The Asia Banker.

As at the end of the Reporting Period, the aggregate number of issued credit cards of the Company was 23,594.6 thousand, of which, 3,046.9 thousand were newly issued during the Reporting Period. Transaction volume of credit card business was RMB1,118,491 million, representing an increase of 27.63% as compared with the corresponding period of the previous year. Account receivables amounted to RMB170,910 million, representing an increase of 15.73% as compared with the end of the previous year. Net fee and commission income amounted to RMB13,867 million, representing an increase of 24.80% as compared with the corresponding period of the previous year.

### 4. Private banking business

During the Reporting Period, in view of the economic downturn, the changes in policies and fluctuation of the capital market, the Company proactively explored the financial needs of customers. In respect of asset management and special investment funds, the Company introduced various new products to enrich its offering and to meet the long and short term investment needs of private banking customers. With the establishment of personal high end credit approval channels, overseas trust business and asset custody management service platform, together with the Company’s unique high-end non-financial services and family office business model, the Company successfully secured high net worth and super high net worth customers for the provision of all-round stewardship services.

During the Reporting Period, the business development and quality services of private banking of the Company was well-recognised by the media and were awarded a number of awards, including the “Best Brand Management Private Bank (最佳品牌管理私人銀行)” by 21st Century Business Herald, the “Best Private Bank (最佳私人銀行)” by National Business Daily, the “Best Private Bank (最佳私人銀行)” by China Economic Observer, “Competitive Private Bank (卓越競爭力私人銀行)” by China Business Journal, the “Best Private Bank Brand (最佳品牌表現力私人銀行)” by Chinese Business News, the “Best Private Bank in the Year (年度私人銀行)” by China Times and the “Most Competitive Wealth Management Organization (最具競爭力財富管理機構)” by Hexun. In addition, the Company also published the China Ultra-High-Net-Worth Report (2014–2015) jointly with Hurun Report. Being the most in-depth and focused report on ultra-high-net-worth people in China as of today, this report explored development directions of the private banking sector with the best prospects in the context of current market trends. Based on this report, the Company will maximize customers’ values and returns while offering top-level private banking services.

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As at the end of the Reporting Period, the private banking financial assets under the management of the Company amounted to RMB273,008 million, representing an increase of RMB42,612 million, or 18.50%, as compared with the end of the previous year. During the Reporting Period, the net non-interest income of private banking business amounted to RMB3,567 million, representing an increase of RMB1,412 million, or 65.52%, as compared with the corresponding period of the previous year.

### 5. Innovation of Personal Internet Finance and Services

During the Reporting Period, the Company captured the major opportunities arising from the national policy of “Internet Plus (互聯網+)” and focused on the innovation of internet financial products and services such as mobile banking, direct banking and online payment according to market demand and customers’ needs. Through enriching the product offerings and special services, the customers’ experience has been further improved. The Company also proactively carried out new marketing and promotion activities through various interaction, accurate marketing and diversified promotion via new media, including Wechat, Weibo and popular Apps. Its brand recognition continued to enhance and the market scale further expanded.

#### (1) Mobile banking

Targeting to become “the best mobile bank everyday”, the Company proactively responded to the market demand and customers’ needs and launched mobile bank 3.0 Version according to the latest development trend. The mobile bank 3.0 Version adopted the user interface with the popular flat design for convenient use. The function modules were streamlined and contained three categories, including “Mobile Bank”, “Social Circle” and “Me” to cater the using habit of customers. The Company learnt from the experience of internet enterprises and moved the “Scan” icon to the top right corner, so as to improve customers’ experience. During the Reporting Period, the Company provided direct banking services through mobile banking and introduced new functions, including online registration for debit cards, salaries payment, forex trading, exchange settlement and banking assets as well as new services such as making appointments for medical services, mobile data top-up, message notification, community sales, “Shenzhen e-Wallet (深圳E錢包)”, Wuhan campus card and other services. With the enhancing competitive strength of the integrated services of mobile bank, the Company obtained higher support and recognition from customers. Leveraging on its high conversion rate of users, multi-version, user-friendly activation method, extensive offerings of financial and living services, robust security and excellent customers’ experience, the Company ranked top among all national commercial banks in terms of points attained for three consecutive years in the Mobile Banking Assessment. In the year, the Company was rewarded the “Best Mobile Banking of the Year (年度最佳手機銀行獎)”.

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As at the end of the Reporting Period, the number of our individual mobile banking customers reached 19,025.7 thousand, representing an increase of 6,004.5 thousand as compared with the end of the previous year. The number of transactions for the Reporting Period was 342 million, representing an increase of 87.91% as compared with the corresponding period of the previous year, while the transaction turnover for the Reporting Period amounted to RMB6.00 trillion, representing an increase of 86.34% as compared with the corresponding period of the previous year. The average number of transaction per customer reached 17.95 with average transaction turnover of RMB315.4 thousand, ranking top among all peers in terms of transaction activity of customers.

### **(2) Online banking**

During the Reporting Period, the Company further innovated and optimized the personal online banking functions by adopting flat design and displaying frequently-used functions and services on the homepage for customers' convenience. The Company also enhanced customers' experience by streamlining the directory of the homepage and paths and unifying the graphic design of homepage. The Company launched various new functions, including saving bonds, certificates of deposit, foreign exchange trading and overseas remittance, and provided customers with convenient services, such as prepaid recharge promotion, payment of water bill and recharge services for campus card in Zhengzhou, payment of gas bills in Fuzhou and Jinan, and payment of telecommunication charges in Wuhan and Lanzhou.

As at the end of the Reporting Period, the number of personal online banking customers was 14,508.1 thousand, representing an increase of 2,897.8 thousand as compared with the end of the previous year. The number of transactions was 842 million, representing an increase of 97.16% as compared with last year. The transaction turnover amounted to RMB12.99 trillion, representing an increase of 18.63% as compared with last year. Transaction replacement rate was 98.43%. The Company's sales of personal wealth management products via electronic channels continued to increase significantly and amounted to RMB2.77 trillion during the Reporting Period, representing an increase of 46.56% as compared with the corresponding period of the previous year and accounting for 98.77% of the total sales of the Company's personal wealth management products.

### **(3) Direct banking**

During the Reporting Period, the Company seized the opportunities to develop internet finance business. With significant investment and innovation, the Company further consolidated its leading position of direct banking services. The Company optimized its one-stop online financial services according to the needs and habit of internet users. In addition, the Company modified its official website, mobile apps, Wechat banking and 10100123 hotline to enhance service efficiency and customers' experience. The Company expanded the business scale of "Sui Xin Cun (随心存)", "Ru Yi Bao (如意宝)", "Ding Huo Bao (定活宝)" and "Minsheng Gold (民生金)" and also launched new products, including

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“Ji Jin Tong (基金通)” and “Hao Fang Dai (好房貸)”, so as to refine the offerings of internet financial services. The Company cooperated with third-party companies and capitalized on their retail customers sources to expand customer base by providing wealth management products and basic account services. The Company proactively conducted research on services of accounting opening through ATM and salaries payment through electronic accounts, so as to further enrich its account opening channels and services. In the 2015 Comprehensive Bank Selection held by Sina Finance, direct banking business of the Company was widely recognized by cyber acquaintances and professional panels and won the “Most Popular Direct Banking Award (最受歡迎直銷銀行)”.

As at the end of the Reporting Period, the number of customers reached 2,867.2 thousand, and the total subscription amount of “Ru Yi Bao (如意寶)” amounted to RMB847,532 million.

### **(4) Online payment**

During the Reporting Period, the Company exerted efforts in the strategic planning of online payment business through establishing platforms and innovating products to broaden the methods and scope of payment. The Company introduced fingerprint payment and became the first commercial bank providing biometrics payment application in China. The Company launched “Yun Shan Fu (雲閃付)” mobile banking service jointly with China UnionPay by using HCE technology. With our mobile banking service, customers may load bank cards to their mobile phones and sign contract and activate accounts online without going to any outlet of the Company. The instant and safe service allows customers to pay through their mobile phone when purchasing. During the Reporting Period, the Company launched “Minsheng Payment (民生付)”, which covers mobile terminal and PC terminal and supports accounts of the Company and other banks, so as to provide electronic merchants with convenient and preferential services, including one-off access to standard interface, fast recovery of receivables, bank-level security and discounts on handling charges. In addition, personal customers may pay for their orders with bank cards or mobile bank through Minsheng Payment, providing them with safe and convenient services. The Company also further expanded its market share by exerting efforts in developing payment businesses, such as “Interbank Transaction Products (跨行通)”, supervision of fund sales and “Fast Fund Payment (基金快付)”.

As at the end of the Reporting Period, active customers using our interbank transaction products totalled 1,893.1 thousand, representing an increase of 612.5 thousand as compared with the end of the previous year, and the total fund integrated amounted to RMB477,177 million. Total personal online payment transactions of the year amounted to RMB340,284 million, representing an increase of 191.78% as compared with last year. Total transaction amount of fund sales supervisory business amounted to RMB888,639 million, representing an increase of 192.32% as compared with last year. Total transaction amount of “Fast Fund Payment (基金快付)” amounted to RMB30,595 million.

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### (5) WeChat banking

The Company further innovated its WeChat banking business during the Reporting Period and newly launched bank card application, instant notification of account and other WeChat financial services. The Company also upgraded its WeChat platform with a new app store. The Company strived to promote WeChat banking business through different channels and proactively integrated its resources with an aim to earn wide recognition and maintain its position of the major projects of the Company through marketing and promote the growth of the customer base of WeChat banking business.

As at the end of the Reporting Period, the number of customers of WeChat banking business amounted to 3,435.3 thousand, ranking top among all peers.

### (III) Treasury business

#### 1. Investments and transactions

As at the end of the Reporting Period, the investment balance of the banking books and trading books of the Company amounted to RMB882,962 million and RMB26,166 million, respectively. In the year, in view of the bull market of bond market, the Company mainly increased its investment in mid-to long-term interest rate-related bonds and non-standard investments with reference to its yield rate, liquidity and overall assets and liabilities structure. The scale of our trading and banking books expanded significantly and the percentage of these accounts in the total assets of the Company increased by 5.56 percentage points as compared with the end of the previous year.





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During the Reporting Period, the transaction volume of domestic spot settlement amounted to US\$184,063 million, representing an increase of 27.84% as compared with the corresponding period of last year. The forward settlement and RMB exchange swap of the Company amounted to US\$261,838 million, representing a decrease of 6.78% as compared with the corresponding period of last year. The Company actively introduced option and its related portfolios and recorded RMB-Forex option trading volume of US\$5,158 million, representing an increase of 147.03% as compared with the corresponding period of the previous year.

### **2. Interbank business**

During the Reporting Period, the Company strictly enforced regulatory policies and established special organization to promote the lawful operation and sound growth of interbank business. In order to maintain professional operation and management of interbank business and increase profitability of interbank business, the Company adopted centralized management on customers of interbank business. Through an operation management model comprising unified management, centralized planning, transaction and operation by the headquarters and decentralized sales management at branches, the Company managed customers of interbank business with three levels. The Company established an innovative business model led by the headquarters with the participation of the branches and interaction with other banks. The Company formulated team management systems for interbank business, including authorization management and access management systems.

For the management on customers of interbank business, the Company enhanced the comprehensive management on customers of interbank business. Firstly, the Company established a platform for its strategic customers to facilitate cooperation and achieve win-win situation. The Company established 8 strategic cooperation platforms, including bank-exchange, bank-securities, bank-bank, bank-rural credit union, bank-public fund, bank-private fund, bank-insurance and bank-trust platforms. The Company entered into strategic cooperation agreements with 150 organizations and the number of strategic customers of the headquarters reached 269. The number of interbank business customers totalled 2,960. Secondly, the Company carried out hierarchical and delicacy management on customers. The Company managed the marketing to customers by three levels, i.e. the headquarters, branches and sub-branches, on the basis of unified customer access, credit management and limit management.

For the management on products of interbank business, the Company proactively established product portfolio of interbank business, and seized market opportunities timely through conducting effective market analysis. The Company also enriched its product offerings, so as to provide comprehensive services to its customers.

For the establishment of the system of interbank business, the Company exerted efforts in building information system for interbank business and initially completed the planning of the system framework. The Company also consolidated its database and strived for the development and operation of customer management system and management system for interbank asset business.

## Management Discussion and Analysis

### 3. Custody business

In respect of asset custody business, the Company grasped the opportunities arising from the development trend of investment banking, asset management and wealth management. Leveraging on its “Custody Plus (託管+)” services platform, the Company maintained rapid growth of traditional businesses, such as securities investment funds, asset custody business for specific fund company customers, insurance fund custody and bank wealth management custody business. In addition, the Company continued to explore and develop new products and service modes. It established the first fund custody system for internet transaction, which was a breakthrough in the internet finance sector. The Company also gained competitive advantage in asset securitization and maintained the sound growth of custody business. As at the end of the Reporting Period, asset custody business amounted to RMB4,669,032 million. Revenue from the custody business was RMB3,321 million. During the Reporting Period, the innovation of the Company was recognized by the industry and was named as the “Best Innovative Custody Bank for 2015 (2015年度金牌創新力託管銀行)” by Financial Money.

In respect of pension business, the Company consolidated quality assets and channel resources to implement its pension commercialization plan and nurture the pension business with multiple corporate annuity and pension products and services targeting at institutional and personal customers. As at the end of the Reporting Period, the Company had RMB36,172 million of annuity funds under custody and managed 156.1 thousand corporate annuity accounts.

### 4. Wealth management

During the Reporting Period, the wealth management business of the Company strictly complied with requirements of regulatory policies. Adhering to the principle of supporting the real economy with financial services, the Company further diversified its business development by building the brand of “Apex Asset Management (非凡資產管理)”. The Company strengthened its asset management and seized opportunities to expand sales channels and promote the healthy and sound growth of wealth management business. As at the end of the Reporting Period, the scale of wealth management products amounted to RMB1,058,540 million, representing an increase of 121.83% as compared with the end of the previous year.

### 5. Trading in gold and other precious metals

During the Reporting Period, the on-floor trading volume of gold, including agency sales for legal persons and individuals, of the Company in the precious metals market (the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 1,620 tons, and the trading volume of silver, including agency sales for legal persons and individuals, amounted to 9,779 tons. Total trading value amounted to RMB386,657 million. In terms of on-floor trading value, the Company was the tenth largest dealer at the Shanghai Gold Exchange, one of the most active proprietary dealers at the Shanghai Futures Exchange and one of the most important gold importers in the PRC.

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During the Reporting Period, the Company leased 116.39 tons of gold to its corporate customers, ranking the sixth in the market. It sold physical gold of RMB410 million to individual customers. The Company satisfied the needs of customer with various products. The outlook of further progress in the market remained bright.

### **(IV) Overseas business**

According to its international development strategy, the Company steadily expanded its overseas institutions. For Hong Kong Branch, the first overseas branch of the Company, implemented the commercial model with focus on the three major business segments, namely the wholesale (corporate banking business) segment, capital transactions segment and private banking segment, and the “commercial bank and investment bank” business. Over 3 years of development, the Hong Kong Branch has become an important overseas platform of the Company and plays an important role in promoting cross-border business of the Company. During the Reporting Period, the cross-border collective trade financing business contributed HK\$734 million to the net fee and commission income of the Hong Kong Branch, representing an increase of 11.89% as compared with the corresponding period of the previous year. The balance of collective deposits amounted to HK\$38,521 million, which directly generated mainland deposits of RMB7,646 million and net fee and commission income of RMB147 million. The cross-border collective business brought remarkable win-win effect.

The Hong Kong Branch set up a US\$5 billion medium term note programme, under which it has successfully issued US\$600 million 3-year senior unsecured bond as the issuer and global co-ordinator. The bond attained a credit rating of BBB by Standard & Poor’s and has an initial rate of T+145 base points. It is highly regarded as one of the most successful issuances of US dollar senior bonds for the year. Among all Chinese joint stock banks in Hong Kong, the Company’s Hong Kong Branch is the first one to launch corporate online banking and corporate mobile banking services. Moreover, with its efforts in innovation, the Hong Kong Branch initiated various pioneer transactions and achieved breakthroughs in risk participation, RMB bond underwriting, cross-border direct lending in the Shanghai Free Trade Zone, RMB interbank lending and non-bank financial institution liabilities businesses.

As at the end of the Reporting Period, deposit balance and outstanding loans of Hong Kong Branch amounted to HK\$59,163 million and HK\$58,026 million, respectively. Net non-interest income and net interest income amounted to HK\$1,364 million and HK\$866 million, respectively.

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### (V) Channel management and operating services

#### 1. Establishment and optimization of sub-branches

As at the end of the Reporting Period, the Company had 1,061 sub-branches (including business departments) and its channel network basically covered all provinces, autonomous regions and municipalities in China. To better consolidate planning and administration of all channels, the Company established the Channel Management Department which facilitated the transformation of branch development from scale expansion to structure optimization. During the Reporting Period, in line with the customer-oriented operation mode, the Company accelerated transformation of sub branches, formulated a new manual for the division of outlet functions, and reformed the transaction handling model to promote self-service by customers. Sample outlets for the customer-oriented operations were established and pilot operation was carried out in two stages for the whole Bank. As at the end of the Reporting Period, 74 branches implemented the customer-oriented operation model.

#### 2. Optimization of community network and increase in capacity

During the Reporting Period, the Company further confirmed the development mode of community finance and accelerated the progress for license application of sub-branches. As at the end of the Reporting Period, 1,576 community sub-branches had obtained licenses, representing an increase of 833 community sub-branches, or 112.11% as compared with the end of last year. The Company



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continued to refine the network of community outlets by conducting classification management based on the types of licenses, and enhanced marketing to increase capacity of the community outlets. During the Reporting Period, financial assets of the community outlets amounted to RMB119.0 billion, representing an increase of RMB43.3 billion compared to the end of last year, which included personal deposits of RMB37.1 billion, representing an increase of RMB14.7 billion compared to the end of last year. Consumer credit granted by community outlets amounted to RMB16.9 billion, representing an increase of RMB14.2 billion compared to the end of last year. Number of customers of community outlets reached 3.98 million, representing an increase of RMB1.56 million compared to the end of last year.

### 3. Operation and services

Based on the operating features of banks in new age, the Company formulated and implemented comprehensive and multi-layered strategic plans to continuously improve operation level and service quality. In sub-branches, the Company steadily put forward the light operation mode in outlets. Customer experience was significantly improved through continuous upgrades of innovative self-service equipment such as Smart ATMs and micro screens, which transformed the operation focus of outlets into service provision and marketing. At the head office, the Company implemented centralized operation for all business lines and centralized management for the head office and branches based on the Phoenix Project with a corresponding risk management model. So far, approval procedures for all applications of retail credit and credit for small and micro business of the entire Bank were centralized to 3,079 designated staff with the relevant authorization. Meanwhile, the Company continued to enhance the settlement and account management. “Cloud Account” was developed to provide one-stop e-services to small and micro business while account related products were refined to increase efficiency of settlement for customers.

### 4. Customer service and protection

In an effort to provide better financial services, the Company has enlarged its investment and development of all-media operating platform to establish a comprehensive multi-channel media platform incorporating telephone, SMS, internet and Wechat channels. Big data analysis models were used to carry out precise multi-channel marketing activities, regular customer care and cross sales targeting at the enormous mass-market customers so as to maximize the general customer value in an effective manner. During the Reporting Period, the total number of incoming calls to our hotlines amounted to 43.95 million, in which 10,728.0 thousand calls were manually made, and the success rate for incoming calls was 97.63%. The all-media channels as a whole provided 1.91 million services to the customers and attained a general satisfactory rate of 98.75%. The financial assets of “95568” mass-market customers (daily average balance for a quarter) increased by RMB75.4 billion as compared with the end of the previous year. The number of VIP customers increased by 377 thousand. The Company was awarded “Outstanding Customer Service Team (好聲音綜合團隊)” in the second customer service center competition of the “Search For Best Voice (尋找好聲音)” organized by the China Banking Association.

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### (VI) Major equity investments

#### 1. Particulars of major equity investments

##### (1) Shareholdings in listed companies

No.	Stock Code	Stock Name	Initial investment (RMB'000)	Percentage of shareholding (%)	Book value at the end of the period (RMB'000)	Profit or loss during the period (RMB'000)	Change in equity interest (RMB'000)	Accounting item	Source of equity interest
1	400061	Changyou 5	497,659	4.63	744,191	—	246,532	Equity investment available-for-sale	Debt swap
2	000520	Changhang fenghuang	366,250	3.22	396,578	—	61,609	Equity investment available-for-sale	Debt swap
3	03698.HK	Huishang Bank	264,841	0.77	242,250	13,515	2,643	Equity investment available-for-sale	Debt swap
4	400062	Erzhong 3	467,503	2.66	228,891	—	-238,612	Equity investment available-for-sale	Debt swap
5	00866.HK	China Qinfra	117,078	16.76	76,353	—	-40,724	Equity investment available-for-sale	Debt swap
6	03898.HK	CSR Times Electric	5,801	0.01	5,322	-476	—	Financial assets at fair value through profit or loss	Investment
7	00207.HK	Joy City	3,477	0.03	3,587	109	—	Financial assets at fair value through profit or loss	Investment
8	01766.HK	CRRC	3,236	0.001	3,122	-113	—	Financial assets at fair value through profit or loss	Investment
9	00506.HK	China Foods	3,079	0.04	2,940	-138	—	Financial assets at fair value through profit or loss	Investment
10	02607.HK	Shanghai Pharmaceuticals	2,162	0.01	2,194	32	—	Financial assets at fair value through profit or loss	Investment
Other equity investment at the end of the period			591		592	1	—		
Total			1,731,677		1,706,020	12,930	31,448		

Notes: 1. The top ten equity investments in terms of book value at the end of the period.

2. Other equity investments are the equity investments of the Group other than the top ten equity investments.

3. The shares in Huishang Bank held by the Group are non-listing domestic shares.

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**(2) Shareholdings in unlisted financial institutions**

Name of investee	Initial investment (RMB'000)	Numer of shares held	Percentage of shareholding (%)	Book value at the end of the period (RMB'000)	Profit or loss during the period (RMB'000)	Change in equity interest (RMB'000)	Accounting item	Source of equity interest
Minsheng Life Insurance Co., Ltd.	2,598,000	788,000,000	13.13	2,513,720	—	-84,280	Equity investment available-for-sale	Debt swap
Huaxi Securities	476,075	62,861,183	2.99	868,742	—	392,667	Equity investment available-for-sale	Debt swap
China Union Pay Co., Ltd.	125,000	80,000,000	2.73	125,000	4,400	—	Equity investment available-for-sale	Investment
Zhejiang Linghang equity investment fund Partnership (Limited Partnership)	10,000	—	1.00	10,000	—	—	Long-term equity investment	Investment
Gaokang Capital Investment Management Co., Ltd.	2,000	—	2.00	2,000	—	—	Equity investment available-for-sale	Investment
Jiangxi Jingtangshan Beijing Automotive Investment Management Co., Ltd.	3,000	—	30.00	3,000	—	—	Long-term equity investment	Investment
Tibet Shangyijia Asset Management Co., Ltd.	300	—	30.00	300	—	—	Long-term equity investment	Investment
Wuhu Jiupaijin New Agricultural Industries Equity Investment Fund (Limited Partnership)	100	—	0.03	100	—	—	Long-term equity investment	Investment
<b>Total</b>	<b>3,214,475</b>			<b>3,522,862</b>	<b>4,400</b>	<b>308,387</b>		

## Management Discussion and Analysis

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

#### (1) Minsheng Financial Leasing

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

As at the end of the Reporting Period, the total assets and net assets of Minsheng Financial Leasing amounted to RMB139,019 million, representing an increase of RMB10,345 million, or 8.04%, and RMB13,279 million, representing an increase of RMB1,341 million, or 11.23%, compared with the end of the previous year, respectively. During the Reporting Period, net profit amounted to RMB1,056 million, representing a decrease of RMB754 million, or 41.66% as compared with the corresponding period of previous year. Average return on net assets was 8.38%, representing a decrease of 8.04 percentage points compared with the corresponding period of previous year.

With an aim to adapt to the New Normal in China's economy, Minsheng Financial Leasing carried out in-depth organization restructuring, innovation in business models and market share expansion in business segments while striving to develop into an international and professional player in the financial leasing sector. In 2015, Minsheng Financial Leasing's specialty in its commercial aircraft business began to materialize since the execution of an agreement of intention to purchase 30 737MAX aircrafts with Boeing Company in the United States. In respect of maritime engineering business, it continued to expand its global market share with remarkable enhancement in its technical proficiency. It had successfully completed a couple of projects in this sector, including the self-elevating drilling platform financial leasing project with Apexindo, the largest drilling contractor in Indonesia, as well as the Super M2 self-elevating drilling platform financial leasing project with CNPC Offshore Engineering Company Limited and Yantai CIMC Raffles Offshore Limited. In addition, Minsheng Financial Leasing has established a good market influence in healthcare and medical business by entering into cooperative relations with upper second-class or higher public hospitals, completing relationship building with 80 hospitals to date. With regards to automobiles business, Minsheng Financial Leasing developed new products for urban public transportation leasing business and formed a replicable business model. In terms of electronic information business, Minsheng Financial Leasing focused on segmented market featured with "network equipment + data center" and cooperated with companies dealing with data processing such as Centrin Data, 21 Vianet and Range Technology.

The industry influence of Minsheng Financial Leasing was widely recognized in the society. During the Reporting Period, Minsheng Financial Leasing was rewarded the "Most Influential Company (最佳行業影響力獎)", the "Most influential Leasing Companies (最具影響力租賃公司)", "Excellent Enterprise Award (傑出企業獎)", the "Third China Aviation Financial Promotion Award (第三屆中國航空金融產業促進獎)" and the "Best Maritime Engineering Leasing Transaction for the Year (海工租賃年度最佳交易獎)" by *Marine Money*.



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### (2) Minsheng Royal Fund

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

During the Reporting Period, net profit of Minsheng Royal Fund amounted to RMB499 million, representing an increase of RMB192 million, or 62.54%, as compared with the corresponding period of the previous year. As at the end of the Reporting Period, a total of 25 public equity products were managed under Minsheng Royal Fund, with net value of fund asset under its management of RMB74,646 million and shares of 69,963 million. Products of Minsheng Royal Fund covered major fund types with high, medium and low risks such as stock funds, hybrid funds, index funds, bond funds and monetary market funds. According to the Fund Research Centre of Galaxy Securities, Minsheng Royal Fund ranked 31st among 105 fund companies in China in term of scale, maintaining a leading position among medium-sized fund management companies. The account management business of Minsheng Royal Fund continued to grow steadily, and assets under its management amounted to RMB22,240 million as at the end of the Reporting Period.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013 and held 40% equity interest of it. Minsheng Royal Asset Management's registered capital was RMB125 million and the scope of business included asset management business for specific customers, other business approved by the CSRC and investment consultancy. In addition to investment in traditional secondary markets, its specific scope of investment also includes managing and advising



## Management Discussion and Analysis

on investments in equities, bonds and other property rights not traded in any stock exchange. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB830,365 million. It achieved satisfactory business interaction and mutual supplement with the operations of Minsheng Royal Fund and has gradually emerged as an important strategic platform of the Company.

During the Reporting Period, Minsheng Royal Fund was awarded the “Golden Bull Bond Investment Fund Company (債券投資金牛基金公司)” in the 12th Golden Bull Fund Awards (中國基金業金牛獎) and the “Most Prospective Fund Company in 2015” (2015最具品牌成長力基金公司) in the first China Fund Innovative Marketing Summit (中國基金業營銷創新高峰論壇). Minsheng Royal Strengthen Income Bond of the Company was listed as the “Winning Golden Bull Five-Year Open-end Bond Fund (五年期開放式債券型持續優勝金牛基金)”, the second Golden Bull Award for this fund following the “Golden Bull Three-Year Bond Fund (三年期債券型金牛基金)” in 2012. Minsheng Royal Strategy Select Hybrid Fund (民生加銀策略精選混合型基金) won the “Most Popular Equity Product Award (年度最受歡迎權益類產品獎)” granted by Eastmoney Award.

### **(3) CMBC International**

CMBC International is a wholly-owned subsidiary of the Company established on 11 February 2015 in Hong Kong with the approval of CBRC. It has a registered capital of HK\$2 billion and is principally engaged in investment banking. As at the end of the Reporting Period, CMBC International had total assets and net loss of RMB1,689 million and RMB145 million, respectively.

As a holding company, CMBC International intends to apply for and obtain relevant business licenses from the regulatory authorities in Hong Kong through the subsidiaries established or acquired by it. CMBC International is an important diversified and globalized strategic platform of the Company and will closely cooperate with the Company upon receiving the relevant licenses so as to achieve synergies and offer all-round and diversified financial services to the Company's customers.

### **(4) Minsheng rural banks**

Minsheng rural banks collectively refer to the rural banks initiated and established by the Company as a major promoter. As at the end of the Reporting Period, the Company established a total of 29 Minsheng rural banks with 83 business outlets. Total assets amounted to RMB30,295 million, representing an increase of RMB3,717 million, or 13.99%, as compared to the end of the previous year. Balance of deposits amounted to RMB24,361 million, representing an increase of RMB2,913 million,

## Management Discussion and Analysis

or 13.58%, as compared with the end of the previous year. The total loans amounted to RMB16,411 million, representing an increase of RMB790 million, or 5.06%, as compared with the end of the previous year. During the Reporting Period, the net profit amounted to RMB108 million, representing an increase of RMB86 million, or 390.91%, as compared with the corresponding period of last year.

During the Reporting Period, in strict compliance with the “Five Year Outline” determined by the Board, the Company established an objective of effective risk control, sound business growth and ordered internal management. The Company focused on small and micro business finance and regional characteristics business for sustainable development. The Company also gradually implemented centralized management, standardized operation and unique operation mode for management, so as to further optimize its management system and promote the healthy and sustainable growth of Minsheng rural banks.

The Company further improved the corporate governance structure, risk control system and business development model of rural banks during the Reporting Period. The Company devoted to carrying out above tasks. The business strategy to focus on small and micro business finance and regional characteristics business for sustainable development was implemented smoothly with preliminary benefits.

### ***(5) Structured entities consolidated to the financial statements of the Group***

The Group shall determine whether it has controlling right over these structured entities based on its role as the manager of such plans, and shall determine whether it is the responsible party or an agent based on various aspects such as its authorized scope of decision, the power and rights of other parties to the asset management plans, and the risk exposure of the variable income. As the Group exercises the power of decision making as the major responsible party of these structured entities and the share of income of the Group in the total investment income of such plans is relatively large, these asset management plans are consolidated to the financial statements of the Group.

As at the end of the Reporting Period, the total equity attributable to the holders of the asset management plans under the management of and consolidated to the financial statements of the Group amounted to RMB6,677 million, which are presented under the total balance of deposits from customers of the Group. No individual asset management plan had material impact on the financial position of the Group.

## Management Discussion and Analysis

### **(6) Management of consolidated financial statements**

The Group strived to comply with the Guidance on the Management and Regulation of Consolidated Financial Statement of Commercial Banks (商業銀行併表管理與監管指引) promulgated by the CBRC in December 2014. The Group reorganized the organizational structure and established certain departments for the management of consolidated financial statements. Through revising the Management Measures for Consolidated Financial Statements of China Minsheng Bank (中國民生銀行併表管理辦法), the Group further refined the organizational structure and regulations and the structures of management of consolidated financial statements so as to standardize the management.

The Company established a working mechanism for the daily management of consolidated financial statements by issuing the “Notice on Strengthening Management of Consolidated Financial Statements of the Group (關於加強集團併表管理工作的通知)”, which set out the reporting mechanism, protection mechanism, supervision, evaluation and accountability of the management of consolidated financial statements of the Group.

The Group completed the upgrade and development of information system for the management of the consolidated financial statements and further refined the communication and sharing mechanism of information and data, so as to implement the management of consolidated financial statements in all first-tier subsidiaries.



## Management Discussion and Analysis

### 3. Use of proceeds

On 15 March 2013, upon approval by the CSRC in Zheng Jian Xu Ke [2012] No. 1573, the Company issued a total of RMB20.0 billion A Share Convertible Bonds at par value, which were listed on the SSE on 29 March 2013 and 2 May 2013, respectively (Convertible Bonds code: 110023). The proceeds from the issuance of A Share Convertible Bonds amounted to RMB20.0 billion, and the net proceeds after deducting direct issuance costs was RMB19,912 million. The net proceeds, together with other funds of the Company, had been used for the business development of the Company.

On 1 July 2015, the Company redeemed all A Share Convertible Bonds registered in the share register as of 24 June 2015. The entire proceeds from the conversion of the Convertible Bonds have been used to replenish the core tier-one 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 is "Creating Value by Managing Risks". It focuses on the coordinated development of quality, profit and scale. The objective of the risk management of the Company is to enhance its risk management by actively implementing the Basel III and establishing a comprehensive risk management system, to support business development and strategic transformation, strengthen the core competitiveness of the Company as well as safeguard the long term interests of employees and customers so as to maximize shareholder's value.



## Management Discussion and Analysis

### (I) Credit risk

Credit risk is the risk that a borrower or a counterparty defaults in making repayments in a timely manner in full amount for whatever reasons. The credit risks of the Company are managed by a platform consisting of risk management strategies, portfolio management and risk quantification and measurement tools jointly developed by the Risk Management Department, Credit Assessment Department, Retail Banking Business Risk Management Department, Asset Monitoring and Control Department and Asset Custody Department under the coordination of the Risk Management Committee. The risk management system covers the whole process including pre-approval investigation, approval review, post-loan management, collection and preservation of assets. Credit risks of on- and off-balance sheet items and non-credit business are also strictly controlled.

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

Firstly, the Company carried out strategic transformation and structural adjustment. The Company issued the 2015 General Guidelines of Risk Policy (2015年風險政策總體導向), which restated the portfolio management objectives to “exit, stop, restrict, control and eliminate” from various dimensions such as industries, products, customers and so forth, so as to centralize risks and further optimize and improve the asset portfolio risk. Secondly, the Company refined its investigation mechanism for corporate credit and strengthened risk warning. The Company made improvements in the investigation method and technique for credit assessment and improved the methods and ability of credit assessors to identify the factuality of the data investigated. Through the risk warning system, the active warning ability of the Company was enhanced and the risk management of the Company was strengthened. Thirdly, the Company introduced innovative business model and management approaches for its retail business. It carried out reforms to integrate operation and streamlined the procedures for credit factories, in order to support informationalized batch marketing and carry out standardized business operation. As such, the decision-making in relation to risk and working efficiency were improved, customers’ experience was enhanced and operating cost was reduced. Fourthly, the Company launched the program of “Year of Asset Quality and Efficiency (資產質量效益年)”, in order to optimize the asset quality management system and mechanism, organization protection, innovative measures, responsibility and accountability, and constraint. The Company also adopted strict grant management and strengthened the investigation of risks in major segments, and accelerates the settlement and disposal of non-performing assets, which ensured the quality of credit assets of the Company. Lastly, the Company actively introduced and upgraded risk measurement tools. The Company comprehensively evaluated and optimized its internal credit risk rating system covering legal corporations, financial institutions and retail banking businesses. Results of risk measurement were broadly applied to risk management policy-making, credit approval and post-loan management, which enhanced credit risk management.

## Management Discussion and Analysis

### (II) Liquidity risk

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds at reasonable costs in a timely manner to cope with increase in assets or fulfill debt obligations despite its solvent position. The targets of the liquidity risk management of the Company during the Reporting Period were to improve the management and measurement of liquidity risk and to strengthen the abilities to identify liquidity risk, set prices and refine control and management so as to achieve optimal balance between liquidity risk and returns pursuant to the development strategies of the Company. During the Reporting Period, in face of the regulatory requirements, increasingly complicated market environment, accelerated financial disintermediation and the liberalization of interest rate, the Company was under immense 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 and fulfil regulatory requirements. While ensuring sufficient realizable assets of high liquidity under the pressure, it also limited risk exposure at a tolerable risk level for enhancing capital utilization efficiency. During the Reporting Period, the liquidity risk management policies of the Company included the followings:

The Company enhanced the measurement and monitoring levels and refined the management mode of liquidity risk. In addition to the restructuring of assets and liabilities and allocation of assets, the Company thoroughly studied the changes in future cash flows of capital business and monitored and managed deposits and loans business with different approaches, in particular during sensitive periods, so as to be well-prepared for the risk hedging or risk overlay resulting from the fluctuation in capital business and deposit and loan business. The Company also refined liquidity risk indicators for accurate measurement of liquidity risk. The Company adjusted liquidity risk control indicators for the Reporting Period. The Company expanded the supervision of liquidity risk management. The Company maintained the foreseeability and flexibility of liquidity management policy. Due to the complicated grounds of liquidity risks and its sensitivity to the effects and changes of other risks and changes, the Company paid close attention to changes in policies and markets and its own major operation policies, including the effect on liquidity of the changes in asset and liability management policies in addition to carrying out existing risk management policies. The Company also evaluated liquidity risk periodically and made adjustment when necessary.

### (III) Market risk

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, share prices and commodity prices), inflicting 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 regulatory requirements and the rules of Basel III. The Company also formulated and further enhanced the management system for market risk through formulating, calculating, monitoring, alerting and reporting measures on market risk limit.

## Management Discussion and Analysis

During the Reporting Period, in face of the considerable fluctuation in the market and the New Normal, the Company further extended its supervision scope of market risk to identify potential market risks of off-balance sheet business. A mechanism for the supervision and control of market risks of off-balance sheet business was formed, which included off-balance sheet market risk into the credit risk management scope of the Company. Capitalizing on the information platform of market risk management and tools like the risk attribution analysis, the Company improved its risk management and established a trading strategy analysis mechanism for investment and trading business. To improve the accuracy of market risk measurement, the Company deepened the application of internal models in management, risk reports, stress testing and capital measurement through refining back-testing and VaR measurement based on continuous tracking and analysis on the increase of VaR. Improvements had also been made in the daily internal management application of market risk information, time series analysis of market risk, multi-system automatic reconciliation in front and middle offices and profit-or-loss analysis, which enhanced the efficiency of risk monitoring in the middle office of the Company.

### **(IV) Operational risk**

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

During the Reporting Period, the Company continued to improve its operational risk management by optimizing the three major risk management tools, management procedures and reporting system, which included establishing multi-layered monitoring indicator systems, enriching the indicators and channels for loss data collection, and improving the verification and application of the RCSA evaluation report by the middle and back management offices. The Company paid close attention to the operational risk regarding emerging business segments timely and conducted risk management specialized in brand-new internet finance services, aiming to prevent and control operational risk in brand-new businesses. The Company also strengthened the emergency drill for business continuity by launching drills of the suspension of core system and drills in all business lines. The Company further refined the operation management and risk control, which ensures no cases of serious security accidents.

The Company continued to strengthen the inspection of compliance and internal control risks by conducting risk inspection, investigation and research on core businesses and major risks based on the regulatory requirements. In particular, the Company carried out the special inspection project of “two enhancements and two controls” with double checking system, which covered substantially all of the business lines and key operations of the Company. The Company also conducted surveys concerning



## Management Discussion and Analysis

innovative businesses including asset-backed securities, P2P internet finance and investment bank fund platform, and the risk on the pledged credit granted to non-related third parties was examined. The Company completed three case risk investigations quarterly. Secondly, the off-site inspection system was further optimized and off-site investigation tools were used more frequently. Thirdly, application of inspection results was extended and risk solutions were implemented for rectification and accountability in order to facilitate the improvement in internal control system and management.

### (V) Country risk

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to financial institutions in the banking industry, or the financial institutions in the banking industry in a country or region suffered losses 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 of the Administrative Measures on the Management of Country Risk of China Minsheng Bank (《中國民生銀行國別風險管理辦法》) for country risk management, and set the standards for the entry and concentration for 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 foreign business.

### (VI) Reputation risk

Reputation risk refers to the risk of negative evaluation of commercial banks and the overall banking industry by relevant interested parties, the media and the society as a result of the poor operation or management and other actions in breach of the national laws and regulations, social ethical standards or applicable internal rules by the commercial banks or their staff, or due to other external customers or events. Reputation risk management of the Company refers to daily management of reputation risk and proper handling of incidents with reputation risk through establishing and formulating reputation risk management mechanisms and rules to eliminate the adverse impacts by various methods, so as to prevent reputation risk actively and minimising the losses and negative impacts on the public, and thereby achieving the general 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 internal reputation risk management mechanism by integrating with the establishment of risk linkage system. The Company

## Management Discussion and Analysis

upgraded the monitoring network to effectively monitor, alert and trace public opinions and information. Risk alerts on the source and trend of risks were given based on statistical analysis.

Through steadily and deeply 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 awareness, understanding and support of the public to its reform, innovation and development of the Company to avoid and reduce negative opinions of the public at the source.

### **(VII) Anti-money laundering**

Adhering to the risk-oriented management philosophy and the core objectives of eliminating money laundering risk and exploiting value from data with less regulatory penalties as well as to meet the regulatory requirements, the Company adopted meticulous management for the internal control on anti-money laundering. It also conducted advertisement and training in respect of anti-money laundering, further optimized the monitoring model of suspicious transactions and enhanced the screening report and risk alert for suspicious transactions, so as to improve the effectiveness of internal control on anti-money laundering as well as the accuracy of reporting system of data reported.

During the Reporting Period, the Company fully implemented the Administrative Measures for the Supervision of Anti-Money Laundering in Financial Institutions (《金融機構反洗錢監督管理辦法》) and issued the Administrative Measures for the Comprehensive Evaluation of Anti-Money Laundering Performance of China Minsheng Bank (《中國民生銀行反洗錢工作綜合評價管理辦法》). The Company further enhanced the establishment of internal control system to prevent money laundering, conscientiously proceeded with verification and investigation of the identity of customers, continuously strengthened the awareness of compliance regarding internal control, and organized the first internal evaluation for anti-money laundering to enhance the risk prevention and management of money laundering effectively.

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

## Management Discussion and Analysis

### XI. Prospects and Measures

#### (I) Competition and development of the banking industry

In 2016, the domestic and international economic and financial conditions will be more complicated. From an international perspective, the global economic structure will be adjusted significantly and the recovery will remain slow. Shortage in effective demand has been intensified due to aging population and imbalanced economic developments across the world. The positive impacts of favourable technologies and policies are fading across the world. The recovery process in different countries will further vary, and the deviation in monetary policies as well as the debt problems will continue to be an obsession for most of the countries. Changes in rules of international trade and geopolitical conflicts will continue to hinder economic recovery. In China, 2016 is the first year of the decisive stage for the development of China into a well-off country and the structural reform will enter into a crucial stage. China will encounter more difficulties and greater challenges in its economic development. The structural conflict of economy development will remain significant under New Normal. China's economy will experience a hard time with less driving forces, which poses more challenges on banking industry. Firstly, the slower economic growth and economic restructuring will bring pressure to risk control of the banking industry. The increasing credit risks of certain industries and regions may result in significant increase in impaired loans and asset depreciation in the banking industry. Secondly, financial disintermediation and intense competition will have negative impacts on the traditional profit-making model of the banking industry. Financial disintermediation will reduce the credit demand of quality enterprises while the establishment and rapid development of diversified capital market and non-banking institutions will further squeeze the profitability of banks. As a result, banks will be forced to change their profit-making models. Thirdly, the internet finance will also seize market shares. The fast-growing internet finance will play down the importance of the payment and financing functions of banks. The provision of alternative financial products offered by internet finance will increase the difficulty for banks to acquire and keep customers.

Under the complicated domestic and international condition, the 5th Plenary Session of 18th CPC Central Committee adopted the 13th Five-Year Plan which highlighted the new development philosophy of "Innovation, Cooperation, Green, Open-minded and Sharing". It was the first time to state that structural reform from the supply side shall be pushed forward while the general demand is properly increased. This in turn clarified the objectives of future macro-economic control and highlighted the key point of reform and development in the financial industry. In the future, in compliance with the new development philosophy mentioned above, the economic and financial development will not only focus on enhancing the quality and effectiveness but also strive to manage a balanced development between regions and improve the eco-system. Efforts will also be made to achieve mutually beneficial cooperation with foreign countries and promote the well-being of the people. The efficient system and open market will stimulate innovation potential of participants, increase total factor productivity and hence generate new sustainable driving force for development.

## Management Discussion and Analysis

To cope with the new domestic and foreign economic conditions during the period of the 13th Five-Year Plan, there will be more new and diversified, differentiated and complicated demands of the real economy. The banking industry should keep an eye on such development and seize the new opportunities. Firstly, new demand will arise from higher household consumption. During the period of the 13th Five-Year Plan, China will develop into a well-off society. The GDP and per capita income of urban and rural residents will increase by 100% by 2020 compared with 2010. As the household income further increases with the rise of the middle class, consumption patterns will change from imitative and emulative consumption to personalized and diversified consumption. Besides the basic needs such as food, clothing, accommodation, utilization and travelling, consumers will have higher demand of study, entertainment, health, security and beauty. This will inevitably generate huge demand for financial products such as credit cards, consumer credit, cross-border payment and so forth. Secondly, new markets will be developed through industry upgrading and transformation. The “Made in China 2025” scheme introduced by the State Council sets out guidelines for industry development in the next decade. On one hand, in face of industry upgrading and transformation, mergers and acquisitions as well as reshuffle between corporations in traditional industry will surge, resulting in huge demand for merger and acquisition finance and investment banking services. On the other hand, new industries, new technologies, new economic condition and new business models will emerge, such as internet, cloud computing, big data, high-end device manufacturing, aeronautics, biological engineering, new energy, environment protection and energy-saving, modern services and so forth. In addition to credit demands, to satisfy demands for financial consultation and asset management turns to be more urgent and the market is of tremendous potential. Thirdly, there is room for further development of infrastructure investment. Comparing with developed countries, transportation, water construction, subway and civil construction in China still have plenty of room for development. More investment in public construction and public services will stabilize the economic growth in short term and improve the living environment and enhance domestic demand in long term so as to boost the rapid growth. By adopting the PPP model, the financing of new infrastructure construction will depend more on cooperation between the government and private capital instead of government financing platform. The source of fund will change from “loan and trust” to “loan and debentures”. Fourthly, regional cooperation will provide new opportunities. During the period of the 13th Five-Year Plan, the three major national strategies, namely the Belt and Road Initiative, the integrated development of Beijing, Tianjin and Hebei (京津冀協同發展) and Yangtze River Economic Zone will make big progress and the development of the eastern, central, western and north-eastern parts of China will be more balanced. Optimized regional development will bring new business opportunities. In particular, taking advantage of China being a major investor in the international market and rapid development of the globalization of Renminbi, more opportunities will be provided for overseas expansion of local enterprises and the globalization of the banking industry. Fifthly, green development will provide new momentum. “Building beautiful China by upgrading green economy” is one of the major objectives of the 13th Five-Year Plan. There is a huge room for green investment in China, particularly in energy efficiency financing project, carbon emission right financing project and securitization of green credit asset products, contributing to a higher demand of innovations.

## Management Discussion and Analysis

In the future, adhering to the commitment of serving real economy in a prudent manner, the banking industry should identify key areas and segments when serving the real economy. New business development models shall be developed for balanced development of business. Restructuring and reformation shall be properly conducted to achieve a balanced development and facilitate restructuring and innovation. The banking industry should continuously improve service quality and enhance the effectiveness of financial services for the real economy. Banks will also be encouraged to offer financing services for starting businesses. The development of internet finance should be promoted to achieve coordinated development of the financial industry. Green finance should be explored to foster the harmony between human and nature. Attention should also be paid to inclusive finance to benefit more people.

In 2016, with the celebration of the 20th anniversary of its establishment, the Company stringently grasped the opportunities of the initial year of the 13th Five-Year Plan and adapted to the “New Normal”. Taking advantage of various favourable conditions and circumstances, the Company proactively navigate the challenges and operation risks and took the initiative to properly allocate credit in line with national strategy. With characteristics services of Minsheng, the Company will increase investment in personal loans to boost consumption. In line with the trend of intensified economic and financial reforms, the Company will accelerate its business layout featured with integration, internationalization and digitalization to create new profit impetus. With an aim to improve efficiency, the Company will deepen the system and mechanism reform, improved its ability to increase income and efficiency while reducing expenditure, and strengthen cost control. The Company will strictly control risks with high attention to imputed and cross risk and reputation risk, in order to establish a long-term mechanism for risk management. The Company will make a balance among the reform, development and stability, and will regulate growth, efficiency improvement and internal allocation, to ensure orderly implementation of all tasks, steady growth of operating results and higher social recognition.

## Management Discussion and Analysis



### (II) Development strategies

To cope with changes in external conditions and internal development needs, the Company has formulated mid-to-long-term development strategies for the next decade. Looking ahead, sticking to the tenet of serving the real economy, the Company will focus on enhancing the quality and overall profitability by implementing development, in order to promote the implementation of “Phoenix Project” and new strategies and develop a new sustainable and sound development plan.

In accordance with our mid-to-long-term development strategies, the Company is committed to becoming a “distinctive and globally competitive platform-based financial service provider with cross-sector and win-win vision and intelligence”. Adhering to our development philosophies of “continuous innovation, excellence, global networking and intelligence”, the Company will develop a new business model that combines financing, strategic consultation, commercial advisory and internet financing, in order to explore new markets and diversify growth points of income.

For execution of strategies, taking asset and liability management as the leading role, the Company will endeavor to conduct a coordinated development among corporate banking, retail banking and financial market businesses and achieve synergy between the Company and its subsidiaries. All these efforts will help create an upgraded China Minsheng Bank featured with digitalization, group management and internationalization. In particular, the Company will create a strategic model of pan-asset and liability management to lead the steady development of our businesses. The Company will deepen the SBU reform and focus on areas with advantages and strategic customers, in order to develop a competitive and industry-leading corporate finance business. The Company will promote the development and strategic transformation of financial market business to become an integrated bank with high efficiency and low costs. Taking advantage of the business features in small business finance

## Management Discussion and Analysis

and community finance, the Company will create a new pan-retail system to explore new markets in this sector. Intelligence financing business will be developed as new and unique core competitiveness. Branches with distinctive features will also be established to build regional core competitiveness. The Company will accelerate the development of the Minsheng Internet finance ecological circle which combines traditional vertical businesses with emerging horizontal businesses. In line with development trends, the Company will obtain licences in key business lines to create a group-based comprehensive financial service platform. Meanwhile, in accordance with the following strategy, the Company will endeavor to expand its global network to enhance global competitiveness.

### **(III) Potential risks**

At present, China's economy has ushered in the "New Normal". Shock waves have been sent to commercial banks from five fronts: mounting downward pressure from macro-economic growth, racing up of the liberalization of interest rate, widening market access, a more deregulated capital market and the rising of internet finance. As illustrated by worldwide experience, after the liberalization of interest rate, interest margin of banks will narrow. It is very likely that banks will have lower profitability which will result in a severe challenging banking operation environment. Facing the in-depth transformation of the financial environment, the Company will insist on planning in advance and formulating comprehensive roadmap. With the Phoenix Project, the Company will proactively navigate the challenges posed by the liberalization of interest rate, embrace the "New Normal", tighten its control over capital quality, look forward beyond the near future, beef up the capability of risk management and seize the new market opportunities.

## Changes in Share Capital and Information on Shareholders

### I. Changes in Shares

#### (I) Changes in shares

(Unit: Share)

	31 December 2014		Changes over the Reporting Period (+,-) Shares converted from Convertible Bonds	31 December 2015	
	Number of shares	Percentage (%)		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	34,153,103,037	100.00	2,332,245,715	36,485,348,752	100.00
1. Ordinary shares in RMB	27,219,523,629	79.70	2,332,245,715	29,551,769,344	81.00
2. Domestic listed foreign invested shares	—	—	—	—	—
3. Overseas listed foreign invested shares	6,933,579,408	20.30	—	6,933,579,408	19.00
4. Others	—	—	—	—	—
III. Total number of shares	34,153,103,037	100.00	2,332,245,715	36,485,348,752	100.00

#### (II) Shares subject to restriction on sales and restrictions

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



## Changes in Share Capital and Information on Shareholders

### II. Sufficiency of Public Float During the Reporting Period

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

### III. Issuance of Shares and Bonds

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

In accordance with the approval of the CBRC (Yin Jian Fu [2011] No. 328) 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. Pursuant to the written consent (Shang Zheng Fa Zi [2013] No. 1) issued by the SSE, the RMB20 billion A Share Convertible Bonds were listed on the SSE (Convertible Bonds name: Minsheng Convertible Bonds; Convertible Bonds code: 110023), out of which 17,173,833,000 A Share Convertible Bonds were listed on 29 March 2013 while 2,826,167,000 A Share Convertible Bonds were listed on 2 May 2013. The conversion period for Minsheng Convertible Bonds commenced on 16 September 2013. As approved by the CBRC, the Company redeemed all registered Minsheng Convertible Bonds after the close of trading on 24 June 2015.

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

During the Reporting Period, the Company had 2,332,245,715 A shares converted from Convertible Bonds and the total number of shares increased to 36,485,348,752. Proportion of ordinary shares in RMB increased from 79.70% at the beginning of the year 2015 to 81.00%. Due to the increase in total share capital of the Company, the proportion of overseas listed foreign invested shares decreased from 20.30% at the beginning of the year 2015 to 19.00%.

#### (III) Employee shares

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

#### (IV) Issuance and Redemption of Convertible Bonds

In accordance with the approval of 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 issuance of A Share Convertible Bonds raised a total of RMB20 billion and after deducting all expenses

## Changes in Share Capital and Information on Shareholders

relating to the issuance, the total net proceeds from the issuance of A Share Convertible Bonds amounted to approximately RMB19.912 billion. The net proceeds together with other working capital of the Company have been used in operations and business development of the Company. Upon the conversion by the holders of A Share Convertible Bonds, the entire amount of converted Convertible Bonds had been used in replenishing core capital of the Company.

Given that the closing price of the A shares of the Company from 26 March 2015 to 8 May 2015 was no less than 130% (i.e. RMB10.537 per share) of the prevailing conversion price of Minsheng Convertible Bonds (RMB8.105 per share) for 15 trading days out of 30 consecutive trading days, the redemption clause of the Convertible Bonds has been triggered according to the Prospectus of China Minsheng Banking Corp., Ltd. in relation to the Public Issuance of the A Share Convertible Corporate Bonds (with Subordinated Term). The Board approved to exercise the right of redemption of Convertible Bonds.

On 8 June 2015, the Company received the “Opinion Letter regarding Early Redemption of A-Shares Convertible Corporate Bonds” (Gu Fen Zhi Yin Hang Bu [2015] No.26)(《關於提前贖回A股可轉換公司債券意見的函》(股份制銀行部[2015]26號)) from the CBRC, pursuant to which, the Company was approved to exercise its right of early redemption of the Convertible Bonds. The Company issued the Announcement on the Redemption of Minsheng Convertible Bonds on 9 June 2015 on the website of the SEHK. The Company also issued six subsequent reminder announcements on 9 June 2015, 10 June 2015, 11 June 2015, 17 June 2015, 18 June 2015 and 19 June 2015 on the website of the SEHK, respectively, to give notice to the holders of Minsheng Convertible Bonds about the date of the exercise of the redemption right, the redemption price, the payment method and other information. Upon the close of trading on 24 June 2015, the outstanding Minsheng Convertible Bonds amounted to RMB161,232,000, representing 0.81% of the total issued Minsheng Convertible Bonds. The Company distributed the redemption funds to all holders of the Minsheng Convertible Bonds on 1 July 2015 and the Minsheng Convertible Bonds were delisted from the SSE on the same date.

As at the end of the Reporting Period, a total of RMB19,838,768,000 of Minsheng Convertible Bonds have been converted into an aggregate of 2,446,493,105 shares of Minsheng Bank. In compliance with the regulations on the capital management promulgated by the CBRC and the use of proceeds set out in the prospectus, the Company applied the proceeds from the issuance of Convertible Bonds in replenishing core tier-one capital of the Company.

## Changes in Share Capital and Information on Shareholders

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

As at the end of the Reporting Period, the Company had issued the following outstanding 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 with 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 RMB3,300 million, were issued at an initial interest rate of 5.05% and the interest rate for the remaining five years will increase by 300BP on top of the initial interest rate applicable to the first ten years if the Company does not exercise any redemption option. The floating interest rate bonds amounted to RMB1,000 million and the par interest rate per annum was based on the sum of a benchmark interest rate plus a basic spread. The benchmark interest rate was the one-year time 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 Measures for Administrative of Capital of Commercial Banks (Trial Implementation) adopted by the CBRC on 1 January 2013, the proceeds were accounted as tier-two capital of the Company based on required proportion.

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

## Changes in Share Capital and Information on Shareholders

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 Measures for Administrative of Capital of Commercial Banks (Trial Implementation) adopted by the CBRC on 1 January 2013, the proceeds were accounted as tier-two capital of the Company based on required proportion.

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 terms of 10 years and 15 years respectively. The 10-year bonds, amounting to RMB6,000 million, were issued at the nominal interest rate of 5.50% while the 15-year bonds, amounting to RMB4,000 million, were issued at the nominal interest rate of 5.70%. These subordinated bonds granted the issuer a one-off early redemption option, that is, subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of the 10-year bonds or after the expiry of the tenth year but before the maturity date of the 15-year bonds. The exercise of the early redemption option by the issuer is not subject to the consent of bond holders. As of 28 March 2011, the proceeds from the RMB10,000 million subordinated bonds, net of 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 Measures for Administrative of Capital of Commercial Banks (Trial Implementation) adopted by the CBRC on 1 January 2013, the proceeds were accounted as tier-two capital of the Company based on required proportion.

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.

## Changes in Share Capital and Information on Shareholders

Pursuant to the approval by the CBRC (Yin Jian Fu [2013] No. 570) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2014] No. 6), the Company issued tier-two capital bonds with a total amount of RMB20,000 million in the national interbank bond market on 18 March 2014. These tier-two capital bonds were issued for a term of ten years with fixed interest rate at the nominal interest rate of 6.60%. The interest was paid on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the CBRC upon the exercise of redemption option, the Company may, subject to the approval by the CBRC, exercise one-off redemption of all or part of the bonds at par value at last day of the fifth interest bearing year of this trench of bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders. As of 20 March 2014, the proceeds from the RMB20,000 million tier-two capital bonds, net of issuance expenses, were fully credited to the account of the Company. According to applicable rules, these proceeds of RMB20,000 million were fully accounted as tier-two capital of the Company.

Pursuant to the approval by the CBRC (Yin Jian Fu [2015] No. 136) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2015] No. 54), the Company issued tier-two capital bonds with a total amount of RMB20,000 million in the national interbank bond market on 28 April 2015. These tier-two capital bonds were issued for a term of ten years with fixed interest rate at the nominal interest rate of 5.40%. The interest was paid on an annual basis. The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Company is in compliance with the capital regulation requirements under the CBRC upon the exercise of redemption option, the Company may, subject to the approval by the CBRC, exercise one-off redemption of all or part of the bonds at par value at last day of the fifth interest bearing year of this trench of bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements and approval of the CBRC. The exercise of early redemption option by the issuer is not subject to the consent of bond holders. As of 29 April 2015, the proceeds from the RMB20,000 million tier-two capital bonds, net of issuance expenses, were fully credited to the account of the Company. According to applicable rules, these proceeds of RMB20,000 million were fully accounted as tier-two capital of the Company.

## Changes in Share Capital and Information on Shareholders

### V. Shareholders

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

(Unit: Share)

Total number of ordinary shareholders at the end of the Reporting Period	395,998
Total number of ordinary shareholders at the end of the month immediately prior to the disclosure of the Annual Report	381,950

Particulars of shareholdings of the top ten shareholders						
Name of shareholders	Type of shareholder	Shareholdings percentage	No. of shares held as at the end of the period	Number of shares subject to restriction held	Number of shares pledged or locked-up	
HKSCC Nominees Limited	Others	18.91%	6,898,397,707	—	Unknown	
Anbang Life Insurance Inc. — Steady Investment Portfolio	Others	6.49%	2,369,416,768	—	Nil	
Anbang Property Insurance Inc. — Traditional products	Others	4.56%	1,665,225,632	—	Nil	
Anbang Insurance Group Co., Ltd. — Traditional Insurance Products	Others	4.49%	1,639,344,938	—	Nil	
New Hope Investment Co., Ltd.	Domestic non state owned legal person	4.18%	1,523,606,135	—	285,390,000	
Shanghai Giant Lifetech Co., Ltd.	Domestic non state owned legal person	3.15%	1,149,732,989	—	1,149,732,989	
China Shipowners Mutual Assurance Association	Domestic non state owned legal person	2.98%	1,086,917,406	—	Nil	
Orient Group Incorporation	Domestic non state owned legal person	2.92%	1,066,764,269	—	795,426,240	
Huaxia Life Insurance Co., Ltd. — Universal Life Insurance Product	Others	2.89%	1,055,915,075	—	Nil	
China Securities Finance Corporation Limited	State owned	2.66%	971,956,698	—	Nil	

## Changes in Share Capital and Information on Shareholders

<b>Shareholdings of top ten holders of tradable shares not subject to restriction on sales</b>		
<b>Name of shareholders</b>	<b>Number of tradable shares not subject to restriction held as at the end of the period</b>	<b>Classes of shares (A shares, B shares, H shares and others)</b>
HKSCC Nominees Limited	6,898,397,707	H
Anbang Life Insurance Inc. — Steady Investment Portfolio	2,369,416,768	A
Anbang Property Insurance Inc. — Traditional products	1,665,225,632	A
Anbang Insurance Group Co., Ltd. — Traditional Insurance Products	1,639,344,938	A
New Hope Investment Co., Ltd.	1,523,606,135	A
Shanghai Giant Lifetech Co., Ltd.	1,149,732,989	A
China Shipowners Mutual Assurance Association	1,086,917,406	A
Orient Group Incorporation	1,066,764,269	A
Huaxia Life Insurance Co., Ltd. — Universal Life Insurance Product	1,055,915,075	A
China Securities Finance Corporation Limited	971,956,698	A
Statement on the related relationship or concerted actions among the aforesaid shareholders	Anbang Insurance Group Co., Ltd. is the controlling shareholder of Anbang Life Insurance Inc. and Anbang Property Insurance Inc., which holds 99.96% and 95.26% of shares of Anbang Life Insurance Inc. and Anbang Property Insurance Inc., respectively. The Company is not aware of any related relationship among other shareholders.	

- Notes:
1. The number of shares held by H shareholders was recorded in the Register of Members as kept by the H Share Registrar of the Company.
  2. HKSCC Nominees Limited acted as an agent, representing the total amount of H shares held by all institutional and individual investors that registered in the account of such investors as at 31 December 2015.
  3. As at the end of the Reporting Period, Anbang Life Insurance Inc. — Steady Investment Portfolio, a single shareholder with 5% or more equity in the Company, acquired additional 670,837,624 shares during the Reporting Period.

## Changes in Share Capital and Information on Shareholders

### (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 2015, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests or short position in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware of:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
Anbang Insurance Group Co., Ltd.	A	Long	Beneficial Owner	1,673,502,001			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	4,453,401,906			
				6,126,903,907	1	20.73	16.79
	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	358,908,500	2 and 12	5.18	0.98
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,822,968,401*	3 and 6	6.17	5.00
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,523,606,135*	3	5.16	4.18
New Hope Investment Co., Ltd.	A	Long	Beneficial Owner	1,523,606,135*	3	5.16	4.18
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,822,968,401*	4 and 6	6.17	5.00
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,822,968,401*	5 and 6	6.17	5.00



## 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 (%)
Fosun International Limited	H	Long	Beneficial Owner	695,179,800			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	113,432,600			
				808,612,400	7 and 8	11.66	2.22
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	808,612,400	7 and 8	11.66	2.22
UBS Group AG	H	Long	Person having a security interest in shares	372,176,475			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	106,980,820			
				479,157,295	9	6.91	1.31
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	67,938,021	9	0.98	0.19
BlackRock, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	423,516,649	10	6.11	1.16
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	5,952,000	10	0.09	0.02

## 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 (%)
Ge Weidong	H	Long	Beneficial Owner	333,641,500			
			Interest held by the corporation(s) controlled by this substantial shareholder	79,642,700			
				<u>413,284,200</u>	11	5.96	1.13
Anbang Property Insurance Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	358,908,500	2 and 12	5.18	0.98

\* As far as the Company is aware, the above numbers of shares reflected the interests or short positions of the relevant substantial shareholders as at 31 December 2015. 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:

- Anbang Insurance Group Co., Ltd. had interests in the 6,126,903,907 A shares of the Company by virtue of its control over Anbang Life Insurance Inc., Anbang Property Insurance Inc. and Hexie Health Insurance Co., Ltd.
- The long position of 358,908,500 H shares was directly held by Anbang Asset Management (Hong Kong) Co., Limited. Anbang Asset Management (Hong Kong) Co., Limited was a wholly-owned subsidiary of Anbang Property Insurance Inc. and 95.26% of the issued share capital of Anbang Property Insurance Inc. was owned by Anbang Insurance Group Co., Ltd.  
According to the SFO, Anbang Insurance Group Co., Ltd. and Anbang Property Insurance Inc. were deemed to have interests in the 358,908,500 H shares held by Anbang Asset Management (Hong Kong) Co., Limited.
- The 1,822,968,401 A shares comprised 299,362,266 A shares directly held by South Hope Industrial Co., Ltd. and 1,523,606,135 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. 23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively.  
According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 299,362,266 A shares held by South Hope Industrial Co., Ltd. and in the 1,523,606,135 A shares held by New Hope Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,523,606,135 A shares held by New Hope Investment Co., Ltd.
- Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,822,968,401 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations").

## Changes in Share Capital and Information on Shareholders

5. Ms. Liu Chang held 37.66% of the issued share capital of New Hope Group Co., Ltd. (see note (3) above). According to the SFO, Ms. Liu was deemed to have interests in the 1,822,968,401 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).
6. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 1,822,968,401 A shares, as set out in the above table, were from the same block of shares.
7. The 808,612,400 H shares (Long position) (in which 390,000,000 H shares were held through other derivatives) held by Fosun International Limited comprised 695,179,800 H shares directly held by itself, 35,592,600 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 77,840,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 82.63% 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 64.45% of the issued share capital of Fosun International Holdings Ltd.

According to the SFO, Fosun International Limited was deemed to have interests in the 35,592,600 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 77,840,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 808,612,400 H shares held by Fosun International Limited. 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 of the Company or its Associated Corporations under Hong Kong Laws and Regulations".

8. The interests that Fosun International Limited and Fosun International Holdings Ltd. held in the 808,612,400 H shares, as set out in the above table, were from the same block of shares.
9. UBS Group AG had a long position in 479,157,295 H shares and a short position in 67,938,021 H shares of the Company through a number of wholly-owned subsidiaries. Besides, 42,742,113 H shares (Long position) and 8,264,006 H shares (Short position) were held through derivatives as follows:
 

1,588,985 H shares (Long position) and 2,500,000 H shares (Short position)	— through physically settled derivatives (on exchange)
8,348 H shares (Long position) and 2,196,473 H shares (Short position)	— through cash settled derivatives (on exchange)
155,947 H shares (Long position) and 3,149,000 H shares (Short position)	— through physically settled derivatives (off exchange)
40,988,833 H shares (Long position) and 418,533 H shares (Short position)	— through cash settled derivatives (off exchange)

10. BlackRock, Inc. had a long position in 423,516,649 H shares (in which 6,500 H shares were held through cash settled derivatives (off exchange)) and a short position in 5,952,000 H shares (in which 293,500 H shares were held through cash settled derivatives (off exchange)) of the Company by virtue of its control over a number of corporations, which were indirect wholly-owned subsidiaries of BlackRock, Inc., except the following corporations:

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

- 10.1.1 BlackRock Japan Co., Ltd. held 6,752,600 H shares (Long position) of the Company.
- 10.1.2 BlackRock Asset Management Canada Limited held 725,980 H shares (Long position) in the Company.
- 10.1.3 BlackRock Investment Management (Australia) Limited held 743,100 H shares (Long position) in the Company.
- 10.1.4 BlackRock Asset Management North Asia Limited held 21,842,339 H shares (Long position) in the Company.

10.2 BlackRock Group Limited was owned as to 90% by BR Jersey International Holdings L.P. (see note (10.1) above). BlackRock Group Limited had interests and short positions in the Company through the following direct or indirect wholly-owned corporations:

- 10.2.1 BlackRock (Netherlands) B.V. held 1,393,100 H shares (Long position) in the Company.
- 10.2.2 BlackRock Advisors (UK) Limited held 108,376,927 H shares (Long position) in the Company.
- 10.2.3 BlackRock International Limited held 2,240,351 H shares (Long position) in the Company.
- 10.2.4 BlackRock Asset Management Ireland Limited held 38,448,055 H shares (Long position) in the Company.
- 10.2.5 BLACKROCK (Luxembourg) S.A. held 743,500 H shares (Long position) and 50,000 H shares (Short position) in the Company.
- 10.2.6 BlackRock Investment Management (UK) Limited held 15,030,936 H shares (Long position) in the Company.

## Changes in Share Capital and Information on Shareholders

- 10.2.7 BlackRock Asset Management Deutschland AG held 346,100 H shares (Long position) in the Company.
  - 10.2.8 BlackRock Fund Managers Limited held 2,994,624 H shares (Long position) in the Company.
  - 10.2.9 BlackRock Life Limited held 113,500 H shares (Long position) in the Company.
  - 10.2.10 BlackRock Asset Management (Schweiz) AG held 30,000 H shares (Long position) in the Company.
11. The 413,284,200 H shares (Long position) comprised 333,641,500 H shares directly held by Mr. Ge Weidong and 79,642,700 H shares directly held by Chaos Investment Co., Ltd., which was wholly-owned by Mr. Ge.
12. The interests that Anbang Insurance Group Co., Ltd. and Anbang Property Insurance Inc. had in the 358,908,500 H shares (Long position), as set out in the above table, were from the same block of shares.

Save as disclosed above and the section headed “Interests of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations”, the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 31 December 2015 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 the end of the Reporting Period, Anbang Life Insurance Inc. — Steady Investment Portfolio held 2,369,416,768 A shares of the Company, representing 6.49% of the total share capital of the Company. No other single shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited). The shares of the Company held by Anbang Life Insurance Inc. — Steady Investment Portfolio were not subject to any pledge or lock-up.

### **(IV) Controlling shareholder and ultimate controller**

The Company does not have any controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top ten shareholders of the Company (other than HKSCC Nominees Limited) held an aggregate of 36.5% of its shares of the Company. Anbang Life Insurance Inc. — Steady Investment Portfolio, the single largest shareholder of the Company, held 6.49% of its shares. There was no shareholder who could control not less than half of the voting rights of the Board or at general meetings in accordance with its shareholding, Articles of Association or by agreements.

### **(V) Other corporate shareholders with 10% or more equity in the Company**

As at the end of the Reporting Period, there was no single corporate shareholder of the Company that held 10% or more of its shares. Anbang Life Insurance Inc., Anbang Property Insurance Inc.,

## Changes in Share Capital and Information on Shareholders

Anbang Insurance Group Co., Ltd. and Hexie Health Insurance Co., Ltd. collectively owned 10% or more of equity of the Company.

Name of corporate shareholder	Person-in-charge or legal representative	Date of incorporation	Registered Capital	Principal business or management activities
Anbang Life Insurance Inc.	Yao Dafeng	23 June 2010	RMB30.79 billion	Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance business of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the CIRC.
Anbang Property Insurance Inc.	Zhang Feng	31 December 2011	RMB37 billion	Property and casualty insurance, liability insurance, credit and guarantee insurance, short-term health insurance and accidental injury insurance, reinsurance in connection with the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations and other businesses approved by the CIRC.
Anbang Insurance Group Co., Ltd.	Wu Xiaohui	15 October 2004	RMB61.9 billion	Establishment of insurance enterprises, supervision and management of various domestic and international businesses of the companies invested and controlled by Anbang Insurance Group Co., Ltd., investment businesses permitted under the PRC laws and regulations, insurance businesses permitted under the PRC laws and regulations, and other businesses approved by CIRC.
Hexie Health Insurance Co., Ltd.	Shangguan Qing	12 January 2006	RMB8.9 billion	Various Renminbi and foreign currencies-denominated health insurance businesses, accidental injury insurance businesses, health insurance business ancillary to the national health care policies and entrusted by the governments, health insurance related consulting service and agency businesses, health insurance related reinsurance businesses, funds application businesses permitted under the PRC laws and regulations, and other businesses approved by the CIRC.

# Directors, Supervisors, Senior Management and Employees

## I. Directors, Supervisors and Senior Management

### (I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax payable during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
HONG Qi	M	1957	Vice Chairman, Executive Director & President of the Company	10 April 2012– 18 August 2014	–	–	448.35	No
			Vice Chairman, Executive Director, President of the Company & Acting Chairman	18 August 2014– 28 August 2014				
			Chairman & Executive Director	28 August 2014– 31 January 2015				
			Chairman, Executive Director & Acting President	31 January 2015– 19 November 2015				
			Chairman & Executive Director	19 November 2015– present				
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	10 April 2012– present	–	–	89.50	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	10 April 2012– present	–	–	84.00	Yes
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	10 April 2012– present	–	–	84.50	Yes
LIANG Yutang	M	1958	Vice Chairman & Executive Director	10 April 2012– present	–	–	402.27	No
WANG Yugui	M	1951	Non-executive Director	10 April 2012– present	–	–	81.00	No
WANG Hang	M	1971	Non-executive Director	10 April 2012– present	–	–	84.50	No
WANG Junhui	M	1971	Non-executive Director	10 April 2012– present	–	–	70.50	Yes
WU Di	M	1965	Non-executive Director	15 June 2012– present	–	–	78.00	Yes
GUO Guangchang	M	1967	Non-executive Director	17 December 2012– present	–	–	77.50	Yes
YAO Dafeng	M	1962	Non-executive Director	23 December 2014– present	–	–	79.50	Yes
QIN Rongsheng	M	1962	Independent Non-executive Director	10 April 2012– present	–	–	–	No
WANG Lihua	M	1963	Independent Non-executive Director	10 April 2012– present	–	–	102.00	Yes
HAN Jianmin	M	1969	Independent Non-executive Director	10 April 2012– present	–	–	106.00	Yes
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	15 June 2012– present	–	–	93.00	No
BA Shusong	M	1969	Independent Non-executive Director	15 June 2012– present	–	–	–	No
YOU Lantian	F	1951	Independent Non-executive Director	17 December 2012– present	–	–	–	No

## Directors, Supervisors, Senior Management and Employees

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax payable during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
ZHENG Wanchun	M	1964	President of the Bank	19 November 2015– 1 February 2016	–	–	43.25	No
			Executive Director & President of the Bank	1 February 2016– present				
DUAN Qingshan	M	1957	Chairman of the Supervisory Board & Employee Supervisor	10 April 2012– present	–	–	366.92	No
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	10 April 2012– present	759,720	759,720	325.51	No
Guo Dong	M	1961	Employee Supervisor	18 March 2016– 30 March 2016	–	–	–	No
			Vice Chairman of the Supervisory Board, Employee Supervisor	30 March 2016– present				
ZHANG Ke	M	1953	External Supervisor	10 April 2012– present	–	–	64.50	Yes
LI Yuan	M	1954	Former Supervisor, resigned	10 April 2012– 14 December 2015	–	–	62.50	No
ZHANG Disheng	M	1955	Supervisor	10 April 2012– present	–	–	61.50	No
LU Zhongnan	M	1955	Supervisor	10 April 2012– present	–	–	67.00	No
WANG Liang	M	1942	External Supervisor	10 April 2012– present	–	–	62.50	No
XING Benxiu	M	1963	Vice President	10 April 2012– present	–	–	238.52	No
WAN Qingyuan	M	1965	Board Secretary	10 April 2012– present	–	–	253.91	No
BAI Dan	F	1963	Chief Financial Officer	10 April 2012– present	–	–	255.84	No
SHI Jie	M	1965	Assistant President	7 August 2012– present	–	–	229.53	No
LI Bin	F	1967	Assistant President	7 August 2012– present	–	–	231.47	No
LIN Yunshan	M	1970	Assistant President	7 August 2012– present	–	–	229.53	No

### Notes:

- On 4 March 2015, the Board resolved to postpone the election of the new session of the Board and the Supervisory Board resolved to postpone the election of the new session of the Supervisory Board. The postponement was considered and approved at the first extraordinary general meeting for 2015 held on 27 April 2015;
- During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management retired during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities during the last three years;
- On 19 November 2015, the Board appointed Mr. Zheng Wanchun as the President of China Minsheng Bank with the same term of office as the sixth session of the Board. On 1 February 2016, Mr. Zheng Wanchun was elected as an Executive Director at the general meeting of the Company. Qualification of Zheng Wanchun as President and Director was approved by the CBRC;
- On 14 December 2015, Mr. Li Yuan, a Supervisor of the Company, tendered his resignation as a Supervisor and a member of the related special committee of the Supervisory Board of the Company in compliance with the regulations and requirements concerning employee age of the Company for which he served;

## Directors, Supervisors, Senior Management and Employees

5. On 18 March 2016, Mr. Guo Dong was elected as the Employee Supervisor of the sixth session of the Supervisory Board through the nomination and election in the meeting of the representatives of employee and general employees' meeting of the Company. On 30 March 2016, Mr. Guo Dong was elected as the Vice Chairman of the Supervisory Board through the by-election in the 23rd meeting of the sixth session of the Supervisory Board on 30 March 2016;
6. During the Reporting Period, the total pre-tax remunerations of current and resigned Directors, Supervisors and senior management were RMB43.731 million. The total pre-tax remunerations of current Executive Directors, Chairman of the Supervisory Board, Vice Chairmen of the Supervisory Board and senior management are still in confirmation process and further disclosure regarding such unconfirmed part will be made by the Company in due course;
7. Remunerations of resigned or retired Directors, Supervisors and senior management referred to their remunerations during their terms. Guo Dong did not receive any remuneration as a Supervisor during the Reporting Period as he was only appointed as a Supervisor in 2016;
8. Qin Ronsheng and You Lantian, the Independent Non-executive Directors, according to relevant provisions and on their sole discretion, have waived their directors' remuneration for 2015. Ba Shusong, an Independent Non-executive Director, voluntarily proposed to waive his remuneration with effective from May 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	June 2014–Present
Lu Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman and President	May 1999–Present
Wu Di	Fuxin Group Co., Ltd.	President, Chief Executive Officer	2003–Present
Guo Guangchang	Fosun International Limited	Executive Director and Chairman	December 2004–Present
Yao Dafeng	Anbang Insurance Group Co., Ltd.	Director and Vice President	July 2011–Present
	Anbang Life Insurance Inc.	Director and Chairman	July 2010–Present

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

#### Executive Directors

**Mr. Hong Qi**, has been an Executive Director of the Company since 8 January 2004. He is also the Chairman of the Company and the chairman of Strategic Development and Investment Management Committee and the member of Nomination Committee under the Board. Mr. Hong is the vice president of China Chamber of International Commerce, an honorary vice chairman of Sun Yefang Economic Science Foundation, the vice council chairman of China Red Ribbon Foundation of ACFIC, the vice council chairman of China Foundation for Poverty Alleviation of ACFIC, a deputy director of Working Committee for Poverty Alleviation of ACFIC, council chairman of China Academy of New Supply-side



## Directors, Supervisors, Senior Management and Employees

Economics, an executive council member of China International Finance Society and a member of Financial Planning Standard Board (China). Mr. Hong was a Vice President of the Company from 2000 to March 2009 and became the President in March 2009. He was the director of the Business Department, Head Office of the Company from January 1996 to September 1996. Mr. Hong acted as the deputy general manager of 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 president and secretary of the party committee of the Beihai Branch of the Bank of Communications from 1994 to 1995, a deputy director of the Securities Research Institute of the Renmin University of China from 1993 to 1994, and a senior officer at the headquarters of the PBOC from 1985 to 1991. Mr. Hong has over 31 years of experience in banking management and finance. Mr. Hong obtained his Doctor's Degree in Economics from Renmin University of China in 1994.

**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 president of the Company from 2003 to 2005, the general manager of the Beijing Branch 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 Zhengzhou Branch of the Bank of Communications 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 Research Department of Henan Finance and Management College from 1985 to 1991. Mr. Liang has over 34 years of experience in finance. Mr. Liang obtained his Master's Degree in Economics from Xiamen University in 1993 and is a senior economist.

**Mr. Zheng Wanchun**, has been an Executive Director since 1 February 2016. He is also the President of the Company and a member of Strategic Development and Investment Management Committee, Nomination Committee and Risk Management Committee under the Board. Mr. Zheng served as the vice president of Industrial and Commercial Bank of China Limited ("ICBC") from October 2013 to October 2015. Prior to that, he acted as an assistant president and general manager of the Business Department of Hainan Branch of ICBC, and deputy general manager of Industrial and Commercial Credit Department of ICBC. He also held various positions in China Huarong Asset Management Co., Ltd. including deputy general manager and general manager of Corporate Debt Management Department, general manager of Operation Management Department and assistant president. In December 2004, he became vice president of China Huarong Asset Management Co., Ltd.

## Directors, Supervisors, Senior Management and Employees

and concurrently served as Chairman of Huarong Securities and Huarong Rongde Asset Management Co., Ltd. (Sino-German Joint Venture). In January 2009, he became vice president of China Huarong Asset Management Co., Ltd. and concurrently chairman of Huarong Securities and Huarong Futures. In March 2011, he served as president of China Great Wall Asset Management Corporation. Mr. Zheng obtained his Doctor's Degree in Economics from Renmin University of China.

### 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 Orient Group Incorporation (listed on the SSE (stock code: 600811)), United Energy Group Limited (listed on the SEHK (stock code: 00467)), and Orient Group Investment Holding Co., Ltd.. Mr. Zhang was previously the chairman of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190/900952)), a member of the 11th CPPCC and a member of the Standing Committee of the 10th CPPCC. Mr. Zhang served as the vice chairman of the ACFIC from 1997 to 2007. Mr. Zhang obtained his 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 and president of Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd., a director of China Oceanwide International Investment Co., Ltd, chairman of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)), and a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)). 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 Society for Promotion of the Guangcai Program 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)). Mr. Lu was a member of the Standing Committee and vice chairman of the ACFIC from 1998 to 2012. Mr. Lu obtained his Master's Degree in Economics from Fudan University in 1995 and is a research fellow.

**Mr. Liu Yonghao**, 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 New Hope Group Co., Ltd. (the substantial

## Directors, Supervisors, Senior Management and Employees

shareholder of the Company), the chairman of Shandong New Hope Liuhe Group Co., Ltd., director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876), a substantial shareholder of the Company) and a non-executive director of New Hope Global Holding Co., Limited. Mr. Liu was a member of the CPPCC from 1993 to 2013. He was previously a Standing Committee 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 NPC in 2013. Mr. Liu was previously the chairman 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 Strategic Development and Investment Management 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 general manager of China Shipowners Mutual Assurance Association, executive council member of China Maritime Law Association and the China Association of Trade in Services and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837)). Mr. Wang graduated from Beijing Second Foreign Language Institute in 1977 and is a senior economist.

**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). Mr. Wang has been a non-executive director of New Hope Liuhe Co., Ltd. (listed on the SZSE (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 Kunming O-Park Co., Ltd., a consultant and chief operating officer of the Corporate Finance Department of New Hope Group Co., Ltd., the Vice Chairman of Union Trust & Investment Ltd., the chairman and president of Sichuan South Hope Industrial Co., Ltd. and the general manager of Beijing Shouwang 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 that, Mr. Wang was the assistant president of China Life Asset Management Company Limited from 2004 to 2007 and then the vice president from 2007 to September 2012. He was also the 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

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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 a 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, Federation of Industry and Commerce of Xiamen and Xiamen Association of Cross-strait Exchanges. Mr. Wu was an assistant director of Dalian Ocean Fishery Group and the deputy general manager of Shenzhen Tianma New Construction Material Co., Ltd.. Mr. Wu is a senior economist with a Doctor's Degree. He also serves as a guest professor of Renmin University of China and 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 SEHK (stock code: 00656)), a vice chairman of Nanjing Nangang Iron & Steel United Co., Ltd., a non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (listed on the SEHK (stock code: 002196) and listed on the SSE (stock code: 600196)) and a director of Shanghai Forte Land Co., Ltd., the shares of which were withdrawn from listing on the SEHK in May 2011. He is also the chairman of Fidelidade – Companhia de Seguros, S.A., Multicare – Seguros de Saude, S.A. and Fidelidade Assistencia – Companhia de Seguros, S.A. (previously known as Cares – Companhia de Seguros, S.A.) and a director of Club Méditerranée SA, the shares of which were withdrawn from listing on the Euronet N. V. in March 2015. In addition, Mr. Guo is currently a member of the 12th CPPCC, a member of the 11th standing committee of All-China Federation of Industry & Commerce and All-China Youth Federation, chairman of the Shanghai Branch of Zhejiang Chamber of Commerce, a vice council chairman of China Foundation for Guangcai Program, etc. Mr. Guo was a representative of the 10th and 11th NPC, a member of the 9th CPPCC and a vice chairman of the 8th session of Shanghai Youth Federation. Mr. Guo received several awards and honors such as “Award of Outstanding Contribution to the Guangcai Program” by the China Society for Promotion of the Guangcai Program, the “China Most Influential Enterprise Leaders in 2015” at 2015 China Entrepreneur Summit and China Most Influential Entrepreneur in 30 Years Award Ceremony, the “50 Most Influential List 2014 – Corporate Power Broker” by Bloomberg Markets and “China 100 Most Creative People in Business 2014” by Fast Company (Chinese edition), a famous American business magazine. 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.

## Directors, Supervisors, Senior Management and Employees

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

### 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 under the Board. Mr. Qin is the chairman of Beijing National Accounting Institute, the executive councilor of the China Audit Society 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 once served as the vice president of the China Association of Chief Financial Officers. Mr. Qin is also a guest professor of Tsinghua University, Renmin University of China, Zhongnan University of Economics and Law, and 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, and the chairman of Risk Management Committee under the Board. Mr. Wang is currently the chief partner of Beijing Tian Yuan Law Firm, executive council member 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. He is also the vice president of the 1st session of Beijing Xicheng District Enterprises and Entrepreneurs Association, an independent director of Hainan Mining Co., Ltd. (listed on the SSE (stock code: 601969) and the vice chairman of the Intellectual Property Society under Beijing Law Society. Mr. Wang previously served as the vice chairman of the Beijing Xicheng District Social Organization Association, 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

## Directors, Supervisors, Senior Management and Employees

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, the Chairman of the 1st session of Beijing Xicheng District Lawyers Association, a member of Listing Committee of SZSE, an independent director of Xinjiang Chalkis Co., Ltd. (listed on the SZSE (stock code: 000972)) and an independent director of Shandong Xingmin Wheel Co., Ltd. (listed on the SZSE (stock code: 002355)). Mr. Wang obtained a Master's Degree in Economic Law from Peking University in 1993.

**Mr. Han Jianmin**, has been an Independent Non-executive Director of the Company since 9 September 2009. He is also the chairman of Audit Committee, and Related Party Transactions Supervision Committee and a member of Compensation and Remuneration Committee and Nomination Committee under the Board. Mr. Han is currently a member of Management Committee and managing partner of Da Hua Certified Public Accountants (Special General Partnership), the independent director of Tianjin Bohai Commodity Exchange Ltd and Dongxing Securities Co., Ltd. (listed on the SSE (stock code: 601198)), an external director of Beijing Grain Group Co., Ltd., a member of the Disciplinary Commission of Beijing Institute of Certified Public Accountants and an advisory expert on management and accounting of the Ministry of Finance. Mr. Han previously worked in the Mudanjiang Branch of the Bank of China Limited, and a director and deputy accountant-in-chief of Beijing Zhongzhou Accounting Firm, a part-time supervisor of Industrial and Commercial Bank of China Limited 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 Securities Issuance on the Growth Enterprise Board under the CSRC. Mr. Han held his Master's Degree in Business Administration, 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 SEHK (stock code: 00002)), Great Eagle Holdings Limited (listed on the SEHK (stock code: 00041)), MTR Corporation Limited (listed on the SEHK (stock code: 00066)), Hui Xian Asset Management Limited (listed on the SEHK (stock code: 87001)), Shanghai Industrial Holdings Limited (listed on the SEHK (stock code: 00363)), Wing Tai Properties Limited (listed on the SEHK (stock code: 00369)) and CK Hutchison Holdings Limited (listed on the SEHK (stock code: 00001)). Mr. Cheng was awarded the Justice of the Peace in Hong Kong, Officer of the Order of the British Empire and Hong Kong Gold Bauhinia Star and was appointed as a member of the 11th CPPCC. Mr. Cheng was the chief economist and chief financial officer of

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HSBC, the vice-president and chief executive officer of Hang Seng Bank Limited (listed on the SEHK (stock code: 00011)), the chairman of HSBC and the chairman of HSBC (China) Company Limited, and the independent non-executive director of Hutchison Whampoa Limited (the shares of which were withdrawn from listing on the SEHK in June 2015). In addition, Mr. Cheng served as an adviser to the Central Policy Unit, a member of the executive council and legislative council of the Government of the Hong Kong Special Administrative Region, as well as the Hong Kong Affairs Adviser to the PRC. Mr. Cheng received his Bachelor's Degree in Social Science from The Chinese University of Hong Kong in 1973 and his Master's Degree of Philosophy from The University of Auckland in New Zealand in 1979. Mr. Cheng was conferred Honorary Fellowship by The Chinese University of Hong Kong in 2002 and his Doctor's Degree in Business Administration, honoris causa, by the Open University of Hong Kong and his Doctor's Degree in Social Science, honoris causa, by The Chinese University of Hong Kong in 2005.

**Mr. Ba Shusong**, has been an Independent Non-executive Director of the Company since 15 June 2012. He is also a member of Strategic Development and Investment Management Committee and Nomination Committee under the Board. Mr. Ba is currently serving as the vice secretary general of China Society of Macroeconomics. He was previously 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 SEHK (stock code: 03988)), the vice president of Hangzhou Branch of Bank of China, a senior manager of Hong Kong-Macau Regional Office of Bank of China, assistant general manager of Risk Management Department of BOC Hong Kong (Holdings) Limited (listed on the SEHK (stock code: 02388)). He also served as director 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 Hong Kong Special Administrative Region. Mr. Ba was the independent director of Da An Gene Co., Ltd. of Sun Yat-sen University (listed on the SZSE (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 SZSE (stock code: 000728)) respectively, and the independent non-executive director of China Chengtong Development Group Limited (listed on the SEHK (stock code: 00217)), China Investment Development Limited (listed on the SEHK (stock code: 00204)) and Wanda Commercial Properties (Group) Co., Ltd. (listed on SEHK (stock code: 00169), formerly known as Hengli Commercial Properties Group Limited and was renamed on 15 July 2013), respectively. Mr. Ba obtained a Doctor's Degree from the Central University of Finance and Economics in 1999. He acts as a research fellow and Ph.D tutor at present.

**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 and a member of Compensation and Remuneration Committee under the Board. Ms. You is a member of the 12th CPPCC and vice chairwoman of China Soong Ching Ling Foundation. Ms. You was previously a member of the 11th

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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 Chairman of Supervisory Committee and a member of the Nomination and Examination Committee under the Supervisory Board. Mr. Duan joined the Company in 1996 and acted as the Chief Financial Officer of the Company from 2010 to April 2012 and as the general manager of the Human Resources Department and director of Organization Department of Party Committee from November 2007 to 2012. He previously 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 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 Central Sub-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 40 years of experience in banking management. Mr. Duan obtained his 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. 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 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 (person in charge) of Shinan Office and a vice general manager (person in charge) 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



## Directors, Supervisors, Senior Management and Employees

Bank from 1992 to 1996, an officer and a deputy director (division level) of Shandong Linyi Economic and Trade Commission and Commission for Economic Restructuring from 1987 to 1992, and a loan officer of Credit Division of Shandong Linyi Central Sub-branch of Industrial and Commercial Bank of China from 1986 to 1987. He studied full-time in Shan dong TV University from 1983 to 1986. Mr. Wang was a planned statistician of Shandong Linyi Central Sub-branch of the PBOC from 1981 to 1983 and also worked as a statistician and loan officer of Feixian Sub-branch of the PBOC from 1980 to 1981. Mr. Wang obtained his Ph.D Degree in Economic Philosophy from Shanghai University of Finance and Economics and is a senior economist.

**Mr. Guo Dong**, has been an Employee Supervisor of the Company since 18 March 2016. Mr. Guo was elected as the Vice chairman of the Supervisory Board on 30 March 2016 and is a member of the Supervisory Committee under the Supervisory Board. Mr. Guo joined the Company in 2015. He was previously the inspector (at the rank of director-general), deputy inspector (at the rank of deputy director-general), director and deputy director of Division V of the United Front Work Department of CPC Central Committee, deputy director and section chief of Economic Cooperative Office of Beijing, head, deputy head and section member of the State Organs Work Committee of CPC Central Committee of Beijing, commander of 52958 Force of PLA and worker of manufacturing factory of Changzheng Motor in Heibei Province. Mr. Guo graduated from Beijing Institute of Technology with an MBA degree.

**Mr. Zhang Ke**, has been an External Supervisor of the Company since 10 April 2012 and is also a chairman of Nomination and Examination Committee and a member of the Supervisory Committee under the Supervisory Board. Mr. Zhang is the chief partner of Shinewing Certified Public Accountants, the chairman of Shinewing Management and Consulting Company Limited, an independent director of the Guiyang Longmaster Information & Technology Co., Ltd. (listed on SZSE (stock code: 300288)) and the Net 263 Limited (listed on SZSE (stock code: 002467)), an independent non-executive director of China Coal Energy Company Limited (listed on the SEHK (stock code: 01898)) and the SSE (stock code: 601898)), an independent non-executive director of HC International, Inc. (listed on the SEHK (stock code: 02280)), an independent director of dangdang.com (listed on NYSE (stock code: DANG)) 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 the chief supervisor of 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.

## Directors, Supervisors, Senior Management and Employees

**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 sixth session of the Supervisory Board. Mr. Zhang is currently the chief executive officer and an executive director of Stone Group Holdings Limited. 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) and an independent director of Visual China Group Co., Ltd. (listed on SZSE (stock code: 000681), formerly known as Far East Industrial Stock Co. Ltd. (renamed on 20 August 2014). 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 an independent director of Qilu Bank Co., Ltd. (listed on National Equities Exchange and Quotations ("NEEQ"), stock code: 832666). Mr. Lu was the vice chairman of New China Trust Co., Ltd., the chairman of Shenzhen New Industry Venture Capital Co., Ltd. and 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 he also held various positions at 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 economic 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 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 Guangzhou Academy of Economic Research from 1991 to 1993. Mr. Wang obtained a Bachelor's Degree in Accounting from Beijing Railway College (now Beijing Jiaotong University) in 1968. Mr. Wang is a senior accountant and a certified public accountant.

## Directors, Supervisors, Senior Management and Employees

### Senior Management

**Mr. Zheng Wanchun** is the President of the Company. Please refer to his biography under the paragraph “Directors — Executive Directors”.

**Mr. Xing Benxiu**, has been appointed as a Vice President of the Company since July 2010. Mr. Xing joined the Company in 2010. Prior to joining the Company, Mr. Xing served as a deputy principal staff member of the General Planning Directorate of the PBOC from 1988 to 1991. He worked as a principal staff member of the Interest Rate Administration Department 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 Supervision Division I of Bank of China of Banking Supervision Department I of the PBOC and director of Supervision Division of Bank of China from 1998 to 2003. He served as a director of the Supervision Division of Bank of China of 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 Party 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. Wan Qingyuan**, was appointed as the Board Secretary and the Joint Company Secretary of the Company in April 2012. He is also the secretary of Party Committee, chairman of Minsheng Royal Fund and chairman of Minsheng Royal Asset Management. Since joining the Company in 2001, Mr. Wan has been appointed as the head, assistant director, deputy director of Public Relation Planning Department of the Executive Office of the Company’s Head Office and the deputy general manager of Corporate Culture Department (person in charge), respectively. Mr. Wan has been working in the financial industry for 29 years. Mr. Wan obtained a Master’s Degree in Business Administration from Wuhan University. He is currently a senior editor.

**Ms. Bai Dan**, was appointed as the Chief Financial Officer of the Company in April 2012. Ms. Bai is also the chairwoman of Asset and Liability Management Committee and Financial Management Committee 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 and the general manager of the Finance and Accounting Department of the Company since March 2001 and December 2008 respectively. Prior to joining the Company, Ms. Bai served as the assistant 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

## Directors, Supervisors, Senior Management and Employees

a Master's Degree in Business Administration from Beijing Jiaotong University in 2008 and is an accountant.

**Mr. Shi Jie**, was appointed as the Assistant 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 general manager and deputy general manager of the Credit Assessment Department of the Head Office of the Company 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.

**Ms. Li Bin**, was appointed as the Assistant President of the Company in August 2012. Ms. Li joined the Company in 1995 and served as the director (person in charge) of the Fund Division of the International Business Department, deputy general manager of the Fund 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 her Ph.D Degree in Finance from the School of Finance of Renmin University of China in January 2006.

**Mr. Lin Yunshan**, was appointed as the Assistant President of the Company in August 2012. Mr. Lin is also the chairman of the Retail Banking Management Commission and the chairman of the IT Management Commission. Mr. Lin joined the Company in 2001, and served as the director of Bills Business Division of the Corporate Business Department of the Company from 2002 to 2003, assistant general manager of the Corporate 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, executive 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 Supervisory Department I of the PBOC from 1999 to 2001, officer of the Payment System Division of the Payment Technology Department of the PBOC from 1998 to 1999, and deputy officer and officer of

## Directors, Supervisors, Senior Management and Employees

the Accounting Department of the PBOC from 1993 to 1998. Mr. Lin obtained his Master's Degree in Finance from 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 50, 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 specialized in integrated business, corporate and investor services. Prior to joining Tricor Group in 2002, she was a senior manager of Company Secretarial Services Department 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. Zhang Hongwei, a Non-executive Director of the Company, no longer served as a director of China Minzu Securities Co., Ltd..
2. Mr. Liu Yonghao, a Non-executive Director of the Company, was appointed as a non-executive director of New Hope Global Holding Co., Ltd..
3. Mr. Guo Guangchang, a Non-executive Director of the Company, was appointed as the vice chairman of the Zhejiang Chamber of Commerce.
4. Mr. Zhang Ke, a Supervisor of the Company, no longer served as the vice president of Beijing Association of Forensic Science.
5. Mr. Lu Zhongnan, a Supervisor of the Company, was appointed as an independent director of Qilu Bank Co., Ltd. (listed on the NEEQ (stock code: 832666)), and no longer served as the vice chairman of the board of directors of New China Trust Co., Ltd..

## Directors, Supervisors, Senior Management and Employees

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

1. On 31 January 2015, Mr. Mao Xiaofeng tendered his resignation as Director, President and members of relevant special committees of the Board of Directors of China Minsheng Bank due to personal reasons;
2. On 19 November 2015, the Board appointed Mr. Zheng Wanchun as the President of China Minsheng Bank with the same term of office of the sixth session of the Board. Qualification of Zheng Wanchun as President was approved by the CBRC;
3. On 14 December 2015, Mr. Li Yuan, a Supervisor of the Company, tendered his resignation as a Supervisor and a member of the related special committee of the Supervisory Board of the Company in compliance with the employee age regulations and requirements of the company for which he served;
4. On 1 February 2016, Mr. Zheng Wanchun was elected as an Executive Director of the sixth session of the Board at the First Extraordinary General Meeting of 2016 of the Company. Qualification of Zheng Wanchun as a director was approved by the CBRC;
5. On 18 March 2016, Mr. Guo Dong was elected as the Employee Supervisor of the sixth session of the Supervisory Board through the nomination and election in the meeting of the representatives of employee and general employees' meeting of the Company. On 30 March 2016, Mr. Guo Dong was elected as the vice chairman of the Supervisory Board through the by-election in the 23rd meeting of the sixth session of the Supervisory Board.

### **(VI) Service contracts of Directors and Supervisors**

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

## Directors, Supervisors, Senior Management and Employees

### **(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. ("Hangzhou United Bank") and has no interest in the equity in Hangzhou United Bank. To the best knowledge of the Company, Hangzhou United Bank was established on 5 January 2011. The customers of Hangzhou United Bank are mainly from rural areas and local communities as well as small and micro enterprises. Its registered capital is RMB1.667 billion. Hangzhou United Bank is a local joint-stock bank of limited liabilities. According to the unaudited financial statements as at the end of December 2015, the total assets, outstanding deposits, outstanding loans and equity of Hangzhou United Bank were RMB123.028 billion, RMB95.317 billion, RMB63.206 billion and RMB12.822 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 only 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 with his responsibilities as a Director of the Company.

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

## Directors, Supervisors, Senior Management and Employees

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

- (i) As at 31 December 2015, the following Directors/Supervisor of the Company had the following interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and as the Company is aware of:

Name	Position	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued shares (%)
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,822,968,401	1	6.17	5.00
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,066,764,269	2	3.61	2.92
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	838,726,939	3	2.84	2.30
		H	Long position	Interest held by his controlled corporation(s)	6,864,600	4	0.10	0.02
Guo Guangchang	Non-executive Director	H	Long position	Interest held by his controlled corporation(s)	808,612,400	5	11.66	2.22
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	759,720		0.003	0.002

#### Notes:

- The 1,822,968,401 A shares comprised 299,362,266 A shares directly held by South Hope Industrial Co., Ltd. and 1,523,606,135 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. 23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 299,362,266 A shares held by South Hope Industrial Co., Ltd. and the 1,523,606,135 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 1,822,968,401 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.

- The 1,066,764,269 A shares were directly 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 32.59% of the issued share capital was held by Mr. Zhang Hongwei.
- The 838,726,939 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 97.43% 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..



## Directors, Supervisors, Senior Management and Employees

4. The 6,864,600 H shares were held by China Oceanwide International Investment Company Limited, which was wholly-owned by China Oceanwide Holdings Group Co., Ltd. (see note 3 above).
5. The 808,612,400 H shares (Long position) (in which 390,000,000 H shares were held through other derivatives) comprised 695,179,800 H shares directly held by Fosun International Limited, 35,592,600 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 77,840,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 82.63% of the issued share capital by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang held 64.45% of the issued share capital of Fosun International Holdings Ltd..

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

- (ii) As at 31 December 2015, the following Director of the Company had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

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

Note:

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

Save as disclosed above, as at 31 December 2015, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

## Directors, Supervisors, Senior Management and Employees

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

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

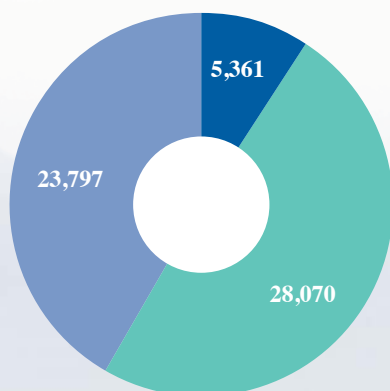
### (X) Financial, business and family relationships among Directors, Supervisors and Senior Management

Among the members of the Board of the Company, Mr. Liu Yonghao is currently the Chairman and substantial shareholder of New Hope Group Co., Ltd., while Mr. Wang Hang is the vice chairman of the board of New Hope Group Co., Ltd.. Save as disclosed above, there are no other relationships between the Board members, including financial, business, family or other material or relevant relationships.

## II. Employees

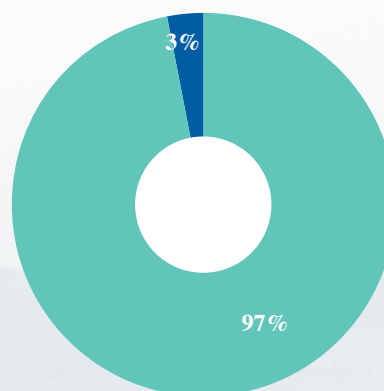
As at the end of the Reporting Period, the Group had 59,510 employees, of which 57,228 were employees of the Company and 2,282 were employees of the subsidiaries of the Company. Divided by professional specialties, 5,361 employees were categorized as management team, 28,070 as marketing team, and 23,797 as technical team. The Company had 55,536 employees with tertiary qualifications, accounting for 97% of the total number of employees. In addition, 181 employees of the Company have retired.

**Employee Structure —  
By work nature (Unit: person)**



● management team ● marketing team ● technical team

**Employee Structure —  
By qualification**



● tertiary qualifications ● others

## Directors, Supervisors, Senior Management and Employees

The guiding principles of the Company's remuneration policy in 2015 were to effectively determine and allocate remuneration and resources with an aim to improve operating results strategically, enhance capital control, optimize business structure and enhance the core competitiveness of the Company and to reinforce cost-effective management of operations according to the requirements of strategic transformation of the Company and the needs for business development, and to enhance the effectiveness of incentive policy in risk management and control through further improving the remuneration deferral mechanism to optimize the risk control system.

The Company highly emphasized on employee training. Trainings of the Company aim to accelerate business innovation and transformation through development based on actual needs. Focusing on professional development of employees, the Company established the "1+3+4" training and management system consisting of 3 training programs and 4 sets of guidelines for the career development of employees. The system connected the trainings with performance assessment, promotion and annual examination of professional qualifications, and broadened the application of new technologies and systems in training management to promote digitalization and streamline procedures of training management. Cost-efficiency of our trainings was enhanced significantly. In 2015, the Company organized more than 3,300 training programs of various kinds with over 880,000 attendances and a total of 5,300,000 hours of training, and organized 9 internal qualification examinations with 57,000 attendances.

## Directors, Supervisors, Senior Management and Employees

### III. Business Network

As at the end of the Reporting Period, the Company had set up 40 branches in 39 cities across China, with 2,806 banking outlets in total.

During the Reporting Period, Urumqi Branch of the Company had commenced its 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	15,506	1,889,472	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	227	3,516	812,192	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	84	2,579	373,575	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	126	2,234	209,650	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	111	1,773	172,668	Minsheng Bank Tower, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	124	1,599	97,801	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	111	1,443	104,394	No. 2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	178	2,265	98,990	Minsheng Bank Tower, No. 197 Yu Hua Road East, Chang'an District, Shijiazhuang
Dalian Branch	88	1,048	67,566	No. 4A Wuwu Road, Zhongshan District, Dalian
Nanjing Branch	162	2,681	261,308	No. 20 Hongwu Bei Road, Nanjing
Hangzhou Branch	78	1,737	124,044	Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	72	1,056	92,633	Tongjiyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	73	1,137	70,721	China Minsheng Bank Tower, No. 78 Erhuan Nanlu Xiduan, Xi'an



## Directors, Supervisors, Senior Management and Employees

Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Fuzhou Branch	58	1,033	53,098	No. 282 Hudong Road, Fuzhou
Jinan Branch	149	1,996	112,103	No. 229 Luoyuan Street, Jinan
Ningbo Branch	43	797	43,309	No. 815 Ju Xian Road, Ningbo
Chengdu Branch	124	1,466	106,858	Block 6, No. 966 North Section of Tianfu Avenue, Gaoxin District, Chengdu
Tianjin Branch	45	944	62,916	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	129	934	56,422	Chuntian Yinxiang Building, No. 331 Huancheng Nan Road, Kunming
Quanzhou Branch	45	569	46,086	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	35	1,126	81,943	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	80	1,081	42,070	No. 18 Fuzhou Nan Road, Shinan District, Qingdao
Wenzhou Branch	32	576	58,330	Hengha Building, No. 1707 Wenzhou Avenue, Wenzhou
Xiamen Branch	23	513	97,240	7/F, Lixin Plaza, No. 90 Hubin Nan Road, Xiamen
Zhengzhou Branch	133	1,568	143,155	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	65	877	54,836	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha
Changchun Branch	32	651	32,140	Minsheng Tower, No. 500 Changchun Street, Nanguan District, Changchun
Hefei Branch	69	705	47,241	Tian Qing Building, No. 135 Bozhou Road, Hefei
Nanchang Branch	58	633	32,036	No. 237 Xiangshan Bei Road, Nanchang
Shantou Branch	16	438	14,117	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	53	509	34,955	1, 8-12/F, Guangxi Development Tower, No. 111-1 Minzu Avenue, Nanning
Hohhot Branch	30	371	35,314	1-3/F, Block A, Fortune Mansion, No. 36 Xinhua East Street, Saihan District, Hohhot
Shenyang Branch	74	480	27,913	No. 65 Nanjing North Street, Heping District, Shenyang
Hong Kong Branch	1	172	91,239	36/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Guiyang Branch	38	369	33,020	No. 28 Yangguan Avenue, Guanshanhu District, Guiyang
Sanya Branch	21	137	17,063	No. 128 Xinfeng Street, Hedong District, Sanya
Lhasa Branch	4	168	9,292	Global Plaza, No. 8 Beijing West Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	3	102	13,738	1/F, No. 188 Yesheng Road, Pudong New District, Shanghai
Harbin Branch	4	170	13,319	1-6/F, Olympic Centre Area 1, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	5	188	16,886	1-4/F, Gansu daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Urumqi Branch	2	81	8,045	No. 314, Yangtze River Road, Saybagh District, Urumqi
Inter-region adjustment	0		(1,417,108)	
<b>Total</b>	<b>2,806</b>	<b>57,228</b>	<b>4,342,590</b>	

1. The number of institutions takes into account all types of banking establishments, including the Head Office, tier-one branches, business departments of branches, tier-two branches, sub-branches, community sub-branches and small-business sub-branches.
2. Total headcount of the Head Office includes the total number of the employees in the Investment Banking Department, the Credit Card Centre and the Financial Markets Department.
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.



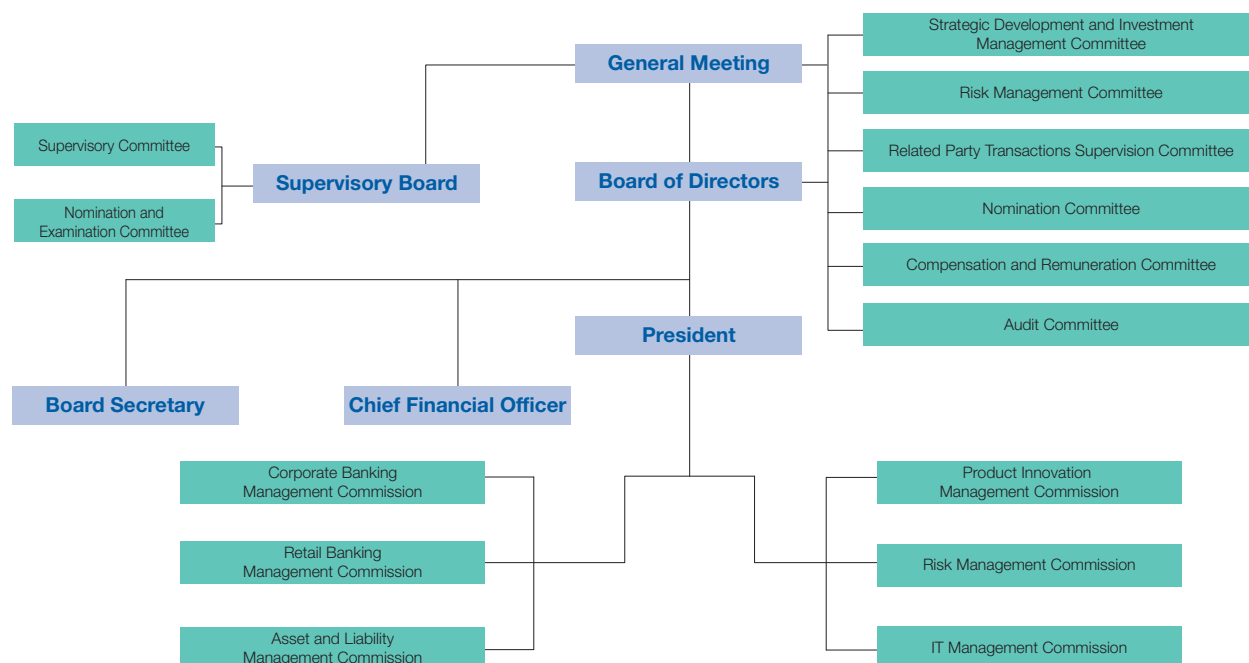
# Corporate Governance

公司企業管治



## 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 optimized and refined its systems, continued to make performance evaluation of Directors and the Senior Management, constantly facilitated the integrated credit granting to related party groups, and further strengthened the understanding of the Directors and Supervisors on the operation of the Company through various means including internal research and investigation of the Company. Details are as follows:

1. During the Reporting Period, the Company had convened a total of 71 meetings, including two general meetings, 11 Board meetings, 46 meetings of the special committees of the Board, five meetings of the Supervisory Board and seven meetings of the special committees of the Supervisory Board. 246 resolutions such as regular reports of the Company, working reports of the Board of Directors and the Supervisory Board, working reports of the President, financial budgets and final account reports, profit distribution proposals, major related party transactions, establishment of institutions and system revisions were considered and approved at these meetings.

## Corporate Governance

2. In accordance with the domestic and overseas regulatory requirements, the Company has revised the relevant provisions of the Articles of Association (《公司章程》), Rules of Procedure of General Meeting (《股東大會議事規則》), Rules of Procedure of the Board of Directors (《董事會議事規則》), Administrative Measures for Consolidated Financial Statements (《併表管理辦法》), Administrative Measures for Stress Tests (《壓力測試管理辦法》) and Administrative Measures for Outsourcing Risk (《外包風險管理辦法》) and formulated the Administrative Measures for Major Real Estate Projects of China Minsheng Banking Corp., Ltd. (《中國民生銀行重大房地產項目管理辦法》). The corporate governance system of the Company has been further improved by the formulation and amendment of the above rules and regulations. The Board and the Supervisory Board continued to enhance the corporate governance of the Company by ceaselessly strengthening the implementation and the enforcement of the rules and regulations.
3. 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 the Company evaluated the performance of the Senior Management, determined 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 optimized the systematic, standardized and regular performance evaluation system for the Senior Management by the Board.

Pursuant to the Provisional Measures on Performance Evaluation of Directors (《董事履職評價試行辦法》), the Company had completed the annual evaluation 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.

4. The Audit Committee of the Board of Directors of the Company conducted internal control investigation & research at Suzhou Branch, Changchun Branch and Shenyang Branch to further strengthen the evaluation on internal auditing departments of the Company.
5. During the Reporting Period, the Company continued to strengthen the collation and update of information on related parties and accelerate the work of standardized credit granting as well as regulate the filing management of related party transactions.



## Corporate Governance

6. During the Reporting Period, based on the provisions of the Articles of Association and the requirements of regulatory authorities and in line with the priorities of the Company, the Supervisory Board of the Company continued to further refine systems and streamline working process. It also regulated the performance of duties, enhanced the efficiency of supervision and proactively performed its duties. The main duties of the Supervisory Board include convening different meetings to consider the relevant resolutions, attending different meetings of the Board and important business meetings of the Senior Management, and conducting special examinations and researches, organizing training to supervisors and interacting with other banks. With the efforts of all Supervisors, the Supervisory Board duly performed their duties and pursued its philosophy of “supervising the implementation of strategies by the Board to facilitate corporate development”. The Supervisory Board played an important role in corporate governance.
7. During the Reporting Period, based on the supervisory responsibilities and monitoring requirements, the Supervisory Board of the Company closely monitored the operation and management of the Company. It organized and conducted researches and examinations on the operation, management and business development of new branches, sub-branches, community sub-branches, subsidiaries, rural banks and credit card center. Evaluations on performance of the Directors, Supervisors and Senior Management of the Company were also carried out. It also conducted specific examinations on the key business of the Company. Based on the above researches and examinations, the Supervisory Board submitted various management proposals to the Board and the Senior Management, which facilitated the compliance of operation and healthy development of the Company.
8. A total of seven issues of Newsletter of the Board of Directors 《董事會工作通訊》 and 46 issues of Internal Reference 《內部參考》 were published during the Reporting Period, serving as a convenient and effective communication platform of corporate governance between the Board of Directors, the Supervisory Board and the Senior Management, and between the Directors and Supervisors.
9. During the Reporting Period, in order to fulfill the training requirement of the Directors and Supervisors imposed by regulatory authorities and enhance their capabilities, the Company successively arranged the Directors and Supervisors to participate in trainings for directors and supervisors organized by regulatory authorities.
10. 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 the Company through

## Corporate Governance

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.

11. 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 material share price sensitive inside information prior to the disclosure of such information. On 22 March 2012, the Rules for Insider Registration and Management (《内幕信息知情人登記管理規定》) was considered and approved at the 22nd meeting of the fifth session of the Board of Directors. Since then, the Company has stringently followed the relevant provisions of the Rules for Insider Registration and Management to conduct registration of the insiders possessing insider knowledge for record.
12. Compliance with regulatory requirements regarding corporate governance of listed companies issued by the CSRC.

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



## Corporate Governance

### III. Rights of Shareholders

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

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

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

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

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

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

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

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

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

## Corporate Governance

### **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: China Minsheng Bank Building, No.2 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal Code: 100031

Telephone: 86-10-68946790

Facsimile: 86-10-58560720

Email: cmbc@cmbc.com.cn

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

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

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

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

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

## Corporate Governance

### IV. General Meeting

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

On 27 April 2015, the First Extraordinary General Meeting for 2015 of the Company was held in Beijing in which shareholders attended and voted on-site and online. Please refer to the announcement of poll results dated 27 April 2015 published on the website of the SEHK and the website of the Company for details.

On 18 June 2015, the Annual General Meeting for 2014 of the Company was held in Beijing in which shareholders attended and voted on-site and online. Please refer to the announcement of poll results dated 18 June 2015 published on the website of the SEHK and the website of the Company for details.

### V. Board of Directors

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

## Corporate Governance

### (I) Composition of the Board

As at the end of the Reporting Period, the Board of the Company had 17 members, of which nine were Non-executive Directors, two were Executive Directors and six were Independent Non-executive Directors. At the first extraordinary general meeting held on 1 February 2016, Mr. Zheng Wanchun was elected as the Executive Director of the sixth session of the Board of the Company. Since then, the Board of the Company had 18 members, including nine Non-executive Directors, three Executive Directors and six Independent Non-executive Directors. All Non-executive Directors held key positions in renowned enterprises and were experienced in management, finance and accounting, while three Executive Directors had been engaged in banking operation and management for a long time with extensive professional experiences. Six Independent Non-executive Directors were experts in economics, finance, accounting, 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 helps ensure that the Board can make decision in a rational manner.

The Company considers diversified composition of the Board is beneficial to enhance the operating quality of the Company. Therefore, the Company formulated the Policy of Board Diversity in August 2013, specifying that the Company should take various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, into consideration in determining the members of the Board for more diversified board composition. The final candidates shall be elected based on his/her value and contributions to the Board. The 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 vice chairman 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.

## Corporate Governance

### (II) Powers of the Board

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

1. to convene general meetings and to report its performance to shareholders;
2. to implement the resolutions passed at the general meetings;
3. to decide on the operational plans and investment plans of the Company;
4. to formulate the proposed annual budget and annual final accounts of the Company;
5. to formulate the profit distribution plans and plans for recovery of losses of the Company;
6. to formulate proposals for increases or reductions of the registered share capital, issuance of bonds or other securities and listing plans of the Company;
7. to formulate proposals for material acquisitions, the purchase of the shares, merger, separation, dissolution and change of form of the Company;
8. to decide on external investments, purchases and sales of assets, pledges of assets, material guarantees, and related party transaction matters within the scope authorized by the general meetings of the Company;
9. to decide the internal management structure of the Company;
10. to appoint or remove the President 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 of branches, whose qualifications had been accredited by the CBRC;

## Corporate Governance

12. to establish the basic management system of the Company;
13. to formulate proposals for any amendment to the Articles of Association of the Company;
14. to manage the disclosure of information of the Company;
15. to propose at the general meetings for the appointment or replacement of the accounting firms of the Company for auditing purpose;
16. to review working reports of the President of the Company and to examine the President's performance;
17. the Board shall establish a supervisory system to ensure that the management body will formulate a code of conduct and working principles for the management staff and the business personnel at all levels and that the regulatory documents will specifically require employees at all levels promptly report any possible conflict of interests, stipulate concrete rules and establish corresponding mechanism;
18. the Board shall establish an information reporting system that requires the Senior Management to report to the Board and Directors the operational issues of the Company regularly, and the reporting system shall cover provisions for the following issues: 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.



## Corporate Governance

### (III) Board meetings and contents of resolutions

During the Reporting Period, 11 Board meetings were held by the Board to deliberate on and approve major resolutions in relation to strategies, finance and operation of the Company.

Meeting	Date	Publication	Date of disclosure
22nd Meeting of the sixth Session of the Board	14 January 2015	Shanghai Securities News, China Securities Journal and Securities Times	15 January 2015
Seventh Extraordinary Meeting of the sixth Session of the Board	31 January 2015	Shanghai Securities News, China Securities Journal and Securities Times	2 February 2015
Eighth Extraordinary Meeting of the sixth Session of the Board	4 March 2015	Shanghai Securities News, China Securities Journal and Securities Times	5 March 2015
23rd Meeting of the sixth Session of the Board	30 March 2015	Shanghai Securities News, China Securities Journal and Securities Times	31 March 2015
Ninth Extraordinary Meeting of the sixth Session of the Board	21 April 2015	Shanghai Securities News, China Securities Journal and Securities Times	22 April 2015
Tenth Extraordinary Meeting of the sixth Session of the Board	8 June 2015	Shanghai Securities News, China Securities Journal and Securities Times	9 June 2015
24th Meeting of the sixth Session of the Board	28 August 2015	Shanghai Securities News, China Securities Journal and Securities Times	29 August 2015
25th Meeting of the sixth Session of the Board	30 October 2015	Shanghai Securities News, China Securities Journal and Securities Times	31 October 2015
11th Extraordinary Meeting of the sixth Session of the Board	19 November 2015	Shanghai Securities News, China Securities Journal and Securities Times	20 November 2015
12th Extraordinary Meeting of the sixth Session of the Board	11 December 2015	Shanghai Securities News, China Securities Journal and Securities Times	12 December 2015
13th Extraordinary Meeting of the sixth Session of the Board	23 December 2015	Shanghai Securities News, China Securities Journal and Securities Times	24 December 2015

In the above 11 meetings, 93 resolutions including four regular reports, working reports of the Board, working reports of the President, financial budget and final account reports, profit distribution proposals and the system revisions were considered and approved.

## Corporate Governance

The following table sets out the attendance of Directors of the Company at the meetings of the Board in 2015:

Directors	Attendance/ Number of Meetings
Hong Qi	11/11
Zhang Hongwei	11/11
Lu Zhiqiang	11/11
Liu Yonghao	11/11
Liang Yutang	11/11
Wang Yugui	11/11
Wang Hang	11/11
Wang Junhui	10/11
Wu Di	11/11
Guo Guangchang	10/11
Yao Dafeng	11/11
Qin Rongsheng	11/11
Cheng Hoi-chuen	11/11
Ba Shusong	5/5
You Lantian	1/1
Wang Lihua	11/11
Han Jianmin	11/11
Mao Xiaofeng	1/1

Note: Mao Xiaofeng, the Director, resigned on 31 January 2015 and You Lantian, the Director, ceased to serve as her position with effect from 31 January 2015. Ba Shusong, the Director, ceased to serve as his position with effect from 9 May 2015. Therefore, Mao Xiaofeng, You Lantian and Ba Shusong shall not be counted as the quorum of all meetings.

### (IV) Implementation of the resolutions of the 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 policy for the second half of 2014 approved at the Annual General Meeting for 2014. On the basis of total share capital as at the record date, cash dividend of RMB1.10 (before tax) for every 10 shares to the shareholders whose names appeared on the share register as at the record date. The total amount of cash dividend was RMB4,013 million. 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 on 7 July 2015 and distributed cash dividend to the holders of H Shares on 27 July 2015.

## Corporate Governance

The Board of the Company distributed dividends to the shareholders upon approval of the interim profit distribution proposal for 2015 at the First Extraordinary General Meeting for 2016. On the basis of total share capital as at the record date, cash dividend of RMB0.75 (before tax) for every 10 shares was distributed to the shareholders whose names appeared on the share register as at the record date. The total amount of cash dividend was approximately RMB2,736 million. 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 26 February 2016 and 21 March 2016, respectively.

### 2. Attendance of Directors of the Company at the general meetings

The following table sets out the attendance of Directors at the general meetings in 2015:

Directors	Attendance/ Number of Meetings
Hong Qi	2/2
Zhang Hongwei	2/2
Lu Zhiqiang	1/2
Liu Yonghao	2/2
Liang Yutang	2/2
Wang Yugui	2/2
Wang Hang	2/2
Wang Junhui	2/2
Wu Di	2/2
Guo Guangchang	2/2
Yao Dafeng	2/2
Qin Rongsheng	2/2
Wang Lihua	2/2
Han Jianmin	2/2
Cheng Hoi-chuen	2/2
Ba Shusong	1/1
You Lantian	0/0

Note: Since the Company did not convene any general meeting before the resignation of Director Mao Xiaofeng on 31 January 2015, there was no attendance record for him. Director You Lantian ceased to serve as her position with effect from 31 January 2015. Director Ba Shusong ceased to serve as his position with effect from 9 May 2015. Therefore, You Lantian and Ba Shusong shall not be counted as the quorum of all meetings.

## Corporate Governance

### **(V) Performance of duties by Independent Non-executive Directors**

The Board of the Company comprises six Independent Non-executive Directors. You Lantian ceased to serve as Independent Non-executive Director with effect from 31 January 2015 and Ba Shusong ceased to serve as Independent Non-executive Director with effect from 9 May 2015. The qualifications of Independent Non-executive Directors are in compliance with the provisions of the CBRC, the CSRC, and the listing rules of the SSE and 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 minority shareholders' interests.

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

In order to fully perform the functions of Independent Non-executive Directors and improve the effectiveness of the Board, the Board of the Company has adopted an on-duty policy since March 2007 pursuant to which Independent Non-executive Directors are required to work in the Company for 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 Company for 48 working days in aggregate, had more than 100 meetings with the management and relevant department staff. It is an achievement for the Company to implement the on-duty policy of 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 rationality and independence of the decision-making of the Board.

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

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

## Corporate Governance

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

Pursuant to the Rules, 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 2015 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 2015, maintained continuous communication with the accounting firm in respect of the annual auditing and reviewed auditing plans, report on pre-auditing and auditing from the accounting firm.

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

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

- (1) Nomination, appointment and removal of Directors;
- (2) Appointment or removal of Senior Management;
- (3) Remuneration of Directors and Senior Management;
- (4) Major and very substantial related party transactions between the shareholders, de facto controllers and their respective related companies and the Company, and whether the Company has taken effective measures to collect outstanding payments;

## Corporate Governance

- (5) Issues that Independent Non-executive Directors considered may prejudice the interests of minority shareholders; and
- (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 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 2015*

Directors	Number of meetings	Attendance in person	Attendance by proxy
Qin Rongsheng	11	11	0
Ba Shusong	5	5	0
Cheng Hoi-chuen	11	11	0
You Lantian	1	1	0
Wang Lihua	11	11	0
Han Jianmin	11	11	0

Note: Director You Lantian ceased to serve as her position with effect from 31 January 2015. Director Ba Shusong ceased to serve as his position with effect from 9 May 2015. Therefore, You Lantian and Ba Shusong shall not be counted as the quorum of all meetings.

#### (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.

## Corporate Governance

### **(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.

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

On 31 January 2015, Mr. Mao Xiaofeng tendered his resignation to the Board of the Company as a Director of the Company, the President and members of the relevant special committees of the Board of the Company for personal reasons. The 7th extraordinary meeting of the sixth session of the Board resolved that Mr. Hong Qi, Chairman of the Board, shall perform the duties of the President of the Company during the job vacancy of the President.

At the 11th extraordinary meeting of the sixth session of the Board held on 19 November 2015, the Board resolved to appoint Mr. Zheng Wanchun as the President of the Company and the term of his office shall be the same with the term of the sixth session of the Board.

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

The Company has adopted its own code of conduct of the Directors and the Supervisors regarding transactions in securities, on terms no less exacting than the Model Code as set out in the Appendix 10 to the Hong Kong Listing Rules. The Company has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above-mentioned Code for the year ended 31 December 2015. 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 financial statements**

All Directors of the Company had committed their responsibilities for the preparation of the financial statements of the Company for the year ended 31 December 2015.

## Corporate Governance

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

The corporate governance of the Company is vested in the Board. The duties include: (1) to develop and review the corporate governance policy and practice of the Company; (2) to review and monitor the training and continuous professional development of Directors and Senior Management; (3) to review and monitor the policies and practices in compliance with legal and regulatory requirements of the Company; (4) to 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 in the Annual Report.

The major works of corporate governance performed by the Board of the Company in 2015 were as follows: the Board had conducted due diligence assessments of Directors and Senior Management, organized and carried out trainings of Directors and formulated and amended various administration policies of the Company in accordance with domestic and overseas regulatory requirements, including the Articles of Association, Rules of Procedure of the General Meetings and the Rules of Procedure of the Board of Directors. The Board also confirmed that, save as disclosed in this Annual Report, the Company had complied with the code provisions of Appendix 14 to the Hong Kong Listing Rules throughout 2015 based on its review.

Members, functions and powers of the six special committees of the Board and their works in 2015 are as follows:

#### (I) Strategic Development and Investment Management Committee

##### 1. Composition of the Strategic Development and Investment Management Committee and meetings in 2015

From 15 October 2014, the Strategic Development and Investment Management Committee of the sixth session of the Board had eight members. The chairman was Hong Qi and the members were Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Wang Junhui, Ba Shusong and Mao Xiaofeng.

On 14 January 2015, according to the Resolution on Adjusting the Composition of Special Committees of the sixth Session of the Board of Directors of the Company (《關於調整公司第六屆董事會專門委員會組成成員的決議》) approved at the 22nd meeting of the sixth session of the Board, the number of members of the Strategic Development and Investment Management Committee of the sixth session of the Board was changed to nine with Hong Qi as the chairman and Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Wang Junhui, Ba Shusong, Mao Xiaofeng and Yao Dafeng as members.



## Corporate Governance

On 31 January 2015, as Mao Xiaofeng, a former Director, resigned as Director and members of relevant committees of the Board, the number of members of the Strategic Development and Investment Management Committee of the sixth session of the Board was changed to eight with Hong Qi as the chairman and Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Wang Junhui, Ba Shusong and Yao Dafeng as members.

On 28 February 2016, according to the Announcement on the Resolutions of the 16th Extraordinary Meeting of the sixth Session of the Board of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司第六屆董事會第十六次臨時會議決議公告》), the number of members of the Strategic Development and Investment Management Committee of the sixth session of the Board was changed to nine with Hong Qi as the chairman and Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Yugui, Wang Junhui, Ba Shusong, Yao Dafeng and Zheng Wanchun as members.

In 2015, the Strategic Development and Investment Management Committee convened 11 meetings, deliberated on 49 proposals and received 10 reports. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	11/11
Lu Zhiqiang	11/11
Liu Yonghao	11/11
Wang Junhui	9/11
Wang Yugui	11/11
Yao Dafeng	11/11
Executive Directors	
Hong Qi (chairman of the committee)	11/11
Mao Xiaofeng	0/1
Independent Non-executive Director	
Ba Shusong	4/4

Note: Director Mao Xiaofeng resigned on 31 January 2015. Director Ba Shusong ceased to serve as his position with effect from 9 May 2015. Therefore, Directors Ba Shusong and Mao Xiaofeng shall not be counted as the quorum of all meetings.

## Corporate Governance

### **2. Major achievements of the Strategic Development and Investment Management Committee in 2015**

In 2015, under the overall strategic guidance of the Board, the Strategic Development and Investment Management Committee provided decision support, carried out strategic management, investment management and the Group's consolidated financial statements in order to thoroughly fulfill its duties.

#### ***(1) Execution of decision support and daily duties***

During the Reporting Period, the Strategic Development and Investment Management Committee convened 11 meetings (nine on-site meetings and two off-site meetings) to discuss material decision issues of the Company, which deliberated on 49 proposals and received 10 reports. The Board implemented and supervised the protection of consumer rights and interests and defined the functions of the Strategic Development and Investment Management Committee of the Board in respect of the protection of consumer rights and interests for the Board.

#### ***(2) Effective implementation of strategic management***

During the Reporting Period, the Strategic Development and Investment Management Committee actively conducted strategic research and kept abreast of the execution of the "Five Year Development Outline for 2012–2016" (《2012–2016年五年發展綱要》). It also facilitated the smooth progress of major reforms and transformations of the Company, including the reform of the marketing system of all branches and Phoenix Project.

#### ***(3) Enhancement of capital management***

During the Reporting Period, the Strategic Development and Investment Management Committee continued to optimize the capital management system, considered and approved the first 2015 Capital Strategies (《2015年度資本戰略》) of the Company to enhance capital replenishment and the supervision and management of capital. It also carried out research on profit distribution policy to provide references for decision-making.

#### ***(4) Steady Implementation of significant investment and merger and acquisition projects***

During the Reporting Period, under the guidance of the Strategic Development and Investment Management Committee, the establishment of CMBC International was completed, major business plans and a platform for the investment banking businesses of the Company in Hong Kong were formulated to facilitate the implementation of group-oriented and international strategies.

## Corporate Governance

### **(5) Enhancement of the management of subsidiaries**

During the Reporting Period, the Strategic Development and Investment Management Committee continued to enhance the building of the management system of subsidiaries, strengthened strategic guidance and promoted the coordination of businesses to facilitate the sound and sustainable development of various subsidiaries such as Minsheng Financial Leasing, Minsheng Royal Fund, Minsheng Royal Asset Management and rural banks.

### **(6) Continuous enhancement of the management of consolidated financial statements of the Group to open a new dimension**

During the Reporting Period, the Strategic Development and Investment Management Committee implemented the new regulations, amended the Administrative Measures for Consolidated Financial Statements (《併表管理辦法》) and reorganized the management structure of consolidated financial statements of the Group. In addition, it established a standardized mechanism for the management of consolidated financial statements and upgraded the IT system of the Group for full coverage of consolidated financial statements of its tier-one subsidiaries.

### **(7) Regulation of material fixed assets investment management**

During the Reporting Period, the Strategic Development and Investment Management Committee promulgated the Administrative Measures of Major Real Estate Projects (《重大房地產項目管理辦法》) to further regulate the decision-making, execution, supervision and management, and consideration of the management of major real estate projects of the Company so as to implement various material fixed assets investment projects and ensure the effective regulation of the major projects.

## **(II) Nomination Committee**

### **1. Composition of the Nomination Committee and meetings in 2015**

From 15 October 2014, the Nomination Committee under the sixth session of the Board comprised 10 members and the chairman was You Lantian. The members were Hong Qi, Zhang Hongwei, Wang Hang, Qin Rongsheng, Cheng Hoi-chuen, Ba Shusong, Wang Lihua, Han Jianmin and Mao Xiaofeng.

On 31 January 2015, Mao Xiaofeng, a former Executive Director, resigned his position as an Executive Director and member of related special committees under the Board. The number of members of the Nomination Committee of the sixth session of the Board was changed to 9 with You Lantian as the chairman and Hong Qi, Zhang Hongwei, Wang Hang, Qin Rongsheng, Cheng Hoi-chuen, Ba Shusong, Wang Lihua, and Han Jianmin as members.

## Corporate Governance

On 28 February 2016, according to the Announcement on the Resolutions of the 16th Extraordinary Meeting of the Sixth Session of the Board of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司第六屆董事會第十六次臨時會議決議公告》), the number of members of the Nomination Committee of the sixth session of the Board was changed to 10 with You Lantian as the chairman and Hong Qi, Zhang Hongwei, Wang Hang, Qin Rongsheng, Cheng Hoi-chuen, Ba Shusong, Wang Lihua, Han Jianmin and Zheng Wanchun as members.

The Nomination Committee convened 6 meetings and reviewed 11 proposals in 2015. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	6/6
Wang Hang	6/6
Executive Directors	
Hong Qi (acting Chairman)	6/6
Mao Xiaofeng	1/1
Independent Non-executive Directors	
You Lantian (chairman of the committee)	1/1
Qin Rongsheng	6/6
Cheng Hoi-chuen	6/6
Ba Shusong	3/3
Wang Lihua	6/6
Han Jianmin	6/6

Notes: Director Mao Xiaofeng resigned on 31 January 2015. Directors You Lantian and Ba Shusong ceased to perform their duties from 31 January 2015 and 9 May 2015, respectively. Therefore, Directors Mao Xiaofeng, You Lantian and Ba Shusong shall not be counted as the quorum of all meetings.

## Corporate Governance

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

#### (1) *Nomination procedures for Director candidates*

##### ① *General procedures for the nomination of Director candidates*

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

##### ② *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 general meeting. Nominator shall obtain consent from nominee of Independent Non-executive Director prior to the nomination. The nominator shall be fully aware of the occupation, education background, title, detailed work experiences and all part-time positions held by the nominee, and shall provide an opinion on the qualification and independence of the respective nominee to assume the position of Independent Non-executive Director. The nominee shall make a public declaration indicating that there is no relationship between him and the Company which would affect his independent judgment. A nominee shall possess the requisite qualification and independence under the Articles of Association of the Company. Before any general meeting for the election of the Independent Non-executive Director is held, the Board of Directors shall disclose the above mentioned information in accordance with relevant requirements.

## Corporate Governance

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

### **(2) 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:

- ① obtains qualifications to serve as directors of listed commercial banks in accordance with the laws, administrative regulations and other relevant provisions;
- ② obtains a bachelor degree or above or with relevant professional qualifications in middle level or above;
- ③ fulfils the independence requirement specified in the Articles of Association;
- ④ is equipped with a basic knowledge of the operation of listed commercial banks, and is familiar with relevant laws, administrative regulations, rules and regulations; and is able to read, understand and analyse commercial bank's credit statistics and financial statements;
- ⑤ has more than five years of legal, economic, commercial banking or other working experience necessary for performing duties as independent non-executive directors;
- ⑥ obtains other qualifications to serve as directors specified in the Articles of Association of the Company; and

## Corporate Governance

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

### 3. Major achievements of the Nomination Committee in 2015

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

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

During the Reporting Period, the Nomination Committee has reviewed the Annual Duty Report of Independent Directors for 2014 (《獨立董事2014年度述職報告》) according to their annual work, annual duty performance, preparation of annual report and key issues of the six Independent Directors of the Company and submitted the Annual Duty Report to the shareholders at the annual general meeting. The Nomination Committee is of the opinion that during the Reporting Period, the six Independent Directors have complied with the professional standards, independently and objectively performed their duties and diligently supervised the compliance with respect to the development of the businesses and significant matters of the Company to protect the interests of all shareholders of the Company.

#### **(2) Review of the qualification of candidates of Directors of the Board**

During the Reporting Period, the Nomination Committee objectively and fairly reviewed the qualification of candidates of Directors.

Moreover, according to the requirements of the Policy of Board Diversity of the Company took various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, into consideration in reviewing the qualification of candidates of Directors. All appointments made by the Board follow the principle of using the best, and fully considered the benefits of a diversified composition of the Board under the objective situation. Please see the section headed “Directors, Supervisors, Senior Management and Employees” in this report for the composition of the Board. The Board and the Nomination Committee believe, the composition of the Board complies with the requirements of the Policy of Board Diversity of the Company.

## Corporate Governance

### **(3) Review the qualification of the candidates of the President of the Company**

During the Reporting Period, the Nomination Committee conducted an evaluation on the qualification of the candidates of the President and submitted the same to the Board for consideration according to the development strategy of the Company and the biographies of the candidates.

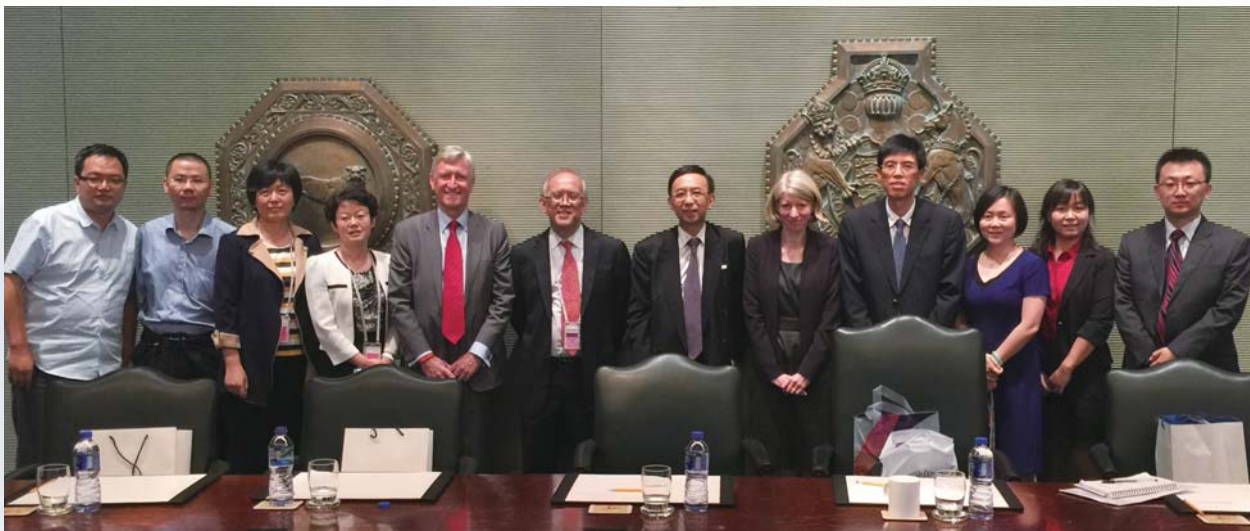
### **(4) Examination on the qualifications of the senior executives of branches and subsidiaries**

During the Reporting Period, the Nomination Committee continued to perform its duty in making decisions on candidate selection and appointment of the senior executives. It enhanced the standard, transparency and efficiency for the nomination and examination procedures. The Nomination Committee considered a total of 18 candidates for senior executives of branches and 10 candidates for directors, supervisors and senior executives of subsidiaries during the year.

## **(III) Compensation and Remuneration Committee**

### **1. Composition of the Compensation and Remuneration Committee and meetings in 2015**

The Compensation and Remuneration Committee of the sixth 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.





## Corporate Governance

The Compensation and Remuneration Committee convened 5 meetings, reviewed 10 proposals and received seven reports in 2015. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Lu Zhiqiang	5/5
Wang Hang	5/5
Guo Guangchang	5/5
Executive Director	
Liang Yutang	5/5
Independent Non-executive Directors	
Cheng Hoi-chuen (chairman of the committee)	5/5
Qin Rongsheng	5/5
You Lantian	2/2
Wang Lihua	5/5
Han Jianmin	5/5

Notes: Director You Lantian ceased to perform her duties from 31 January 2015. Therefore, she shall not be counted as the quorum of all meetings.

### 2. Major achievements of the Compensation and Remuneration Committee in 2015

During the Reporting Period, according to the Terms of Reference of the Compensation and Remuneration Committee of the Board (《董事會薪酬與考核委員會工作細則》) and the annual work plan of the Board, the Compensation and Remuneration Committee focused on formulating and refining the rational and effective remuneration incentive mechanism. In order to give full play to the functions of the Compensation and Remuneration Committee, it strived to carry out different tasks. Its major achievements of the year are as follows:

#### (1) *Discussing the proposal on the employee share ownership scheme of the Company*

During the Reporting Period, the Compensation and Remuneration Committee listened to and discussed the proposals of the employee share ownership scheme of the Company and provided effective solutions and recommendations to specific issues in the proposals to further facilitate the argumentation and implementation of the proposed employee share ownership scheme.

## Corporate Governance

### ***(2) Discussing and determining the targets and target value of key appraisal indicators of Senior Management in 2015***

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

### ***(3) Completing the objective evaluation of the performance of Directors for the year***

In order to enhance the efficiency of Directors performing their duties and the decision-making of the Board, the Compensation and Remuneration Committee of the Board carried out an objective evaluation of the performance of all the Directors for 2014 during the Reporting Period. The targets of evaluation comprised all of 19 Directors, including Shareholders Directors, Independent Directors and Executive Directors.

### ***(4) Assessing the performance of Senior Management for the year***

During the Reporting Period, the Compensation and Remuneration Committee of the Board assessed the performance of 9 members of the Senior Management of the Head Office and 47 branch presidents and SBU (Strategic Business Unit) presidents (including the executive vice president and vice president in charge) for 2014 under the authorization of the Board. The performance assessment of the Senior Management of the Head Office included leadership and duty performance. It facilitated a thorough understanding of the Board to the performance of Senior Management and guided them to improve their performance.

### ***(5) Reviewing the annual remuneration of the Directors and the Senior Management of the Company***

During the Reporting Period, the Compensation and Remuneration Committee reviewed and disclosed the 2014 remuneration report of Directors based on the annual performance of Directors in compliance with the provision of the Rules on Remuneration of Directors and Supervisors (《董事、監事薪酬制度》). According to the Management Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》) and the Administrative Measures of Venture Fund for Senior Management (《高級管理人員風險基金管理辦法》) as well as the operation indicators for 2014, the Compensation and Remuneration Committee reviewed and disclosed the 2014 remuneration report of Senior Management of the Head Office appointed by the Board.

## Corporate Governance

### **(6) Reviewing and determining the remuneration of Senior Management of the Head Office**

During the Reporting Period, the Compensation and Remuneration Committee under the Board reviewed and determined the remuneration of the President according to the Working Terms of Reference of the Compensation and Remuneration Committee under the Board (《董事會薪酬與考核委員會工作細則》) and the Management Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》).

### **(7) Listening to the analysis report on the remuneration competitiveness of the Company for 2014**

During the Reporting Period, the Compensation and Remuneration Committee under the Board listened to the Analysis Report on the Remuneration Competitiveness for 2014 (《2014年薪酬競爭力分析報告》). The committee discussed the incentive policies and measures for the employees of various levels of the Company, pointed out key concerns in the future and provided practical and effective recommendations for the enhancement of the remuneration competitiveness of the Company.

## **(IV) Risk Management Committee**

### **1. Composition of the Risk Management Committee and meetings in 2015**

Since 4 January 2013, the Risk Management Committee of the sixth 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.

On 14 January 2015, Mr. Yao Dafeng was appointed as the member of the Risk Management Committee by the Board. The number of the members of the Risk Management Committee was changed to 6. The chairman was Ba Shusong and the members were Liang Yutang, Wang Yugui, Wang Hang, Guo Guangchang and Yao Dafeng.

On 8 June 2015, adjustments were made to the composition of the Risk Management Committee of the sixth session of the Board of Directors. The chairman was Wang Lihua and the members were Liang Yutang, Wang Yugui, Wang Hang, Guo Guangchang and Yao Dafeng.

On 28 February 2016, in accordance with the Announcement on the Resolutions of the 16th extraordinary meeting of the sixth session of the Board of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司第六屆董事會第十六次臨時會議決議公告》), the number of the members of the Risk Management Committee was changed to seven with Wang Lihua as the chairman and Liang Yutang, Wang Yugui, Wang Hang, Guo Guangchang, Yao Dafeng and Zheng Wanchun as members.

## Corporate Governance

Major duties of the Risk Management Committee include conducting research on macro-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 organizational 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 10 meetings, discussed and reviewed 26 proposals, 119 businesses beyond risk limits in 2015. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Wang Yugui	10/10
Wang Hang	10/10
Guo Guangchang	10/10
Yao Dafeng	10/10
Executive Director	
Liang Yutang	10/10
Independent Non-executive Directors	
Ba Shusong (former chairman of the committee)	5/5
Wang Lihua (chairman of the committee)	5/5

Note: Director Wang Lihua was appointed during the Reporting Period. Director Ba Shusong ceased to perform his duties since 9 May 2015. Therefore, Wang Lihua and Ba Shusong shall not be counted as the quorum of all meetings.

### 2. Major achievements of the Risk Management Committee in 2015

In 2015, under the leadership of the Board, the Risk Management Committee continued to expand the depth and scope of risk controls while adhering to innovation and practice. The committee strengthened the supervision of the implementation of all risk policies by regulatory departments and the Board. Efforts were also made to fulfill duties including risk guidance and evaluation and to perform tasks including risk guidance, risk evaluation and risk reports. During the year, the Risk Management Committee convened 10 meetings and reviewed and approved various proposals, including the Guiding Opinion on Risk Management by the Board of Directors in 2015 (《董事會2015年度風險指導意見》),

## Corporate Governance

Report on Semi-annual and Annual Risk Assessment of the Board of Directors (《董事會年度、半年度風險評估報告》), Administrative Measures for Stress Tests (《壓力測試管理辦法》), Application for the Evaluation of Preparation and Implementation of Advanced Capital Measurement Approaches (《資本計量高級方法實施準備情況評估申請》), Recovery Plan (2015) (《恢復計劃(2015版)》) and Administrative Measures for Main Scale Rating of Non-retail Corporate Customers (《非零售法人客戶評級主標尺管理辦法》). The committee studied and listened to the risk management report by the operation management on a quarterly basis, reviewed and approved the quarterly risk management report of the operation management.

### (V) Audit Committee

#### 1. Composition of the Audit Committee and meetings in 2015

The Audit Committee of the 6th session of the Board comprised five members. The chairman of the committee was Qin Rongsheng, and the members were Wu Di, Cheng Hoi-chuen, You Lantian and Han Jianmin.

As of the end of 2015, the Audit Committee of the sixth session of the Board consisted of 4 Independent Non-executive Directors and one Non-executive Director. 4 Independent Non-executive Directors are experts in finance and management. The Non-executive Director is the key person in charge of renowned companies in China and has extensive experience in management and sufficient knowledge in finance and accounting. The Audit Committee is well-structured, with high degree of specialty and independence, which ensures the committee perform its duty effectively.



## Corporate Governance

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

Since Qin Rongsheng, the chairman of the Audit Committee, resigned as Independent Director on 15 January 2016, the number of the Audit Committee of the sixth session of the Board was changed to three with Han Jianmin as the chairman and Wu Di and Cheng Hoi-chuen as members.

The Audit Committee convened six meetings, reviewed 16 proposals and listened to 2 reports in 2015. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Director	
Wu Di	6/6
Independent Non-executive Directors	
Qin Rongsheng (chairman of the committee during the Reporting Period)	6/6
Cheng Hoi-chuen	6/6
Han Jianmin	6/6
You Lantian	0/0

Note: Director You Lantian has ceased to perform her duties since 31 January 2015. Therefore, You Lantian shall not be counted as the quorum of all meetings.

## 2. Major achievements of the Audit Committee in 2015

### (1) Internal control inspection on and work guidance for branches

In response to the changes of banking industry under the “New Normal” of the economy, the Audit Committee extended its inspection on the branches. During the year, the committee investigated the internal control of branches in Suzhou, Changchun and Shenyang and profoundly understood the basic situation of operation management, the construction of an internal control system as well as administrative measures for internal control of branches. The committee put forward concrete demands in respect of internal control management and risk management of branches and provided guidance on the work plan and layout of major works of branches.

## Corporate Governance

### **(2) Review of financial statements of the Company**

Based on the disclosure requirements of the regulatory authorities for annual financial statements and the review plan of the Audit Committee, the Audit Committee organized the preparation and auditing of the 2014 Annual Report, and completed its review, and organized the review of the 2014 Report on Final Accounts, 2015 Financial Budget, 2015 Interim Financial Report, and the first and third quarterly reports of 2015 of the Company.

### **(3) Organization and completion of internal control evaluation**

During the Reporting Period, in accordance with the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and the supporting guidance, Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制評價指引》) and other requirements in relation to the internal control evaluation of listed companies, the Audit Committee monitored and guided the Company to comprehensively evaluate the design and operation of internal control for 2014 under the principle of comprehensiveness, significance and objectiveness. The committee enhanced the evaluation on the operating results and features of business units and the strategic enforcement of the Board, so as to comprehensively enhance the overall effectiveness of its internal control evaluation.

### **(4) Completion of assessment and appointment of external auditors**

In accordance with the Articles of Association, Terms of Reference of Audit Committee, Administrative Measures on Appointment and Management of Accounting Firm of China Minsheng Banking Corp., Ltd. (《中國民生銀行會計師事務所聘任管理辦法》) and requirements of regulatory authorities, the Audit Committee completed the assessment regarding the auditing work of external auditors for 2014. According to the assessment results, the Company confirmed the re-appointment of KPMG Certified Public Accountants as the accounting firms for the external auditing of the Company. The Audit Committee also completed the consideration and discussion on the remuneration of external accounting firm.

## **(VI) Related Party Transactions Supervision Committee**

### **1. Composition of the Related Party Transactions Supervision Committee and meetings in 2015**

The Related Party Transactions Supervision Committee of the sixth session of the Board comprised 7 members. The chairman of the committee was Qin Rongsheng, and the members were Liang Yutang, Wang Junhui, Wu Di, Ba Shusong, Wang Lihua and Han Jianmin.

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The Related Party Transactions Supervision Committee of the sixth session of the Board has 4 Independent Non-executive Directors and all of them are experts in auditing, finance and management. 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 Related Party Transactions Supervision Committee of the Company 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 “Directors, Supervisors, Senior Management and Employees” in this report. The members of the committee are not related to each other in terms of finance, business, family or other material relations or relevant relations.

On 15 January 2016, since Qin Rongsheng, the chairman of the Related Party Transactions Supervision Committee, resigned as an Independent Director, the number of members of the Related Party Transactions Supervision Committee of the sixth session of the Board was changed to five with Han Jianmin as the chairman and Liang Yutang, Wang Junhui, Wu Di and Wang Lihua as members.

The Related Party Transactions Supervision Committee under the Board convened 8 meetings and reviewed 17 proposals in 2015. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Wang Junhui	6/8
Wu Di	8/8
Executive Director	
Liang Yutang	8/8
Independent Non-executive Directors	
Qin Rongsheng (chairman of the committee during the Reporting Period)	8/8
Wang Lihua	8/8
Han Jianmin	8/8
Ba Shusong	1/1

Note: Director Ba Shusong ceased to perform his duties on 9 May 2015. Therefore, he shall not be counted as the quorum of all meetings.



## Corporate Governance

### **2. Major achievements of the Related Party Transactions Supervision Committee in 2015**

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

During the Reporting Period, the Related Party Transactions Supervision Committee of the Board put forward the integrated credit granting. It approved the integrated credit granting for each of the six related parties, including Fosun International, and submitted integrated credit granting exceeding its granting limit to the Board for approval, so as to enhance the efficiency of the management of related party transactions of the Company and to better control the risks.

#### ***(2) Re-organization of list of related parties***

According to the listing rules of SSE and Hong Kong Listing Rules, the database of related parties was maintained through regularly collecting update of data from related parties by mail with an aim to effectively notify shareholders, Directors, Supervisors and Senior Management, and subsidiaries of the Company of the major problems and management requirements of related party transactions and internal transactions and have dynamic management and prompt update to the list of related parties. As such, a solid foundation was laid to enhance the management of related party transactions of the Company.

#### ***(3) Recognition and approval of related party transactions***

During the Reporting Period, the Related Party Transactions Supervision Committee confirmed several related party transactions, completed the approval of the credit related party loans as well approval and filing of non-credit related party transactions.

#### ***(4) Effective management of internal transactions of the Group***

During the Reporting Period, management of internal transactions remained in line with the Administrative Measures of Internal Transactions of China Minsheng Bank (《中國民生銀行內部交易管理辦法》) with continuous standardization of supervision, review, report, control and evaluation of internal transactions.

## **VII. The Supervisory Board**

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

## Corporate Governance

### (I) Composition of the Supervisory Board

As at the end of the Reporting Period, the Supervisory Board of the Company comprised 6 members. On 18 March 2016, an Employee Supervisor was elected through the by-election in the meeting of the representatives of employee. Since then, the Supervisory Board comprises 7 members, including 2 Shareholder Supervisors, 2 External Supervisors and three Employee Supervisors. Two External Supervisors are experts in finance and management; 2 Shareholder Supervisors are key persons in charge of renowned companies in the PRC with extensive management experience, sufficient knowledge in finance and accounting; and three Employee Supervisors have been engaged in policy analysis and banking operation and management for a long time, possessing extensive professional experiences. During the Reporting Period, Li Yuan, a former Shareholder Supervisor, resigned as a Supervisor and member of relevant committees on 14 December 2015.

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

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

### (II) The functions and duties of the Supervisory Board

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

1. to review the regular reports of the Company prepared by the Board and propose opinions on the reports in writing;
2. to examine 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, Chief Financial Officer and Board Secretary of the Company in performing their duties;
4. to demand any Directors, President, vice Presidents, Chief Financial Officer and Board Secretary of the Company to rectify his/her conduct when such conduct is detrimental to the

## Corporate Governance

- interests of the Company, and to report such conduct to general meetings or relevant national regulatory authorities if necessary; and to make proposals to remove any Director and/or member of Senior Management if they breach any applicable laws, administrative regulations, the Company's Articles of Association or resolutions of general meetings;
5. to conduct auditing over the issues in connection with the operation and decision making, risk management and internal control of the Company as and when necessary;
  6. to make a departure auditing, if required, in respect of any resigning director or member of Senior Management;
  7. to issue opinions on the engagement of the accounting firm by the Company;
  8. to propose to convene extraordinary general meetings, and, if the Board fails to convene or chair such a meeting as required under the Company Law of the PRC, to convene or chair the general meetings;
  9. to propose to convene an extraordinary board meeting and submit proposals to the general meeting;
  10. to file lawsuits against Directors and 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 rights prescribed by the Articles of Association or conferred by the general meeting.

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

## Corporate Governance

### (III) The Supervisory Board meetings and contents of resolutions

During the Reporting Period, 5 meetings have been held by the Supervisory Board of the Company. The details were as follows:

Meetings	Date	Publication	Date of Disclosure
Sixth Extraordinary Meeting of the sixth session of the Supervisory Board	4 March 2015	Shanghai Securities News, China Securities Journal and Securities Times	5 March 2015
19th Meeting of the sixth session of the Supervisory Board	30 March 2015	Shanghai Securities News, China Securities Journal and Securities Times	31 March 2015
20th Meeting of the sixth session of the Supervisory Board	21 April 2015	Exempt from announcement in accordance with relevant provisions	
21st Meeting of the sixth session of the Supervisory Board	28 August 2015	Exempt from announcement in accordance with relevant provisions	
22nd Meeting of the sixth session of the Supervisory Board	30 October 2015	Exempt from announcement in accordance with relevant provisions	

The Supervisory Board of the Company reviewed and approved 11 proposals of the Company, including but not limited to, the 2014 Annual Report, First Quarterly Reports, Interim Report and Third Quarterly Report for 2015, 2014 Working Report of the Supervisory Board, and Performance Assessment Report of Directors and Senior Management for 2014 by the Supervisory Board at the above meetings. During the Reporting Period, the Supervisory Board had no objection towards the supervision matters.

## Corporate Governance

**(IV) The attendance record of Supervisors of the Company at meetings of the Supervisory Board in 2015**

Supervisors	Attendance/ Number of meetings
Duan Qingshan	5/5
Wang Jiazhi	5/5
Zhang Ke	5/5
Li Yuan	5/5
Zhang Disheng	5/5
Lu Zhongnan	5/5
Wang Liang	5/5

Note: Li Yuan resigned as a Supervisor on 14 December 2015.

**(V) The attendance record of Supervisors of the Company at general meetings in 2015**

The following table sets out the attendance of Supervisors of the Company at the general meetings in 2015:

Supervisors	Attendance/ Number of meetings
Duan Qingshan	2/2
Wang Jiazhi	2/2
Zhang Ke	2/2
Li Yuan	2/2
Zhang Disheng	2/2
Lu Zhongnan	2/2
Wang Liang	2/2

**VIII. Special Committees under the Supervisory Board**

The Supervisory Board of the Company comprises Nomination and Examination Committee and Supervisory Committee. Members, rights and functions of such committees and their works in 2015 are as follows:

**(I) Nomination and Examination Committee**

The Nomination and Examination Committee of the sixth session of the Supervisory Board comprised 5 members, including Zhang Ke (chairman of the committee), Duan Qingshan, Zhang Disheng, Lu Zhongnan and Wang Liang.

## Corporate Governance

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

During the Reporting Period, the Nomination and Examination Committee under the sixth session of the Supervisory Board convened 3 meetings and reviewed 4 proposals. The attendance record of each member is as follows:

Members	Attendance/ Number of meetings
Nomination and Examination Committee under the sixth session of the Supervisory Board	
Zhang Ke (chairman of the committee)	3/3
Duan Qingshan	3/3
Zhang Disheng	3/3
Lu Zhongnan	3/3
Wang Liang	3/3

During the Reporting Period, based on the work plan of the Supervisory Board, the Nomination and Examination Committee under the sixth 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 and conducted departure auditing. It also reviewed and approved the remuneration distribution plan for the Supervisors, organized and arranged training programs for Supervisors and refined the performance supervision files. All tasks in 2015 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 2015 are as follows:

## Corporate Governance

### 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 2014. 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 refined the performance supervision files 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. The committee carried out the annual performance appraisal of Directors and Supervisors and appraised the performance of Senior Management with the Board 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 2015 (Draft) (《2015年度董事會及董事履職評價報告(草案)》), the Performance Appraisal Report on Supervisors in 2015 (Draft) (《2015年度監事履職評價報告(草案)》) and the Performance Appraisal Report on Senior Management and its Members in 2015 (Draft) (《2015年度高級管理層及高管人員履職評價報告(草案)》).

### 2. Conducting departure auditing of Senior Management

During the Reporting Period, departure auditings of certain former member of Senior Management were conducted in accordance with the regulatory requirements of authorities such as the CBRC, the CSRC and stock exchanges of the listing places and relevant requirements of the Company. Based on thorough understanding of the duties of the personnel being audited, the committee prepared the departure auditing report on the performance of duties during their tenure by means of review, examination, careful consideration, analysis and interviews.

### 3. Examining and approving supervisors' remuneration distribution budget

In accordance with the Articles of Association, the duties of the Nomination and Examination Committee of the Supervisory Board include conducting research on remuneration policy and preparing budget. During the Reporting Period, the Nomination and Examination Committee conducted review and examination of the remuneration distribution in 2014 based on researches and submitted the results to the Supervisory Board for consideration, approval and disclosure along with the 2014 Annual Report.

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### 4. Organizing training programs for Supervisors

During the Reporting Period, the Nomination and Examination Committee arranged Supervisors to participate in the training courses for Directors and Supervisors sponsored by the CSRC, Beijing Branch. The committee also invited the industry experts to hold special training programs for Supervisors on hot issues of domestic economic development, regulatory policies and the duties of Supervisors in order to enhance competence and skills of Supervisors.

### 5. Refining the performance supervision files of Directors and Supervisors

During the Reporting Period, the Nomination and Examination Committee refined the performance supervision by their continuous efforts on regulating and enriching performance supervision files for every Director and Supervisor in order to enhance the efficiency of performance supervision.

### (II) Supervisory Committee

During the Reporting Period, the Supervisory Committee under the sixth session of the Supervisory Board comprised 5 members. The members of the Supervisory Committee included Duan Qingshan (chairman of the committee), Wang Jiazhi, Zhang Ke, Lu Zhongnan and Li Yuan.

On 14 December 2015, Li Yuan, a former Shareholder Supervisor, resigned as a Supervisor and the member of the Supervisory Committee. On 30 March 2016, Guo Dong was by-elected as a member of the Supervisory Committee under the Supervisory Board through the resolution of the 23rd meeting of the sixth session of the Supervisory Board. The number of members of the Supervisory Committee under the Supervisory Board remained five, namely Duan Qingshan (chairman of the committee), Wang Jiazhi, Guo Dong, Zhang Ke and Lu Zhongnan.

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 Company 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.



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

Member	Attendance/ Number of Meetings
Supervisory Committee under the sixth session of the Supervisory Board	
Duan Qingshan (chairman of the committee)	4/4
Wang Jiazhi	4/4
Zhang Ke	4/4
Li Yuan	4/4
Lu Zhongnan	4/4

During the Reporting Period, based on the work plan of the Supervisory Board, the Supervisory Committee under the sixth session of the Supervisory Board actively performed the duties and functions conferred by the Articles of Association and the Terms of Reference of Supervisory Committee under the Supervisory Board. The Supervisory Committee carried out supervision in a prudent manner, assisted the Supervisory Board in completing major researches and enhanced financial, internal control and risk supervision. Through carrying out special investigation and other tasks, the committee duly performed its duties. The major achievements of Supervisory Committee under the Supervisory Board in 2015 are as follows:

### 1. Organizing and conducting major researches

During the Reporting Period, according to the arrangement of the Supervisory Board and the development situation of the Company, the Supervisory Committee assisted the Supervisory Board in completing several major researches, including the business development of community finance, the operation and management of sub-branches, the opening of new branches, the business development of subsidiaries and credit card centers and the development of Minsheng e-commerce. For deficiencies of business development and operation management in respect of community finance, sub-branches and subsidiaries, opinions and recommendations were provided as references to improve the development of community finance and to facilitate the healthy development of sub-branches and subsidiaries.

## Corporate Governance

### 2. Reinforcing the financial monitoring

During the Reporting Period, the Supervisory Committee reinforced the monitoring of key financial issues of the Company based on regulatory requirements and information disclosure requirements. Through receiving internal and external auditing report regularly, attending relevant Board meetings as observer and reviewing regular reports of the Company, the Company supervised the truthfulness, accuracy and completeness of its financial reports. The Company paid timely attention to the changes in major operational data and indicators and analyzed profitability, growth rate, asset quality, regulatory indicators, development and efficiency. The Company prepared analysis report of the operation of other banks and financial institutions and provided management recommendations on supervision to the Board and management.

### 3. Strengthening internal control and the monitoring of risk

Based on the changes in internal and external environment and regulatory requirements, the committee continued to strengthen the internal control and monitoring of risks, including the internal control system, the overall risk management structure, risk management and control of important aspects and major contingency incidents. The committee monitored and studied the business development of community finance, the operation of sub-branches and the quality management of assets and strengthened the investigation on businesses, such as fund agencies. Reminder notes were issued to supervise relevant departments to further strengthen the compliance of operation, so as to enhance risk management and control and to mitigate various risks.

### 4. Actively conducting researches and investigations on particular topics

In response to the situation and challenges that the Company faced, the committee conducted researches and investigation on selected hot button topics and issues such as the transformation of business models and internet finance. Through data and information, interviews with personnel of relevant authorities, and visits to other banks and financial institutions, the committee prepared research and investigation reports and made suggestions to optimize the business models of branches and vigorously conduct internet finance business.

## IX. The Decision-making System of the Company

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

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

### **X. Establishment and Implementation of the Performance Evaluation and Incentive Mechanism for Members of the Senior Management**

In accordance with the Administrative Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》), the performance remuneration of the Senior Management is pegged to their Key Performance Indicators (“KPIs”). With reference to the 2015 Financial Budget Report (《2015年度財務預算報告》), the Compensation and Remuneration Committee under the Board set the benchmarks of the KPIs for 2015 and the Board determined to evaluate the Senior Management for 2015 based on their 6 KPI results, including the net profit, so as to determine their annual remuneration. 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 the Senior Management to press ahead along with the Company. The Company formulated a fair and coherent remuneration policy for Senior Management with reasonable structure and market competitiveness; set up incentive and discipline mechanism for Senior Management with simpler and clearer classification, assessment procedures and duties and performance management system; and determined remuneration of Senior Management according to their duties, capability and contribution to operating results.

#### **(II) Remuneration policy for Directors of the Company**

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

## Corporate Governance

### **XI. Information Disclosure and Investor Relations**

#### **(I) Information disclosure**

The Company discloses its information in strict compliance with the regulations of the securities regulatory authorities, and publishes all sorts of regular reports and interim 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 four regular reports and 58 interim announcements on SSE. The Company also published over 120 announcements on the SEHK. The 2014 Annual Report of the Company won the silver prize in the 2014 Vision Awards and Top 40 Chinese Annual Reports in the Annual Report Competition held by LACP (League of American Communications Professionals). It also won the gold prize in the Written Text Awards in the ARC (Annual Report Competition) in U.S.

#### **(II) Investor relations management**

In respect of investor relations management, the Company adhered to its strategic targets and put great emphasis on its market positioning. The Company regularly held results presentations and actively participated in large-scale investment strategy seminars, so as to show the latest results and potential of the Company to investors.

During the Reporting Period, the Company further improved its communication channels, such as its website, investor hotlines, investor journals, investment strategy conferences with securities companies and joint researches. During the Reporting Period, the Company organized 2 press conferences for the results and attracted a total of 234 participants. The Company held 2 general meetings and the Senior Management communicated with around 200 investors in the meetings. The Company took part in 10 large-scale institutional investment strategy seminars and met over 500 investors. It also held 8 joint researches and 46 conferences with investors, meeting 360 investors. The Company communicated with over 300 investors in aggregate through various ways such as teleconferences, email and e-interaction platform of the SSE. 12 special issues of Investors were published. During the Reporting Period, the Company won the Prize of Outstanding Enterprise on Corporate Governance (公司卓越管治企業大獎) by Corporate Governance Asia (《亞洲企業管治》).

### **XII. Amendments to Articles of Association in 2015**

During the Reporting Period, there were no changes to the Articles of Association of the Company.

## Corporate Governance

### **XIII. Continuous Professional Development Training of Directors**

All Directors of the Company were abided by their obligations and duties in the Company and kept abreast of the business operation and development of the Company. The Company encouraged its Directors to take part in various continuous professional development programs for the improvement and enhancement of their knowledge and expertise. The Directors, Wang Hang and Wu Di, attended the briefing sessions and training programs of business organized by the Company and financial or corporate governance seminars organized by professional institutions and studied the relevant publications. The Directors, Hong Qi and Liang Yutang, attended the briefing sessions and training programs of business organized by the Company and financial or corporate governance seminars organized by professional institutions. The Directors, Guo Guangchang and Wang Lihua, attended the briefing sessions and training programs of business organized by the Company and studied the relevant publications. The Directors, Liu Yonghao, Wang Junhui, Yao Dafeng and Han Jianmin, attended financial or corporate governance seminars organized by professional institutions and studied the relevant publications. The Directors, Zhang Hongwei and Lu Zhiqiang, attended financial or corporate governance seminars organized by professional institutions, and the Director, Wang Yugui, studied the relevant publications. All Directors had submitted their training records during the year ended 31 December 2015 to the Company Secretary.

### **XIV. Training of Company Secretaries**

During the financial year ended 31 December 2015, both Wan Qingyuan and Soon Yuk Tai, the Joint Company Secretaries, had attended no less than 15 hours of relevant professional trainings organized by the SSE, the SEHK or other professional bodies.

### **XV. Contract to Company Secretary**

Ms. Soon Yuk Tai of Tricor Services Limited, an 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.

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

On 31 January 2015, due to personal reason, Mr. Mao Xiaofeng tendered his resignation as the Director, President and members of related special committees of the Board. Mr. Hong Qi, the Chairman, was elected as the acting President during the vacancy of the president at the 7th

## Corporate Governance

extraordinary meeting under the sixth session of the Board. On 19 November 2015, Mr. Zheng Wanchun was appointed as the President of the Company, whose qualification was approved by the CBRC. During the period in which Mr. Hong Qi, the Chairman, acted as the acting President of the Company, the power and authorization of the Board and operation management of the Company were equally divided. The operation management and daily business were carried out in an orderly manner.

Save as described above, during the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules and most of the recommended best practices contained therein.

### **XVII. Internal Control**

The Company has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Supervisory Board and the management team and maintained an effective internal control management system. In compliance the Law on Commercial Banks of PRC (《中華人民共和國商業銀行法》), Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and other laws and regulations and regulatory rules, the Company established and effectively implemented comprehensive internal control policies and evaluated their effectiveness. The Board has entrusted the Audit Department of the Company to evaluate the effectiveness of the internal control of the Company as of 31 December 2015, being the benchmark date of self-evaluation report on internal control, based on both daily and specialized supervision of internal control. The Audit Department issued the Self-Evaluation Report of Internal Control for 2015 of China Minsheng Banking Corp., Ltd. (《中國民生銀行2015年度內部控制評價報告》), according to which, no material defects were found in the internal control on financial and non-financial reports. For details of the Self-Evaluation Report of Internal Control for 2015 of China Minsheng Banking Corp., Ltd., please visit the Company's website ([www.cmbc.com.cn](http://www.cmbc.com.cn)) or the website of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)).

KPMG Huazhen LLP engaged by the Company has conducted review and issued the Auditing Report on Internal Control of China Minsheng Banking Corp., Ltd. for 2015 (《中國民生銀行2015年度內部控制審計報告》) which confirmed that the Company maintained effective internal control of financial report in all material aspects as of 31 December 2015 in accordance with the relevant regulations, and no material defect was identified in all material aspects of internal control on non-financial items. For details of the Auditing Report on Internal Control of China Minsheng Banking Corp., Ltd. for 2015, please visit the Company's website ([www.cmbc.com.cn](http://www.cmbc.com.cn)) or the website of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)).

中国民生银行  
CHINA MINSHENG BANK

中国民生银行股份有限公司  
第六届董事会第十一次临时会议

2015年11月



# Report of the Board of Directors

董事會報告



## Report of the Board of Directors

### I. Performance of Principal Business, Financial Results and Business Development

For details of the principal business, key indicators and analysis of financial results and business development of the Company, please refer to the sections headed “Summary of Financial Data and Indicators” and “Management Discussion and Analysis” in this report.

### II. Environmental Policy and Performance of the Company

In 2015, the Company performed its responsibilities of environmental protection duly through various actions. The Company strongly supported green loans by formulating strategies to strengthen the environmental and social risk management and clearly define the key development areas of green loans so as to give priority to the industries meeting the requirement of energy-saving and environmental protection. The Company encouraged the use of green loans by implementing differentiated resource allocation policy, including prioritizing the development of green credit products and services. As at the end of 2015, the outstanding balance of green loans of the Company was RMB11,404 million in total. In respect of green business, the Company strictly implemented the Measures on Supplier Management (供應商管理辦法). The Company centralized the management of procurement price, quality, supply and services of 89 suppliers of ten types of equipment, including self-service equipment, safes and ATMs, in order to raise the integrated procurement efficiency. In 2015, the total green procurement of the Head Office was RMB963.80 million, accounting for 25.4% of total procurement. In respect of green office, aiming to save costs and increase efficiency, the Company focused on the efficiency management of fixed assets, establishment of environmentally-friendly branches and promotion of environmental protection awareness of employees. As at the end of 2015, the original value of durable fixed assets of the Company which remained in normal operation upon the expiry of useful life was RMB1,311.44 million, representing a cost saving of RMB249.17 million during the year. 2 tonnes of outdated computers and 850 obsolete cartridges were recycled. Procurement cost and the consumption of natural resources reduced significantly. In respect of the public welfare activities related to environmental protection, the Company actively organized a variety of public welfare activities with the theme of environmental protection by leveraging the advantages of its principal business, to reinforce the communication with stakeholders and promote the environmental protection awareness of the society so as to facilitate sustainable development.



## Report of the Board of Directors

The table below sets out the comparison of environmental protection performance indicators of the Company between this year and the previous years:

Environmental Protection Performance Indicators		Units	2015	2014	2013
Green procurement amount	Ten thousand		96,380	84,678	84,451
Ratio of qualified environment assessment of project loans	%		100	100	100
Ratio of loans for excessive production capacity	%		3.08	3.46	5.94
Video conference	Times		184	211	274

### III. Compliance of Relevant Laws and Regulations

The Board is of the view that during the Reporting Period, the Company legally operated its business and its decision-making procedure was in compliance with relevant laws, regulations and the Articles of Association. During the Reporting Period, the Company is not aware of any breach of laws and regulations and the Articles of Association of the Company or any act which would prejudice the interests of the Company and its shareholders by any Directors, Supervisors or Senior Management when performing their duties.

### IV. Subsequent Events

As of the end of the financial year to the reporting date, the Company had no material events.

#### Continuing Connected Transaction

On 30 March 2016, the Business Cooperation Framework Agreement was entered into between the Company and Anbang Insurance Group Co., Ltd. ("Anbang Insurance") with retrospective effect from 1 January 2016 for a term of one year.

#### Relationship between the parties

As of the date of this report, Anbang Insurance Group (including Anbang Insurance, its subsidiaries and their respective associates) holds approximately 17.78% of the shares in the Company and is a substantial shareholder of the Company. Anbang Insurance Group constitutes a connected person of the Company. The transactions between the Group and Anbang Insurance Group constitute continuing connected transactions under Hong Kong Listing Rules.

## Report of the Board of Directors

### Business Cooperation Framework Agreement

The major terms of the Business Cooperation Framework Agreement are as follows:

Date of execution:	30 March 2016
Effective date:	1 January 2016
Parties:	The Company and Anbang Insurance
Term:	From 1 January 2016 to 31 December 2016 (both dates inclusive). The parties agree that the Business Cooperation Framework Agreement may be extended subject to approval of the stock exchange in the place of listing and the competent regulatory authorities and/or the approval of the Board or general meeting of the Company, if so required by such stock exchange in the placing of listing and the competent regulatory authorities.
Transaction details:	<p>The Company will provide agency sale services of financial products to Anbang Insurance Group, including but not limited to insurance products, asset management products, funds products and securities products, and charge service fees in return.</p> <p>The Company and Anbang Insurance Group will enter into specific implementation agreements under the Business Cooperation Framework Agreement according to the business needs of both parties.</p>
Pricing:	<p>Service fee rates for the agency sale of insurance products shall be determined through arm's length negotiation and on normal commercial terms on the following basis: since no fixed or suggested prices provided by the PRC government are applicable as of the date of this report, the service fees will be determined through arm's length negotiations between the parties based on the prevailing market prices. The service fee rates for the agency sale of insurance products, which vary for different insurance products, will be based on certain percentage of the total premium received by the Company. The service fees shall be no less favourable to the Company than terms available to independent third parties in the ordinary and usual course of business.</p> <p>The transactions under the Business Cooperation Framework Agreement shall be conducted on a non-exclusive basis. Payment shall be calculated on the aforementioned basis. However, the Company shall solicit quotations from approximately five independent third party suppliers providing similar products, and refer to the service fee rates currently charged by the Company for providing agency sale services of insurance products to independent third party insurance companies, to make sure that the prices and terms offered by Anbang Insurance Group are fair and reasonable and comparable with those offered by independent third party suppliers.</p>

## Report of the Board of Directors

**Payment:** Service fees shall be settled by cash at the end of the term or settled in other manners agreed by the parties and in accordance with the time and the manner as specified by the agreement to be entered into by the Company and Anbang Insurance Group from time to time.

The agency sale of Anbang insurance products provided by Anbang Insurance Group shall be subject to discussion, assessment and unanimous approval by the Retail Wealth Management Business Evaluation Committee of the Company (the "Retail Products Committee"). The quantity of products shall be determined by the Retail Products Committee of the Company through discussion and assessment with reference to a number of factors, including the rating of Anbang Insurance, the ranking of Anbang Insurance among insurance companies in China and the proposed sale volume of the insurance products. The Retail Products Committee is comprised of head and relevant staff of the Wealth and Channel Risk Management Centre under the Retail Business Risk Management Department of the Company, and relevant staff of Asset Management Products Center and Wealth Customer Management Center under the Personal Finance Department. In accordance with the Terms of Reference of the Retail Wealth Management Business Evaluation Committee of our Company, the relevant business department of the Company is responsible for carrying out preliminary evaluation on the other party of the transaction ("Cooperation Institution"). After approval of such evaluation, those institutions will be further submitted to the Retail Products Committee for consideration and approval. In addition, the Retail Products Committee will monitor the Cooperation Institutions and conduct periodic evaluation on risk status of these Cooperation Institutions and their cooperation with the Company, including whether the ranking of the Cooperation Institution meets the cooperation criteria of the Company, whether there was any material risk incident occurred by the Cooperation Institution during the period of evaluation, and whether the Cooperation Institution performed its undertakings for services during the period of evaluation. Furthermore, in respect of the agency sale services for insurance products provided by the Company, the relevant business department will carry out preliminary evaluation on investment direction, risk control mechanism, historical performance, service fee rates and service undertakings of such products. After approval of such evaluation, those products will be further submitted to the Retail Products Committee for its consideration and approval.

### **Annual cap and bases of determination**

Proposed annual cap of the Business Cooperation Framework Agreement will be RMB6 billion for the year 2016.

## Report of the Board of Directors

To determine the annual cap of the transactions under the Business Cooperation Framework Agreement, the Company has considered a number of factors, including the current and future operating conditions of Continuing Connected Transactions between the Company and Anbang Insurance Group. The Company also took into account the possibility of increase in income from retail banking intermediary business through sharing of resources and synergy effects based on the cooperation between both parties. In addition, the Company has also considered the future sales volume and fee rates for the agency sales of insurance and financial products including conventional banking insurance, other financial general insurance, accident insurance and innovative insurance wealth management products, funds agency sale and securities products. The increase of service fees for agency sales of financial products is driven by the market.

### Reasons for continuing connected transactions

To proactively cope with market changes, the Company and Anbang Insurance entered into the Business Cooperation Framework Agreement to achieve sharing of resources and synergy effects, which in turn further increase the Company's income from its retail banking intermediary business. In addition, entering into the Business Cooperation Framework Agreement can simplify the disclosure procedure and reduce compliance cost of the Company.

### Confirmation of the Board and the auditors

The Board, including Independent Non-executive Directors, are of the view that the Business Cooperation Framework Agreement (i) was entered into in the ordinary and usual course of business of the Company; (ii) is based on normal commercial terms (determined through arm's length negotiation or no less favourable to the Company than the terms available to independent third parties); and (iii) the terms and proposed annual cap are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

As Mr. Yao Dafeng, a Director of the Company, is a director and a vice president of Anbang Insurance and is therefore deemed to be interested in the Continuing Connected Transaction, he abstained from voting on the resolution of Continuing Connected Transaction at the Board meeting. Save as disclosed above, none of the Directors had material interests in the Continuing Connected Transaction and was therefore required to abstain from voting on the relevant resolutions. The relevant resolution was passed by the Directors of the Company by poll.

The auditors of the Company will include a confirmation on the above transaction in the next annual report of the Company in accordance with the Hong Kong Listing Rules.

## Report of the Board of Directors

### Hong Kong Listing Rules implication

As the highest applicable percentage ratio for the annual cap of the service fees payable by Anbang Insurance Group under the Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions constitute non-exempted continuing connected transactions of the Company, and are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of Hong Kong Listing Rules.

### V. Profit Distribution Plan

The audited profit after taxation of the Company for 2015 was RMB45,485 million, of which net profit for the first half of the year was RMB26,478 million. A cash dividend of RMB2,736 million, or RMB0.75 for every 10 shares, was distributed in the interim profit distribution plan. The net profit for the second half of the year was RMB19,007 million. The profit distribution plan for the second half of 2015 is proposed as follows:

According to the relevant requirement, 10% of the net profit for the second half of 2015, being RMB1,901 million, was allocated to the statutory surplus reserve. A general provision for risks of RMB3,373 million was made at a rate of 1.5% of the balance of the risky assets as at the end of December 2015. The profits distributable to shareholders as at 31 December 2015 was RMB110,830 million.

According to relevant provisions of the Articles of Association in respect of profit distribution, having considered such factors as the capital adequacy required by the regulatory authorities and the sustainable development of the Company, it is proposed to distribute to holders of A shares and H shares whose names appear on the registers as at the record date a cash dividend of RMB1.60 (tax inclusive) for every 10 shares being held. Based on 36,485 million shares of the Company in issue as at 31 December 2015, the total cash dividend is RMB5,838 million.

The cash dividend is expected to be paid to holders of H shares on or before Friday, 5 August 2016.

The cash dividend will be denominated and declared in RMB and will be paid in RMB to the holders of A shares and in Hong Kong dollar to holders of H shares. The actual amount of dividend to be paid in Hong Kong dollars shall be determined based on the benchmark exchange rate of RMB against Hong Kong dollars at the day of the annual general meeting as announced by the PBOC.

## Report of the Board of Directors

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 general meeting of the Company. The basis and proportion of profit distribution are clearly specified. Effective determination and approval procedures and mechanisms are in place. The said distribution shall be examined and approved by independent directors. Legitimate rights and interests of minority shareholders are well protected by being entitled to attend general meeting to exercise their voting rights and make proposals or enquiries on the operations of the Company.

### Taxation

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its implementation regulations (the “EIT Law”), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company’s H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company. Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知) (the “Notice”) issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual shareholders of H Shares whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

## Report of the Board of Directors

The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

### Profit Distribution to Investors of Northbound Trading

For investors of the SEHK (including enterprises and individuals) investing in the A shares of the Company listed on the SSE (the “Northbound Trading”), their dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded. The record date and the date of distribution of cash dividends and other arrangements for the investors of Northbound Trading will be the same as those for the holders of A shares of the Company.

### Profit Distribution to Investors of Southbound Trading

For investors of the SSE (including enterprises and individuals) investing in the H shares of the Company listed on the SEHK (the “Southbound Trading”), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depository and clearing system. The cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the SEHK through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the SEHK through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

## Report of the Board of Directors

The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H shares of the Company.

### VI. Distribution of Cash Dividends of the Company during the Past Three Consecutive Years (including the Reporting Period)

(Unit: RMB million)

	2015	2014	2013
Cash dividends	8,574	6,574	7,318
Net profit attributable to equity shareholders of the Company	46,111	44,546	42,278
Cash dividend payout ratio (%)	18.59	14.76	17.31

### VII. 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 Company shall distribute dividends primarily in cash. The profit distributed in the form of cash dividends for each year shall not be less than 10% of the distributable profit of the Company of the year. The Company may distribute interim cash dividends.

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

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



## Report of the Board of Directors

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 profit distribution. The conditions and procedures of adjustment or change to the profit distribution policy are in compliance with the relevant requirements and principle of transparency.

### VIII. Major Shareholders

For details of major shareholders of the Company, please refer to the section headed “Changes in Share Capital and Information on Shareholders” in this report.

### IX. Share Capital and Issuance of Shares and Debentures

For details of share capital and issuance of shares and securities of the Company as at 31 December 2015, please refer to the section headed “Changes in Share Capital and Information on Shareholders” in this report.

### X. Implementation of the Guidelines on Risk Management by the Board of Directors in 2015 and the Guidelines in 2016

#### (I) Implementation of the Guidelines on Risk Management by the Board of Directors in 2015

The Guidelines on Risk Management by the Board of Directors in 2015 of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會2015年風險管理指導意見》) (the “2015 Guidelines”) is a guiding document for risk management for the Board, the guidelines for the management to execute risk management strategies and an important document for risk management culture of the Company. The 2015 Guidelines mainly include the prospects of the macro-economic environment and the focus of the Company’s risk management, the guiding principle as well as the objectives and guidelines of risk management and the implementation of the guidelines.

According to the 2015 Guidelines, the management is required to formulate specific and practicable risk management policies and plans based on the risk management targets set by the Board, which will set out the specific implementation measures and formulate the overall plans for the implementation of risk management targets. The Risk Management Committee under the Board is responsible for the guidance and supervision of the implementation of the 2015 Guidelines. The Office of Risk Management Committee under the Board conducts evaluation on the risks and risk management and the implementation of the 2015 Guidelines of the Company every half a year or according to the operational need of risk management. In addition, the Risk Management Committee keeps abreast of the risk management of the Company and identifies major issues in a timely manner by conducting

## Report of the Board of Directors

risk inspection and special 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 regarding risk management to the management.

### **(II) Guidelines on Risk Management by the Board of Directors in 2016**

In order to strengthen the establishment of a comprehensive risk management system, secure strategic transformation and business development and guide the risk management, the Risk Management Committee of the Board of the Company formulated the Guidelines on Risk Management by the Board of Directors in 2016 of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會2016年風險管理指導意見》) (the “2016 Guidelines”).

Based on Phoenix Project of the Board and risk management of the Company and taking into account the regulatory policies and changes in operating environment, the 2016 Guidelines analyze the macro-economic & financial trends, identify the key issues in operation and risk management, specify the principles and preferences of the Board on risk management, and make suggestions on risk management in response to the major risks in operation and management. The 2016 Guidelines mainly include fundamental analysis of the macro-economic situation, key issues in operation and risk management, guiding principles and risk preferences, guidelines on risk management and its implementation.

By formulating the 2016 Guidelines, the Board innovated the top-level design of risk management for commercial banks, optimized the risk management system composed by the shareholders’ meeting, the Board, the Supervisory Board and the Senior Management, with the Board as the core and management as the main body, so as to enhance the efficiency of risk management of the Board, improve its risk control capacity and strengthen its risk management function. The 2016 Guidelines ensured the safe and stable operation, effectively implemented the development strategies of the Board and safeguarded the healthy and stable operation and sustainable development of the Company.

### **XI. Auditing Opinions Issued by the Accounting Firm**

The 2015 annual financial statements of the Company had been audited by KPMG Certified Public Accountants in accordance with the IFRS. Standard unqualified auditors’ reports had been issued accordingly.

## Report of the Board of Directors

### **XII. 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 holding 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.

### **XIII. Charity and Other Donations**

During the Reporting Period, the total donation of the Company was approximately RMB65 million.

### **XIV. Directors, Supervisors, Senior Management and Employees**

For details of the list, biographies and contract arrangements of Directors, Supervisors and Senior Management, please refer to the section headed “Directors, Supervisors, Senior Management and Employees” in this report.

Details of retirement benefits and details of Directors and Supervisors’ emoluments and the five individuals with the highest emoluments during the Reporting Period are set out in Note 34 and Note 12 to the Financial Statements, respectively.

### **XV. Contracts of Management and Executive Management**

As of the reporting date, the Company has not entered into any administrative management contract relating to all businesses or major businesses of the Company.

### **XVI. Indemnity and Insurance of Directors, Supervisors and Senior Management**

During the Reporting Period, the Company has maintained effective liability insurance for the Directors, Supervisors and Senior Management in respect of legal proceedings arising from the business operation of the Company.

## Report of the Board of Directors

### **XVII. Customer Relationship**

The Group considers that it is important to maintain good relationship with its customers and strives to provide more efficient and convenient services to customers so as to maximize the value and return for shareholders. In 2015, there was no material and serious disputes between the Group and its customers.

### **XVIII. The Interests of Directors and Supervisors in Major Contracts**

The Directors and Supervisors of the Company had no material interests in any major contracts entered into by the Company or its subsidiaries during the Reporting Period.

**Hong Qi**

*Chairman*

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

30 March 2016



# Report of the Supervisory Board

## I. Activities of the Supervisory Board

### (I) Special audits and investigations

1. In February 2015, the Supervisory Board conducted investigation on the business development of community finance.
2. In April 2015, the Supervisory Board conducted investigation on the operation and management of sub-branches.
3. In May 2015, the Supervisory Board conducted investigation on the management of rural banks.
4. In July 2015, the Supervisory Board conducted investigation on the operation management and business development of new branches.
5. In October 2015, the Supervisory Board conducted investigation on the operation management of subsidiaries.
6. In October 2015, the Supervisory Board conducted investigation on the business development of Credit Card Centers.
7. In October 2015, the Supervisory Board visited Minsheng E-commerce Holding Co., Ltd. (民生電商控股有限公司) and Minsheng E-commerce Co., Ltd. (民生電子商務有限公司).



## Report of the Supervisory Board

### (II) Major Investigation Results

1. Investigation on the business development of community finance. In order to fully understand the current business development and management of community sub-branches and provide constructive opinions and suggestions relating to the sustainable development of community finance, in February 2015, the investigation team of the Supervisory Board conducted investigations on 38 community sub-branches and outlets of 7 branches including the Beijing Administrative Department and Guangzhou Branch. It also visited community outlets of other banks such as China Merchants Bank, Industrial Bank, Ping An Bank and China Everbright Bank. Based on the updates on actual development of the community finance business of the Company and analysis on numerous opinions and suggestions collected from frontline staff, the Supervisory Board issued the investigation report and raised a number of management opinions and recommendations in relation to the improvement and upgrade of community finance business development.
2. Investigation on the operation and management of sub-branches. In order to fully understand the current operation and management and analyze the problems and difficulties in the development of sub-branches, the Supervisory Board established four investigation teams consisting of staff from different departments under the Head Office to carry out comparison and analysis of relevant data of all sub-branches, onsite visits of certain selected sub-branches and interviews with over 900 frontline staff in April 2015. An interview report with over 30,000 words was formulated based on the opinions and suggestions from frontline staff. According to the findings, the Supervisory Board provided various opinions and recommendations, including to promptly clarify the functions and positions of sub-branches, strengthen the channel management of the Head Office, improve standard of lean management, increase cost efficiency, optimize back-office management system and establish sound supporting and backup platform, which were important guidelines for the establishment of organizations and improvement of resource allocation of the Company's branches and sub-branches.
3. Investigation on the management of rural banks. In order to understand the development of rural banks established by the Company, the Supervisory Board carried out investigation on the management of rural banks in May 2015. The investigation consisted of two parts. In the first stage, the investigation team of the Supervisory Board visited some rural banks of the Company to review their management condition. In the second stage, the investigation team visited the Rural Financial Institutions Supervision Department of CBRC as well as the Bank of China, Baoshang Bank, Harbin Bank, Taizhou Bank and their rural banks, in order to gain comprehensive knowledge on the methods and models of the management of rural banks and learn advanced management experience of other banks. Numerous opinions and recommendations on the improvement of rural bank management were submitted to the Board and management team.

## Report of the Supervisory Board

4. Investigation on the operation management of subsidiaries. In October 2015, the Supervisory Board conducted investigation on Minsheng Financial Leasing and Minsheng Royal Fund. In addition to collection and review of relevant information and data, the investigation team of the Supervisory Board also visited the two companies. During the visits, the investigation team organized discussions and interviews and reviewed relevant documents and materials. The investigation report contained a summary of the seven-year development of both Minsheng Financial Leasing and Minsheng Royal Fund, and raised over 20 management suggestions regarding the deficiencies of the management of subsidiaries by Minsheng Bank and the difficulties faced by the two companies in development. Such report provided guidance on making decisions for the improvement of investment management and promotion of the group-oriented development.
5. Investigation on the business development of the Credit Card Center. In October 2015, the Supervisory Board conducted investigation on the Credit Card Center. The investigation team organized discussions and interviews to collect opinions from relevant personnel and obtain substantial objective and detailed information, in order to gain full picture of the operating results and management of the Credit Card Center over the past decade, and issued relevant investigation report. Such report summarized the 10-year business development, analyzed the problems and difficulties of Minsheng credit card business, and provided suggestions to support the healthy development of credit card business of the Company.
6. Studies on development of Minsheng E-commerce. In order to understand the development of internet finance, explore the cooperation models of the Company with e-commerce enterprises and support the diversified development of the Company, in November 2015, the Supervisory Board visited Minsheng E-commerce Holding Co., Ltd (民生電商控股有限公司) and Minsheng E-commerce. Co., Ltd. (民生電子商務有限公司). Based on the information collected from the visits and opinions from different parties during the interviews, the Supervisory Board analyzed the operating achievements as well as problems and challenges faced by Minsheng E-commerce and made various recommendations for business growth.
7. Investigation on the operation management and business development of new branches. In order to understand the operation management and business development of new branches of the Company, especially the establishment of internal control system, the Supervisory Board organized investigation on the management and development of certain new branches established in the past three years in July 2015. The Supervisory Board visited four branches. Based on the onsite discussions, information reviewed and data processed, the Supervisory Board made conclusion on the general development of new branches and addressed the problems in management and difficulties faced by the new branches. Management suggestions to support and maintain the sound and stable development of new branches were given to the management.

## Report of the Supervisory Board

### **(III) Supervision on duty performance**

According to the Articles of Association and the relevant working rules of the Supervisory Board, the Supervisory Board carried out the supervision and assessment on the duty performance of the Board, Directors, the Senior Management and the senior executives for 2014 on a regular basis. Routine and ongoing supervision on the duty performance of Directors and the Senior Management was conducted through attending meetings of the Board and the Senior Management, recording the discussion of meetings, reviewing the minutes of meetings of the Board and the Senior Management and completing the duty performance records of Directors. In the middle of the year, the Supervisory Board assessed and reviewed the duty performance of Directors and Supervisors in the first half of 2015 and issued notices on the duty performance of Directors and Supervisors in order to remind Directors and Supervisors of their performance. At the end of 2015, based on the requirements of the system, the Supervisory Board conducted annual evaluation on the duty performance of Directors, Supervisors and the senior executives for 2015. In addition, for more effective supervision on the duty performance of the Directors and Supervisors, the Supervisory Board further refined the duty performance record of Directors and Supervisors during the year, which improved the transparency and standardized management of the performance evaluation of Directors and Supervisors. Moreover, according to the requirements of the regulatory authorities as well as the relevant requirements of the Company, the Supervisory Board conducted departure audits on resigned Senior Management of the Company. Having reviewed the performance of obligations and duties of the resigning personnel during their terms of office, the Supervisory Board prepared relevant departure auditing reports.

### **(IV) Performance ability-building of the Supervisory Board**

#### **1. Communications with other banks and financial institutions**

During 2015, the Supervisory Board had organized a number of exchange and learning programmes with other banks and financial institutions in accordance with its working plan to facilitate the performance of its duties. The Supervisory Board visited China Merchants Bank, Baoshang Bank, Harbin Bank, Huarui Bank and Xiamen International Bank. In addition, the Supervisory Board also received visits from the supervisory boards of various banks and financial institutions. Through the exchange programmes, the Supervisory Board was able to understand the rationale behind the strategic positioning, corporate governance, business innovation, risk management and performance of supervisory boards of other banks and financial institutions and their relevant working plans. The activities also strengthened the relationship with other banks and financial institutions and laid a solid foundation for business cooperation and development.



## Report of the Supervisory Board

### 2. Business trainings for Supervisors

According to the requirements of the regulatory authorities, the Supervisory Board arranged Supervisors to attend trainings for directors and supervisors of listed companies. In addition, in response to the effect of liberalization of interest rate and the downturn of macro-economy on the reform of the Company, the Supervisory Board organized training program in relation to the liberalization of interest rate and macroeconomic and microeconomic issues for the Supervisors. After these training programmes, the performance, decision-making and operation ability and vision of Supervisors showed significant improvement.

### 3. Strengthened internal exchange and communication

The Supervisory Board further strengthened the communication with the Board, Senior Management and all business units based on its duties. It also established comprehensive information reporting system and channel to facilitate its effective performance. In addition, the Supervisory Board placed emphasis on the communication with the regulatory authorities and external audit firms. It continued to report its work to the regulatory authorities in a timely manner in order to obtain additional business guidelines and support from the regulatory authorities.

## II. Independent Opinion of the Supervisory Board

### (I) Legal operation of the Company

During the Reporting Period, the Company maintained legal operation and all decision-making procedures were in compliance with the applicable laws, regulations and the Articles of Association. There was not any breach of the applicable laws and regulations and the Articles of Association of the Company or any act which would harm 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 LLP and KPMG Certified Public Accountants in accordance with the CAS and IFRS, respectively. Standard unqualified auditors' reports had been issued accordingly. The Supervisory Board considered that the financial statements of the Company for the year truthfully, accurately and completely reflected the Company's financial position and business performance.

## Report of the Supervisory Board

### **(III) Use of proceeds from fund-raising activities**

During the Reporting Period, the Company successfully issued tier-two capital bonds with an aggregate amount of RMB20 billion in the inter-bank bond market in China. The proceeds was used to replenish the tier-two capital of the Company and was in compliance with the undertaking on the use of proceeds of the Company.

### **(IV) Acquisition and disposal of assets**

During the Reporting Period, the Company solely established CMBC International in Hong Kong with a registered capital of HK\$2 billion. Besides, the Company also increased the capital of Taicang Rural Bank and Funing Rural Bank by RMB25.50 million and RMB20.40 million, respectively, and its shareholding proportions in such banks remained unchanged after the capital increases. There was not any insider transaction, any act which would harm the interests of the shareholders or any action which would cause loss of assets during the process of acquisition and disposal of assets.

### **(V) Related party transactions**

During the Reporting Period, the Related Party Transactions Supervision Committee under the Board 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 Articles of Association. There was no any act which would harm the interests of the Company and its shareholders.

### **(VI) Implementation of resolutions adopted at general meetings**

The Supervisory Board raised no objection to the reports and proposals submitted by the Board to the general meetings in 2015 and supervised the implementation of the resolutions adopted at general meetings. The Supervisory Board is convinced that the Board implemented the resolutions in real earnest.

### **(VII) Internal control**

The Company continued to strengthen and improve its internal control. The Supervisory Board raised no objection to the Self-Evaluation Report of Internal Control for 2015 of the Company. During the Reporting Period, no material defects were found in respect of the completeness, reasonability and effectiveness of the internal control mechanism and system.

## Major Events

### I. Material Litigation and Arbitration Proceedings

During the Reporting Period, the Company had no litigation or arbitration proceedings that had significant impact on its operations. As of 31 December 2015, there were 5,923 outstanding pending litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB35,996.55 million and 161 pending litigations involving the Company as defendant for approximately RMB1,037.99 million.

### II. Purchase and Disposal of Assets and Mergers & 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 has not experienced any loss of assets.

### III. Material Contracts and Their Performance

The Company participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing, and has obtained approval for the project, prepared the special report for energy saving, obtained the approval for the traffic impact assessment and environmental impact assessment and the construction land planning permit, and preliminarily calculated the construction volume of foundation pit integration in the north side. Currently, the general project design is in progress.

The Company participated in and won the bid for the land use right of Plot 2010P26 at the intersection of Douzaiwei Road and Hubin South Road in Xiamen, and has completed the roof sealing of parcel No.1, while the indoor masonry, mechanical and electrical installation, and exterior wall construction are in progress. The pit construction, pile foundation construction and basement structure construction of parcel No.2 are in progress.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai Sub-district, Quanzhou, and has completed the design of the construction plan for the main body and the foundation pit supporting. The contractor tendering of civil construction is in process.

The Company participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side road in Taijiang District, Fuzhou. The design of the project is in progress.

## Major Events

The construction of Shunyi Headquarter Base in Beijing has been completed and put into operation. The settlement and audit are in progress.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No.4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou, and has completed the excavation and pile foundation construction. The construction is currently suspended and the design adjustment is in process.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No.1 on the west of East Fourth Ring Road and the south of Lianhu Road in Zhengdong New District, Zhengzhou. Currently, the general project design is in progress.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No.3 on the south of Shangding Road and the west of Mingli Road in Zhengdong New District, Zhengzhou. Currently, the general project design is in progress.

### IV. Major Guarantees

During the Reporting Period, no major guarantees are required to be disclosed except for the financial guarantees provided in the course of business operation and approved by the PBOC.

### V. Commitments by the Company

During the Reporting Period, the Company had no commitment requiring disclosure.

### VI. Appointment of Accountants

The general meeting of the Company resolved to continue to engage KPMG Huazhen LLP and KPMG Certified Public Accountants as the domestic and international auditors of the Company for 2015, 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 2015 financial statements, review of the 2015 interim financial statements and audit of internal control for 2015, was RMB10.60 million, including fees for internal control audit of RMB1.10 million.

## Major Events

As at the end of the Reporting Period, KPMG Huazhen LLP and KPMG Certified Public Accountants have been providing audit services to the Company for five consecutive years. Jin Naiwen, the signing accountant, provided services for the Company for the first year. Shi Jian, the signing accountant, has been providing services for the Company for five consecutive years.

### VII. Major Related Party Transactions

The Company did not have any controlling related party nor any major related party transaction with its accumulated total transaction amount accounting for more than 5% of the audited net asset value of the Company during the Reporting Period. Details of related party transactions based on the relevant accounting standards during the Reporting Period are set out in Note 46 to the Consolidated Financial Statements.

### VIII. Repurchase, Sale or Redemption of Securities

During the 12 months ended 31 December 2015, the Group has neither sold any securities of the Company nor purchased or redeemed any securities of the Company.

### IX. Audit Committee

As at the end of the Reporting Period, the members of Audit Committee of the Company included Qin Rongsheng (chairman), Cheng Hoi-chuen, You Lantian, Han Jianmin and Wu Di. On 15 January 2016, the resolution on changing the chairman of the Audit Committee of the sixth session of the Board of Directors of the Company was considered and approved at the 14th extraordinary meeting of the 6th session of the Board of Directors. Han Jianmin became the new chairman of the Audit Committee of the Company, and the members of the Audit Committee included Wu Di and Cheng Hoi-chuen. The main responsibilities of the Audit Committee include reviewing and supervising the financial reporting procedures and internal control system of the Company and providing advices to the Board. The Audit Committee of the Company reviewed and confirmed the Annual Report for the year ended 31 December 2015 and the results announcement for 2015.

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

Not applicable.

## Major Events

### **XI. Penalties Imposed on the Company and Directors, Supervisors, Senior Management and Controlling Shareholders of the Company**

During the Reporting Period, the Company was not aware of the Company or any of its incumbent Directors, Supervisors or Senior Management being subject to any investigation by the competent authorities or mandatory measures imposed by the judicial authorities or commission for discipline inspection, or handled over to judicial authorities for criminal liabilities, nor any of them being a subject to examination or administrative penalty by CSRC, or prohibited from the securities market or deemed as ineligible persons, or subject to any material administrative penalty imposed by the environmental protection, safety, taxation and other administrative authorities or publicly censured by any stock exchange.

### **XII. Incentive Share Option Scheme and its Implementation during the Reporting Period**

The employee share ownership scheme was considered and approved at the 21th meeting of the sixth session of the Board of Directors. Up to date, the employee share ownership scheme of the Company has not been implemented.

### **XIII. Integrity of the Company, Controlling Shareholders and Ultimate Controller**

The Company does not have any controlling shareholder or ultimate controller. During the Reporting Period, the Company did not have any effective court ruling which was not implemented or any overdue debt in large amounts.

### **XIV. Non-operating Fund Occupation by Controlling Shareholders and Other Related Parties**

The Company does not have any controlling shareholder and does not have any non-operating fund occupation by other related parties.

## Major Events

### XV. Performance of Social Responsibilities

In accordance with the five major development principles of “innovation, coordination, green development, opening-up and sharing”, the Company strived for innovation to satisfy needs of customers, optimize credit development, promote a conservation culture, explore international operation, contribute to the society and maintain sound development, which led to development of the Company, advancement of the society and improvement in people’s livelihood. The Company’s performance of social responsibility has marked a new milestone.

During the Reporting Period, the Company organized the “Power of Minsheng’s Love — ME Charity Innovation Funding Scheme” (“我決定民生愛的力量 — ME公益創新資助計劃”), to fund organizations and projects with development potential and social influence, which was highly appreciated by charity organizations, the public and media. Meanwhile, the Company has been striving to expand cultural and public welfare channels and to establish the most influential international cultural exchange platform. Beijing Minsheng Modern Art Museum (北京民生現代美術館) successfully organized its opening exhibition “The Civil Power” in June 2015, which received wide recognition from the public. In addition, we made donations to charity projects such as the full-length documentary of “Masters of the Century” (《百年巨匠》), China Red Ribbon Foundation, and the China Guangcai Program, and monitored the timely and proper use of such donations to ensure effective implementation of the projects.



## Major Events

The Company's social responsibility practices in 2015 were highly recognised by the third parties such as relevant government authorities, charity organizations and mainstream media. Hong Qi, the Chairman, was awarded the Red Ribbon Contribution Prize (感動紅絲帶貢獻獎) and Ten Year Merits (十年功勳獎) by China Red Ribbon Foundation. The Company was awarded the Best Practice of Social Responsibility Award (最佳社會責任實踐案例獎) by China Banking Association and the Best Corporate Social Responsibility (最佳責任企業獎) by Southern Weekly. The Company ranked first in the Social Responsibility Index of China's Banking Industry (中國銀行業社會責任指數第一名) in the Bluebook for the Corporate Social Responsibility (2015) (企業社會責任藍皮書(2015)) published by the Chinese Academy of Social Sciences and was selected one of the Top Ten Responsible NSOEs (十大責任民企) and the Top Ten Social Responsibility Reports (十大責任報告).

For details of the Social Responsibility Report for 2015 (2015年度社會責任報告) of the Company, please visit the websites of the Company ([www.cmbc.com.cn](http://www.cmbc.com.cn)) and the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)).

### XVI. Other Major Events

1. The Company made an announcement on 28 April 2015 relating to the proposed overseas acquisition of CMBC International, a wholly-owned subsidiary of the Company.
2. The Company made an announcement on 29 April 2015 that the Company successfully issued tier-two capital bonds with an aggregate amount of RMB20 billion in the national interbank bond market on 28 April 2015. The proceeds from such bonds will be used to replenish the tier-two capital of the Company in accordance with the applicable laws and the approval of the regulatory authority.
3. The Company made an announcement on 11 May 2015 that the Hong Kong Branch of the Company received the approval from the SEHK regarding the listing of US\$5 billion Medium Term Note Programme for 12 months after 8 May 2015 by way of debt issues to professional investors only. The listing of such programme became effective on 12 May 2015.
4. The Company made an announcement on 5 June 2015 that it received a notice from China Life Insurance (Group) Company and China Life Insurance Co., Ltd. To achieve investment return, from 4 June 2015 to 5 June 2015, China Life Insurance (Group) Company-Traditional-Ordinary Insurance Products Account accumulatively reduced 227,226,064 A shares of the Company, and China Life Insurance Company Ltd.-Dividend Individual Dividend-005L-FH002 HU Account accumulatively reduced 24,086,750 A shares of the Company.



## Major Events

5. The Company made an announcement on 5 August 2015 that it received the Approval on the Commencement of Business Operation of Urumqi Branch of China Minsheng Banking Corp., Ltd. (Xin Yin Jian Fu [2015] No. 144) 《關於中國民生銀行股份有限公司烏魯木齊分行開業的批覆》(新銀監覆[2015]144號) from the Xinjiang Branch of CBRC. The Xinjiang Branch of the CBRC approved the commencement of business operation, the qualifications of the branch president and assistant president, the scope of business and business address of Urumqi Branch. The business address of the branch is No.314, Yang Zi Jiang Lu, Saybagh District, Urumqi City, Xinjiang.
  
6. The Company made an announcement on 13 July 2015 that it received a notice from New Hope Investment Co., Ltd. and South Hope Industrial Co., Ltd. on 12 July 2015. On 8 July 2015, New Hope Investment Co., Ltd. reduced its shareholding in the Company by 76,698,055 shares through the secondary market stock trading platform of the SSE, and South Hope Industrial Co., Ltd. reduced its shareholding in the Company by 185,210,016 shares through the secondary market stock trading platform of the SSE.

## Financial Reports

- I. Independent Auditor's Report
  
- II. Financial Statements (Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated and the Bank's Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows)
  
- III. Notes to the Financial Statements for the Year 2015
  
- IV. Unaudited Supplementary Financial Information for the Year 2015



## 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 211 to 413 which comprise the consolidated and Bank statements of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 (Continued)

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 auditors' 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 auditors consider 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 financial position of the Bank and of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.



*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 March 2016

## Consolidated Statement of Profit or Loss

For the year ended 31 December 2015 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
Interest income		203,382	199,052
Interest expense		(109,114)	(106,916)
Net interest income	6	94,268	92,136
Fee and commission income		55,107	42,293
Fee and commission expense		(3,902)	(4,054)
Net fee and commission income	7	51,205	38,239
Net trading gain	8	1,264	1,666
Net gain arising from disposals of securities and discounted bills	9	4,584	2,014
Impairment losses on assets	10	(34,801)	(21,132)
Operating expenses	11	(58,176)	(54,082)
Other operating income		2,430	952
Profit before income tax		60,774	59,793
Income tax expense	13	(13,752)	(14,226)
Net profit		47,022	45,567
Net profit attributable to:			
Equity shareholders of the Bank		46,111	44,546
Non-controlling interests		911	1,021
		47,022	45,567
Earnings per share (expressed in RMB)	14		
Basic earnings per share		1.30	1.31
Diluted earnings per share		1.27	1.24

The notes on pages 220 to 413 form part of these financial statements.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
Net profit		47,022	45,567
Other comprehensive income:			
Items that may be reclassified subsequently to profit:			
Change in fair value of available-for-sale securities	39	2,348	3,267
Less: income tax relating to available-for-sale securities	39	(586)	(817)
Exchange difference on translating foreign operations		230	10
Other comprehensive income, net of tax		1,992	2,460
Total comprehensive income		49,014	48,027
Total comprehensive income attributable to:			
Equity shareholders of the Bank		47,962	47,000
Non-controlling interests		1,052	1,027
		49,014	48,027

The notes on pages 220 to 413 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2015 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
<b>ASSETS</b>			
Cash and balances with central bank	15	432,831	471,632
Balances with banks and other financial institutions	16	101,428	75,462
Precious metals		18,425	25,639
Financial assets at fair value through profit or loss	17	26,959	27,213
Positive fair value of derivatives	18	5,175	3,231
Placements with banks and other financial institutions	19	229,217	176,416
Financial assets held under resale agreements	20	570,657	675,878
Loans and advances to customers	21	1,997,625	1,774,159
Investment securities:			
— available-for-sale securities	22	157,000	159,724
— held-to-maturity securities	22	278,364	176,834
— loans and receivables	22	451,239	234,393
Long-term receivables	23	92,579	88,824
Property and equipment	24	41,151	36,936
Deferred income tax assets	25	15,863	11,764
Investments in associates		13	—
Other assets	27	102,162	77,031
<b>Total assets</b>		<b>4,520,688</b>	<b>4,015,136</b>
<b>LIABILITIES</b>			
Borrowings from central bank		62,477	50,745
Deposits from customers	29	2,732,262	2,433,810
Deposits and placements from banks and other financial institutions	30	990,775	891,719
Financial liabilities at fair value through the profit or loss		337	21
Negative fair value of derivatives	18	3,326	2,558
Financial assets sold under repurchase agreements	31	49,129	83,291
Borrowings from banks and other financial institutions	32	108,538	98,847
Provisions		1,925	1,931
Debt securities issued	33	181,233	129,279
Current income tax liabilities		6,170	3,026
Other liabilities	34	74,733	72,153
<b>Total liabilities</b>		<b>4,210,905</b>	<b>3,767,380</b>

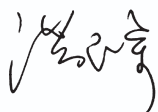
The notes on pages 220 to 413 form part of these financial statements.

## Consolidated Statement of Financial Position (Continued)

As at 31 December 2015 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
EQUITY			
Share capital	35	36,485	34,153
Capital reserve	35	64,744	49,949
Surplus reserve	36	25,361	17,077
General reserve	36	56,351	49,344
Investment revaluation reserve	39	1,291	(392)
Retained earnings	36	116,826	90,019
Exchange reserve		160	(8)
Total equity attributable to equity shareholders of the Bank		301,218	240,142
Non-controlling interests	37	8,565	7,614
Total equity		309,783	247,756
Total liabilities and equity		4,520,688	4,015,136

Approved and authorized for issue by the Board of Directors on 30 March 2016.



**Hong Qi**  
Chairman



**Zheng Wanchun**  
Director and president



**Han Jianmin**  
Director



The notes on pages 220 to 413 form part of these financial statements.



# Statement of Financial Position

As at 31 December 2015 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
<b>ASSETS</b>			
Cash and balances with central bank	15	429,493	468,023
Balances with banks and other financial institutions	16	94,362	69,027
Precious metals		18,425	25,639
Financial assets at fair value through profit or loss	17	26,166	27,156
Positive fair value of derivatives	18	5,055	3,231
Placements with banks and other financial institutions	19	230,579	179,011
Financial assets held under resale agreements	20	570,657	675,868
Loans and advances to customers	21	1,981,855	1,759,094
Investment securities:			
— available-for-sale securities	22	155,033	158,335
— held-to-maturity securities	22	278,364	176,834
— loans and receivables	22	449,565	228,946
Property and equipment	24	23,293	22,629
Deferred income tax assets	25	14,878	11,060
Investment in subsidiaries	26	5,364	3,725
Other assets	27	74,379	56,504
<b>Total assets</b>		<b>4,357,468</b>	<b>3,865,082</b>
<b>LIABILITIES</b>			
Borrowings from central bank		62,000	50,000
Deposits from customers	29	2,702,166	2,406,308
Deposits and placements from banks and other financial institutions	30	994,961	896,254
Financial liabilities at fair value through the profit or loss		337	—
Negative fair value of derivatives	18	3,326	2,558
Financial assets sold under repurchase agreements	31	47,406	80,075
Provisions		1,925	1,931
Debt securities issued	33	181,232	129,279
Current income tax liabilities		5,798	2,601
Other liabilities	34	61,740	59,746
<b>Total liabilities</b>		<b>4,060,891</b>	<b>3,628,752</b>

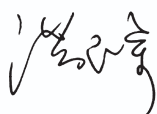
The notes on pages 220 to 413 form part of these financial statements.

## Statement of Financial Position (Continued)

As at 31 December 2015 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
EQUITY			
Share capital	35	36,485	34,153
Capital reserve	35	64,447	49,652
Surplus reserve	36	25,361	17,077
General reserve	36	55,467	48,445
Investment revaluation reserve	39	1,207	(392)
Retained earnings	36	113,566	87,400
Exchange reserve		44	(5)
<b>Total equity</b>		<b>296,577</b>	<b>236,330</b>
<b>Total liabilities and equity</b>		<b>4,357,468</b>	<b>3,865,082</b>

Approved and authorized for issue by the Board of Directors on 30 March 2016.



**Hong Qi**  
Chairman



**Zheng Wanchun**  
Director and president



**Han Jianmin**  
Director

(Company Chop)



The notes on pages 220 to 413 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015 (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 2015		34,153	49,949	17,077	49,344	(392)	90,019	(8)	240,142	7,614	247,756
Net profit		-	-	-	-	-	46,111	-	46,111	911	47,022
Other comprehensive income, net of tax		-	-	-	-	1,683	-	168	1,851	141	1,992
Total comprehensive income		-	-	-	-	1,683	46,111	168	47,962	1,052	49,014
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	28	28
Conversion of convertible bonds		2,332	18,146	-	-	-	-	-	20,478	-	20,478
Appropriation to surplus reserve	36	-	-	8,284	-	-	(8,284)	-	-	-	-
Appropriation to general reserve	36	-	-	-	7,007	-	(7,007)	-	-	-	-
Cash dividends	38	-	-	-	-	-	(4,013)	-	(4,013)	(129)	(4,142)
Equity component of convertible bonds	33	-	(3,351)	-	-	-	-	-	(3,351)	-	(3,351)
At 31 December 2015		36,485	64,744	25,361	56,351	1,291	116,826	160	301,218	8,565	309,783

	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 2014		28,366	49,234	16,456	42,487	(2,842)	64,023	(12)	197,712	6,575	204,287
Net profit		-	-	-	-	-	44,546	-	44,546	1,021	45,567
Other comprehensive income, net of tax		-	-	-	-	2,450	-	4	2,454	6	2,460
Total comprehensive income		-	-	-	-	2,450	44,546	4	47,000	1,027	48,027
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	21	21
Conversion of convertible bonds		113	878	-	-	-	-	-	991	-	991
Appropriation to surplus reserve	36	-	-	621	-	-	(621)	-	-	-	-
Appropriation to general reserve	36	-	-	-	6,857	-	(6,857)	-	-	-	-
Cash dividends	38	-	-	-	-	-	(5,398)	-	(5,398)	(9)	(5,407)
Stock dividends	38	5,674	-	-	-	-	(5,674)	-	-	-	-
Equity component of convertible bonds	33	-	(163)	-	-	-	-	-	(163)	-	(163)
At 31 December 2014		34,153	49,949	17,077	49,344	(392)	90,019	(8)	240,142	7,614	247,756

The notes on pages 220 to 413 form part of these financial statements.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2015 (Expressed in millions of Renminbi, unless otherwise stated)

	2015	2014
Cash flows from operating activities:		
Profit before income tax	60,774	59,793
Adjustments for:		
– Impairment losses on assets	34,801	21,132
– Depreciation and amortisation	4,702	3,558
– Changes in provisions	(6)	(257)
– Losses/(gains) on disposal of property and equipment and other long-term assets	27	(16)
– Gains from changes in fair value	(1,347)	(1,258)
– Net (gains)/losses on disposal of investment securities	(933)	8
– Interest expense on debt securities issued and other financing activities	8,417	5,761
– Interest income from investment securities	(33,247)	(20,724)
	73,188	67,997
Changes in operating assets:		
Net decrease/(increase) in balances with central bank, banks and other financial institutions	3,996	(26,766)
Net increase in placements with banks and other financial institutions	(49,743)	(90,503)
Net decrease/(increase) in financial assets held under resale agreements	104,179	(108,090)
Net increase in loans and advances to customers	(259,288)	(261,184)
Net increase in other operating assets	(22,083)	(42,429)
	(222,939)	(528,972)
Changes in operating liabilities:		
Net increase in deposits from customers	298,452	287,121
Net increase in deposits and placements from banks and other financial institutions	99,056	318,042
Net (decrease)/increase in financial assets sold under repurchase agreements	(34,160)	18,717
Income tax paid	(15,293)	(15,573)
Net increase in borrowings from central bank	11,732	50,340
Net increase in other operating liabilities	15,085	31,491
	374,872	690,138
Net cash from operating activities	225,121	229,163

The notes on pages 220 to 413 form part of these financial statements.

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015 (Expressed in millions of Renminbi, unless otherwise stated)

	Note	2015	2014
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		661,742	323,732
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		295	126
Cash payment for purchase of investment securities		(941,003)	(589,642)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(7,490)	(18,649)
Cash payment for investment in associates		(13)	—
Net cash from investing activities		(286,469)	(284,433)
Cash flows from financing activities:			
Capital contribution from non-controlling interests to subsidiaries		28	21
Proceeds from issue of debt securities		226,127	51,610
Repayments of debt securities issued		(161,276)	(14,600)
Interest paid on debt securities issued		(3,687)	(3,606)
Dividends paid		(6,704)	(2,899)
Net cash from financing activities		54,488	30,526
Net decrease in cash and cash equivalents		(6,860)	(24,744)
Cash and cash equivalents at 1 January		132,132	157,001
Effect of foreign exchange rate changes		1,188	(125)
Cash and cash equivalents at 31 December	40	126,460	132,132

The notes on pages 220 to 413 form part of these financial statements.

# Notes to the 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 (“PBOC”).

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking Regulatory Commission (“CBRC”), and the business licence No. 1000000000018983 as approved by the State Administration for Industry and Commerce of the PRC.

The Bank’s A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 600016 and 01988, respectively.

For the purpose of these financial statements, mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the “Group”) mainly provide corporate and personal banking, treasury business, finance leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 31 December 2015, the Bank has 40 tier-one branches and 32 directly controlled subsidiaries in the PRC.

## Notes to the 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; (ii) financial assets and financial liabilities at fair value through profit or loss (including derivative instruments) are measured at fair value; and (iii) precious metals that acquired principally for trading purpose are measured at fair value.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (1) Basis of preparation (continued)

##### Changes in accounting policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards (“IASs”)) that are effective in 2015 and relevant to the Group’s operation.

Amendments to IAS 19 Employee benefits “Defined benefit plans: Employee contributions”

Annual Improvements to IFRSs 2010–2012 Cycle

Annual Improvements to IFRSs 2011–2013 Cycle

The principal effects of adopting these amended IFRSs are as follows:

##### ***Amendments to IAS 19 Employee benefits “Defined benefit plans: Employee contributions”***

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions meet the criteria set out in the amendments, a company is permitted (but not required) to recognize the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation.

The adoption does not have any material impact on the financial position and the financial result of the Group.



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (1) Basis of preparation (continued)

##### **Changes in accounting policies (continued)**

##### ***Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle***

The 2010–2012 cycle of annual improvement contains amendments to seven standards with consequential amendments to other standards and interpretations including IFRS 2 Share based payment, IFRS 3 Business combinations, IFRS 8 Operating segments, IFRS 13 Fair value measurement, IAS 24 Related party disclosures, IAS 16 Property, plant and equipment and IAS 38 Intangible assets.

The 2011–2013 cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations including IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 3 Business combinations, IFRS 13 Fair value measurement, IAS 40 Investment property.

The adoption of these annual improvements will not have any material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (1) Basis of preparation (continued)

##### Changes in accounting policies (continued)

##### **Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015**

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements.

<b>Standard</b>	<b>Effective for accounting periods beginning on or after</b>
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
IFRS 14, <i>Regulatory deferral accounts</i>	1 January 2016
Amendments to IFRS 11, <i>Accounting for acquisitions of interests in joint operations</i>	1 January 2016
Amendments to IAS 16 and IAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
Amendments to IAS 27, <i>Equity method in separate financial statements</i>	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, <i>Investment entities: Applying the consolidation exception</i>	1 January 2016
Amendments to IAS 1, <i>Disclosure initiative</i>	1 January 2016
Amendments to IAS 7, <i>Disclosure initiative</i>	1 January 2017
Amendments to IAS 12, <i>Income taxes — Recognition of deferred tax assets for unrealised losses</i>	1 January 2017
IFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
IFRS 9, <i>Financial Instruments</i>	1 January 2018
IFRS 16, <i>Leases</i>	1 January 2019

So far the Group has concluded that the adoption of other standards is unlikely to have a significant impact on its operating results and financial position, except for IFRS 9 “Financial instruments”. Since the Group is in the process of making an assessment on overall impact of IFRS 9, the Group cannot quantify the impact on its operating results and financial position.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (2) Consolidated financial statements

The Group's consolidated financial statements comprise the Bank, its subsidiaries and structured entities controlled by the Group.

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

##### (i) Subsidiaries

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at: the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination; or the cost of capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 2(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.

Intragroup balances and transactions, and any profit or loss arising from intragroup transactions is 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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (2) Consolidated financial statements (continued)

##### (ii) Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Involvement with consolidated and unconsolidated structured entities is disclosed in Note 43 and 44.

#### (3) Foreign currency translation

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of domestic branches and subsidiaries of the Group. The functional currencies of overseas entities are determined in accordance with the primary economic environment in which they operate.

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

Foreign currency financial statements of overseas entities are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as “exchange reserve” in the shareholder’s equity in the statement of financial position.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (3) Foreign currency translation (continued)

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.

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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (4) Income recognition (continued)

##### (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).

## Notes to the 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)

###### **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 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 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.



## Notes to the 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

All financial assets are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets are measured initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial assets at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, held-to-maturity investments and loans and receivables are measured at amortised cost, while other categories of financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale or other disposal. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment losses.

Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

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 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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (5) Financial assets (continued)

##### (iv) Asset-backed securities

The Group securitises various corporate loans, which generally results in the sale of these assets to special purpose entity, which, in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are carried at fair value on inception date on the Group's statement of financial position. Gains or losses on asset-backed securities depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on asset-backed securities are recorded in other operating income.

In applying its policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on assets transferred and the degree of control exercised by the Group over the financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;
- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and
- when the Group neither transfers nor retains substantially all the risk and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (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.

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 reorganization;
- 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;

## Notes to the 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)

- 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.

#### (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.

## Notes to the 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)

###### ***Collective assessment (continued)***

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

Loans and receivables investments which are individually significant and therefore have been individually assessed but for which no impairment can be identified, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; and (iii) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

Impairment losses recognised on a collective basis represent an interim step pending the identification of impairment losses on individual assets (which are subject to individual assessment) in the pool of financial assets that are collectively assessed for impairment.

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 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.

###### ***Restructured loans***

Restructured 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. Restructured loans are assessed individually and classified as impaired loans and advances upon restructuring. Restructured loans are subject to ongoing monitoring. Once a restructured 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.

##### (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.

## Notes to the 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)

##### (ii) Available-for-sale financial assets (continued)

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.

#### (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.



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (7) Financial liabilities (continued)

##### (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.

#### (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.

## Notes to the 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)

An embedded derivative financial instrument is a component of a hybrid contract that includes a non-derivative host contract (the “host contract”), and the derivative financial instrument causes some or all of the cash flows that otherwise would be required by the contract to be modified, according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or interest rate index, credit rating or credit index, or other variables such as the conversion option of a convertible bond. The embedded derivative is separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

If an embedded derivative is separated, the host contract shall be accounted for as financial assets or liabilities, if it is a financial instrument.

Gains and losses from changes in fair value of derivatives, including the contractual interest, that do not qualify for hedge accounting are reported in profit or loss. The Group has no derivative positions that are accounted for as hedges.

#### (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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (9) Fair value measurement (continued)

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 with changes in fair value included in "net trading gain/(loss)" in the statement of comprehensive income. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 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.

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

## Notes to the 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.

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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (15) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset.

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of property and equipment are recognised in profit or loss.

Depreciation is amortised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of the investment properties are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	15–40 years	5%	2.38%–6.33%
Leasehold improvements	5–10 years	0%	10%–20%
Office equipment	5–10 years	5%	9.5%–19%
Transportation equipment	5–24 years	5%	3.96%–19%

No depreciation is provided on construction work in progress.

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).

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (15) Property and equipment (continued)

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.

#### (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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (17) Impairment of non-financial assets (continued)

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 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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (19) Employee benefits

##### (i) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss. Short-term employee benefits include salaries, bonuses, allowance, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labour union fee and staff and workers' education fee.

##### (ii) Post-employment benefits-defined contribution plans

The Group's post-employment benefits are primarily the payments for basic pension fund and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the post-employment benefits plans are recognized in the consolidated statement of profit or loss for the period in which the related payment obligation is incurred.

#### (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 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 long-term 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).

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 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 organizations. 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.

#### (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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (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.

#### (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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 2 Basis of preparation and accounting policies (continued)

#### (27) Related parties (continued)

- (ii) An entity is related to the Group if any of the following conditions applies:
- a The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - b One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - c Both entities are joint ventures of the same third party;
  - d One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - e The entity is controlled or jointly controlled by a person identified in (i);
  - f A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## Notes to the 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 organizational 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 segments that meet 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 2015, the Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing"), Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund") and CMBC International Holding Ltd. ("CMBC International"), and 29 rural banks. Its subsidiaries as separate entities, are responsible for financial risk management in their respective businesses. In 2015, the financial risk arising from commercial banking was the most significant risk for the Group's operations.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 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 operating activities; management therefore carefully manages its exposure to it. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

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 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 in accordance with the *CBRC Guidelines for Risk Classification of Loans* (the “Guidelines”). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the *Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited* to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfill contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Substandard:	The borrower’s repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower can’t repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 3 Financial risk management (continued)

#### (2) Credit risk (continued)

##### (i) Credit risk measurement (continued)

###### *b Debt securities and other bills*

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimize its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control staff will regularly analyse the credit profile of issuers of debt securities, and the operational staff will continue to optimize and adjust the investment portfolio based on the risk-mitigation recommendations.

##### (ii) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status 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 book. 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 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.

## Notes to the 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)

###### **b** *Derivative instruments*

Only the Bank is authorized 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 authorizations 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 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 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	
	2015	2014	2015	2014
Balances with central bank	423,549	461,667	420,410	458,252
Balances with banks and other financial institutions	101,428	75,462	94,362	69,027
Financial assets at fair value through the profit or loss				
— Debt securities and fund investments	26,941	27,213	26,166	27,156
Positive fair value of derivatives	5,175	3,231	5,055	3,231
Placements with banks and other financial institutions	229,217	176,416	230,579	179,011
Financial assets held under resale agreements	570,657	675,878	570,657	675,868
Loans and advances to customers				
— Corporate loans and advances	1,289,553	1,135,706	1,284,139	1,131,514
— Personal loans and advances	708,072	638,453	697,716	627,580
Investment securities				
— Debt securities	881,053	567,382	878,289	560,935
Long-term receivables	92,579	88,824	—	—
Other financial assets	77,264	57,280	57,302	43,272
<b>Total</b>	<b>4,405,488</b>	<b>3,907,512</b>	<b>4,264,675</b>	<b>3,775,846</b>
Off-balance sheet credit commitments	1,127,874	1,025,117	1,121,402	1,020,510
<b>Maximum credit risk exposure</b>	<b>5,533,362</b>	<b>4,932,629</b>	<b>5,386,077</b>	<b>4,796,356</b>

## Notes to the 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	
	2015	2014	2015	2014
Gross balance of loans and advances to customers				
Neither past due nor impaired	1,966,934	1,762,876	1,951,459	1,748,317
Past due but not impaired	48,293	28,656	47,665	27,803
Impaired	32,821	21,134	32,513	20,925
	<b>2,048,048</b>	<b>1,812,666</b>	<b>2,031,637</b>	<b>1,797,045</b>
Less: allowance for impairment loss				
Neither past due nor impaired	(30,060)	(28,220)	(29,669)	(27,880)
Past due but not impaired	(6,748)	(3,265)	(6,694)	(3,184)
Impaired	(13,615)	(7,022)	(13,419)	(6,887)
	<b>(50,423)</b>	<b>(38,507)</b>	<b>(49,782)</b>	<b>(37,951)</b>
Net balance				
Neither past due nor impaired	1,936,874	1,734,656	1,921,790	1,720,437
Past due but not impaired	41,545	25,391	40,971	24,619
Impaired	19,206	14,112	19,094	14,038
	<b>1,997,625</b>	<b>1,774,159</b>	<b>1,981,855</b>	<b>1,759,094</b>

## Notes to the 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**

Credit risk of loans and advances to customers neither past due nor impaired was analysed as follows:

	Group		Bank	
	2015	2014	2015	2014
Corporate loans and advances	1,270,677	1,128,370	1,265,195	1,124,566
Personal loans and advances	696,257	634,506	686,264	623,751
Total	1,966,934	1,762,876	1,951,459	1,748,317

Loans and advances to customers neither past due nor impaired were analysed by types of collateral as follows:

	Group		Bank	
	2015	2014	2015	2014
Unsecured loans	365,994	322,365	365,795	322,106
Guaranteed loans	565,381	582,908	558,810	575,278
Loans secured by				
— tangible assets other than monetary assets	764,451	650,795	759,124	646,262
— monetary assets	271,108	206,808	267,730	204,671
Total	1,966,934	1,762,876	1,951,459	1,748,317



## Notes to the 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**

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.

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**

	2015				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	8,274	2,815	3,326	15,218	29,633
Personal loans and advances	6,708	5,062	5,035	1,855	18,660
Total	14,982	7,877	8,361	17,073	48,293

	2014				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	6,668	2,551	3,418	3,002	15,639
Personal loans and advances	7,340	2,502	2,229	946	13,017
Total	14,008	5,053	5,647	3,948	28,656

## Notes to the 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**

	2015				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	8,271	2,809	3,317	15,159	29,556
Personal loans and advances	6,524	4,951	4,980	1,654	18,109
<b>Total</b>	<b>14,795</b>	<b>7,760</b>	<b>8,297</b>	<b>16,813</b>	<b>47,665</b>

	2014				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	6,583	2,402	3,276	2,924	15,185
Personal loans and advances	7,235	2,365	2,186	832	12,618
<b>Total</b>	<b>13,818</b>	<b>4,767</b>	<b>5,462</b>	<b>3,756</b>	<b>27,803</b>

As at 31 December 2015, the balance of loans and advances past due but not impaired which were covered by collateral was RMB34,325 million (2014: RMB11,256 million). The fair value of collateral held against these loans and advances was amounted to RMB55,739 million (2014: RMB19,725 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 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	
	2015	2014	2015	2014
Corporate loans and advances	19,710	13,976	19,651	13,878
Personal loans and advances	13,111	7,158	12,862	7,047
<b>Total</b>	<b>32,821</b>	<b>21,134</b>	<b>32,513</b>	<b>20,925</b>
% of total loans and advances	1.60%	1.17%	1.60%	1.16%
Allowance for impairment losses				
— Corporate loans and advances	(6,725)	(3,864)	(6,674)	(3,834)
— Personal loans and advances	(6,890)	(3,158)	(6,745)	(3,053)
<b>Total</b>	<b>(13,615)</b>	<b>(7,022)</b>	<b>(13,419)</b>	<b>(6,887)</b>

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 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	
	2015	2014	2015	2014
Unsecured loans	7,247	4,715	7,247	4,715
Guaranteed loans	15,370	10,088	15,193	9,939
Loans secured by				
– tangible assets other than monetary assets	7,631	3,810	7,502	3,750
– monetary assets	2,573	2,521	2,571	2,521
<b>Total</b>	<b>32,821</b>	<b>21,134</b>	<b>32,513</b>	<b>20,925</b>
Fair value of collateral held against impaired loans	7,656	5,459	7,620	5,447

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

**(d) Loans and advances rescheduled**

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Rescheduled loans amounted to RMB5,568 million as at 31 December 2015 (2014: RMB3,156 million).

## Notes to the 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 (continued)**

Among impaired loans and advances, rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	Group and Bank	
	2015	2014
Loans and advances to customers	230	54
% of total loans and advances	0.01%	0.01%

**(vi) Amounts due from banks and other financial institutions**

Amounts due from banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	2015	2014	2015	2014
Individually assessed and impaired gross amount	179	179	179	179
Allowances for impairment losses	(156)	(156)	(156)	(156)
Subtotal	23	23	23	23
Grade A to AAA	465,226	498,123	459,522	494,273
Grade B to BBB	310,589	288,930	310,589	288,930
Unrated	125,464	140,680	125,464	140,680
Subtotal	901,279	927,733	895,575	923,883
Total	901,302	927,756	895,598	923,906

## Notes to the 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 (continued)**

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 involved only in low-risk businesses, for which the Group and the Bank have not assigned an internal credit rating.

**(vii) Long-term receivables**

	Group	
	2015	2014
Long-term receivables		
Neither past due nor impaired	87,421	82,287
Past due but not impaired	6,346	7,893
Impaired	1,585	997
	<b>95,352</b>	<b>91,177</b>
Less: allowance for impairment loss		
Neither past due nor impaired	(1,816)	(1,255)
Past due but not impaired	(566)	(810)
Impaired	(391)	(288)
	<b>(2,773)</b>	<b>(2,353)</b>
Net balance	<b>92,579</b>	<b>88,824</b>

## Notes to the 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**

	2015				Total
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	
Debt securities					
Neither past due nor impaired	25,750	148,567	277,998	441,592	893,907
Past due but not impaired	—	—	—	507	507
Impaired	—	173	187	1,400	1,760
Subtotal	25,750	148,740	278,185	443,499	896,174
Less: allowance for impairment loss					
Neither past due nor impaired	—	—	—	(1,469)	(1,469)
Past due but not impaired	—	—	—	(3)	(3)
Impaired	—	(70)	(105)	(225)	(400)
Total	25,750	148,670	278,080	441,802	894,302

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**3 Financial risk management (continued)****(2) Credit risk (continued)****(viii) Debt securities (continued)*****RMB-denominated debt securities (continued)*****Group (continued)**

	Financial assets at fair value through profit or loss	2014			Total
		Available for-sale securities	Held-to-maturity securities	Loans and receivables	
Neither past due nor impaired	27,044	154,824	176,567	234,393	592,828
Total	27,044	154,824	176,567	234,393	592,828

**Bank**

	Financial assets at fair value through profit or loss	2015			Total
		Available for-sale securities	Held-to-maturity securities	Loans and receivables	
Debt securities					
Neither past due nor impaired	25,389	147,477	277,998	441,182	892,046
Past due but not impaired	—	—	—	507	507
Impaired	—	173	187	—	360
Subtotal	25,389	147,650	278,185	441,689	892,913
Less: allowance for impairment loss					
Neither past due nor impaired	—	—	—	(1,469)	(1,469)
Past due but not impaired	—	—	—	(3)	(3)
Impaired	—	(70)	(105)	—	(175)
Total	25,389	147,580	278,080	440,217	891,266



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**3 Financial risk management (continued)****(2) Credit risk (continued)****(viii) Debt securities (continued)*****RMB-denominated debt securities (continued)*****Bank (continued)**

	2014				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
Neither past due nor impaired	26,987	153,824	176,567	228,946	586,324
Total	26,987	153,824	176,567	228,946	586,324

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

**Group**

	2015				
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	Total
AAA	102	609	—	—	711
AA- to AA+	—	1,463	—	—	1,463
A- to A+	109	623	—	—	732
Lower than A-	91	85	—	—	176
Unrated	889	—	284	9,437	10,610
Total	1,191	2,780	284	9,437	13,692

## Notes to the 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. (continued)*

**Bank**

	2015				Total
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	Loans and receivables	
AAA	102	609	—	—	711
AA- to AA+	—	1,463	—	—	1,463
A- to A+	45	623	—	—	668
Lower than A-	91	85	—	—	176
Unrated	539	—	284	9,348	10,171
<b>Total</b>	<b>777</b>	<b>2,780</b>	<b>284</b>	<b>9,348</b>	<b>13,189</b>

**Group and Bank**

	2014			Total
	Financial assets at fair value through profit or loss	Available for-sale securities	Held-to-maturity securities	
AA- to AA+	169	1,183	—	1,352
A- to A+	—	96	—	96
Lower than A-	—	52	—	52
Unrated	—	—	267	267
<b>Total</b>	<b>169</b>	<b>1,331</b>	<b>267</b>	<b>1,767</b>

The Group's available-for-sale, held-to-maturity debt securities and loan and receivables are individually assessed for impairment. The Group's impaired debt securities are valued at RMB2,124 million as at 31 December 2015 (2014: RMB344 million), incurring an impairment loss of RMB709 million (2014: RMB291 million).

## Notes to the 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 location of business units)

**Group**

	2015				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	407,026	5,590	5,169	5,764	423,549
Balances with banks and other financial institutions	28,020	34,203	14,157	25,048	101,428
Placements with banks and other financial institutions	196,171	790	1,110	31,146	229,217
Financial assets held under resale agreements	114,641	159,662	92,232	204,122	570,657
Gross loans and advances to customers	624,249	610,632	247,295	565,872	2,048,048
Less: allowance for impairment losses	(17,217)	(13,531)	(6,165)	(13,510)	(50,423)
Long-term receivables	84,590	—	—	7,989	92,579
Other financial assets	62,763	4,364	8,520	6,792	82,439
<b>Total</b>	<b>1,500,243</b>	<b>801,710</b>	<b>362,318</b>	<b>833,223</b>	<b>3,497,494</b>

## Notes to the 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 location of business units) (continued)

**Group (continued)**

	2014				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	447,714	7,155	2,912	3,886	461,667
Balances with banks and other financial institutions	40,901	12,625	9,008	12,928	75,462
Placements with banks and other financial institutions	162,954	300	300	12,862	176,416
Financial assets held under resale agreements	187,307	193,821	109,239	185,511	675,878
Gross loans and advances to customers	541,053	556,898	195,054	519,661	1,812,666
Less: allowance for impairment losses	(11,166)	(12,117)	(4,500)	(10,724)	(38,507)
Long-term receivables	82,203	—	—	6,621	88,824
Other financial assets	49,690	6,574	2,854	1,393	60,511
<b>Total</b>	<b>1,500,656</b>	<b>765,256</b>	<b>314,867</b>	<b>732,138</b>	<b>3,312,917</b>

## Notes to the 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 location of business units) (continued)

**Bank**

	2015				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	406,965	3,935	4,922	4,588	420,410
Balances with banks and other financial institutions	25,885	32,312	13,379	22,786	94,362
Placements with banks and other financial institutions	197,371	790	1,110	31,308	230,579
Financial assets held under resale agreements	114,641	159,662	92,232	204,122	570,657
Gross loans and advances to customers	624,138	601,393	246,092	560,014	2,031,637
Less: allowance for impairment losses	(17,214)	(13,169)	(6,129)	(13,270)	(49,782)
Other financial assets	49,511	4,008	2,398	6,440	62,357
<b>Total</b>	<b>1,401,297</b>	<b>788,931</b>	<b>354,004</b>	<b>815,988</b>	<b>3,360,220</b>

## Notes to the 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 location of business units) (continued)

**Bank (continued)**

	2014				Total
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	
Balances with central bank	447,587	5,253	2,591	2,821	458,252
Balances with banks and other financial institutions	37,433	11,274	8,355	11,965	69,027
Placements with banks and other financial institutions	165,549	300	300	12,862	179,011
Financial assets held under resale agreements	187,307	193,821	109,229	185,511	675,868
Gross loans and advances to customers	540,882	548,593	194,158	513,412	1,797,045
Less: allowance for impairment losses	(11,160)	(11,785)	(4,476)	(10,530)	(37,951)
Other financial assets	36,033	6,508	2,624	1,338	46,503
<b>Total</b>	<b>1,403,631</b>	<b>753,964</b>	<b>312,781</b>	<b>717,379</b>	<b>3,187,755</b>

## Notes to the 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 location of issuers)

**Group**

	2015				Total
	Mainland China	North America	Europe	Others	
Financial assets at fair value through the profit or loss	25,955	102	350	534	26,941
Available-for-sale debt securities	149,188	187	454	1,621	151,450
Held-to-maturity investments	278,080	138	146	—	278,364
Loans and receivables	451,239	—	—	—	451,239
<b>Total</b>	<b>904,462</b>	<b>427</b>	<b>950</b>	<b>2,155</b>	<b>907,994</b>

	2014				Total
	Mainland China	North America	Europe	Others	
Financial assets at fair value through the profit or loss	27,044	169	—	—	27,213
Available-for-sale debt securities	154,920	52	—	1,183	156,155
Held-to-maturity investments	176,566	—	138	130	176,834
Loans and receivables	234,393	—	—	—	234,393
<b>Total</b>	<b>592,923</b>	<b>221</b>	<b>138</b>	<b>1,313</b>	<b>594,595</b>

## Notes to the 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 location of issuers) (continued)

**Bank**

	2015				Total
	Mainland China	North America	Europe	Others	
Financial assets at fair value through the profit or loss	25,538	102	—	526	26,166
Available-for-sale debt securities	148,098	187	454	1,621	150,360
Held-to-maturity investments	278,080	138	146	—	278,364
Loans and receivables	449,565	—	—	—	449,565
<b>Total</b>	<b>901,281</b>	<b>427</b>	<b>600</b>	<b>2,147</b>	<b>904,455</b>

	2014				Total
	Mainland China	North America	Europe	Others	
Financial assets at fair value through the profit or loss	26,987	169	—	—	27,156
Available-for-sale debt securities	153,920	52	—	1,183	155,155
Held-to-maturity investments	176,566	—	138	130	176,834
Loans and receivables	228,946	—	—	—	228,946
<b>Total</b>	<b>586,419</b>	<b>221</b>	<b>138</b>	<b>1,313</b>	<b>588,091</b>



## Notes to the 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**

	2015						Total
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	423,549	—	—	—	—	—	423,549
Balances with banks and other financial institutions	—	101,428	—	—	—	—	101,428
Placements with banks and other financial institutions	—	229,217	—	—	—	—	229,217
Financial assets held under resale agreements	—	570,657	—	—	—	—	570,657
Corporate loans and advances	—	57,982	248,535	240,558	742,478	—	1,289,553
— of which balance secured by collateral	—	47,173	93,288	208,552	359,686	—	708,699
Personal loans and advances	—	—	—	—	—	708,072	708,072
— of which balance secured by collateral	—	—	—	—	—	344,128	344,128
Investment securities							
— debt securities	275,698	546,681	8,606	4,032	46,036	—	881,053
Long-term receivables	—	210	27,204	4,201	60,964	—	92,579
Other financial assets	4,545	19,300	6,765	5,361	73,409	—	109,380
<b>Total</b>	<b>703,792</b>	<b>1,525,475</b>	<b>291,110</b>	<b>254,152</b>	<b>922,887</b>	<b>708,072</b>	<b>4,405,488</b>

## Notes to the 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)**

	2014						Total
	Governments and quasi- governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	461,667	—	—	—	—	—	461,667
Balances with banks and other financial institutions	—	75,462	—	—	—	—	75,462
Placements with banks and other financial institutions	—	176,416	—	—	—	—	176,416
Financial assets held under resale agreements	—	675,878	—	—	—	—	675,878
Corporate loans and advances	—	28,633	225,001	233,260	648,812	—	1,135,706
— of which balance secured by collateral	—	25,794	75,200	205,662	304,641	—	611,297
Personal loans and advances	—	—	—	—	—	638,453	638,453
— of which balance secured by collateral	—	—	—	—	—	252,579	252,579
Investment securities							
— debt securities	128,336	371,523	13,998	717	52,808	—	567,382
Long-term receivables	—	429	12,733	2,262	73,400	—	88,824
Other financial assets	2,600	20,493	5,950	6,492	50,099	2,090	87,724
<b>Total</b>	<b>592,603</b>	<b>1,348,834</b>	<b>257,682</b>	<b>242,731</b>	<b>825,119</b>	<b>640,543</b>	<b>3,907,512</b>

## Notes to the 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**

	2015						Total
	Governments and quasi-governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	420,410	—	—	—	—	—	420,410
Balances with banks and other financial institutions	—	94,362	—	—	—	—	94,362
Placements with banks and other financial institutions	—	230,579	—	—	—	—	230,579
Financial assets held under resale agreements	—	570,657	—	—	—	—	570,657
Corporate loans and advances	—	57,923	246,758	240,552	738,906	—	1,284,139
— of which balance secured by collateral	—	47,114	92,034	208,552	357,963	—	705,663
Personal loans and advances	—	—	—	—	—	697,716	697,716
— of which balance secured by collateral	—	—	—	—	—	338,178	338,178
Investment securities							
— debt securities	275,698	545,096	8,606	4,032	44,857	—	878,289
Other financial assets	4,530	19,076	6,750	5,250	52,917	—	88,523
<b>Total</b>	<b>700,638</b>	<b>1,517,693</b>	<b>262,114</b>	<b>249,834</b>	<b>836,680</b>	<b>697,716</b>	<b>4,264,675</b>

## Notes to the 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)**

	2014						Total
	Governments and quasi- governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	
Balances with central bank	458,252	—	—	—	—	—	458,252
Balances with banks and other financial institutions	—	69,027	—	—	—	—	69,027
Placements with banks and other financial institutions	—	179,011	—	—	—	—	179,011
Financial assets held under resale agreements	—	675,868	—	—	—	—	675,868
Corporate loans and advances	—	28,633	223,515	233,260	646,106	—	1,131,514
— of which balance secured by collateral	—	25,794	74,300	205,662	303,645	—	609,401
Personal loans and advances	—	—	—	—	—	627,580	627,580
— of which balance secured by collateral	—	—	—	—	—	247,365	247,365
Investment securities							
— debt securities	128,336	365,100	13,984	717	52,798	—	560,935
Other financial assets	2,600	21,279	5,945	5,490	36,294	2,051	73,659
<b>Total</b>	<b>589,188</b>	<b>1,338,918</b>	<b>243,444</b>	<b>239,467</b>	<b>735,198</b>	<b>629,631</b>	<b>3,775,846</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 3 Financial risk management (continued)

#### (3) Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading books. Positions in the trading books must not be subject to any trading restrictions, or be able to fully hedged against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

At present, the Risk Management Department oversees the Bank's market risk management and is responsible for managing the Bank's market risk policies, market risk limit setting, and daily monitoring and reporting. The Asset and Liability Management Department is responsible for management of various market risks associated with the banking books.

The Financial and Planning Department of Minsheng Financial Leasing is responsible for monitoring and controlling market risks on fund positions.

## Notes to the 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

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, and value at risk (VaR). As a result of its impact on capital, interest rate risk of the available-for-sale portfolio in banking books are monitored by referring to the methods used for measurement of the interest rate risk of the trading books.

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future foreign exchange risks based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

## Notes to the 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 (continued)

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress-testing scenarios include concentration risk, illiquidity in stressed market conditions, single trend market, event risk, non-linear products, and other risks that may not be reflected in the internal model.

##### (ii) Foreign exchange risk

Foreign exchange risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the group's assets and liabilities are denominated in RMB, and the rest mainly US dollars and Hong Kong dollars.

The Group manages the foreign exchange risk by controlling each currency exposure limits and total exposure.

The primary techniques applied by the Group in analysing foreign exchange risk are mainly foreign exchange exposure analyses; scenario analyses; stress testing; and value at risk (VaR) method. The Group manage the foreign exchange risk in the frame of the exposure limit by daily monitoring; reporting and analysing.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**3 Financial risk management (continued)****(3) Market risk (continued)****(ii) Foreign exchange 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**

	2015				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	396,432	35,765	416	218	432,831
Balances with banks and other financial institutions	66,959	21,555	9,426	3,488	101,428
Financial assets at fair value through the profit or loss	25,749	1,192	18	—	26,959
Placements with banks and other financial institutions	189,694	31,811	2,161	5,551	229,217
Financial assets held under resale agreements	570,657	—	—	—	570,657
Loans and advances to customers	1,911,469	74,896	4,952	6,308	1,997,625
Investment securities	874,102	6,792	888	4,821	886,603
Long-term receivables	80,631	11,948	—	—	92,579
Other assets	159,968	3,179	712	18,930	182,789
<b>Total assets</b>	<b>4,275,661</b>	<b>187,138</b>	<b>18,573</b>	<b>39,316</b>	<b>4,520,688</b>
Liabilities:					
Borrowings from central bank	62,477	—	—	—	62,477
Deposits from customers	2,591,603	80,029	15,550	45,080	2,732,262
Deposits and placements from banks and other financial institutions	963,279	21,287	2,399	3,810	990,775
Financial assets sold under repurchase agreements	49,129	—	—	—	49,129
Borrowings from banks and other financial institutions	78,315	28,591	—	1,632	108,538
Debt securities issued	177,361	3,872	—	—	181,233
Other liabilities	81,463	3,447	722	859	86,491
<b>Total liabilities</b>	<b>4,003,627</b>	<b>137,226</b>	<b>18,671</b>	<b>51,381</b>	<b>4,210,905</b>
<b>Net position</b>	<b>272,034</b>	<b>49,912</b>	<b>(98)</b>	<b>(12,065)</b>	<b>309,783</b>
Foreign currency derivatives	1,516	126	207	—	1,849
Off-balance sheet credit commitments	1,069,784	54,558	1,473	2,059	1,127,874



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**3 Financial risk management (continued)****(3) Market risk (continued)****(ii) Foreign exchange risk (continued)****Group (continued)**

	2014				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	468,000	2,899	523	210	471,632
Balances with banks and other financial institutions	59,592	13,843	747	1,280	75,462
Financial assets at fair value through the profit or loss	27,045	168	—	—	27,213
Placements with banks and other financial institutions	166,560	7,097	2,461	298	176,416
Financial assets held under resale agreements	675,878	—	—	—	675,878
Loans and advances to customers	1,688,693	80,334	4,380	752	1,774,159
Investment securities	569,352	416	1,183	—	570,951
Long-term receivables	81,958	6,866	—	—	88,824
Other assets	109,936	18,302	356	26,007	154,601
<b>Total assets</b>	<b>3,847,014</b>	<b>129,925</b>	<b>9,650</b>	<b>28,547</b>	<b>4,015,136</b>
Liabilities:					
Borrowings from central bank	50,745	—	—	—	50,745
Deposits from customers	2,321,374	88,809	18,968	4,659	2,433,810
Deposits and placements from banks and other financial institutions	866,876	11,524	2,407	10,912	891,719
Financial assets sold under repurchase agreements	83,219	72	—	—	83,291
Borrowings from banks and other financial institutions	73,832	25,015	—	—	98,847
Debt securities issued	129,279	—	—	—	129,279
Other liabilities	76,430	2,357	741	161	79,689
<b>Total liabilities</b>	<b>3,601,755</b>	<b>127,777</b>	<b>22,116</b>	<b>15,732</b>	<b>3,767,380</b>
<b>Net position</b>	<b>245,259</b>	<b>2,148</b>	<b>(12,466)</b>	<b>12,815</b>	<b>247,756</b>
Foreign currency derivatives	930	(135)	(122)	—	673
Off-balance sheet credit commitments	967,255	56,009	394	1,459	1,025,117

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**3 Financial risk management (continued)****(3) Market risk (continued)****(ii) Foreign exchange risk (continued)****Bank**

	2015				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	393,094	35,765	416	218	429,493
Balances with banks and other financial institutions	60,635	20,821	9,421	3,485	94,362
Financial assets at fair value through the profit or loss	25,389	777	—	—	26,166
Placements with banks and other financial institutions	190,894	31,973	2,161	5,551	230,579
Financial assets held under resale agreements	570,657	—	—	—	570,657
Loans and advances to customers	1,895,699	74,896	4,952	6,308	1,981,855
Investment securities	870,550	6,703	888	4,821	882,962
Other assets	117,068	3,179	2,217	18,930	141,394
<b>Total assets</b>	<b>4,123,986</b>	<b>174,114</b>	<b>20,055</b>	<b>39,313</b>	<b>4,357,468</b>
Liabilities:					
Borrowings from central bank	62,000	—	—	—	62,000
Deposits from customers	2,561,507	80,029	15,550	45,080	2,702,166
Deposits and placements from banks and other financial institutions	967,465	21,287	2,399	3,810	994,961
Financial assets sold under repurchase agreements	47,406	—	—	—	47,406
Debt securities issued	177,361	3,871	—	—	181,232
Other liabilities	70,132	1,466	670	858	73,126
<b>Total liabilities</b>	<b>3,885,871</b>	<b>106,653</b>	<b>18,619</b>	<b>49,748</b>	<b>4,060,891</b>
<b>Net position</b>	<b>238,115</b>	<b>67,461</b>	<b>1,436</b>	<b>(10,435)</b>	<b>296,577</b>
Foreign currency derivatives	1,516	126	87	—	1,729
Off-balance sheet credit commitments	1,068,065	49,805	1,473	2,059	1,121,402

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**3 Financial risk management (continued)****(3) Market risk (continued)****(ii) Foreign exchange risk (continued)****Bank (continued)**

	2014				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	464,391	2,899	523	210	468,023
Balances with banks and other financial institutions	54,761	12,247	739	1,280	69,027
Financial assets at fair value through the profit or loss	27,003	153	—	—	27,156
Placements with banks and other financial institutions	169,155	7,097	2,461	298	179,011
Financial assets held under resale agreements	675,868	—	—	—	675,868
Loans and advances to customers	1,673,628	80,334	4,380	752	1,759,094
Investment securities	562,516	416	1,183	—	564,115
Other assets	94,647	1,778	356	26,007	122,788
<b>Total assets</b>	<b>3,721,969</b>	<b>104,924</b>	<b>9,642</b>	<b>28,547</b>	<b>3,865,082</b>
Liabilities:					
Borrowings from central bank	50,000	—	—	—	50,000
Deposits from customers	2,293,872	88,809	18,968	4,659	2,406,308
Deposits and placements from banks and other financial institutions	871,411	11,524	2,407	10,912	896,254
Financial assets sold under repurchase agreements	80,003	72	—	—	80,075
Debt securities issued	129,279	—	—	—	129,279
Other liabilities	64,427	1,515	733	161	66,836
<b>Total liabilities</b>	<b>3,488,992</b>	<b>101,920</b>	<b>22,108</b>	<b>15,732</b>	<b>3,628,752</b>
<b>Net position</b>	<b>232,977</b>	<b>3,004</b>	<b>(12,466)</b>	<b>12,815</b>	<b>236,330</b>
Foreign currency derivatives	930	(135)	(122)	—	673
Off-balance sheet credit commitments	962,648	56,009	394	1,459	1,020,510

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 3 Financial risk management (continued)

#### (3) Market risk (continued)

##### (ii) Foreign exchange 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 2015, 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 RMB9 million (2014: increase by RMB3 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 RMB9 million (2014: decrease by RMB3 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;

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 3 Financial risk management (continued)

#### (3) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

- e Other variables (including interest rates) remained unchanged; and
- f The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

##### (iii) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on bank revenue and the economic value. Interest rate include basic risk, re pricing risk, yield curve risk and option risk, and the basis risk and re pricing risk is the mainly sources of risk for the Group.

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses; re pricing gap analyses; duration analyses and stress testing. The Group manage the interest rate risk in the frame of the exposure limit by daily monitoring and reporting.

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

## Notes to the 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 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	2015					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	423,549	—	—	—	9,282	432,831
Balances with banks and other financial institutions	79,208	22,014	200	—	6	101,428
Financial assets at fair value through the profit or loss	5,696	12,754	7,310	831	368	26,959
Placements with banks and other financial institutions	110,795	108,128	10,294	—	—	229,217
Financial assets held under resale agreements	454,423	114,084	2,150	—	—	570,657
Loans and advances to customers (i)	1,596,638	296,821	88,835	15,331	—	1,997,625
Investment securities	252,016	199,167	300,362	129,507	5,551	886,603
Long-term receivables	92,579	—	—	—	—	92,579
Other assets	10,123	—	—	—	172,666	182,789
<b>Total assets</b>	<b>3,025,027</b>	<b>752,968</b>	<b>409,151</b>	<b>145,669</b>	<b>187,873</b>	<b>4,520,688</b>
Liabilities:						
Borrowings from central bank	17,650	44,827	—	—	—	62,477
Deposits from customers	1,886,391	636,007	209,797	67	—	2,732,262
Deposits and placements from banks and other financial institutions	721,374	269,401	—	—	—	990,775
Financial assets sold under repurchase agreements	45,745	2,484	900	—	—	49,129
Borrowings from banks and other financial institutions	36,815	48,114	14,147	9,462	—	108,538
Debt securities issued	28,709	41,621	54,353	56,550	—	181,233
Other liabilities	337	—	—	—	86,154	86,491
<b>Total liabilities</b>	<b>2,737,021</b>	<b>1,042,454</b>	<b>279,197</b>	<b>66,079</b>	<b>86,154</b>	<b>4,210,905</b>
<b>Total interest sensitivity gap</b>	<b>288,006</b>	<b>(289,486)</b>	<b>129,954</b>	<b>79,590</b>	<b>101,719</b>	<b>309,783</b>

## Notes to the 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	2014				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		461,667	—	—	—	9,965	471,632
Balances with banks and other financial institutions		64,575	10,854	33	—	—	75,462
Financial assets at fair value through the profit or loss		5,399	12,894	8,136	784	—	27,213
Placements with banks and other financial institutions		61,503	94,841	20,072	—	—	176,416
Financial assets held under resale agreements		371,847	290,463	13,568	—	—	675,878
Loans and advances to customers	(i)	1,600,988	109,236	60,661	3,274	—	1,774,159
Investment securities		89,494	173,900	240,496	63,492	3,569	570,951
Long-term receivables		88,824	—	—	—	—	88,824
Other assets		—	—	—	—	154,601	154,601
<b>Total assets</b>		<b>2,744,297</b>	<b>692,188</b>	<b>342,966</b>	<b>67,550</b>	<b>168,135</b>	<b>4,015,136</b>
Liabilities:							
Borrowings from central bank		50,145	600	—	—	—	50,745
Deposits from customers		1,579,233	656,194	198,042	341	—	2,433,810
Deposits and placements from banks and other financial institutions		670,167	221,552	—	—	—	891,719
Financial assets sold under repurchase agreements		73,825	7,959	1,507	—	—	83,291
Borrowings from banks and other financial institutions		19,927	62,637	10,214	6,069	—	98,847
Debt securities issued		21,209	15,757	49,963	42,350	—	129,279
Other liabilities		—	—	—	—	79,689	79,689
<b>Total liabilities</b>		<b>2,414,506</b>	<b>964,699</b>	<b>259,726</b>	<b>48,760</b>	<b>79,689</b>	<b>3,767,380</b>
<b>Total interest sensitivity gap</b>		<b>329,791</b>	<b>(272,511)</b>	<b>83,240</b>	<b>18,790</b>	<b>88,446</b>	<b>247,756</b>

(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 RMB60,544 million as at 31 December 2015 (2014: RMB39,429 million).

## Notes to the 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	2015					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		420,410	—	—	—	9,083	429,493
Balances with banks and other financial institutions		73,871	20,485	—	—	6	94,362
Financial assets at fair value through the profit or loss		5,270	12,754	7,310	832	—	26,166
Placements with banks and other financial institutions		111,994	108,291	10,294	—	—	230,579
Financial assets held under resale agreements		454,423	114,084	2,150	—	—	570,657
Loans and advances to customers	(i)	1,585,580	292,212	88,735	15,328	—	1,981,855
Investment securities		249,253	199,167	300,362	129,507	4,673	882,962
Other assets		—	—	—	—	141,394	141,394
<b>Total assets</b>		<b>2,900,801</b>	<b>746,993</b>	<b>408,851</b>	<b>145,667</b>	<b>155,156</b>	<b>4,357,468</b>
Liabilities:							
Borrowings from central bank		17,500	44,500	—	—	—	62,000
Deposits from customers		1,868,228	626,950	206,933	55	—	2,702,166
Deposits and placements from banks and other financial institutions		723,730	271,231	—	—	—	994,961
Financial assets sold under repurchase agreements		45,020	2,386	—	—	—	47,406
Debt securities issued		28,709	41,621	54,352	56,550	—	181,232
Other liabilities		337	—	—	—	72,789	73,126
<b>Total liabilities</b>		<b>2,683,524</b>	<b>986,688</b>	<b>261,285</b>	<b>56,605</b>	<b>72,789</b>	<b>4,060,891</b>
<b>Total interest sensitivity gap</b>		<b>217,277</b>	<b>(239,695)</b>	<b>147,566</b>	<b>89,062</b>	<b>82,367</b>	<b>296,577</b>



## Notes to the 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	2014					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		458,252	—	—	—	9,771	468,023
Balances with banks and other financial institutions		59,607	9,420	—	—	—	69,027
Financial assets at fair value through the profit or loss		5,366	12,870	8,136	784	—	27,156
Placements with banks and other financial institutions		61,791	97,148	20,072	—	—	179,011
Financial assets held under resale agreements		371,837	290,463	13,568	—	—	675,868
Loans and advances to customers	(i)	1,592,295	102,964	60,572	3,263	—	1,759,094
Investment securities		89,454	168,980	239,009	63,492	3,180	564,115
Other assets		—	—	—	—	122,788	122,788
<b>Total assets</b>		<b>2,638,602</b>	<b>681,845</b>	<b>341,357</b>	<b>67,539</b>	<b>135,739</b>	<b>3,865,082</b>
Liabilities:							
Borrowings from central bank		50,000	—	—	—	—	50,000
Deposits from customers		1,562,632	647,076	196,497	103	—	2,406,308
Deposits and placements from banks and other financial institutions		674,866	221,388	—	—	—	896,254
Financial assets sold under repurchase agreements		73,492	6,583	—	—	—	80,075
Debt securities issued		21,209	15,757	49,963	42,350	—	129,279
Other liabilities		—	—	—	—	66,836	66,836
<b>Total liabilities</b>		<b>2,382,199</b>	<b>890,804</b>	<b>246,460</b>	<b>42,453</b>	<b>66,836</b>	<b>3,628,752</b>
<b>Total interest sensitivity gap</b>		<b>256,403</b>	<b>(208,959)</b>	<b>94,897</b>	<b>25,086</b>	<b>68,903</b>	<b>236,330</b>

(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 RMB59,862 million as at 31 December 2015 (2014: RMB38,590 million).

## Notes to the 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 2015, 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	
	2015 Gain/(loss)	2014 Gain/(loss)	2015 Gain/(loss)	2014 Gain/(loss)
Up 100 bps parallel shift in yield curves	1,076	1,398	752	1,095
Down 100 bps parallel shift in yield curves	(1,076)	(1,398)	(752)	(1,095)

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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 3 Financial risk management (continued)

#### (4) Liquidity risk

Liquidity risk is the risk that the Group is unable to provide funds for maturing liabilities through timely asset realisation at reasonable prices.

The Bank and its subsidiaries manage their respective liquidity risks separately and independently, and the Bank manages the liquidity risk of all its branches.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

According to the Commercial Bank Law, the RMB loan-to-deposit ratio is required to be within 75%. The Bank's RMB loan-to-deposit ratio complies with the Commercial Bank Law and the CBRC requirements.

As at 31 December 2015, the Bank was required to maintain 15% of the total RMB denominated deposits and 5% of the total foreign currency denominated balances as statutory reserves with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

## Notes to the 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;
- 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 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	2015							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	392,422	40,409	—	—	—	—	—	432,831
Balances with banks and other financial institutions	—	30,896	33,367	14,766	22,069	330	—	101,428
Financial assets at fair value through the profit or loss	368	—	1,796	3,642	12,643	7,577	933	26,959
Placements with banks and other financial institutions	—	—	40,235	70,560	108,128	10,294	—	229,217
Financial assets held under resale agreements	23	—	345,656	108,744	114,084	2,150	—	570,657
Loans and advances to customers Investment securities	(ii) 47,217	13,534	250,260	171,345	876,297	452,352	186,620	1,997,625
— available-for-sale securities	5,710	—	10,326	22,393	44,866	54,278	19,427	157,000
— held-to-maturity securities	82	—	3,352	3,062	20,114	151,386	100,368	278,364
— loans and receivables	1,623	56	59,426	133,201	122,331	119,156	15,446	451,239
Long-term receivables	4,507	855	4,148	3,780	16,079	57,103	6,107	92,579
Other assets	68,361	32,599	16,930	19,289	39,552	4,568	1,490	182,789
<b>Total assets</b>	<b>520,313</b>	<b>118,349</b>	<b>765,496</b>	<b>550,782</b>	<b>1,376,163</b>	<b>859,194</b>	<b>330,391</b>	<b>4,520,688</b>
Liabilities:								
Borrowings from central bank	—	—	—	17,650	44,827	—	—	62,477
Deposits from customers	—	971,620	501,324	342,560	668,932	247,759	67	2,732,262
Deposits and placements from banks and other financial institutions	—	236,412	245,464	239,445	269,454	—	—	990,775
Financial assets sold under repurchase agreements	—	—	26,541	19,204	2,484	900	—	49,129
Borrowings from banks and other financial institutions	—	—	8,845	27,970	48,114	14,147	9,462	108,538
Debt securities issued	—	—	10,983	17,726	38,950	54,353	59,221	181,233
Other liabilities	2,291	28,112	19,189	6,130	16,045	11,735	2,989	86,491
<b>Total liabilities</b>	<b>2,291</b>	<b>1,236,144</b>	<b>812,346</b>	<b>670,685</b>	<b>1,088,806</b>	<b>328,894</b>	<b>71,739</b>	<b>4,210,905</b>
<b>Net position</b>	<b>518,022</b>	<b>(1,117,795)</b>	<b>(46,850)</b>	<b>(119,903)</b>	<b>287,357</b>	<b>530,300</b>	<b>258,652</b>	<b>309,783</b>
Notional amount of derivatives	—	—	100,700	189,180	400,200	52,212	—	742,292

## Notes to the 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	2014						More than 5 years	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		410,561	61,071	—	—	—	—	—	471,632
Balances with banks and other financial institutions		—	33,678	16,474	15,044	10,233	33	—	75,462
Financial assets at fair value through the profit or loss		—	—	1,255	3,884	12,865	8,415	794	27,213
Placements with banks and other financial institutions		—	—	28,871	32,632	94,841	20,072	—	176,416
Financial assets held under resale agreements		23	—	143,249	228,575	290,463	13,568	—	675,878
Loans and advances to customers	(ii)	28,102	11,401	230,110	164,740	785,913	443,383	110,510	1,774,159
Investment securities									
— available-for-sale securities		3,621	—	7,938	11,914	42,461	84,220	9,570	159,724
— held-to-maturity securities		—	—	—	3,978	19,974	93,557	59,325	176,834
— loans and receivables		—	—	10,617	21,773	112,345	86,758	2,900	234,393
Long-term receivables		9,183	137	3,990	3,615	19,214	47,569	5,116	88,824
Other assets		50,412	25,639	47,646	13,140	15,314	1,722	728	154,601
<b>Total assets</b>		<b>501,902</b>	<b>131,926</b>	<b>490,150</b>	<b>499,295</b>	<b>1,403,623</b>	<b>799,297</b>	<b>188,943</b>	<b>4,015,136</b>
Liabilities:									
Borrowings from central bank		—	—	50,060	85	600	—	—	50,745
Deposits from customers		—	1,106,971	165,781	309,308	653,387	197,918	445	2,433,810
Deposits and placements from banks and other financial institutions		—	157,252	402,196	110,396	221,875	—	—	891,719
Financial assets sold under repurchase agreements		—	—	70,340	3,485	7,959	1,507	—	83,291
Borrowings from banks and other financial institutions		—	—	4,287	15,641	62,636	10,214	6,069	98,847
Debt securities issued		—	—	329	2,284	14,758	66,888	45,020	129,279
Other liabilities		2,025	14,233	18,883	9,828	20,894	12,216	1,610	79,689
<b>Total liabilities</b>		<b>2,025</b>	<b>1,278,456</b>	<b>711,876</b>	<b>451,027</b>	<b>982,109</b>	<b>288,743</b>	<b>53,144</b>	<b>3,767,380</b>
<b>Net position</b>		<b>499,877</b>	<b>(1,146,530)</b>	<b>(221,726)</b>	<b>48,268</b>	<b>421,514</b>	<b>510,554</b>	<b>135,799</b>	<b>247,756</b>
Notional amount of derivatives		—	—	125,397	147,351	242,483	71,159	—	586,390

## Notes to the 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	2015							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	390,317	39,176	—	—	—	—	—	429,493
Balances with banks and other financial institutions	—	28,960	31,063	13,848	20,485	6	—	94,362
Financial assets at fair value through the profit or loss	—	—	1,436	3,642	12,643	7,512	933	26,166
Placements with banks and other financial institutions	—	—	41,234	70,760	108,291	10,294	—	230,579
Financial assets held under resale agreements	23	—	345,656	108,744	114,084	2,150	—	570,657
Loans and advances to customers	(ii) 46,704	13,361	248,963	169,300	866,033	451,249	186,245	1,981,855
Investment securities								
— available-for-sale securities	4,832	—	9,237	22,393	44,866	54,278	19,427	155,033
— held-to-maturity securities	82	—	3,352	3,062	20,114	151,386	100,368	278,364
— loans and receivables	448	56	59,426	133,201	122,059	118,929	15,446	449,565
Other assets	44,808	32,555	12,418	16,600	30,271	3,653	1,089	141,394
<b>Total assets</b>	<b>487,214</b>	<b>114,108</b>	<b>752,785</b>	<b>541,550</b>	<b>1,338,846</b>	<b>799,457</b>	<b>323,508</b>	<b>4,357,468</b>
Liabilities:								
Borrowings from central bank	—	—	—	17,500	44,500	—	—	62,000
Deposits from customers	—	958,044	499,626	339,671	659,875	244,895	55	2,702,166
Deposits and placements from banks and other financial institutions	—	236,774	248,100	238,856	271,231	—	—	994,961
Financial assets sold under repurchase agreements	—	—	26,227	18,793	2,386	—	—	47,406
Debt securities issued	—	—	10,983	17,726	38,950	54,352	59,221	181,232
Other liabilities	1,967	27,304	19,269	5,468	13,210	4,363	1,545	73,126
<b>Total liabilities</b>	<b>1,967</b>	<b>1,222,122</b>	<b>804,205</b>	<b>638,014</b>	<b>1,030,152</b>	<b>303,610</b>	<b>60,821</b>	<b>4,060,891</b>
<b>Net position</b>	<b>485,247</b>	<b>(1,108,014)</b>	<b>(51,420)</b>	<b>(96,464)</b>	<b>308,694</b>	<b>495,847</b>	<b>262,687</b>	<b>296,577</b>
Notional amount of derivatives	—	—	100,631	189,180	400,200	52,016	—	742,027

## Notes to the 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)

	2014								
	Note	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	Total
Assets:									
Cash and balances with central bank		407,576	60,447	—	—	—	—	—	468,023
Balances with banks and other financial institutions		—	29,832	15,588	14,187	9,420	—	—	69,027
Financial assets at fair value through the profit or loss		—	—	1,242	3,884	12,831	8,405	794	27,156
Placements with banks and other financial institutions		—	—	28,871	32,920	97,148	20,072	—	179,011
Financial assets held under resale agreements		23	—	143,239	228,575	290,463	13,568	—	675,868
Loans and advances to customers	(ii)	27,436	11,221	229,020	162,731	773,963	442,900	111,823	1,759,094
Investment securities									
— available-for-sale securities		3,232	—	7,938	11,914	42,461	83,220	9,570	158,335
— held-to-maturity securities		—	—	—	3,978	19,974	93,557	59,325	176,834
— loans and receivables		—	—	10,577	21,773	107,425	86,271	2,900	228,946
Other assets		37,847	25,639	20,640	18,277	16,225	3,575	585	122,788
<b>Total assets</b>		<b>476,114</b>	<b>127,139</b>	<b>457,115</b>	<b>498,239</b>	<b>1,369,910</b>	<b>751,568</b>	<b>184,997</b>	<b>3,865,082</b>
Liabilities:									
Borrowings from central bank		—	—	50,000	—	—	—	—	50,000
Deposits from customers		—	1,099,378	156,403	306,851	647,076	196,497	103	2,406,308
Deposits and placements from banks and other financial institutions		—	159,543	404,947	110,376	221,388	—	—	896,254
Financial assets sold under repurchase agreements		—	—	70,233	3,259	6,583	—	—	80,075
Debt securities issued		—	—	329	2,284	14,758	66,888	45,020	129,279
Other liabilities		1,949	13,380	17,634	8,941	19,274	5,518	140	66,836
<b>Total liabilities</b>		<b>1,949</b>	<b>1,272,301</b>	<b>699,546</b>	<b>431,711</b>	<b>909,079</b>	<b>268,903</b>	<b>45,263</b>	<b>3,628,752</b>
<b>Net position</b>		<b>474,165</b>	<b>(1,145,162)</b>	<b>(242,431)</b>	<b>66,528</b>	<b>460,831</b>	<b>482,665</b>	<b>139,734</b>	<b>236,330</b>
Notional amount of derivatives		—	—	125,397	147,351	242,483	71,159	—	586,390

(i) For cash and balances with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. For investments represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

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



## Notes to the 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**

	2015					Total
	Less than 1 months	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	40,410	—	—	—	392,439	432,849
Balances with banks and other financial institutions	64,340	14,837	22,466	359	—	102,002
Financial assets at fair value through the profit or loss	1,827	3,730	13,384	8,518	1,412	28,871
Placements with banks and other financial institutions	40,379	71,010	108,611	10,363	—	230,363
Financial assets held under resale agreements	345,964	109,460	115,639	2,310	23	573,396
Loans and advances to customers	330,081	187,817	930,197	542,550	297,978	2,288,623
Investment securities	75,145	162,820	209,513	373,621	159,181	980,280
Long-term receivables	5,520	4,223	17,987	67,154	14,798	109,682
Other financial assets	33,844	12,461	22,254	1,794	6,842	77,195
<b>Total financial assets (expected maturity date)</b>	<b>937,510</b>	<b>566,358</b>	<b>1,440,051</b>	<b>1,006,669</b>	<b>872,673</b>	<b>4,823,261</b>
Financial liabilities:						
Borrowings from central bank	—	17,756	45,035	—	—	62,791
Deposits from customers	1,476,299	349,231	695,536	286,899	79	2,808,044
Deposits and placements from banks and other financial institutions	483,300	241,488	271,799	—	—	996,587
Financial assets sold under repurchase agreements	26,554	19,303	2,501	980	—	49,338
Borrowings from banks and other financial institutions	8,864	28,197	49,054	15,291	12,272	113,678
Debt securities issued	10,999	19,703	43,440	70,578	72,748	217,468
Other financial liabilities	13,219	418	2,758	1,587	350	18,332
<b>Total financial liabilities (contractual maturity date)</b>	<b>2,019,235</b>	<b>676,096</b>	<b>1,110,123</b>	<b>375,335</b>	<b>85,449</b>	<b>4,266,238</b>

## Notes to the 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)**

	2014					Total
	Less than 1 months	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	61,072	—	—	—	410,579	471,651
Balances with banks and other financial institutions	51,657	15,585	10,193	33	—	77,468
Financial assets at fair value through the profit or loss	1,305	3,701	13,802	9,444	915	29,167
Placements with banks and other financial institutions	29,179	33,500	100,895	22,553	—	186,127
Financial assets held under resale agreements	144,132	231,844	297,232	14,156	23	687,387
Loans and advances to customers	284,978	183,260	842,469	537,088	177,622	2,025,417
Investment securities	20,635	42,242	197,489	299,217	85,379	644,962
Long-term receivables	4,736	4,290	22,803	56,454	17,131	105,414
Other financial assets	53,626	4,678	6,768	750	504	66,326
Total financial assets (expected maturity date)	651,320	519,100	1,491,651	939,695	692,153	4,293,919
Financial liabilities:						
Borrowings from central bank	50,441	90	605	—	—	51,136
Deposits from customers	1,290,355	340,439	722,721	243,919	575	2,598,009
Deposits and placements from banks and other financial institutions	563,425	111,020	225,578	—	—	900,023
Financial assets sold under repurchase agreements	70,481	3,393	8,070	1,782	—	83,726
Borrowings from banks and other financial institutions	4,299	15,805	64,754	11,261	8,147	104,266
Debt securities issued	414	6,252	27,759	80,657	50,214	165,296
Other financial liabilities	4,026	1,019	3,226	7,349	1,693	17,313
Total financial liabilities (contractual maturity date)	1,983,441	478,018	1,052,713	344,968	60,629	3,919,769

## Notes to the 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**

	2015					Total
	Less than 1 months	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	39,177	—	—	—	390,334	429,511
Balances with banks and other financial institutions	60,041	13,909	20,851	6	—	94,807
Financial assets at fair value through the profit or loss	1,466	3,730	13,384	8,448	1,045	28,073
Placements with banks and other financial institutions	41,378	71,213	108,777	10,363	—	231,731
Financial assets held under resale agreements	345,964	109,460	115,639	2,310	23	573,396
Loans and advances to customers	328,099	185,772	919,933	541,447	297,603	2,272,854
Investment securities	74,056	162,820	209,330	373,521	156,912	976,639
Other financial assets	30,069	10,426	15,568	1,191	5,605	62,859
<b>Total financial assets (expected maturity date)</b>	<b>920,250</b>	<b>557,330</b>	<b>1,403,482</b>	<b>937,286</b>	<b>851,522</b>	<b>4,669,870</b>
Financial liabilities:						
Borrowings from central bank	—	17,580	45,027	—	—	62,607
Deposits from customers	1,461,012	346,286	686,119	283,583	65	2,777,065
Deposits and placements from banks and other financial institutions	486,023	240,788	273,922	—	—	1,000,733
Financial assets sold under repurchase agreements	26,240	18,889	2,403	—	—	47,532
Debt securities issued	10,999	19,703	43,440	70,578	72,748	217,468
Other financial liabilities	13,194	392	2,397	478	135	16,596
<b>Total financial liabilities (contractual maturity date)</b>	<b>1,997,468</b>	<b>643,638</b>	<b>1,053,308</b>	<b>354,639</b>	<b>72,948</b>	<b>4,122,001</b>

## Notes to the 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)**

	2014					Total
	Less than 1 months	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	60,448	—	—	—	407,594	468,042
Balances with banks and other financial institutions	46,783	14,697	9,728	—	—	71,208
Financial assets at fair value through the profit or loss	1,292	3,701	13,768	9,434	915	29,110
Placements with banks and other financial institutions	29,179	33,796	103,349	22,553	—	188,877
Financial assets held under resale agreements	144,121	231,844	297,232	14,156	23	687,376
Loans and advances to customers	283,043	181,251	832,278	536,319	177,461	2,010,352
Investment securities	20,586	42,089	187,487	297,721	84,990	632,873
Other financial assets	34,686	8,059	7,236	1,989	4,285	56,255
<b>Total financial assets (expected maturity date)</b>	<b>620,138</b>	<b>515,437</b>	<b>1,451,078</b>	<b>882,172</b>	<b>675,268</b>	<b>4,144,093</b>
Financial liabilities:						
Borrowings from central bank	50,441	—	—	—	—	50,441
Deposits from customers	1,273,149	337,735	715,740	242,168	133	2,568,925
Deposits and placements from banks and other financial institutions	565,776	111,000	226,028	—	—	902,804
Financial assets sold under repurchase agreements	70,481	3,287	6,675	—	—	80,443
Debt securities issued	414	6,252	27,759	80,657	50,214	165,296
Other financial liabilities	13,302	440	1,875	766	148	16,531
<b>Total financial liabilities (contractual maturity date)</b>	<b>1,973,563</b>	<b>458,714</b>	<b>978,077</b>	<b>323,591</b>	<b>50,495</b>	<b>3,784,440</b>

## Notes to the 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****a Derivatives settled on a net basis**

The Group's derivatives that will be settled on a net basis include:

- Interest rate derivatives: interest rate swaps;
- Credit derivatives: credit default swaps.

The following tables analyse the Group's and the Bank's contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

**Group and Bank**

	2015					Total
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	(4)	5	(2)	(12)	—	(13)
Credit derivatives	—	—	—	—	—	—
Total	(4)	5	(2)	(12)	—	(13)

	2014					Total
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	4	3	2	(29)	—	(20)
Credit derivatives	—	—	—	—	—	—
Total	4	3	2	(29)	—	(20)

## Notes to the 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**

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;
- Other derivatives: futures and equity derivatives.

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**

	2015					Total
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Foreign exchange derivatives						
— Cash outflow	(67,923)	(67,675)	(245,358)	(1,082)	—	(382,038)
— Cash inflow	68,199	67,604	244,920	1,284	—	382,007
Precious metal derivatives						
— Cash outflow	(7,316)	(8,230)	(21,393)	—	—	(36,939)
— Cash inflow	7,435	8,645	21,978	—	—	38,058
Others						
— Cash outflow	—	—	—	—	—	—
— Cash inflow	69	—	—	196	—	265
<b>Total cash outflow</b>	<b>(75,239)</b>	<b>(75,905)</b>	<b>(266,751)</b>	<b>(1,082)</b>	<b>—</b>	<b>(418,977)</b>
<b>Total cash inflow</b>	<b>75,703</b>	<b>76,249</b>	<b>266,898</b>	<b>1,480</b>	<b>—</b>	<b>420,330</b>

## Notes to the 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)****Bank**

	2015					Total
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Foreign exchange derivatives						
– Cash outflow	(67,923)	(67,675)	(245,358)	(1,082)	–	(382,038)
– Cash inflow	68,199	67,604	244,920	1,284	–	382,007
Precious metal derivatives						
– Cash outflow	(7,316)	(8,230)	(21,393)	–	–	(36,939)
– Cash inflow	7,435	8,645	21,978	–	–	38,058
Total cash outflow	(75,239)	(75,905)	(266,751)	(1,082)	–	(418,977)
Total cash inflow	75,634	76,249	266,898	1,284	–	420,065

**Group and Bank**

	2014					Total
	Less than 1 months	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Foreign exchange derivatives						
– Cash outflow	(93,815)	(81,079)	(143,100)	(123)	–	(318,117)
– Cash inflow	93,808	80,851	142,768	123	–	317,550
Precious metal derivatives						
– Cash outflow	(7,326)	(1,571)	(23,968)	–	–	(32,865)
– Cash inflow	7,324	1,591	24,524	–	–	33,439
Total cash outflow	(101,141)	(82,650)	(167,068)	(123)	–	(350,982)
Total cash inflow	101,132	82,442	167,292	123	–	350,989

## Notes to the 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**

	2015			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	694,294	—	—	694,294
Letters of credit	107,872	78	—	107,950
Guarantees	185,904	74,067	7,370	267,341
Unused credit card commitments	50,385	—	—	50,385
Capital commitments	6,873	13,389	—	20,262
Operating lease commitments	3,559	9,213	4,144	16,916
Irrevocable loan commitments	81	2,159	522	2,762
Finance lease commitments	4,264	878	—	5,142
Re-factoring	—	—	—	—
<b>Total</b>	<b>1,053,232</b>	<b>99,784</b>	<b>12,036</b>	<b>1,165,052</b>

	2014			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	594,300	—	—	594,300
Letters of credit	170,627	39	—	170,666
Guarantees	127,555	64,599	13,014	205,168
Unused credit card commitments	47,830	—	—	47,830
Capital commitments	7,332	13,034	9	20,375
Operating lease commitments	3,055	9,536	3,942	16,533
Irrevocable loan commitments	2,280	335	1,231	3,846
Finance lease commitments	2,395	612	—	3,007
Re-factoring	300	—	—	300
<b>Total</b>	<b>955,674</b>	<b>88,155</b>	<b>18,196</b>	<b>1,062,025</b>



## Notes to the 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**

	2015			
	Less than 1 year	1 to 5 years	5 years	Total
Bank acceptances	692,974	—	—	692,974
Letters of credit	107,872	78	—	107,950
Guarantees	185,894	74,067	7,370	267,331
Unused credit card commitments	50,385	—	—	50,385
Capital commitments	781	269	—	1,050
Operating lease commitments	3,503	9,085	4,093	16,681
Irrevocable loan commitments	81	2,159	522	2,762
Re-factoring	—	—	—	—
<b>Total</b>	<b>1,041,490</b>	<b>85,658</b>	<b>11,985</b>	<b>1,139,133</b>

	2014			
	Less than 1 year	1 to 5 years	5 years	Total
Bank acceptances	592,701	—	—	592,701
Letters of credit	170,627	39	—	170,666
Guarantees	127,554	64,599	13,014	205,167
Unused credit card commitments	47,830	—	—	47,830
Capital commitments	2,450	513	9	2,972
Operating lease commitments	2,995	9,365	3,893	16,253
Irrevocable loan commitments	2,280	335	1,231	3,846
Re-factoring	300	—	—	300
<b>Total</b>	<b>946,737</b>	<b>74,851</b>	<b>18,147</b>	<b>1,039,735</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 3 Financial risk management (continued)

#### (5) Operational risk

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

The Bank devoted to promoting the implementation of the three major operational risk management tools in the Bank and the establishment of operational risk management information system, according to the regulatory requirements of operational risk. The Bank has carried out Risk Control Self Assessment (RCSA), established key risk indicator monitoring system and internal loss issue management system regarding operational risk. Besides, the Bank conducted operational risk cost measurement and enhanced the outsourcing risk management, and promoted the establishment of business continuity management. Furthermore, the Bank focused on investigation of the risk on business field systematically.

#### (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 compensation and shareholder return; promote the Group’s risk management; ensure an orderly expansion of asset bases; and improve business structures and models.

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 with reduced capital requirements in business entities.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 3 Financial risk management (continued)

#### (6) Capital management (continued)

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

On 1 January 2013, the Group started computing the capital adequacy ratios in accordance with the *Measures for Administrative of Capital of Commercial Banks (Trial Implementation)* 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 *Measures for Administrative of Capital of Commercial Banks (Trial Implementation)*. For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio not below the minimum of 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined 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 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 standardized approach. Operational risk-weighted assets are calculated using basic indicator approach.

The Group calculates the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the *Measures for Administrative of Capital of Commercial Banks (Trial Implementation)* 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 calculated in accordance with the statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises ("ASBE"). During the year, the Group has complied in full with all its externally imposed capital requirements.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**3 Financial risk management (continued)****(6) Capital management (continued)**

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the *Measures for Administration of Capital of Commercial Banks (Trial Implementation)* and relevant requirements promulgated by the CBRC as below:

	Note	2015	2014
Core tier-one capital adequacy ratio		9.17%	8.58%
Tier-one capital adequacy ratio		9.19%	8.59%
Capital adequacy ratio		11.49%	10.69%
Components of capital base			
Core tier-one capital:			
Share capital		36,485	34,153
Valid portion of capital reserve		64,744	49,949
Surplus reserve		25,361	17,077
General reserve		56,351	49,344
Retained earnings		116,826	90,019
Valid portion of non-controlling interests		6,821	6,594
Others	(1)	1,451	(400)
<b>Total core tier-one capital</b>		<b>308,039</b>	<b>246,736</b>
Total core tier-one capital		308,039	246,736
Core tier-one capital deductions		(1,166)	(1,050)
Net core tier-one capital		306,873	245,686
Other tier-one capital		487	299
<b>Net tier-one capital</b>		<b>307,360</b>	<b>245,985</b>
Tier-two capital:			
Valid portion of tier-two capital instruments issued and share premium		57,570	40,080
Surplus provision for loan impairment		18,592	18,902
Valid portion of non-controlling interests		869	930
Tier-two capital deductions		—	—
<b>Net tier-two capital</b>		<b>77,031</b>	<b>59,912</b>
<b>Net capital base</b>		<b>384,391</b>	<b>305,897</b>
Credit risk-weighted assets		3,070,856	2,627,376
Market risk-weighted assets		23,997	15,186
Operational risk-weighted assets		251,379	220,148
<b>Total risk-weighted assets</b>		<b>3,346,232</b>	<b>2,862,710</b>

(1) Pursuant to the *Measures for Administrative of Capital of Commercial Banks (Trial Implementation)* issued by the CBRC, others represent the balance of investment revaluation reserve and exchange reserve at the year end.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 4 Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

#### (1) Impairment allowances on loans and advances

Besides impairment assessment for individually impaired loans, the Group reviews its loan portfolios to assess impairment regularly. In determining whether a provision for loan impairments should be recorded in the income statement, the Group judges whether there is any observable data indicating that there is a decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults of borrowers. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### (2) Fair value of derivative and other financial instruments

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

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 4 Significant accounting estimates and judgements (continued)

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

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

#### (4) Held-to-maturity securities

The Group classifies certain non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity securities. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. Other than in specific circumstances (e.g. sale of an insignificant amount of held-to-maturity securities at a time close to maturity), if the Group fails to hold these securities to maturity or reclassifies some of the securities to available-for-sale securities, the Group shall have to reclassify any of the remaining held-to-maturity securities as available-for-sale securities, and measure them at fair value rather than amortised cost.

#### (5) Taxation

In the ordinary course of business, many transactions and calculations involve uncertainties in the ultimate tax determination, and significant estimates are required in determining the provision for business tax and income tax. The Group recognises liabilities for anticipated tax inspection issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the business tax, income tax and deferred income tax provisions in the period during which such a determination is made.

#### (6) Structured entities

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, and is able to influence the returns of the structured entities by exercising its power.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 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 and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria. As part of the management of assets and liabilities, the Group's capital resources and uses are allocated to various business segments through the treasury business. The Group's internal transfer pricing mechanism uses deposit and loan interest rates and market interest rates as the benchmark, and determines transfer prices with reference to different products and their maturity. The impact of internal trading has been offset when preparing the consolidated statements.

## Notes to the 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 Financial Leasing, Ningjin Minsheng Rural Bank Co., Ltd. (“Ningjin Rural Bank”), headquarters and the branches in Beijing, Taiyuan, Shijiazhuang and Tianjin.
- (2) Eastern China: including Cixi Minsheng Rural Bank Co., Ltd. (“Cixi Rural Bank”), Shanghai Songjiang Minsheng Rural Bank Co., Ltd. (“Songjiang Rural Bank”), Shanghai Jiading Minsheng Rural Bank Co., Ltd. (“Jiading Rural Bank”), Penglai Minsheng Rural Bank Co., Ltd. (“Penglai Rural Bank”), Funing Minsheng Rural Bank Co., Ltd. (“Funing Rural Bank”), Taicang Minsheng Rural Bank Co., Ltd. (“Taicang Rural Bank”), Ningguo Minsheng Rural Bank Co., Ltd. (“Ningguo Rural Bank”), Guichi Minsheng Rural Bank Co., Ltd. (“Guichi Rural Bank”), Tiantai Minsheng Rural Bank Co., Ltd. (“Tiantai Rural Bank”), Tianchang Minsheng Rural Bank Co., Ltd. (“Tianchang Rural Bank”) and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei, Nanchang and China (Shanghai) Pilot Free Trade Zone.
- (3) Southern China: including Minsheng Royal Fund Management limited company. (“Minsheng Royal Fund”), Anxi Minsheng Rural Bank Co., Ltd. (“Anxi Rural Bank”), Zhangpu Minsheng Rural Bank Co., Ltd. (“Zhangpu Rural Bank”), Xiang’an Minsheng Rural Bank Co., Ltd. (“Xiang’an Rural Bank”) and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen, Nanning and Sanya.
- (4) Others: including CMBC International, Pengzhou Minsheng Rural Bank limited company. (“Pengzhou Rural Bank”), Qijiang Minsheng Rural Bank Co., Ltd. (“Qijiang Rural Bank”), Tongnan Minsheng Rural Bank Co., Ltd. (“Tongnan Rural Bank”), Meihekou Minsheng Rural Bank Co., Ltd. (“Meihekou Rural Bank”), Ziyang Minsheng Rural Bank Co., Ltd. (“Ziyang Rural Bank”), Wuhan Jiangxia Minsheng Rural Bank Co., Ltd. (“Jiangxia Rural Bank”), Changyuan Minsheng Rural Bank Co., Ltd. (“Changyuan Rural Bank”), Yidu Minsheng Rural Bank Co., Ltd. (“Yidu Rural Bank”), Zhongxiang Minsheng Rural Bank Co., Ltd. (“Zhongxiang Rural Bank”), Puer Minsheng Rural Bank Co., Ltd. (“Puer Rural Bank”), Jinghong Minsheng Rural Bank Co., Ltd. (“Jinghong Rural Bank”), Zhidan Minsheng Rural Bank Co., Ltd. (“Zhidan Rural Bank”), Yulin Yuyang Minsheng Rural Bank Co., Ltd. (“Yuyang Rural Bank”), Tengchong Minsheng Rural Bank Co., Ltd. (“Tengchong Rural Bank”), Linzhi Minsheng Rural Bank Co., Ltd. (“Linzhi Rural Bank”) and the branches in Xi’an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang, Hong Kong, Gui Yang, Lhasa, Lanzhou, Harbin and Urumqi.



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 5 Segment information (continued)

## Geographical segments: (continued)

## Group

	2015					Total
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	
External net interest income	51,853	14,994	3,439	23,982	—	94,268
Inter-segment net interest (expense)/income	(14,962)	8,644	8,533	(2,215)	—	—
Net interest income	36,891	23,638	11,972	21,767	—	94,268
Fee and commission income	42,660	4,631	3,856	3,960	—	55,107
Fee and commission expense	(1,310)	(873)	(1,137)	(582)	—	(3,902)
Net fee and commission income	41,350	3,758	2,719	3,378	—	51,205
Operating expenses	(24,595)	(13,983)	(7,536)	(12,062)	—	(58,176)
Impairment losses on assets	(16,239)	(9,771)	(2,262)	(6,529)	—	(34,801)
Net other income	3,628	2,167	686	1,797	—	8,278
Total profit	41,035	5,809	5,579	8,351	—	60,774
Depreciation and amortization	2,572	894	458	778	—	4,702
Capital expenditure	6,417	328	149	292	—	7,186
Segment assets	3,097,436	1,202,523	654,656	967,318	(1,417,108)	4,504,825
Deferred income tax assets						15,863
Total assets						4,520,688
Segment liabilities/total liabilities	(2,866,488)	(1,181,963)	(637,044)	(942,518)	1,417,108	(4,210,905)
Credit commitments	400,907	350,911	125,340	250,716	—	1,127,874

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 5 Segment information (continued)

## Geographical segments: (continued)

## Group (continued)

	2014					Inter-segment elimination	Total
	Northern China	Eastern China	Southern China	Other locations			
External net interest income	42,666	19,940	3,443	26,087	—	92,136	
Inter-segment net interest (expense)/income	(9,347)	5,460	9,498	(5,611)	—	—	
Net interest income	33,319	25,400	12,941	20,476	—	92,136	
Fee and commission income	31,733	3,933	3,225	3,402	—	42,293	
Fee and commission expense	(1,103)	(1,065)	(1,211)	(675)	—	(4,054)	
Net fee and commission income	30,630	2,868	2,014	2,727	—	38,239	
Operating expenses	(23,422)	(12,951)	(6,561)	(11,148)	—	(54,082)	
Impairment losses on assets	(7,179)	(5,932)	(2,575)	(5,446)	—	(21,132)	
Net other income	2,183	1,283	424	742	—	4,632	
Total profit	35,531	10,668	6,243	7,351	—	59,793	
Depreciation and amortization	1,961	687	338	572	—	3,558	
Capital expenditure	14,924	1,248	688	1,855	—	18,715	
Segment assets	2,627,657	1,137,936	550,662	867,997	(1,180,880)	4,003,372	
Deferred income tax assets						11,764	
Total assets						4,015,136	
Segment liabilities/total liabilities	(2,448,937)	(1,119,225)	(535,734)	(844,364)	1,180,880	(3,767,380)	
Credit commitments	460,409	265,247	75,440	224,021	—	1,025,117	

## Notes to the 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.

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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**5 Segment information (continued)****Business segments: (continued)**

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.

The segment information by business type provided to senior management is as follows:

**Group**

	2015				Total
	Corporate banking	Personal banking	Treasury	Others	
Net interest income	49,564	24,921	17,914	1,869	94,268
Of which: inter-segment net interest income/(expense)	5,187	(10,323)	5,019	117	—
Net fee and commission income	22,901	20,655	5,927	1,722	51,205
Of which: inter-segment net fee and commission (expense)/income	(50)	—	—	50	—
Operating expenses	(28,773)	(17,306)	(10,640)	(1,457)	(58,176)
Impairment losses on assets	(13,737)	(19,101)	(938)	(1,025)	(34,801)
Other net income	3,637	53	1,932	2,656	8,278
<b>Total profit</b>	<b>33,592</b>	<b>9,222</b>	<b>14,195</b>	<b>3,765</b>	<b>60,774</b>
Depreciation and amortisation	1,706	1,010	572	1,414	4,702
Capital expenditure	1,797	1,064	603	3,722	7,186
Segment assets	1,841,262	730,090	1,778,918	154,555	4,504,825
Deferred income tax assets					15,863
<b>Total assets</b>					<b>4,520,688</b>
Segment liabilities/total liabilities	(2,138,499)	(632,213)	(1,304,544)	(135,649)	(4,210,905)
Credit commitments	1,072,347	50,385	—	5,142	1,127,874

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**5 Segment information (continued)****Business segments: (continued)****Group (continued)**

	2014				Total
	Corporate banking	Personal banking	Treasury	Others	
Net interest income	45,548	25,000	19,745	1,843	92,136
Of which: inter-segment net interest (expense)/income	(12,658)	(6,662)	19,293	27	—
Net fee and commission income	19,237	12,860	4,344	1,798	38,239
Of which: inter-segment net fee and commission (expense)/income	(80)	—	—	80	—
Operating expenses	(27,281)	(15,125)	(10,511)	(1,165)	(54,082)
Impairment losses on assets	(7,126)	(12,522)	(1,148)	(336)	(21,132)
Other net income	2,105	(46)	1,898	675	4,632
<b>Total profit</b>	<b>32,483</b>	<b>10,167</b>	<b>14,328</b>	<b>2,815</b>	<b>59,793</b>
Depreciation and amortisation	1,284	721	496	1,057	3,558
Capital expenditure	3,821	2,144	1,477	11,273	18,715
Segment assets	1,761,438	654,455	1,446,208	141,271	4,003,372
Deferred income tax assets					11,764
<b>Total assets</b>					<b>4,015,136</b>
Segment liabilities/total liabilities	(1,873,558)	(594,682)	(1,173,133)	(126,007)	(3,767,380)
Credit commitments	974,280	47,830	—	3,007	1,025,117

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**6 Net interest income**

	2015	2014
Interest income arising from:		
– Loans and advances to customers		
– corporate loans and advances	68,418	68,608
– personal loans and advances	46,554	44,407
– discounted bills	2,622	3,909
– Financial assets held under resale agreements	22,335	34,355
– Balances with banks and other financial institutions	4,000	5,543
– Investment securities	34,463	21,449
Of which: Financial assets at fair value through profit or loss	1,216	725
– Balances with central bank	6,818	6,655
– Long-term receivables	6,157	6,962
– Placements with banks and other financial institutions	12,015	7,164
Subtotal	203,382	199,052
Interest expense arising from:		
– Deposits from customers	(58,370)	(54,320)
– Borrowings from central bank	(1,670)	(368)
– Deposits and placements from banks and other financial institutions	(34,387)	(39,043)
– Financial assets sold under repurchase agreements	(1,606)	(2,567)
– Debt securities issued	(8,417)	(5,761)
– Borrowings from banks and other financial institutions	(4,664)	(4,857)
Subtotal	(109,114)	(106,916)
Net interest income	94,268	92,136
Of which: Interest income from impaired financial assets identified	1,032	674

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**7 Net fee and commission income**

	2015	2014
Fee and commission income		
– Agency services	15,926	9,666
– Bank card services	15,266	12,242
– Trust and other fiduciary services	11,800	8,911
– Credit commitments	5,502	4,398
– Financial advisory services	2,839	3,608
– Settlement services	2,529	2,349
– Finance lease services	861	992
– Others	384	127
Subtotal	55,107	42,293
Fee and commission expense	(3,902)	(4,054)
Net fee and commission income	51,205	38,239

**8 Net trading gain**

	2015	2014
Gain on exchange rate instruments	949	419
Gain on interest rate instruments	368	776
(Loss)/gain on precious metals and other products	(53)	471
Total	1,264	1,666

**9 Net gain arising from disposals of securities and discounted bills**

	2015	2014
Net gain arising from disposals of discounted bills	3,648	2,090
Net gain/(loss) arising from disposals of securities	936	(76)
Total	4,584	2,014

Disposal gain of discounted bills represents the difference between the discounted interest income unamortised and rediscounted interest cost.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**10 Impairment losses on assets**

	2015	2014
Loans and advances to customers	33,029	19,928
Long-term receivables	551	288
Investment securities		
— loans and receivables	779	943
— held-to-maturity securities	105	—
— available-for-sale securities	70	—
Financial assets held under resale agreements	—	156
Others	267	(183)
Total	34,801	21,132

**11 Operating expenses**

	2015	2014
Staff costs, including directors' emoluments		
— Short-term employee benefits	21,939	20,379
— Post-employment benefits-defined contribution plans	2,135	2,048
Business tax and surcharges	9,968	9,005
Rental and property management expenses	4,787	3,979
Depreciation and amortisation	3,781	2,994
Office expenses	2,656	3,739
Business expenses and others	12,910	11,938
Total	58,176	54,082

Auditor's remuneration included in the operating expenses of the Group for the year ended 31 December 2015 was RMB16 million (2014: RMB14 million).



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**12 Directors and Supervisors' emoluments****For the year ended 31 December 2015 (in thousands of RMB)**

	2015			Total
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	
Hong Qi <sup>(1)(3)</sup>	3,746	429	309	4,484
Liang Yutang <sup>(1)(3)</sup>	3,449	322	252	4,023
Duan Qingshan <sup>(1)(3)</sup>	3,201	322	146	3,669
Wang Jiazhi <sup>(1)(3)</sup>	2,799	322	134	3,255
Cheng Hoi Chuen	930	—	—	930
Han Jianmin	1,060	—	—	1,060
Zhang Hongwei	895	—	—	895
Lu Zhiqiang	840	—	—	840
Wang Hang	845	—	—	845
Wang Lihua	1,020	—	—	1,020
Liu Yonghao	845	—	—	845
Guo Guangchang	775	—	—	775
Wang Yugui	810	—	—	810
Wu Di	780	—	—	780
Wang Junhui	705	—	—	705
Zhang Ke	645	—	—	645
Lu Zhongnan	670	—	—	670
Zhang Disheng	615	—	—	615
Wang Liang	625	—	—	625
Li Yuan	625	—	—	625
Yao Dafeng	795	—	—	795
Ba Shusong <sup>(2)</sup>	—	—	—	—
Qin Rongsheng <sup>(2)</sup>	—	—	—	—
You Lantian <sup>(2)</sup>	—	—	—	—

(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 46.

(2) Ba Shusong, Qin Rongsheng, You Lantian waived emoluments for the year ended 31 December 2015. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2015 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 2015 financial statements.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 12 Directors and Supervisors' emoluments (continued)

For the year ended 31 December 2014 (in thousands of RMB)

	2014			Total
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	
Dong Wenbiao <sup>(1)(3)</sup>	2,657	202	198	3,057
Hong Qi <sup>(1)(3)</sup>	3,907	303	2,352	6,562
Mao Xiaofeng <sup>(1)(3)</sup>	2,733	227	285	3,245
Liang Yutang <sup>(1)(3)</sup>	3,751	227	2,144	6,122
Duan Qingshan <sup>(1)(3)</sup>	3,239	227	1,725	5,191
Wang Jiazhi <sup>(1)(3)</sup>	3,025	227	1,420	4,672
Li Huaizhen <sup>(1)(3)</sup>	1,201	114	738	2,053
Ba Shusong	423	—	—	423
Cheng Hoi Chuen	950	—	—	950
Han Jianmin	970	—	—	970
Zhang Hongwei	870	—	—	870
Lu Zhiqiang	880	—	—	880
Wang Hang	850	—	—	850
Wang Lihua	915	—	—	915
Liu Yonghao	830	—	—	830
Shi Yuzhu	285	—	—	285
Guo Guangchang	805	—	—	805
Wang Yugui	815	—	—	815
Wu Di	785	—	—	785
Wang Junhui	755	—	—	755
Zhang Ke	640	—	—	640
Lu Zhongnan	635	—	—	635
Zhang Disheng	610	—	—	610
Wang Liang	610	—	—	610
Li Yuan	595	—	—	595
Yao Dafeng	—	—	—	—
Qin Rongsheng <sup>(2)</sup>	—	—	—	—
You Lantian <sup>(2)</sup>	—	—	—	—

(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 46.

(2) Qin Rongsheng, You Lantian waived emoluments for the year ended 31 December 2014. The amount of the emoluments not accrued is not expected to have a significant impact on the Group's and the Bank's 2014 financial statements.

(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 Directors. The Bank made further disclosure in the *Supplementary Announcement Regarding the Senior Management's Emoluments of China Minsheng Banking Corp., Ltd. of 2014*, and the related emoluments were restated accordingly.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 12 Directors and Supervisors' emoluments (continued)

For the year ended 31 December 2015, the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed above.

The Group had not paid any emoluments to the directors or supervisors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 13 Income tax expense

	2015	2014
Current tax for the year	18,661	16,203
Adjustment for prior years	(224)	(79)
Subtotal	18,437	16,124
Changes in deferred tax (Note 25)	(4,685)	(1,898)
Total	13,752	14,226

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

	Note	2015	2014
Profit before income tax		60,774	59,793
Income tax at the tax rate of 25%		15,194	14,948
Effect of non-taxable income	(i)	(1,656)	(951)
Effect of non-deductible expenses		388	381
Others		(174)	(152)
Income tax expense		13,752	14,226

(i) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, which is exempted from income tax.

The applicable income tax rate for mainland China is 25% for the year ended 31 December 2015 (2014: 25%). The applicable income tax rate for Hong Kong Branch and CMBC International is 16.5% (2014: 16.5%).

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**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.

	2015	2014
Net profit attributable to equity shareholders of the Bank	46,111	44,546
Weighted average number of ordinary shares in issue (in millions)	35,453	34,043
Basic earnings per share (in RMB)	1.30	1.31

Diluted earnings per share is calculated by dividing the adjusted profit attributable to equity shareholders of the Bank for the period by the adjusted weighted average number of ordinary shares in issue. The Bank had the convertible corporate bonds as dilutive potential ordinary shares.

	2015	2014
Net profit attributable to equity shareholders of the Bank	46,111	44,546
Add: interest expense on convertible corporate bonds, net of tax, outstanding as at 31 December	291	668
Net profit used to determine diluted earnings per share	46,402	45,214
Weighted average number of ordinary shares in issue (in millions)	35,453	34,043
Add: weighted average number of ordinary shares for diluted earnings per share (in millions)	1,032	2,331
Weighted average number of ordinary shares for diluted earnings per share (in millions)	36,485	36,374
Diluted earnings per share (in RMB)	1.27	1.24

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**15 Cash and balances with central bank**

	Group		Bank	
	2015	2014	2015	2014
Cash	9,282	9,965	9,083	9,771
Balances with central bank				
Statutory deposit reserves	387,270	410,202	385,165	407,217
Surplus deposit reserves	31,127	51,106	30,093	50,676
Fiscal deposits and others	5,152	359	5,152	359
<b>Total</b>	<b>432,831</b>	<b>471,632</b>	<b>429,493</b>	<b>468,023</b>

The domestic branches of the Bank places statutory deposit reserves with the PBOC. The statutory deposit reserves are not available for use in the Bank's daily business. As at 31 December 2015, the statutory deposit reserve rate applicable to the Bank for RMB deposits is 15.0% and the reserve rate for foreign currency deposits is 5% (2014: 17.5% of RMB deposits and 5% of foreign currency deposits).

The rural banks and Minsheng Financial Leasing are required to place statutory RMB deposit reserve at rates determined by the PBOC. Hong Kong Branch is required to place statutory deposit reserve at rates determined by local regulators.

Surplus deposit reserves maintained with the PBOC is for the purposes of clearing interbank transactions.

**16 Balances with banks and other financial institutions**

	Group		Bank	
	2015	2014	2015	2014
Mainland China				
— Banks	75,449	60,758	69,092	54,583
— Other financial institutions	2,476	3,143	2,276	3,143
Overseas				
— Banks	23,503	11,537	22,994	11,301
— Other financial institutions	—	24	—	—
<b>Total</b>	<b>101,428</b>	<b>75,462</b>	<b>94,362</b>	<b>69,027</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**17 Financial assets at fair value through profit or loss**

	Group		Bank	
	2015	2014	2015	2014
Held for trading purpose				
Debt securities				
Government				
— Listed outside Hong Kong	953	860	953	860
Policy banks				
— Listed outside Hong Kong	1,997	2,142	1,997	2,142
Banking and non-banking financial institution bonds				
— Listed Hong Kong	32	—	32	—
— Listed outside Hong Kong	5,553	4,007	5,553	3,987
Other corporates				
— Listed Hong Kong	103	—	39	—
— Listed outside Hong Kong	15,530	18,696	15,530	18,659
Equity investments				
— Listed Hong Kong	18	—	—	—
Investment Funds				
— Unlisted	361	—	—	—
Designated at fair value through profit or loss				
Debt securities				
Other corporates				
— Unlisted	2,062	1,508	2,062	1,508
Investment Funds				
— Unlisted	350	—	—	—
<b>Total</b>	<b>26,959</b>	<b>27,213</b>	<b>26,166</b>	<b>27,156</b>

The financial statements classified debt securities traded on China Domestic Interbank Bond Market as listed bonds.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**18 Derivatives**

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instrument mainly including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

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**

	Notional amount	2015	
		Fair value	
		Assets	Liabilities
Currency swaps	355,851	3,235	(2,657)
Interest rate swaps	287,842	456	(447)
Precious metal derivatives	36,906	1,154	(125)
Credit derivatives	22,275	—	—
Currency options	21,694	112	(64)
Foreign exchange forwards	9,159	98	(33)
Extension options	8,300	—	—
Others	265	120	—
<b>Total</b>		<b>5,175</b>	<b>(3,326)</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**18 Derivatives (continued)****Bank**

	Notional amount	2015	
		Fair value	
		Assets	Liabilities
Currency swaps	355,851	3,235	(2,657)
Interest rate swaps	287,842	456	(447)
Precious metal derivatives	36,906	1,154	(125)
Credit derivatives	22,275	—	—
Currency options	21,694	112	(64)
Foreign exchange forwards	9,159	98	(33)
Extension options	8,300	—	—
<b>Total</b>		<b>5,055</b>	<b>(3,326)</b>

**Group and Bank**

	Notional amount	2014	
		Fair value	
		Assets	Liabilities
Currency swaps	281,081	1,167	(1,598)
Interest rate swaps	162,931	390	(345)
Credit derivatives	66,851	—	—
Precious metal derivatives	32,844	1,180	(282)
Foreign exchange forwards	26,646	446	(323)
Extension options	8,300	—	—
Currency options	7,737	48	(10)
<b>Total</b>		<b>3,231</b>	<b>(2,558)</b>



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**18 Derivatives (continued)****Credit risk weighted amount**

	Group	
	2015	2014
Exchange rate contracts	4,647	1,350
Precious metal contracts	1,319	1,357
Interest rate contracts	302	164
Other derivative contracts	94	279
<b>Total</b>	<b>6,362</b>	<b>3,150</b>

	Bank	
	2015	2014
Exchange rate contracts	4,647	1,350
Precious metal contracts	1,319	1,357
Interest rate contracts	302	164
Other derivative contracts	68	279
<b>Total</b>	<b>6,336</b>	<b>3,150</b>

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 Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**19 Placements with banks and other financial institutions**

	Group		Bank	
	2015	2014	2015	2014
Mainland China				
— Banks	89,176	104,004	89,176	104,004
— Other financial institutions	113,094	51,787	114,456	54,382
— Others*	—	14,130	—	14,130
Overseas				
— Banks	26,244	3,744	26,244	3,744
— Other financial institutions	703	2,751	703	2,751
<b>Total</b>	<b>229,217</b>	<b>176,416</b>	<b>230,579</b>	<b>179,011</b>

\* Others are short-term placements with wealth management products managed by the Bank as an agency.

**20 Financial assets held under resale agreements**

	Group		Bank	
	2015	2014	2015	2014
Discounted bills	517,341	594,043	517,341	594,043
Bonds	42,498	24,897	42,498	24,887
Others*	10,974	57,094	10,974	57,094
Gross balance	570,813	676,034	570,813	676,024
Less: allowance for impairment losses	(156)	(156)	(156)	(156)
<b>Net balance</b>	<b>570,657</b>	<b>675,878</b>	<b>570,657</b>	<b>675,868</b>

\* 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 Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**21 Loans and advances to customers**

	Group		Bank	
	2015	2014	2015	2014
Corporate loans and advances				
— Corporate loans	1,240,936	1,131,055	1,237,237	1,127,486
— Discounted bills	79,084	26,930	77,165	26,143
Subtotal	1,320,020	1,157,985	1,314,402	1,153,629
Personal loans and advances				
— Micro lending *	378,177	410,139	371,224	402,736
— Residential mortgage	114,328	69,606	114,059	69,550
— Credit cards	170,910	147,678	170,910	147,678
— Others	64,613	27,258	61,042	23,452
Subtotal	728,028	654,681	717,235	643,416
Gross balance	2,048,048	1,812,666	2,031,637	1,797,045
Less: allowance for impairment losses				
— Individual assessment	(6,725)	(3,864)	(6,674)	(3,834)
— Collective assessment	(43,698)	(34,643)	(43,108)	(34,117)
Subtotal	(50,423)	(38,507)	(49,782)	(37,951)
Net balance	1,997,625	1,774,159	1,981,855	1,759,094

\* Micro lending is a loan product offered to the small and micro enterprise owners and proprietors.

## Notes to the 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

	Loans and advances for which allowances are collectively assessed (Note (i))	2015			Subtotal	Total
		Impaired loans and advances (Note (ii))				
		for which allowances are collectively assessed	for which allowances are individually assessed			
Gross balance of loans and advances to customers						
– Corporate loans and advances	1,300,310	–	19,710	19,710	1,320,020	
– Personal loans and advances	714,917	13,111	–	13,111	728,028	
Allowance for impairment losses	(36,808)	(6,890)	(6,725)	(13,615)	(50,423)	
Net balance of loans and advances to customers	1,978,419	6,221	12,985	19,206	1,997,625	

	Loans and advances for which allowances are collectively assessed (Note (i))	2014			Subtotal	Total
		Impaired loans and advances (Note (ii))				
		for which allowances are collectively assessed	for which allowances are individually assessed			
Gross balance of loans and advances to customers						
– Corporate loans and advances	1,144,009	–	13,976	13,976	1,157,985	
– Personal loans and advances	647,523	7,158	–	7,158	654,681	
Allowance for impairment losses	(31,485)	(3,158)	(3,864)	(7,022)	(38,507)	
Net balance of loans and advances to customers	1,760,047	4,000	10,112	14,112	1,774,159	

## Notes to the 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**

	Loans and advances for which allowances are collectively assessed (Note (i))	2015		Subtotal	Total
		Impaired loans and advances (Note (ii))			
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	1,294,751	–	19,651	19,651	1,314,402
– Personal loans and advances	704,373	12,862	–	12,862	717,235
Allowance for impairment losses	(36,363)	(6,745)	(6,674)	(13,419)	(49,782)
Net balance of loans and advances to customers	1,962,761	6,117	12,977	19,094	1,981,855

	Loans and advances for which allowances are collectively assessed (Note (i))	2014		Subtotal	Total
		Impaired loans and advances (Note (ii))			
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	1,139,751	–	13,878	13,878	1,153,629
– Personal loans and advances	636,369	7,047	–	7,047	643,416
Allowance for impairment losses	(31,064)	(3,053)	(3,834)	(6,887)	(37,951)
Net balance of loans and advances to customers	1,745,056	3,994	10,044	14,038	1,759,094

## Notes to the 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 2015, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB19,710 million (2014: RMB13,976 million). The covered portion and uncovered portion of these loans and advances were RMB8,034 million (2014: RMB5,540 million) and RMB11,676 million (2014: RMB8,436 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB5,538 million (2014: RMB4,128 million). As at 31 December 2015, the individual impairment allowances made for these loans and advances were RMB6,725 million (2014: RMB3,864 million).

As at 31 December 2015, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB19,651 million (2014: RMB13,878 million). The covered portion and uncovered portion of these loans and advances were RMB7,990 million (2014: RMB5,508 million) and RMB11,661 million (2014: RMB8,370 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB5,537 million (2014: RMB4,105 million). As at 31 December 2015, the individual impairment allowances made for these loans and advances were RMB6,674 million (2014: RMB3,834 million).

## Notes to the 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			
	2015		2014		2015		2014	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Corporate loans and advances								
Manufacturing	257,157	12.56	230,875	12.74	255,295	12.58	229,335	12.76
Real estate	243,983	11.91	236,931	13.07	243,977	12.01	236,931	13.18
Wholesale and retail	181,659	8.87	149,983	8.27	180,667	8.89	149,350	8.31
Leasing and commercial services	164,557	8.03	126,971	7.00	164,198	8.08	126,671	7.05
Mining	115,682	5.65	96,949	5.35	115,657	5.69	96,843	5.39
Transportation, storage and postal service	72,867	3.56	65,088	3.59	72,832	3.58	65,043	3.62
Financial services	58,564	2.86	28,988	1.60	58,504	2.88	28,988	1.61
Construction	54,000	2.64	49,785	2.75	53,510	2.63	49,403	2.75
Water, environment and public utilities management	52,502	2.56	54,107	2.98	52,326	2.58	54,019	3.01
Production and supply of electric power, heat, gas and water	30,588	1.49	25,144	1.39	30,588	1.51	25,087	1.40
Public administration, social security and social organizations	26,235	1.28	31,366	1.73	26,215	1.29	31,366	1.75
Agriculture, forestry, animal husbandry and fishery	12,393	0.61	14,897	0.82	11,547	0.57	14,442	0.80
Accommodation and catering	9,411	0.46	12,540	0.69	9,393	0.46	12,522	0.70
Others	40,422	1.97	34,361	1.90	39,693	1.95	33,629	1.87
Subtotal	1,320,020	64.45	1,157,985	63.88	1,314,402	64.70	1,153,629	64.20
Personal loans and advances	728,028	35.55	654,681	36.12	717,235	35.30	643,416	35.80
Total	2,048,048	100.00	1,812,666	100.00	2,031,637	100.00	1,797,045	100.00

## Notes to the 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			
	2015		2014		2015		2014	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Unsecured loans	378,198	18.47	332,482	18.34	377,998	18.61	332,223	18.49
Guaranteed loans	601,837	29.38	604,994	33.38	594,741	29.27	596,792	33.21
Loans secured by								
– tangible assets other than monetary assets	789,273	38.54	664,031	36.63	783,548	38.57	659,127	36.68
– monetary assets	278,740	13.61	211,159	11.65	275,350	13.55	208,903	11.62
<b>Total</b>	<b>2,048,048</b>	<b>100.00</b>	<b>1,812,666</b>	<b>100.00</b>	<b>2,031,637</b>	<b>100.00</b>	<b>1,797,045</b>	<b>100.00</b>

**(4) Overdue loans analysed by overdue period****Group**

	2015				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	4,214	4,601	3,277	–	12,092
Guaranteed loans	16,254	14,340	5,687	18	36,299
Loans secured by					
– tangible assets other than monetary assets	8,310	11,182	4,859	348	24,699
– monetary assets	3,245	1,889	2,491	–	7,625
<b>Total</b>	<b>32,023</b>	<b>32,012</b>	<b>16,314</b>	<b>366</b>	<b>80,715</b>
<b>% of total loans and advances</b>	<b>1.56%</b>	<b>1.56%</b>	<b>0.80%</b>	<b>0.02%</b>	<b>3.94%</b>



## Notes to the 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)**

	2014				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	5,658	3,608	851	—	10,117
Guaranteed loans	11,975	8,989	1,053	2	22,019
Loans secured by					
— tangible assets other than monetary assets	7,496	4,759	910	35	13,200
— monetary assets	1,571	2,512	267	—	4,350
<b>Total</b>	<b>26,700</b>	<b>19,868</b>	<b>3,081</b>	<b>37</b>	<b>49,686</b>
% of total loans and advances	1.46%	1.10%	0.17%	0.01%	2.74%

**Bank**

	2015				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	4,213	4,601	3,277	—	12,091
Guaranteed loans	16,012	14,137	5,610	18	35,777
Loans secured by					
— tangible assets other than monetary assets	8,179	11,033	4,743	347	24,302
— monetary assets	3,236	1,888	2,491	—	7,615
<b>Total</b>	<b>31,640</b>	<b>31,659</b>	<b>16,121</b>	<b>365</b>	<b>79,785</b>
% of total loans and advances	1.56%	1.56%	0.79%	0.02%	3.93%

## Notes to the 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)**

	2014				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	5,658	3,607	851	—	10,116
Guaranteed loans	11,678	8,808	962	2	21,450
Loans secured by					
— tangible assets other than monetary assets	7,219	4,679	902	35	12,835
— monetary assets	1,485	2,480	267	—	4,232
<b>Total</b>	<b>26,040</b>	<b>19,574</b>	<b>2,982</b>	<b>37</b>	<b>48,633</b>
% of total loans and advances	1.44%	1.09%	0.17%	0.01%	2.71%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

**(5) Changes in allowance for impairment losses:****Group**

	2015			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,864	18,415	16,228	38,507
Charge for the year	9,983	6,533	19,012	35,528
Release during the year	(2,499)	—	—	(2,499)
Reclassification	1,280	(1,280)	—	—
Transfer out	(2,130)	—	(6,935)	(9,065)
Write-offs	(3,538)	—	(8,717)	(12,255)
Recoveries	446	—	719	1,165
Unwinding of discount	(681)	—	(351)	(1,032)
Exchange gain or loss	—	74	—	74
<b>At 31 December</b>	<b>6,725</b>	<b>23,742</b>	<b>19,956</b>	<b>50,423</b>

## Notes to the 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)**

	2014			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,344	19,477	11,995	34,816
Charge for the year	9,780	151	12,628	22,559
Release during the year	(2,617)	(14)	—	(2,631)
Reclassification	1,195	(1,195)	—	—
Transfer out	(4,801)	—	(5,255)	(10,056)
Write-offs	(3,017)	—	(4,102)	(7,119)
Recoveries	456	—	1,160	1,616
Unwinding of discount	(476)	—	(198)	(674)
Exchange gain or loss	—	(4)	—	(4)
At 31 December	3,864	18,415	16,228	38,507

**Bank**

	2015			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,834	18,281	15,836	37,951
Charge for the year	9,712	6,509	18,934	35,155
Release during the year	(2,485)	—	—	(2,485)
Reclassification	1,275	(1,275)	—	—
Transfer out	(2,070)	—	(6,935)	(9,005)
Write-offs	(3,344)	—	(8,682)	(12,026)
Recoveries	433	—	717	1,150
Unwinding of discount	(681)	—	(351)	(1,032)
Exchange gain or loss	—	74	—	74
At 31 December	6,674	23,589	19,519	49,782

## Notes to the 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)**

	2014			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,311	19,325	11,823	34,459
Charge for the year	9,555	151	12,408	22,114
Release during the year	(2,614)	—	—	(2,614)
Reclassification	1,191	(1,191)	—	—
Transfer out	(4,737)	—	(5,255)	(9,992)
Write-offs	(2,851)	—	(4,102)	(6,953)
Recoveries	455	—	1,160	1,615
Unwinding of discount	(476)	—	(198)	(674)
Exchange gain or loss	—	(4)	—	(4)
At 31 December	3,834	18,281	15,836	37,951

**22 Investment securities**

	Note	Group		Bank	
		2015	2014	2015	2014
Available-for-sale securities	(1)	157,000	159,724	155,033	158,335
Held-to-maturity securities	(2)	278,364	176,834	278,364	176,834
Loans and receivables	(3)	451,239	234,393	449,565	228,946
Total		886,603	570,951	882,962	564,115
Analysed as follows:					
— Listed in Hong Kong		950	330	950	330
— Listed outside Hong Kong		455,900	346,228	455,347	346,228
— Unlisted		429,753	224,393	426,665	217,557
Total		886,603	570,951	882,962	564,115

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**22 Investment securities (continued)****(1) Available-for-sale securities**

	Group		Bank	
	2015	2014	2015	2014
Debt securities at fair value				
Government				
— listed in Hong Kong	18	17	18	17
— listed outside Hong Kong	28,749	13,575	28,749	13,575
— unlisted	838	1,183	838	1,183
Policy banks				
— listed in Hong Kong	32	79	32	79
— listed outside Hong Kong	36,738	72,323	36,738	72,323
Banking and non-banking financial institution				
— listed in Hong Kong	462	—	462	—
— listed outside Hong Kong	46,886	16,895	46,886	16,895
— unlisted	480	52	480	52
Other corporates				
— listed in Hong Kong	119	—	119	—
— listed outside Hong Kong	36,417	51,322	36,417	51,322
— unlisted	1,090	1,000	—	—
Less: allowance for impairment losses	(379)	(291)	(379)	(291)
Subtotal	151,450	156,155	150,360	155,155
Equity investments				
— listed in Hong Kong	319	234	319	234
— listed outside Hong Kong	1,369	—	817	—
— unlisted	4,426	3,899	4,101	3,510
Less: allowance for impairment losses	(564)	(564)	(564)	(564)
Total	157,000	159,724	155,033	158,335

The book value of the Group's and the Bank's impaired available-for-sale financial assets amounted to RMB1,151 million as at 31 December 2015 (2014: RMB936 million) and the provision amounted to RMB943 million (2014: RMB855 million).

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**22 Investment securities (continued)****(1) Available-for-sale securities (continued)**

The Group did not reclassify any investment securities in 2015. 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 RMB19.36 billion (31 December 2014: RMB19.25 billion), and the fair value was RMB20.38 billion (31 December 2014: RMB19.97 billion). As at 31 December 2015, the Group would recognize investment revaluation reserve of RMB0.39 billion (31 December 2014: negative investment revaluation reserve of RMB0.12 billion) in other comprehensive income had no reclassification been made on these debt securities.

**(2) Held-to-maturity securities**

	Note	Group and Bank	
		2015	2014
Government			
— listed outside Hong Kong		<b>226,122</b>	<b>113,277</b>
Policy banks			
— listed outside Hong Kong		<b>35,447</b>	<b>41,325</b>
Banking and non-banking financial institution			
— listed outside Hong Kong		<b>12,136</b>	<b>12,777</b>
— unlisted		<b>284</b>	<b>468</b>
Other corporates			
— listed outside Hong Kong		<b>4,480</b>	<b>8,987</b>
Less: allowance for impairment losses	28	<b>(105)</b>	<b>—</b>
<b>Total</b>		<b>278,364</b>	<b>176,834</b>
<b>Fair value of securities</b>		<b>287,038</b>	<b>178,616</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**22 Investment securities (continued)****(3) Loans and receivables**

	Group		Bank	
	2015	2014	2015	2014
Bond				
Government				
— unlisted	19,971	284	19,971	284
Policy banks				
— listed outside Hong Kong	500	9,887	500	9,887
Banking and non-banking financial institution				
— listed outside Hong Kong	24,870	6,151	24,870	6,151
— unlisted	1,939	2,195	1,939	2,195
Other corporates				
— listed outside Hong Kong	2,361	—	2,361	—
— unlisted	14,382	7,190	14,293	7,190
Asset management plans	361,464	162,611	359,654	157,288
Trust beneficiary rights	27,474	47,018	27,474	46,894
<b>Total</b>	<b>452,961</b>	<b>235,336</b>	<b>451,062</b>	<b>229,889</b>
Less: allowance for impairment losses	(1,722)	(943)	(1,497)	(943)
<b>Net value</b>	<b>451,239</b>	<b>234,393</b>	<b>449,565</b>	<b>228,946</b>

Note: All of the trust beneficiary rights and asset management plans above are unlisted.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 23 Long-term receivables

	Note	Group	
		2015	2014
Long-term receivables		107,515	105,414
Less: unearned finance lease income		(14,139)	(14,237)
Present value of minimum long-term receivables		93,376	91,177
Others		1,976	—
Less: allowance for impairment losses	28		
Collective assessment		(2,184)	(2,066)
Individual assessment		(589)	(287)
Net balance		92,579	88,824

Long-term receivables, unearned finance lease income and minimum long-term receivables analysed by remaining period are listed as follows:

## Group

	2015			2014		
	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	27,730	(2,373)	25,357	31,828	(4,299)	27,529
1 year to 2 years	26,695	(2,788)	23,907	23,545	(3,180)	20,365
2 years to 3 years	18,391	(2,402)	15,989	17,150	(2,316)	14,834
3 years to 5 years	19,901	(3,274)	16,627	15,760	(2,128)	13,632
More than 5 years	8,972	(2,777)	6,195	6,071	(820)	5,251
Indefinite <sup>(1)</sup>	5,826	(525)	5,301	11,060	(1,494)	9,566
	107,515	(14,139)	93,376	105,414	(14,237)	91,177

(1) The indefinite period amount represents the balances being impaired or overdue for more than one month.



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 24 Property and equipment

## Group

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Operating lease fixed assets	Construction in progress	Total
Original cost							
Balance at 1 January 2014	9,516	5,349	5,815	434	5,523	4,895	31,532
Increase	1,186	2,008	2,222	71	8,869	1,631	15,987
CIP transfers	1,810	—	—	—	—	(1,810)	—
Decrease	(25)	—	(248)	(18)	(64)	(62)	(417)
Balance at 31 December 2014	12,487	7,357	7,789	487	14,328	4,654	47,102
Increase	403	1,278	1,199	57	4,597	1,058	8,592
CIP transfers	71	—	—	—	—	(71)	—
Decrease	—	—	(579)	(37)	(127)	(124)	(867)
Balance at 31 December 2015	12,961	8,635	8,409	507	18,798	5,517	54,827
Accumulated depreciation							
Balance at 1 January 2014	(1,550)	(2,725)	(2,696)	(240)	(139)	—	(7,350)
Increase	(357)	(1,071)	(1,039)	(56)	(458)	—	(2,981)
Decrease	2	—	227	11	5	—	245
Balance at 31 December 2014	(1,905)	(3,796)	(3,508)	(285)	(592)	—	(10,086)
Increase	(457)	(1,414)	(1,282)	(64)	(832)	—	(4,049)
Decrease	—	—	543	33	50	—	626
Balance at 31 December 2015	(2,362)	(5,210)	(4,247)	(316)	(1,374)	—	(13,509)
Impairment losses							
Balance at 1 January 2014	—	—	—	—	(80)	—	(80)
Increase	—	—	—	—	—	—	—
Decrease	—	—	—	—	—	—	—
Balance at 31 December 2014	—	—	—	—	(80)	—	(80)
Increase	—	—	—	—	(88)	—	(88)
Decrease	—	—	—	—	1	—	1
Balance at 31 December 2015	—	—	—	—	(167)	—	(167)
Net value							
Balance at 31 December 2014	10,582	3,561	4,281	202	13,656	4,654	36,936
Balance at 31 December 2015	10,599	3,425	4,162	191	17,257	5,517	41,151

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**24 Property and equipment (continued)****Bank**

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Construction in progress	Total
Original cost						
Balance at 1 January 2014	9,504	5,203	5,701	403	4,895	25,706
Increase	773	1,983	2,182	70	1,561	6,569
CIP transfers	1,810	—	—	—	(1,810)	—
Decrease	(25)	—	(237)	(17)	(62)	(341)
Balance at 31 December 2014	12,062	7,186	7,646	456	4,584	31,934
Increase	375	1,266	1,166	56	1,046	3,909
CIP transfers	71	—	—	—	(71)	—
Decrease	—	—	(578)	(37)	(124)	(739)
Balance at 31 December 2015	12,508	8,452	8,234	475	5,435	35,104
Accumulated depreciation						
Balance at 1 January 2014	(1,550)	(2,671)	(2,635)	(228)	—	(7,084)
Increase	(340)	(1,047)	(1,020)	(51)	—	(2,458)
Decrease	2	—	224	11	—	237
Balance at 31 December 2014	(1,888)	(3,718)	(3,431)	(268)	—	(9,305)
Increase	(424)	(1,375)	(1,224)	(59)	—	(3,082)
Decrease	—	—	543	33	—	576
Balance at 31 December 2015	(2,312)	(5,093)	(4,112)	(294)	—	(11,811)
Net value						
Balance at 31 December 2014	10,174	3,468	4,215	188	4,584	22,629
Balance at 31 December 2015	10,196	3,359	4,122	181	5,435	23,293

As at 31 December 2015 and 31 December 2014, the Group and the Bank did not have any property and equipment which were acquired by means of finance leasing or held for sale.

## Notes to the 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	
	2015	2014	2015	2014
Held in mainland China				
on long-term lease				
(more than 50 years)	—	123	—	118
on medium-term lease				
(10–50 years)	10,596	10,121	10,193	9,731
on short-term lease				
(less than 10 years)	3,428	3,899	3,362	3,793
<b>Total</b>	<b>14,024</b>	<b>14,143</b>	<b>13,555</b>	<b>13,642</b>

As at 31 December 2015, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB865 million (2014: RMB526 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 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**

	2015		2014	
	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	14,219	56,876	9,710	38,840
Employee benefits payable	2,216	8,864	1,960	7,840
Fair value losses of				
— derivatives	831	3,326	639	2,558
— available-for-sale securities	456	1,824	355	1,420
— financial assets at fair value through the profit or loss	13	52	46	184
Others	345	1,380	130	520
Subtotal	18,080	72,322	12,840	51,362
Deferred income tax liabilities				
Fair value gains of				
— derivatives	(1,263)	(5,055)	(807)	(3,231)
— available-for-sale securities	(910)	(3,640)	(223)	(892)
— financial assets at fair value through the profit or loss	(44)	(176)	(46)	(184)
Subtotal	(2,217)	(8,871)	(1,076)	(4,307)
Deferred income tax assets, net	15,863	63,451	11,764	47,055

## Notes to the 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**

	2015		2014	
	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	13,491	53,964	9,094	36,376
Employee benefits payable	2,178	8,712	1,920	7,680
Fair value losses of				
– derivatives	831	3,326	639	2,558
– available-for-sale securities	456	1,824	355	1,420
– financial assets at fair value through the profit or loss	3	12	46	184
Others	83	332	82	328
Subtotal	17,042	68,170	12,136	48,546
Deferred income tax liabilities				
Fair value gains of				
– derivatives	(1,263)	(5,055)	(807)	(3,231)
– available-for-sale securities	(857)	(3,428)	(223)	(892)
– financial assets at fair value through the profit or loss	(44)	(176)	(46)	(184)
Subtotal	(2,164)	(8,659)	(1,076)	(4,307)
Deferred income tax assets, net	14,878	59,511	11,060	44,239

## Notes to the 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 2015	9,710	1,040	2,090	12,840	(1,076)	(1,076)
Recognised in profit or loss	4,509	159	471	5,139	(454)	(454)
Recognised in other comprehensive income	—	101	—	101	(687)	(687)
At 31 December 2015	14,219	1,300	2,561	18,080	(2,217)	(2,217)
At 1 January 2014	7,499	1,607	2,098	11,204	(521)	(521)
Recognised in profit or loss	2,211	47	(8)	2,250	(352)	(352)
Recognised in other comprehensive income	—	(614)	—	(614)	(203)	(203)
At 31 December 2014	9,710	1,040	2,090	12,840	(1,076)	(1,076)

## Notes to the 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 2015	9,094	1,040	2,002	12,136	(1,076)	(1,076)
Recognised in profit or loss	4,397	149	259	4,805	(454)	(454)
Recognised in other comprehensive income	—	101	—	101	(634)	(634)
At 31 December 2015	13,491	1,290	2,261	17,042	(2,164)	(2,164)
At 1 January 2014	7,096	1,607	1,953	10,656	(521)	(521)
Recognised in profit or loss	1,998	47	49	2,094	(352)	(352)
Recognised in other comprehensive income	—	(614)	—	(614)	(203)	(203)
At 31 December 2014	9,094	1,040	2,002	12,136	(1,076)	(1,076)

**(3) Offsetting of balances within the same tax jurisdiction of deferred income tax assets and liabilities are as follows:**

	Group		Bank	
	2015	2014	2015	2014
Deferred income tax assets	—	—	—	—
Deferred income tax liabilities	(2,217)	(1,076)	(2,164)	(1,076)

## Notes to the 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**

	2015		2014	
	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	15,863	63,451	11,764	47,055
Deferred income tax liabilities	—	—	—	—

**Bank**

	2015		2014	
	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	14,878	59,511	11,060	44,239
Deferred income tax liabilities	—	—	—	—



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**26 Investment in subsidiaries**

	2015	2014
Minsheng Financial Leasing	2,600	2,600
CMBC International (Note)	1,614	—
Minsheng Royal Fund	190	190
Pengzhou Rural Bank	20	20
Cixi Rural Bank	35	35
Songjiang Rural Bank	70	70
Qijiang Rural Bank	30	30
Tongnan Rural Bank	25	25
Meihekou Rural Bank	26	26
Ziyang Rural Bank	41	41
Jiangxia Rural Bank	41	41
Changyuan Rural Bank	26	26
Yidu Rural Bank	26	26
Jiading Rural Bank	102	102
Zhongxiang Rural Bank	36	36
Penglai Rural Bank	51	51
Anxi Rural Bank	51	51
Funing Rural Bank	31	31
Taicang Rural Bank	76	51
Ningjin Rural Bank	20	20
Zhangpu Rural Bank	25	25
Puer Rural Bank	15	15
Jinghong Rural Bank	15	15
Zhidan Rural Bank	7	7
Ningguo Rural Bank	20	20
Yuyang Rural Bank	25	25
Guichi Rural Bank	26	26
Tiantai Rural Bank	31	31
Tianchang Rural Bank	20	20
Tengchong Rural Bank	20	20
Xiang'an Rural Bank	36	36
Linzhi Rural Bank	13	13
<b>Total</b>	<b>5,364</b>	<b>3,725</b>

## Notes to the 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 Financial Leasing	Tianjin China	Financial leasing	RMB 5,095 million	Joint stock limited	51.03	51.03
CMBC International	Hongkong China	Investment bank	HKD 2,000 million	Limited liability	100.00	100.00
Minsheng Royal Fund	Guangdong China	Fund management	RMB300 million	Limited liability	63.33	63.33
Pengzhou Rural Bank	Sichuan China	Commercial bank	RMB55 million	Limited liability	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	RMB100 million	Joint stock limited	35	35
Songjiang Rural Bank	Shanghai China	Commercial bank	RMB150 million	Joint stock limited	35	35
Qijiang Rural Bank	Chongqing China	Commercial bank	RMB60 million	Joint stock limited	50	50
Tongnan Rural Bank	Chongqing China	Commercial bank	RMB50 million	Joint stock limited	50	50
Meihkou Rural Bank	Jilin China	Commercial bank	RMB50 Million	Joint stock limited	51	51
Ziyang Rural Bank	Sichuan China	Commercial bank	RMB80 million	Joint stock limited	51	51
Jiangxia Rural Bank	Hubei China	Commercial bank	RMB80 million	Joint stock limited	51	51
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Joint stock limited	51	51
Yidu Rural Bank	Hubei China	Commercial bank	RMB50 million	Joint stock limited	51	51
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Joint stock limited	51	51
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Joint stock limited	51	51
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Joint stock limited	51	51
Anxi Rural Bank	Fujian China	Commercial bank	RMB100 million	Joint stock limited	51	51
Funing Rural Bank	Jiangsu China	Commercial bank	RMB60 million	Joint stock limited	51	51
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	Joint stock limited	51	51
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Joint stock limited	51	51
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Joint stock limited	51	51
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Joint stock limited	51	51
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB30 million	Joint stock limited	51	51
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	Joint stock limited	51	51
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Joint stock limited	51	51
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB50 million	Joint stock limited	51	51
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Joint stock limited	51	51
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Joint stock limited	51	51
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Joint stock limited	51	51
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB40 million	Joint stock limited	51	51
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Joint stock limited	51	51
Linshi Rural Bank	Tibet China	Commercial bank	RMB25 million	Joint stock limited	51	51

Note: CMBC International, a company registered on 11 February 2015 in Hong Kong, was established by the Bank. CMBC International's registered capital is HKD2,000 million (RMB1,614 million), which was fully subscribed by the Bank.

All interests in subsidiaries are directly held by the Bank.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 27 Other assets

## Group

	Note	2015			2014		
		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		29,418	—	29,418	17,752	—	17,752
Interest receivable	(1)	19,164	—	19,164	16,593	—	16,593
Repossessed assets	(2)	13,221	(81)	13,140	9,362	(57)	9,305
Prepayments for leased assets	(3)	12,768	(145)	12,623	12,988	(143)	12,845
Investment properties		6,173	—	6,173	4,877	—	4,877
Land use right		4,315	—	4,315	4,315	—	4,315
Prepayment of decoration		2,135	—	2,135	2,496	—	2,496
Commission receivable		1,743	—	1,743	1,378	—	1,378
Claims and legal fees recoverable		1,297	(345)	952	753	(194)	559
Prepayment of properties		1,142	—	1,142	1,757	—	1,757
Prepayment of rent and deposits		1,040	—	1,040	1,172	—	1,172
Intangible assets	(4)	978	—	978	958	—	958
Long-term deferred expenses		292	—	292	296	—	296
Prepayment of equipments		84	—	84	173	—	173
Others		8,970	(7)	8,963	2,555	—	2,555
<b>Total</b>		<b>102,740</b>	<b>(578)</b>	<b>102,162</b>	<b>77,425</b>	<b>(394)</b>	<b>77,031</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 27 Other assets (continued)

## Bank

	Note	2015			2014		
		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		29,374	—	29,374	17,747	—	17,747
Interest receivable	(1)	18,889	—	18,889	16,380	—	16,380
Reposessed assets	(2)	12,964	(57)	12,907	9,124	(57)	9,067
Land use right		3,006	—	3,006	2,976	—	2,976
Prepayment of decoration		2,135	—	2,135	2,494	—	2,494
Commission receivable		1,743	—	1,743	1,378	—	1,378
Claims and legal fees recoverable		1,294	(345)	949	749	(194)	555
Prepayment of properties		1,142	—	1,142	1,757	—	1,757
Prepayment of rent and deposits		1,014	—	1,014	1,164	—	1,164
Intangible assets	(4)	943	—	943	925	—	925
Long-term deferred expenses		221	—	221	264	—	264
Prepayment of equipments		84	—	84	170	—	170
Others		1,972	—	1,972	1,627	—	1,627
<b>Total</b>		<b>74,781</b>	<b>(402)</b>	<b>74,379</b>	<b>56,755</b>	<b>(251)</b>	<b>56,504</b>

## (1) Interest receivable

	Group		Bank	
	2015	2014	2015	2014
Loans and advances to customers	8,776	5,807	8,730	5,751
Debt and other securities	8,627	7,824	8,564	7,823
Others	1,761	2,962	1,595	2,806
<b>Total</b>	<b>19,164</b>	<b>16,593</b>	<b>18,889</b>	<b>16,380</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**27 Other assets (continued)****(2) Repossessed assets**

Repossessed assets include buildings, machinery and equipment. The Group disposed repossessed assets with a total cost of RMB5 million during the year of 2015 (2014: RMB213 million).

**(3) Prepayments for leased assets**

They represented the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

**(4) Intangible assets****Group**

	Software	Other	Total
Cost			
Balance at 1 January 2014	812	1,303	2,115
Increase	304	26	330
Balance at 31 December 2014	1,116	1,329	2,445
Increase	454	—	454
Balance at 31 December 2015	1,570	1,329	2,899
Accumulated depreciation			
Balance at 1 January 2014	(443)	(643)	(1,086)
Increase	(287)	(114)	(401)
Balance at 31 December 2014	(730)	(757)	(1,487)
Increase	(276)	(158)	(434)
Balance at 31 December 2015	(1,006)	(915)	(1,921)
Net value			
Balance at 31 December 2014	386	572	958
Balance at 31 December 2015	564	414	978

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**27 Other assets (continued)****(4) Intangible assets (continued)****Bank**

	Software	Other	Total
Cost			
Balance at 1 January 2014	767	1,302	2,069
Increase	289	26	315
Balance at 31 December 2014	1,056	1,328	2,384
Increase	445	—	445
Balance at 31 December 2015	1,501	1,328	2,829
Accumulated depreciation			
Balance at 1 January 2014	(422)	(642)	(1,064)
Increase	(281)	(114)	(395)
Balance at 31 December 2014	(703)	(756)	(1,459)
Increase	(269)	(158)	(427)
Balance at 31 December 2015	(972)	(914)	(1,886)
Net value			
Balance at 31 December 2014	353	572	925
Balance at 31 December 2015	529	414	943

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**28 Movements in allowances for impairment losses****Group**

	Note	2015				At 31 December
		At 1 January	Charge	Transfer in/(out)	Write-offs	
Loans and advances to customers	21	38,507	33,029	(8,858)	(12,255)	50,423
Long-term receivables	23	2,353	551	(27)	(104)	2,773
Loans and receivables	22	943	779	—	—	1,722
Available-for-sale securities	22	855	70	18	—	943
Financial assets held under resale agreements	20	156	—	—	—	156
Held-to-maturity securities	22	—	105	—	—	105
Others		474	273	(2)	—	745
<b>Total</b>		<b>43,288</b>	<b>34,807</b>	<b>(8,869)</b>	<b>(12,359)</b>	<b>56,867</b>

	Note	2014				At 31 December
		At 1 January	Charge	Transfer in/(out)	Write-offs	
Loans and advances to customers	21	34,816	19,928	(9,118)	(7,119)	38,507
Long-term receivables	23	2,238	288	(138)	(35)	2,353
Loans and receivables	22	—	943	—	—	943
Available-for-sale securities	22	854	—	1	—	855
Financial assets held under resale agreements	20	—	156	—	—	156
Others		371	117	(14)	—	474
<b>Total</b>		<b>38,279</b>	<b>21,432</b>	<b>(9,269)</b>	<b>(7,154)</b>	<b>43,288</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**28 Movements in allowances for impairment losses (continued)****Bank**

	Note	At 1 January	Charge	2015 Transfer in/(out)	Write-offs	At 31 December
Loans and advances to customers	21	37,951	32,670	(8,813)	(12,026)	49,782
Loans and receivables	22	943	554	—	—	1,497
Available-for-sale securities	22	855	70	18	—	943
Financial assets held under resale agreements	20	156	—	—	—	156
Held-to-maturity securities	22	—	105	—	—	105
Other assets	27	251	154	(3)	—	402
<b>Total</b>		<b>40,156</b>	<b>33,553</b>	<b>(8,798)</b>	<b>(12,026)</b>	<b>52,885</b>

	Note	At 1 January	Charge	2014 Transfer in/(out)	Write-offs	At 31 December
Loans and advances to customers	21	34,459	19,500	(9,055)	(6,953)	37,951
Loans and receivables	22	—	943	—	—	943
Available-for-sale securities	22	854	—	1	—	855
Financial assets held under resale agreements	20	—	156	—	—	156
Other assets	27	139	117	(5)	—	251
<b>Total</b>		<b>35,452</b>	<b>20,716</b>	<b>(9,059)</b>	<b>(6,953)</b>	<b>40,156</b>



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**29 Deposits from customers**

	Group		Bank	
	2015	2014	2015	2014
Demand deposits				
– Corporate deposits	803,352	707,374	794,023	700,213
– Personal deposits	159,682	137,342	158,181	136,088
Time deposits (including call and notice deposits)				
– Corporate deposits	1,344,807	1,176,707	1,336,744	1,163,940
– Personal deposits	412,371	401,831	401,193	395,540
Certificates of deposit	6,185	5,698	6,185	5,698
Outward remittance and remittance payables	5,865	4,858	5,840	4,829
<b>Total</b>	<b>2,732,262</b>	<b>2,433,810</b>	<b>2,702,166</b>	<b>2,406,308</b>

The pledged deposits included in deposits from customers are analysed as follows:

	Group		Bank	
	2015	2014	2015	2014
Pledged deposits for bank acceptances	218,026	277,199	217,433	276,660
Pledged deposits for letters of credit and guarantees	38,940	56,780	38,927	56,698
Other pledged deposits	57,496	75,485	56,955	75,006
<b>Total</b>	<b>314,462</b>	<b>409,464</b>	<b>313,315</b>	<b>408,364</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**30 Deposits and placements from banks and other financial institutions**

	Group		Bank	
	2015	2014	2015	2014
Mainland China				
— Banks	428,122	306,613	430,017	310,269
— Other financial institutions	534,801	569,618	536,041	570,497
Overseas				
— Banks	19,044	15,488	19,044	15,488
— Other financial institutions	8,808	—	9,859	—
<b>Total</b>	<b>990,775</b>	<b>891,719</b>	<b>994,961</b>	<b>896,254</b>

**31 Financial assets sold under repurchase agreements**

	Group		Bank	
	2015	2014	2015	2014
Investment securities	40,130	70,766	40,130	70,763
Discounted bills	8,099	9,626	7,276	9,312
Long-term receivables	900	2,899	—	—
<b>Total</b>	<b>49,129</b>	<b>83,291</b>	<b>47,406</b>	<b>80,075</b>

As at 31 December 2015, the balances under repurchase agreements include bills transactions with the PBOC amounting to RMB8,099 million (31 December 2014: RMB9,625 million).

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**32 Borrowings from banks and other financial institutions**

	Group	
	2015	2014
Credit borrowings	92,533	84,339
Secured borrowings		
– by tangible assets other than monetary assets	16,005	14,043
– by monetary assets	—	465
Total	108,538	98,847

As at 31 December 2015, the secured borrowings of RMB16,005 million (2014: RMB14,043 million) were secured by the assets under financial lease of RMB11,338 million (2014: RMB7,225 million) property and equipment of RMB8,100 million (2014: RMB8,974 million) and other assets of RMB168 million (2014: RMB385 million). As at 31 December 2015, there was no monetary asset secured loan (2014: RMB465 million). There was no unused borrowing limit under secured borrowings (2014: None).

**33 Debt securities issued**

	Note	Group		Bank	
		2015	2014	2015	2014
Certificates of interbank deposit		68,159	17,371	68,159	17,371
Financial bonds	(1)	49,981	49,965	49,981	49,965
Tier-two capital bonds	(2)	39,949	19,973	39,949	19,973
Subordinated bonds	(3)	9,986	15,764	9,986	15,764
Hybrid capital bonds	(4)	9,286	9,284	9,286	9,284
Medium-term notes	(5)	3,872	—	3,871	—
Convertible corporate bonds	(6)	—	16,922	—	16,922
Total		181,233	129,279	181,232	129,279

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**33 Debt securities issued (continued)****(1) Financial bonds**

	Note	Group and Bank	
		2015	2014
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	29,989	29,978
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	19,992	19,987
<b>Total</b>		<b>49,981</b>	<b>49,965</b>

- (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.

**(2) Tier-two capital bonds**

	Note	Group and Bank	
		2015	2014
RMB20 billion — 10-year fixed rate tier-two capital bonds 2014	(i)	19,974	19,973
RMB20 billion — 10-year fixed rate tier-two capital bonds 2015	(ii)	19,975	—
<b>Total</b>		<b>39,949</b>	<b>19,973</b>

- (i) Tier-two capital bonds with a nominal value of RMB20.0 billion, a term of 10 years, and a fixed coupon rate of 6.60% per annum, payable annually, were issued in 2014. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (ii) Tier-two capital bonds with a nominal value of RMB20.0 billion, a term of 10 years, and a fixed coupon rate of 5.40% per annum, payable annually, were issued in 2015. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**33 Debt securities issued (continued)****(3) Subordinated bonds**

	Note	Group and Bank	
		2015	2014
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(i)	5,993	5,990
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(ii)	3,993	3,992
RMB5.8 billion — 10-year subordinated fixed rate bonds 2010	(iii)	—	5,782
Total		9,986	15,764

- (i) Subordinated bonds with a nominal value of RMB6.0 billion, a term of 10 years and a fixed coupon rate of 5.50% per annum, payable annually, were issued in 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (ii) Subordinated bonds with a nominal value of RMB4.0 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, payable annually, were issued in 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the tenth year to the maturity date.
- (iii) Subordinated bonds with a nominal value of RMB5.8 billion, a term of 10 years and a fixed coupon rate of 4.29% per annum, payable annually, were issued in 2010. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The bank has redeemed the subordinated bonds on June 10, 2015.

According to the issuance terms, these bonds are subordinated to all other claims against the Bank's assets, except those of the hybrid capital bond holders and shareholders.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**33 Debt securities issued (continued)****(4) Hybrid capital bonds**

	Note	Group and Bank	
		2015	2014
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	3,319	3,318
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	1,672	1,672
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(iii)	3,296	3,295
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(iv)	999	999
Total		9,286	9,284

- (i) Hybrid capital bonds with a nominal value of RMB3.325 billion, a term of 15 years and a fixed coupon rate is 5.70% per annum for the first 10 years, payable annually, were issued in 2009. And if the Bank does not exercise the early redemption right from the 11th year onward, the coupon rate will increase to 8.70% per annum.
- (ii) Hybrid capital bonds with a nominal value of RMB1.675 billion, a term of 15 years and of floating-rate, payable annually, were issued in 2009. The floating rate is based on the one-year time deposit rate published by the PBOC plus a spread of 3.00% per annum for the first 10 years. If the Bank does not exercise the early redemption right from the 11th year onward, the spread will increase to 6.00% per annum.
- (iii) Hybrid capital bonds with a nominal value of RMB3.3 billion, a term of 15 years and a fixed coupon rate is 5.05% per annum for the first 10 years, payable annually, were issued in 2006. And if the Bank does not exercise the early redemption right from the 11th year onward, the coupon rate will increase to 8.05% per annum.
- (iv) Hybrid capital bonds with a nominal value of RMB1.0 billion, a term of 15 years and of floating-rate, payable annually, were issued in 2006. The floating rate is based on the one-year time deposit rate published by the PBOC plus a spread of 2.00% per annum for the first 10 years. If the Bank does not exercise the early redemption right from the 11th year onward, the spread will increase to 3.00% per annum.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**33 Debt securities issued (continued)****(4) Hybrid capital bonds (continued)**

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 an option to defer interest payment if the core capital adequacy ratio calculated based on its latest audited financial reports is below 4%. If the sum of surplus reserve plus retained earnings shown on the latest audited statement of financial position is negative and no cash dividend has been paid to ordinary equity shareholders in the last 12 months, the Bank must defer interest payment.

**(5) Medium-term notes**

	Group		Bank	
	2015	2014	2015	2014
USD0.6 billion — 3-year medium-term notes 2015	3,872	—	3,871	—

Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued in 2015, with a term of 3 years. The coupon rate is 2.25%.

**(6) Convertible corporate bonds**

	Group and Bank	
	2015	2014
RMB20 Billion — 6-year fixed rate convertible corporate bonds 2013	—	16,922

Pursuant to the approval by China Securities Regulatory Commission (“CSRC”), the Bank issued A-share convertible corporate bonds with total par value of RMB20 billion on the Shanghai Stock Exchange on 15 March 2013. 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 0.6% 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).

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**33 Debt securities issued (continued)****(6) Convertible corporate bonds (continued)**

The Bank has redeemed all convertible bonds which have not been converted into shares by 24 June 2015 on 1 July 2015.

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
Conversion	(828)	(163)	(991)
Amortisation	774	—	774
Balance as at 31 December 2014	16,922	3,351	20,273
Conversion	(17,139)	(3,322)	(20,461)
Amortisation	363	—	363
Redemption	(146)	(29)	(175)
Balance as at 31 December 2015	—	—	—



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**34 Other liabilities**

	Note	Group		Bank	
		2015	2014	2015	2014
Interest payable	(1)	33,367	33,805	32,611	33,199
Receipt in advance		10,094	9,534	94	77
Employee benefits payable	(2)	9,140	7,996	8,724	7,707
Items in the process of clearance and settlement		8,174	7,348	8,171	7,346
Asset-backed securities payable		4,612	481	4,612	481
Other tax payable	(3)	2,838	3,052	2,756	2,923
Wealth management products payable		1,386	1,298	1,375	1,298
Deferred fee and commission income		699	847	698	847
Accrued expenses		600	387	598	336
Guarantee deposits for finance lease		376	787	—	—
Payable of equipment purchase		88	443	59	219
Dividend payable		—	2,562	—	2,562
Others		3,359	3,613	2,042	2,751
<b>Total</b>		<b>74,733</b>	<b>72,153</b>	<b>61,740</b>	<b>59,746</b>

**(1) Interest payable**

	Group		Bank	
	2015	2014	2015	2014
Deposits from customers	24,452	23,970	24,045	23,674
Debt securities issued	4,122	3,622	4,122	3,622
Deposits from banks and other financial institutions	3,800	5,290	3,795	5,270
Borrowings from banks and other financial institutions	344	290	—	—
Others	649	633	649	633
<b>Total</b>	<b>33,367</b>	<b>33,805</b>	<b>32,611</b>	<b>33,199</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**34 Other liabilities (continued)****(2) Employee benefits payable****Group**

	Note	At 1 January 2015	Increase	Decrease	At 31 December 2015
Short-term employee benefits	(i)	7,819	21,939	(20,804)	8,954
Post-employment benefits-defined contribution plans	(ii)	177	2,135	(2,126)	186
Total		7,996	24,074	(22,930)	9,140

	Note	At 1 January 2014	Increase	Decrease	At 31 December 2014
Short-term employee benefits	(i)	7,537	20,379	(20,097)	7,819
Post-employment benefits- defined contribution plans	(ii)	145	2,048	(2,016)	177
Total		7,682	22,427	(22,113)	7,996

**Bank**

	Note	At 1 January 2015	Increase	Decrease	At 31 December 2015
Short-term employee benefits	(i)	7,530	21,051	(20,041)	8,540
Post-employment benefits- defined contribution plans	(ii)	177	2,091	(2,084)	184
Total		7,707	23,142	(22,125)	8,724

	Note	At 1 January 2014	Increase	Decrease	At 31 December 2014
Short-term employee benefits	(i)	7,343	19,666	(19,479)	7,530
Post-employment benefits- defined contribution plans	(ii)	145	1,997	(1,965)	177
Total		7,488	21,663	(21,444)	7,707

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**34 Other liabilities (continued)****(2) Employee benefits payable (continued)****(i) Short-term employee benefits****Group**

	At 1 January 2015	Increase	Decrease	At 31 December 2015
Salaries, bonuses and allowances	7,661	16,849	(15,729)	8,781
Staff welfare fees	—	2,228	(2,228)	—
Social insurance and supplementary insurance	29	1,255	(1,247)	37
Housing fund	109	1,010	(1,008)	111
Labour union fee, staff and workers' education fee	20	597	(592)	25
<b>Total</b>	<b>7,819</b>	<b>21,939</b>	<b>(20,804)</b>	<b>8,954</b>

	At 1 January 2014	Increase	Decrease	At 31 December 2014
Salaries, bonuses and allowances	6,311	15,509	(14,159)	7,661
Staff welfare fees	—	2,144	(2,144)	—
Social insurance and supplementary insurance	1,122	1,192	(2,285)	29
Housing fund	99	926	(916)	109
Labour union fee, staff and workers' education fee	5	608	(593)	20
<b>Total</b>	<b>7,537</b>	<b>20,379</b>	<b>(20,097)</b>	<b>7,819</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**34 Other liabilities (continued)****(2) Employee benefits payable (continued)****(i) Short-term employee benefits (continued)****Bank**

	At 1 January 2015	Increase	Decrease	At 31 December 2015
Salaries, bonuses and allowances	7,378	16,031	(15,030)	8,379
Staff welfare fees	—	2,215	(2,215)	—
Social insurance and supplementary insurance	28	1,234	(1,226)	36
Housing fund	109	986	(984)	111
Labour union fee, staff and workers' education fee	15	585	(586)	14
<b>Total</b>	<b>7,530</b>	<b>21,051</b>	<b>(20,041)</b>	<b>8,540</b>

	At 1 January 2014	Increase	Decrease	At 31 December 2014
Salaries, bonuses and allowances	6,148	14,907	(13,677)	7,378
Staff welfare fees	—	2,109	(2,109)	—
Social insurance and supplementary insurance	1,092	1,172	(2,236)	28
Housing fund	99	899	(889)	109
Labour union fee, staff and workers' education fee	4	579	(568)	15
<b>Total</b>	<b>7,343</b>	<b>19,666</b>	<b>(19,479)</b>	<b>7,530</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**34 Other liabilities (continued)****(2) Employee benefits payable (continued)****(ii) Post-employment benefits-defined contribution plans****Group**

	At 1 January 2015	Increase	Decrease	At 31 December 2015
Basic pension insurance plans	58	922	(910)	70
Unemployment insurance	11	60	(60)	11
Annuity scheme	108	1,153	(1,156)	105
<b>Total</b>	<b>177</b>	<b>2,135</b>	<b>(2,126)</b>	<b>186</b>

	At 1 January 2014	Increase	Decrease	At 31 December 2014
Basic pension insurance plans	57	789	(788)	58
Unemployment insurance	9	60	(58)	11
Annuity scheme	79	1,199	(1,170)	108
<b>Total</b>	<b>145</b>	<b>2,048</b>	<b>(2,016)</b>	<b>177</b>

**Bank**

	At 1 January 2015	Increase	Decrease	At 31 December 2015
Basic pension insurance plans	58	894	(883)	69
Unemployment insurance	11	58	(58)	11
Annuity scheme	108	1,139	(1,143)	104
<b>Total</b>	<b>177</b>	<b>2,091</b>	<b>(2,084)</b>	<b>184</b>

	At 1 January 2014	Increase	Decrease	At 31 December 2014
Basic pension insurance plans	57	760	(759)	58
Unemployment insurance	9	57	(55)	11
Annuity scheme	79	1,180	(1,151)	108
<b>Total</b>	<b>145</b>	<b>1,997</b>	<b>(1,965)</b>	<b>177</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**34 Other liabilities (continued)****(3) Other tax payable**

	Group		Bank	
	2015	2014	2015	2014
Business tax	2,015	2,136	1,961	2,092
Others	823	916	795	831
<b>Total</b>	<b>2,838</b>	<b>3,052</b>	<b>2,756</b>	<b>2,923</b>

**35 Share capital and capital reserve**

	Group and Bank	
	2015	2014
Common shares listed in Mainland China (A share)	29,551	27,219
Common shares listed in Hong Kong (H share)	6,934	6,934
<b>Total shares</b>	<b>36,485</b>	<b>34,153</b>

All A shares and H shares are with no selling restrictions and rank pari passu with the same rights and benefits.

The increase in share capital this year was due to the conversion of convertible corporate bonds, and the details are set out in note 33 (6).

The Group's capital reserve is RMB64,744 million as at 31 December 2015 (2014: RMB49,949 million), which mainly comprises capital premium.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 36 Surplus reserve, general reserve and retained earnings

#### (1) Surplus reserve

Under PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, when the statutory surplus reserve reaches 50% of its registered capital, the Bank is still required to appropriate 10% of its net profit. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

Pursuant to the 2014 resolution of the Shareholders' Meeting on 18 June 2015, the Bank appropriated the statutory surplus reserve of RMB3,792 million, among which RMB57 million has been appropriated for the second half of 2014, the remaining statutory surplus reserve of RMB3,735 million has been appropriated in the first half of 2015.

Pursuant to the resolution of the First Extraordinary General Meeting for 2016 of the Bank on 1 February 2016, the Bank appropriated the statutory surplus reserve of RMB2,648 million for the first half of 2015.

Besides, pursuant to the resolution of the Board on 30 March 2016, the Board proposed the Bank to appropriate RMB1,901 million to statutory reserve for the second half of 2015, which is subject to shareholders' approval.

The Bank appropriated the statutory surplus reserve of RMB621 million for the year 2014.

The Bank did not make any appropriations to discretionary surplus reserve in 2015 and 2014.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 36 Surplus reserve, general reserve and retained earnings (continued)

#### (2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Pursuant to the resolution of the First Extraordinary General Meeting for 2016 of the Bank on 1 February 2016, the Bank appropriated RMB3,649 million of profits to the general reserve for the first half of 2015.

Pursuant to the resolution of the Meeting of Board of Directors held on 30 March 2016, the Bank appropriated RMB3,373 million of profits to the general reserve for the second half of 2015, which is subject to shareholders' approval.

The Bank appropriated RMB6,745 million of profits to the general reserve in 2014.

#### (3) Retained earnings

As at 31 December 2015, retained earnings of the group included the statutory surplus reserve of RMB407 million appropriated by the subsidiaries and attributable to the Bank (2014: RMB338 million).

### 37 Non-controlling interests

As at 31 December 2015, the non-controlling interests of the subsidiaries are RMB8,565 million (2014: RMB7,614 million).



## Notes to the 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 2015 in the Meeting held on 30 March 2016. The cash dividends declared was RMB1.60 (before tax) for every 10 shares. The total amount of cash dividends of RMB5,838 million is calculated based on the total number of shares in issue of 36,485 million as at 31 December 2015, while it is still subject to shareholders' approval.

The shareholders approved the cash profit distribution plan for the first half of 2015 during the extraordinary general meeting held on 1 February 2016. The cash dividend declared was RMB0.75 (before tax) for every 10 shares, totaling RMB2,736 million. The cash dividend was based on the total number of A shares on 25 February 2016 and the total number of H shares on 17 February 2016.

The shareholders approved the cash profit distribution plan for the second half of 2014 during the Shareholders' Meeting held on 18 June 2015. The cash dividend declared was RMB1.10 (before tax) for every 10 shares, totaling RMB4,013 million.

The shareholders approved the cash profit distribution plan for the first half of 2014 during the Second Extraordinary General Meeting held on 23 December 2014. The cash dividend declared was RMB0.75 (before tax) for every 10 shares, totaling RMB2,561 million.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**39 Investment revaluation reserve**

	Group		Bank	
	2015	2014	2015	2014
At 1 January	(392)	(2,842)	(392)	(2,842)
Changes in fair value of available-for-sale securities	2,464	3,498	2,005	3,498
Less: deferred income tax	(615)	(875)	(501)	(875)
Transfer to profit or loss upon disposal	(352)	(491)	(109)	(491)
Less: deferred income tax	88	123	27	123
Transfer to profit or loss due to amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	236	260	236	260
Less: deferred income tax	(59)	(65)	(59)	(65)
At 31 December	1,370	(392)	1,207	(392)
Less: non-controlling interests	(79)	—	—	—
Investment revaluation reserve attributable to equity shareholders of the Bank	1,291	(392)	1,207	(392)

**40 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	Group	
	2015	2014
Cash (Note 15)	9,282	9,965
Surplus deposit reserve with central bank (Note 15)	31,127	51,106
Original maturity within 3 months:		
— Balances with banks and other financial institutions	60,242	48,419
— Placements with banks and other financial institutions	25,809	22,642
Total	126,460	132,132

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 41 Transfer of financial assets

#### Asset-backed securities

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

#### Credit asset-backed securities

The Group transfers credit assets to structured entities. After that, the structured entities issue asset-backed securities to investors.

Certain securitisations undertaken by the Group result in the Group derecognising transferred assets in their entirety. This is the case when the Group transfers substantially all of the risks and rewards of ownership of financial assets to an unconsolidated securitisation vehicle and retains a relatively small interest in the vehicle or a servicing arrangement in respect of the transferred financial assets. In 2015, loans with an original carrying amount of RMB44,346 million (2014: RMB5,840 million) have been securitized by the Group, and meanwhile, the Group purchased a certain ratio of the asset-backed securities issued by structured entities. As at 31 December 2015, the carrying amount of prime grade assets that the Group held were RMB761 million (2014: RMB266 million), and the subordinated grade assets were RMB131 million (2014: RMB26 million). These assets were classified as loans and receivables.

Besides the securitisation transaction above, in 2015, loans with an original carrying amount of RMB780 million (2014: nil) have been transferred to securitisation vehicles in which the Group does not retain or transfer substantially all of the risks and rewards. As at 31 December 2015, the carrying amount of assets that the Group continued to recognise was RMB40 million (2014: nil). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB40 million as at 31 December 2015 (2014: nil).

### 42 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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**42 Contingent liabilities and commitments (continued)****(1) Credit commitments (continued)**

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	Group		Bank	
	2015	2014	2015	2014
Bank acceptances	694,294	594,300	692,974	592,701
Letters of credit	107,950	170,666	107,950	170,666
Guarantees	267,341	205,168	267,331	205,167
Unused credit card commitments	50,385	47,830	50,385	47,830
Finance lease commitments	5,142	3,007	—	—
Irrevocable loan commitments				
— original maturity date within 1 year	81	2,280	81	2,280
— original maturity date over 1 year (inclusive)	2,681	1,566	2,681	1,566
Re-factoring	—	300	—	300
<b>Total</b>	<b>1,127,874</b>	<b>1,025,117</b>	<b>1,121,402</b>	<b>1,020,510</b>

	Group		Bank	
	2015	2014	2015	2014
Credit risk weighted amounts of credit commitments	405,314	341,295	404,335	336,689

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 Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**42 Contingent liabilities and commitments (continued)****(2) Capital commitments**

	Group		Bank	
	2015	2014	2015	2014
Contracted but not paid for	20,224	18,799	1,012	1,396
Authorized but not contracted for	38	1,576	38	1,576
Total	20,262	20,375	1,050	2,972

**(3) Operating lease commitments**

The future minimum lease payments under non-cancellable operating lease of the Group and the Bank are summarised as follows:

	Group		Bank	
	2015	2014	2015	2014
Within 1 year	3,559	3,055	3,503	2,995
After 1 year but within 5 years	9,213	9,536	9,085	9,365
After 5 years	4,144	3,942	4,093	3,893
Total	16,916	16,533	16,681	16,253

**(4) Fulfilment of commitments of prior period**

The Group had fulfilled the capital commitments and operating lease commitments as at 31 December 2015, in material respects, as specified in the contracts.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**42 Contingent liabilities and commitments (continued)****(5) Assets pledged**

	Group		Bank	
	2015	2014	2015	2014
Investment securities	40,684	70,763	40,684	70,763
Finance lease receivables	12,238	10,462	—	—
Property and equipment	8,100	9,306	—	—
Discounted bills	8,068	9,538	7,245	9,225
Balance with banks and other financial institutions	301	2,057	—	1,900
Other assets	168	385	—	—
<b>Total</b>	<b>69,559</b>	<b>102,511</b>	<b>47,929</b>	<b>81,888</b>

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 PBOC 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 RMB517,341 million as at 31 December 2015 (2014: RMB594,043 million). As at 31 December 2015, the Group sold or repledged RMB197 million of pledged assets which it has an obligation to repurchase on due dates (2014: RMB2,487 million).

**(6) Underwriting of securities**

	Group and Bank	
	2015	2014
Medium- and short-term finance bills	142,156	150,082

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 42 Contingent liabilities and commitments (continued)

#### (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 2015 was RMB3,902 million (2014: RMB3,455 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 2015. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

### 43 Consolidated structured entities

The Group has consolidated certain structured entities which are asset management plans. When assessing whether to consolidate structured entities, the Bank reviews all facts and circumstances to determine whether the Bank, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the consolidated asset management plans, however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the Group's total revenue in total investment income is high. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2015, the asset management plans managed and consolidated by the Group amounted to RMB6,677 million (2014: RMB5,944 million), which were mainly from deposits from customers. The financial impact of any individual asset management plan on the Group's financial performance is not significant.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**44 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 2015 in the structured entities sponsored by third party institutions:

	Group 31 December 2015	
	Carrying amount	maximum exposure
Trust beneficiary plans	38,415	38,415
Speicalised asset management plans	359,775	359,775
Asset-backed financings	25,606	25,606
Total	423,796	423,796

	Group 31 December 2014	
	Carrying amount	maximum exposure
Trust beneficiary plans	103,949	103,949
Speicalised asset management plans	161,668	161,668
Asset-backed financings	17,006	17,006
Total	282,623	282,623



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**44 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 2015 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	Group 31 December 2015		
	Loans and receivables	Available- for-sale financial assets	Financial assets held under resale agreements
Trust beneficiary plans	27,441	—	10,974
Specialised asset management plans	359,775	—	—
Asset-backed financings	25,081	525	—
<b>Total</b>	<b>412,297</b>	<b>525</b>	<b>10,974</b>

	Group 31 December 2014		
	Loans and receivables	Available- for-sale financial assets	Financial assets held under resale agreements
Trust beneficiary plans	47,018	—	56,931
Specialised asset management plans	161,668	—	—
Asset-backed financings	13,537	3,469	—
<b>Total</b>	<b>222,223</b>	<b>3,469</b>	<b>56,931</b>

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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 44 Involvement with unconsolidated structured entities (continued)

#### (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 2015, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognized were not material in the statement of financial positions.

As at 31 December 2015, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, was RMB770.36 billion and RMB927.25 billion respectively (31 December 2014: RMB376.59 billion and RMB553.52 billion).

#### (3) Structured entities sponsored by the Group during the year which the Group does not consolidate and holds an interest at 31 December 2015.

During the year of 2015, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB8.50 billion (for the year ended 31 December 2014: RMB5.45 billion).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2015 but matured before 31 December 2015 is RMB1,130.91 billion (for the year ended 31 December 2014: RMB1,023.35 billion).

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 45 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 RMB223,526 million as at 31 December 2015 (2014: RMB76,517 million). The Group's balances of pensions (include corporate annuity funds) custodian operations were RMB36,172 million as at 31 December 2015 (2014: RMB17,772 million). The Group's balances of credit assets entrusted management were RMB25,649 million as at 31 December 2015 (2014: RMB7,975 million). And the Group's balances of entrusted loans were RMB409,425 million as at 31 December 2015 (2014: RMB406,100 million).

### 46 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 Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 46 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	2015	2014
Sinopharm Group Co., Ltd. and its subsidiaries	Guaranteed	3,449	1,348
Legend Holdings Ltd.	Guaranteed	1,500	1,800
Orient Group Industry Co., Ltd.	Pledged	820	200
Shanghai Fosun High Technology (Group) Co., Ltd.	Guaranteed	500	—
Good First Group Co., Ltd.	Collateralised	258	—
	Guaranteed	150	495
East Hope Group Co., Ltd.	Guaranteed	200	—
Oriental Hope Baotou Terrae Rare Aluminum Co., Ltd	Guaranteed	200	200
Gemdale Corporation	Guaranteed	150	—
Cspc Phamaceutical Group Company Ltd.	Guaranteed	150	—
Sichuan Hope Senlan Energy and Chemical Co., Ltd.	Guaranteed	80	—
Dongyang China Woodcarvings Center	Guaranteed	80	—
	Collateralised	68	148
Southwest Jiaotong University Hope College	Collateralised	80	80
HopeSenlan Science & Technology Co., Ltd.	Guaranteed	60	30
Jiangxi Xindi Investment Co., Ltd.	Guaranteed	46	288
Sichuan Tianyi University	Collateralised	20	80
Sichuan Hope West Construction Co., Ltd.	Guaranteed	20	10
Jinan Qilipu Market Co., Ltd.	Guaranteed	18	18
Orient Group Incorporation	Pledged	—	500
Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd.	Guaranteed	—	67
Chengdu Mayflower Computer School	Guaranteed	—	50
Sichuan Minjiang Snow Salinization Co., Ltd.	Guaranteed	—	50
Giant Interactive Group	Pledged	Note	1,117
Wuxi Giant Pharmaceutical Co., Ltd.	Guaranteed	Note	400
Wuxi Giant Bioengineering Co., Ltd.	Guaranteed	Note	100
Shanghai Goldpartner Biotech Co., Ltd.	Guaranteed	Note	300
Individuals	Collateralised	106	153
<b>Total</b>		<b>7,955</b>	<b>7,434</b>
<b>Ratio to similar transactions (%)</b>		<b>0.40</b>	<b>0.42</b>

Note: As at 31 December 2015, the entities were no longer related parties of the Group.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**46 Related party transactions (continued)****(2) Related party transactions (continued)****(ii) Loans to related parties (continued)***Amount of transactions:*

	2015	2014
Interest income from loans	281	315
Ratio to similar transactions (%)	0.14	0.16

As at 31 December 2015, none of the above loans are found to be impaired individually (2014: nil).

**(iii) Other transactions with related parties***Balances outstanding as at the end of the reporting period:*

	2015		2014	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial assets at fair value through the profit or loss	213	0.79	89	0.33
Precious metals	39	0.21	986	3.85
Financial assets held under resale agreements	—	—	310	0.05
Investment securities:				
— available-for-sale securities	205	0.13	20	0.01
— held-to-maturity securities	25	0.01	50	0.03
— loans and receivables	3,300	0.73	125	0.05
Long-term receivables	544	0.59	330	0.37
Other assets	31	0.03	64	0.08
Deposits from customers	31,444	1.15	47,828	1.97
Deposits and placements from banks and other financial institutions	2,401	0.26	348	0.04
Other liabilities	2,998	4.01	1,054	1.46

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**46 Related party transactions (continued)****(2) Related party transactions (continued)****(iii) Other transactions with related parties (continued)***Amount of transactions for the reporting period:*

	2015		2014	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	98	0.05	33	0.02
Interest expense	1,692	1.55	1,669	1.56
Fee and commission income	341	0.62	Note	Note
Operating expenses	227	0.39	Note	Note

Other related-party transactions have no material impact on the Group's income statement.

Note: The amount had no material impact on the Group's income statement for the year ended 2014.

*Balances of items off the statement of financial position outstanding as at the end of the reporting period:*

	2015		2014	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Guarantees	3,825	1.43	2,143	1.04
Bank acceptances	1,245	0.18	2,203	0.37
Letters of credit	503	0.47	102	0.06

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**46 Related party transactions (continued)****(2) Related party transactions (continued)****(iii) Other transactions with related parties (continued)***Balances of other items outstanding as at the end of the reporting period:*

	2015		2014	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	6,565	0.33	4,159	0.23
Discounted bills under resale agreements, issued by related parties	535	0.10	392	0.07

None of the above related party transactions have a material impact on the Group's profit or loss for the years ended 31 December 2015 and 31 December 2014, and the Group's financial position as at 31 December 2015 and 31 December 2014.

**(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 2015 and 31 December 2014.

**(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 RMB12 million as at 31 December 2015 (2014: RMB85 million), which have been included in the above loans granted to related parties.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 46 Related party transactions (continued)

#### (2) Related party transactions (continued)

##### (v) Transactions with key management personnel (continued)

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB91 million for the year ended 31 December 2015 (2014: RMB134 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 RMB47 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2014: RMB60 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 2015 and 31 December 2014.

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 2015 financial statements.



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**46 Related party transactions (continued)****(2) Related party transactions (continued)****(vi) Transactions between the Bank and its subsidiaries***Balances outstanding as at the end of the reporting period:*

	2015	2014
Balances with banks and other financial institutions	187	392
Other assets	450	378
Deposits and placements from banks and other financial institutions	6,668	4,715
Other liabilities	75	29

*Amount of transactions for the reporting period:*

	2015	2014
Interest income	118	58
Interest expense	124	136
Fee and commission income	327	79
Operating expenses	349	271
Other operating expenses	30	—

*Balances of items off the statement of financial position outstanding as at the end of the reporting period:*

	2015	2014
Guarantees	36	—

For the year ended 31 December 2015, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 31 December 2015, the balance of the above transactions was RMB940 million (2014: RMB250 million).

The balances and amount with the subsidiary and inter-subsidiaries have been offset in the consolidated financial statements.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 47 Fair value of financial instruments

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the valuation date. This level includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and derivatives traded in stock exchange like stock index futures (based on indexes including Nasdaq, S&P 500 etc.) etc.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, trading loans and issued structured debt instruments. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters.
- Level 3: inputs for assets or liabilities are unobservable. This level includes equity investments and debt instruments with one or more than one significant unobservable component. These financial instruments are valued by using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market price volatilities.

As at 31 December 2015, 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 unobservable assumptions were also immaterial.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**47 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 2015			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	136	24,032	—	24,168
Equity investments	18	—	—	18
Investment funds	—	361	—	361
Financial assets designated at fair value through profit or loss				
Debt securities	—	2,062	—	2,062
Investment funds	—	—	350	350
Derivative financial assets				
Interest rate contracts	—	456	—	456
Exchange rate contracts	—	3,445	—	3,445
Others	10	1,154	110	1,274
Available-for-sale financial assets				
Debt securities	979	150,415	56	151,450
Equity investments	715	973	3,715	5,403
<b>Total</b>	<b>1,858</b>	<b>182,898</b>	<b>4,231</b>	<b>188,987</b>
<b>Liabilities</b>				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	—	(447)	—	(447)
Exchange rate contracts	—	(2,754)	—	(2,754)
Others	—	(125)	—	(125)
Financial liabilities at fair value through the profit or loss				
	(337)	—	—	(337)
<b>Total</b>	<b>(337)</b>	<b>(3,326)</b>	<b>—</b>	<b>(3,663)</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 47 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 2014			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	—	25,705	—	25,705
Financial assets designated at fair value through profit or loss				
Debt securities	—	1,508	—	1,508
Derivative financial assets				
Interest rate contracts	—	390	—	390
Exchange rate contracts	—	1,661	—	1,661
Others	—	1,180	—	1,180
Available-for-sale financial assets				
Debt securities	—	156,103	52	156,155
Equity investments	—	3,422	—	3,422
Total	—	189,969	52	190,021
<b>Liabilities</b>				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	—	(345)	—	(345)
Exchange rate contracts	—	(1,931)	—	(1,931)
Others	—	(282)	—	(282)
Financial liabilities at fair value through the profit or loss				
	—	(21)	—	(21)
Total	—	(2,579)	—	(2,579)

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**47 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 2015			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	71	24,032	—	24,103
Financial assets designated at fair value through profit or loss				
Debt securities	—	2,062	—	2,062
Derivative financial assets				
Interest rate contracts	—	456	—	456
Exchange rate contracts	—	3,445	—	3,445
Others	—	1,154	—	1,154
Available-for-sale financial assets				
Debt securities	979	149,325	56	150,360
Equity investments	677	459	3,412	4,548
<b>Total</b>	<b>1,727</b>	<b>180,933</b>	<b>3,468</b>	<b>186,128</b>
<b>Liabilities</b>				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	—	(447)	—	(447)
Exchange rate contracts	—	(2,754)	—	(2,754)
Others	—	(125)	—	(125)
Financial liabilities at fair value through the profit or loss				
	(337)	—	—	(337)
<b>Total</b>	<b>(337)</b>	<b>(3,326)</b>	<b>—</b>	<b>(3,663)</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**47 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 2014			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	—	25,648	—	25,648
Financial assets designated at fair value through profit or loss				
Debt securities	—	1,508	—	1,508
Derivative financial assets				
Interest rate contracts	—	390	—	390
Exchange rate contracts	—	1,661	—	1,661
Others	—	1,180	—	1,180
Available-for-sale financial assets				
Debt securities	—	155,103	52	155,155
Equity investments	—	3,055	—	3,055
<b>Total</b>	<b>—</b>	<b>188,545</b>	<b>52</b>	<b>188,597</b>
<b>Liabilities</b>				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	—	(345)	—	(345)
Exchange rate contracts	—	(1,931)	—	(1,931)
Others	—	(282)	—	(282)
<b>Total</b>	<b>—</b>	<b>(2,558)</b>	<b>—</b>	<b>(2,558)</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**47 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**

	Derivative financial assets	Financial assets designated at fair value through profit or loss	2015		Total assets
			Available-for-sale securities		
			Debt securities	Equity securities	
At 1 January	—	—	52	—	52
— in profit or loss	—	—	(18)	—	(18)
— in other comprehensive income	—	—	22	—	22
Purchase	110	350	—	303	763
Addition	—	—	—	3,412	3,412
At 31 December	110	350	56	3,715	4,231
Total gains for the year included in profit or loss for assets and liabilities held at end of the reporting period	—	—	7	—	7

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**47 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**

	Derivative financial assets	Financial assets at fair value through profit or loss	2015		
			Available-for-sale securities		Total assets
			Debt securities	Equity securities	
At 1 January	—	—	52	—	52
— in profit or loss	—	—	(18)	—	(18)
— in other comprehensive income	—	—	22	—	22
Addition	—	—	—	3,412	3,412
At 31 December	—	—	56	3,412	3,468
Total gains for the year included in profit or loss for assets and liabilities held at end of the reporting period	—	—	7	—	7



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**47 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)

**Group and Bank**

	2014		Total assets
	Available-for-sale securities		
	Debt securities	Equity securities	
At 1 January	117	—	117
— in profit or loss	(1)	—	(1)
Settlements	(64)	—	(64)
At 31 December	52	—	52
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	2	—	2

**(3) Transfers among levels**

During the year, the transfers among level 1, level 2 and level 3 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 47 Fair value of financial instruments (continued)

#### (4) Fair value of financial assets and liabilities not carried at fair value

- a Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, long-term receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, and financial assets held under resale agreements and sold under repurchase agreements**

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

- b Loans and advances to customers, and investment securities — loans and receivables**

Loans and advances to customers, and investment securities — loans and receivables are recorded net of allowance for impairment losses. Their estimated fair value represents the amount of estimated future cash flows expected to be received, discounted at current market rates.

- c Held-to-maturity securities and available-for-sale equity investments measured in cost**

The fair value for held-to-maturity assets and available-for-sale equity investments measured in cost 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 is estimated on discounted cash flows using interest rates for new deposits with similar remaining maturities.

- e Debt securities issued**

The fair value of debt securities issued is 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.

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

**47 Fair value of financial instruments (continued)****(4) Fair value of financial assets and liabilities not carried at fair value (continued)**

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, loans and receivables, loans and advances to customers, debt securities issued and deposits from customers:

**Group**

	2015					2014				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>										
Available-for-sale equity investments	147	147	—	—	147	147	147	—	147	—
Loans and receivables	451,239	450,459	—	450,459	—	234,393	234,324	—	234,324	—
Loans and advances to customers	1,997,625	2,132,415	—	2,132,415	—	1,774,159	1,861,912	—	1,861,912	—
Held-to-maturity investments	278,364	287,038	—	287,038	—	176,834	178,616	—	178,616	—
<b>Total</b>	<b>2,727,375</b>	<b>2,870,059</b>	<b>—</b>	<b>2,869,912</b>	<b>147</b>	<b>2,185,533</b>	<b>2,274,999</b>	<b>—</b>	<b>2,274,999</b>	<b>—</b>
<b>Financial liabilities</b>										
Deposits from customers	2,732,262	2,731,487	—	2,731,487	—	2,433,810	2,526,851	—	2,526,851	—
Debt securities issued	181,233	187,839	—	187,839	—	129,279	133,493	—	133,493	—
<b>Total</b>	<b>2,913,495</b>	<b>2,919,326</b>	<b>—</b>	<b>2,919,326</b>	<b>—</b>	<b>2,563,089</b>	<b>2,660,344</b>	<b>—</b>	<b>2,660,344</b>	<b>—</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 47 Fair value of financial instruments (continued)

## (4) Fair value of financial assets and liabilities not carried at fair value (continued)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, loans and receivables, loans and advances to customers, debt securities issued and deposits from customers: (continued)

**Bank**

	2015					2014				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>										
Available-for-sale equity investments	125	125	—	—	125	125	125	—	125	—
Loans and receivables	449,565	448,785	—	448,785	—	228,946	228,877	—	228,877	—
Loans and advances to customers	1,981,855	2,116,520	—	2,116,520	—	1,759,094	1,774,159	—	1,774,159	—
Held-to-maturity investments	278,364	287,038	—	287,038	—	176,834	178,616	—	178,616	—
<b>Total</b>	<b>2,709,909</b>	<b>2,852,468</b>	<b>—</b>	<b>2,852,343</b>	<b>125</b>	<b>2,164,999</b>	<b>2,181,777</b>	<b>—</b>	<b>2,181,777</b>	<b>—</b>
<b>Financial liabilities</b>										
Deposits from customers	2,702,166	2,701,413	—	2,701,413	—	2,406,308	2,498,423	—	2,498,423	—
Debt securities issued	181,232	187,839	—	187,839	—	129,279	133,493	—	133,493	—
<b>Total</b>	<b>2,883,398</b>	<b>2,889,252</b>	<b>—</b>	<b>2,889,252</b>	<b>—</b>	<b>2,535,587</b>	<b>2,631,916</b>	<b>—</b>	<b>2,631,916</b>	<b>—</b>

## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 48 Bank statement of financial position

	2015	2014
<b>ASSETS</b>		
Cash and balances with central bank	429,493	468,023
Balances with banks and other financial institutions	94,362	69,027
Precious metals	18,425	25,639
Financial assets at fair value through profit or loss	26,166	27,156
Positive fair value of derivatives	5,055	3,231
Placements with banks and other financial institutions	230,579	179,011
Financial assets held under resale agreements	570,657	675,868
Loans and advances to customers	1,981,855	1,759,094
Investment securities:		
— available-for-sale securities	155,033	158,335
— held-to-maturity securities	278,364	176,834
— loans and receivables	449,565	228,946
Property and equipment	23,293	22,629
Deferred income tax assets	14,878	11,060
Investment in subsidiaries	5,364	3,725
Other assets	74,379	56,504
<b>Total assets</b>	<b>4,357,468</b>	<b>3,865,082</b>
<b>LIABILITIES</b>		
Borrowings from central bank	62,000	50,000
Deposits from customers	2,702,166	2,406,308
Deposits and placements from banks and other financial institutions	994,961	896,254
Financial liabilities at fair value through the profit or loss	337	—
Negative fair value of derivatives	3,326	2,558
Financial assets sold under repurchase agreements	47,406	80,075
Provisions	1,925	1,931
Debt securities issued	181,232	129,279
Current income tax liabilities	5,798	2,601
Other liabilities	61,740	59,746
<b>Total liabilities</b>	<b>4,060,891</b>	<b>3,628,752</b>

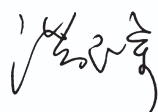
## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

## 48 Bank statement of financial position (continued)

	2015	2014
<b>EQUITY</b>		
Share capital	36,485	34,153
Capital reserve	64,447	49,652
Surplus reserve	25,361	17,077
General reserve	55,467	48,445
Investment revaluation reserve	1,207	(392)
Retained earnings	113,566	87,400
Exchange reserve	44	(5)
<b>Total equity</b>	<b>296,577</b>	<b>236,330</b>
<b>Total liabilities and equity</b>	<b>4,357,468</b>	<b>3,865,082</b>

Approved and authorized for issue by the Board of Directors on 30 March 2016.



**Hong Qi**  
Chairman



**Zheng Wanchun**  
Director and president



**Han Jianmin**  
Director



## Notes to the Financial Statements (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 49 Subsequent events

Up to the approval date of the financial statements, other than the surplus reserve appropriation set out in Note 36(1) and the dividends distribution plan set out in Note 38, the Group had no material subsequent events for disclosure.

### 50 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 coverage ratio (%)

	As at 31 December 2015	Average for the year of 2015	As at 31 December 2014	Average for the year of 2014
Liquidity coverage ratio (RMB and foreign currency)	<b>88.21%</b>	<b>87.48%</b>	<b>83.67%</b>	<b>78.32%</b>

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

Pursuant to the Administrative Measures on Liquidity Risk of Commercial Banks (Trial Implementation) (2015 Revision), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

## 2 Currency concentrations

	2015			
	USD	HKD	Others	Total
Spot assets	<b>189,365</b>	<b>19,053</b>	<b>39,469</b>	<b>247,887</b>
Spot liabilities	<b>(139,327)</b>	<b>(18,944)</b>	<b>(51,534)</b>	<b>(209,805)</b>
Forward purchases	<b>156,007</b>	<b>13,887</b>	<b>226,979</b>	<b>396,873</b>
Forward sales	<b>(156,264)</b>	<b>(13,894)</b>	<b>(225,654)</b>	<b>(395,812)</b>
Net long/(short) position*	<b>49,781</b>	<b>102</b>	<b>(10,740)</b>	<b>39,143</b>

	2014			
	USD	HKD	Others	Total
Spot assets	<b>132,376</b>	<b>9,711</b>	<b>28,623</b>	<b>170,710</b>
Spot liabilities	<b>(129,303)</b>	<b>(22,177)</b>	<b>(15,676)</b>	<b>(167,156)</b>
Forward purchases	<b>162,733</b>	<b>18,298</b>	<b>15,806</b>	<b>196,837</b>
Forward sales	<b>(147,912)</b>	<b>(13,220)</b>	<b>(34,033)</b>	<b>(195,165)</b>
Net long/(short) position*	<b>17,894</b>	<b>(7,388)</b>	<b>(5,280)</b>	<b>5,226</b>

\* 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

	2015				Total
	Northern China	Eastern China	Southern China	Other Locations	
Impaired loans	14,505	7,544	3,585	7,187	32,821
Allowance for impairment losses					
– Individual assessment	3,372	1,294	599	1,460	6,725
– Collective assessment	2,890	1,704	748	1,548	6,890

	2014				Total
	Northern China	Eastern China	Southern China	Other Locations	
Impaired loans	9,465	5,925	2,035	3,709	21,134
Allowance for impairment losses					
– Individual assessment	1,872	1,054	315	623	3,864
– Collective assessment	1,562	748	259	589	3,158

##### Bank

	2015				Total
	Northern China	Eastern China	Southern China	Other Locations	
Impaired loans	14,504	7,376	3,577	7,056	32,513
Allowance for impairment losses					
– Individual assessment	3,372	1,249	599	1,454	6,674
– Collective assessment	2,890	1,631	743	1,481	6,745

	2014				Total
	Northern China	Eastern China	Southern China	Other Locations	
Impaired loans	9,465	5,745	2,034	3,681	20,925
Allowance for impairment losses					
– Individual assessment	1,872	1,024	315	623	3,834
– Collective assessment	1,562	694	258	539	3,053

## 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**

	Northern China	Eastern China	2015 Southern China	Other Locations	Total
Overdue loans	20,383	11,143	5,665	11,501	48,692
Allowance for impairment losses					
– Individual assessment	3,348	1,215	591	1,334	6,488
– Collective assessment	4,549	2,931	1,337	2,790	11,607

	Northern China	Eastern China	2014 Southern China	Other Locations	Total
Overdue loans	9,991	6,222	2,756	4,017	22,986
Allowance for impairment losses					
– Individual assessment	1,868	1,033	310	619	3,830
– Collective assessment	2,661	1,362	601	1,099	5,723

**Bank**

	Northern China	Eastern China	2015 Southern China	Other Locations	Total
Overdue loans	20,366	10,886	5,633	11,260	48,145
Allowance for impairment losses					
– Individual assessment	3,348	1,173	591	1,328	6,440
– Collective assessment	4,549	2,845	1,329	2,717	11,440

	Northern China	Eastern China	2014 Southern China	Other Locations	Total
Overdue loans	9,991	5,958	2,756	3,888	22,593
Allowance for impairment losses					
– Individual assessment	1,868	1,003	310	619	3,800
– Collective assessment	2,661	1,246	600	1,034	5,541

## Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

### 4 International claims

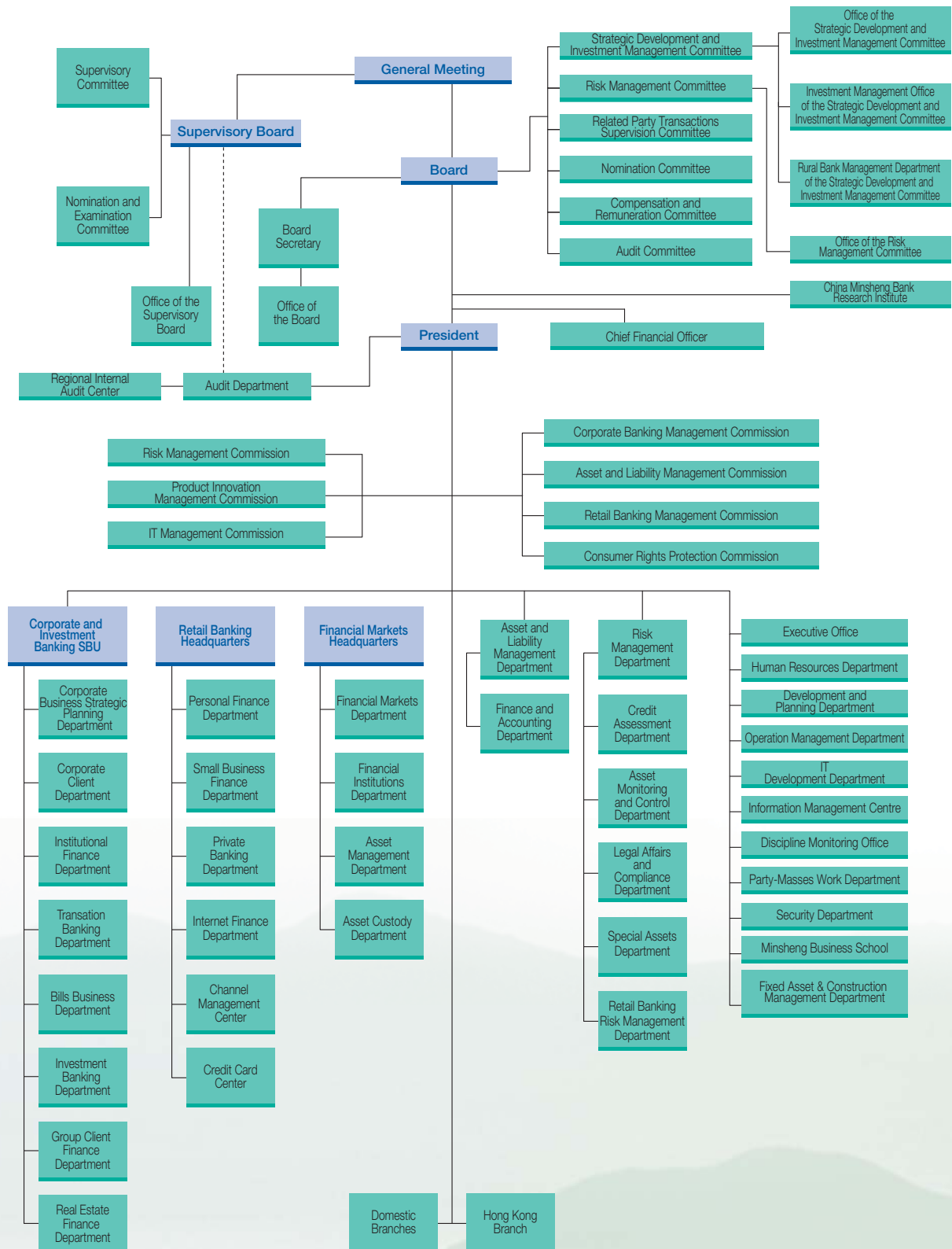
	2015				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	58,540	8,517	2,399	1,561	71,017
Public sector entities	888	167	950	—	2,005
Others	64,831	2,352	99	19,067	86,349
<b>Total</b>	<b>124,259</b>	<b>11,036</b>	<b>3,448</b>	<b>20,628</b>	<b>159,371</b>

	2014				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	16,602	8,222	902	—	25,726
Public sector entities	1,597	170	—	—	1,767
Others	64,135	9,815	308	11,208	85,466
<b>Total</b>	<b>82,334</b>	<b>18,207</b>	<b>1,210</b>	<b>11,208</b>	<b>112,959</b>

## Index of Documents for Inspection

- I. Financial statements bearing the seals of the Company and the signatures of the chairman, president and Directors
  - II. Original of the Independent Auditor's Report bearing the signatures of the certified public accountants
  - III. Annual Report duly signed by the Directors and Senior Management of the Company
  - IV. All originals 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
- 

# Organization Chart



## List of Entities

### ■ 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.197 Minsheng Bank Tower,  
Yuhua East Road,  
Chang'an District, Shijiazhuang

Postal code: 050011

Telephone no: 0311-66889003

Fax no: 0311-66889001

### ■ Hangzhou

**Entity: Hangzhou Branch**

Address: Jinzun, Zunbao Mansion,  
No.98 Shimin Street,  
Qianjiang New Town,  
Jianggan 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

## List of Entities

## ■ Chongqing

**Entity:** Chongqing Branch  
Address: Tongjuyuanjing Building,  
No.9 Jianxin Bei Road,  
Jiangbei District, Chongqing  
Postal code: 400020  
Telephone no: 023-67695186  
Fax no: 023-67695107

## ■ Xi'an

**Entity:** Xi'an Branch  
Address: China Minsheng Bank Tower,  
No.78 Erhuan Nanlu Xiduan,  
Xi'an  
Postal code: 710065  
Telephone no: 029-88266088  
Fax no: 029-88266090

## ■ 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.815 Juxian Road,  
Gaoxin 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

## List of Entities

## ■ 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



## List of Entities

## ■ Hohhot

**Entity:** Hohhot Branch  
**Address:** Minsheng Bank Tower  
 Building C Dong Fang Jun Zuo,  
 No.20 Chilechuan Street,  
 Saihan District, Hohhot, Inner Mongolia  
**Postal code:** 010010  
**Telephone no:** 0471-3458081  
**Fax no:** 0471-2849082

## ■ Shenyang

**Entity:** Shenyang Branch  
**Address:** No.65 Nanjing North Street,  
 Heping District, Shenyang  
**Postal code:** 110001  
**Telephone no:** 024-22587777  
**Fax no:** 024-22587714

## ■ 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:** 0851-88508011  
**Fax no:** 0851-88508012

## ■ Sanya

**Entity:** Sanya Branch  
**Address:** No.128 Xinfeng Street,  
 Jiyang 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

## ■ Shanghai

**Entity:** Shanghai Pilot  
**Free Trade Zone Branch**  
**Address:** 1/F, No.188 Yesheng Road,  
 Pudong New Area, Shanghai  
**Postal Code:** 201308  
**Telephone no:** 021-68286103  
**Fax no:** 021-68286191

## ■ Harbin

**Entity:** Harbin Branch  
**Address:** 1-6/F, Olympic Centre District 1,  
 No.11 Aijian Road, Daoli District, Harbin  
**Postal Code:** 150000  
**Telephone no:** 0451-58569000  
**Fax no:** 0451-58569000

## ■ Lanzhou

**Entity:** Lanzhou Branch  
**Address:** 1-4/F, Gansu Daily Building,  
 No.123 Baiyin Road,  
 Chengguan District, Lanzhou  
**Postal Code:** 730030  
**Telephone no:** 0931-6116116  
**Fax no:** 0931-6116100

## ■ Urumqi

**Entity:** Urumqi Branch  
**Address:** No.314 Yangzijiang Road,  
 Saybagh District, Urumqi  
**Postal Code:** 830000  
**Telephone no:** 0991-5515044  
**Fax no:** 0991-5515044

Statistics of Correspondent Banks of China Minsheng Bank Banking Corp., Ltd.

As at 31 December 2015, the Bank had 1,532 correspondent banks in 115 countries and regions







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