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中國民生銀行股份有限公司
CHINA MINSHENG BANKING CORP., LTD.

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

(H Shares Stock Code: 01988)

Results Announcement For the Year Ended 31 December 2014

The Board of Directors (the “Board”) of China Minsheng Banking Corp., Ltd. (the “Company”) hereby announces the audited results of the Company and its subsidiaries for the year ended 31 December 2014. This announcement, containing the full text of the 2014 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange in relation to information to accompany preliminary announcements of annual results.

Publication of Annual Results and Annual Report

This results announcement will be published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cmbc.com.cn).

The Company's 2014 Annual Report will be dispatched to holders of H shares and published on the websites of the Company and Hong Kong Stock Exchange in due course.

Dividend Distribution

The 23rd meeting of the sixth session of the Board of the Company on 30 March 2015 approved the dividend distribution plan to declare to the A share and H share holders, as registered on the register of members on the record date(s) as indicated in the Notice of 2014 Annual General Meeting to be published by the Company in due course, a cash dividend of RMB1.10 (before tax) for every 10 shares. The above dividend distribution plan is subject to the approval of the 2014 Annual General Meeting. Notice of 2014 Annual General Meeting will announce the date of the 2014 Annual General Meeting of the Company and details of its book closure, as well as the arrangement of book closure for dividend distribution.

By Order of the Board
CHINA MINSHENG BANKING CORP., LTD.
Hong Qi
Chairman

Beijing, PRC
30 March 2015

As at the date of this notice, the executive directors of the Company are Mr. Hong Qi and Mr. Liang Yutang; the non-executive directors of the Company are Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Wang Yugui, Mr. Wang Hang, Mr. Wang Junhui, Mr. Wu Di, Mr. Guo Guangchang and Mr. Yao Dafeng; and the independent non-executive directors of the Company are Mr. Qin Rongsheng, Mr. Wang Lihua, Mr. Han Jianmin, Mr. Cheng Hoi-chuen, Mr. Ba Shusong and Ms. You Lantian.

Important Notice

The Board of Directors, the Supervisory Board, the Directors, Supervisors and senior management of the Company confirm that there are no misstatements, misleading representations or material omissions in this report, and assume joint and several liability for the truthfulness, accuracy and completeness of this report.

The annual report was considered and approved on 30 March 2015 at the 23rd meeting of the sixth session of the Board of the Company. 17 Directors were entitled to attend the meeting. 11 Directors attended the meeting in person (including Liu Yonghao (Vice Chairman), Guo Guangchang, Ba Shusong and Wong Lihua attended by teleconference) and one Director was represented by proxy. Director Wang Junhui entrusted Chairman Hong Qi, in writing, to exercise his voting rights at the meeting. Director You Lantian was absent from the meeting.

According to the profit distribution plan for the second half of 2014 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 RMB1.1 (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 shareholders' 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 IFRS. Unless otherwise specified, all amounts are the consolidated data of the Group and denominated in RMB.

KPMG Huazhen Certified Public Accountants (Special General Partnership) and KPMG Certified Public Accountants, auditors of the Company, have audited the financial reports of 2014 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, Acting President), Bai Dan (Senior Management responsible for accounting) confirm the truthfulness, accuracy and completeness of the financial reports included in this annual report.

Contents

Important Notice		1
Chapter 1	Bank Profile	12
Chapter 2	Summary of Accounting Data and Financial Indicators	14
Chapter 3	Management Discussion and Analysis	17
Chapter 4	Changes in Share Capital and Information on Shareholders	84
Chapter 5	Directors, Supervisors, Senior Management and Employees	98
Chapter 6	Corporate Governance	125
Chapter 7	Shareholders' General Meeting	171
Chapter 8	Internal Control	172
Chapter 9	Report of the Board of Directors	178
Chapter 10	Report of the Supervisory Board	184
Chapter 11	Major Events	189
Chapter 12	Corporate Social Responsibility	192
Chapter 13	Financial Reports	195
Chapter 14	Index of Documents for Inspection	340

Material Risk Warning

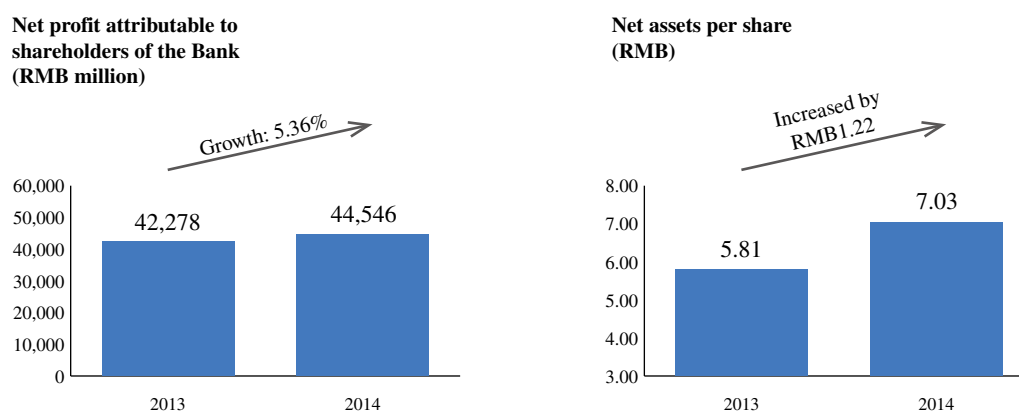
The Company has no foreseeable material risks. For potential risks, please refer to “XI. Prospects and Measures — (III) Potential risks” under the section of Chapter 3 “Management Discussion and Analysis” in this report.

Message from the Chairman

In 2014, the global economy was mired in a period of austerity adjustments. On the other hand, the economy of China saw a new development trend with slower economic growth, structural adjustment and initial adaptation to new policies. The new development trend added to the pressure of China's economic restructuring and downward adjustment, resulting in overcapacity. Due to the slowdown of macro-economic growth, increased risks of asset quality, accelerated liberalization of interest rate and the success of internet finance, the banking industry gradually resumed its reasonable growth under the new development trend.

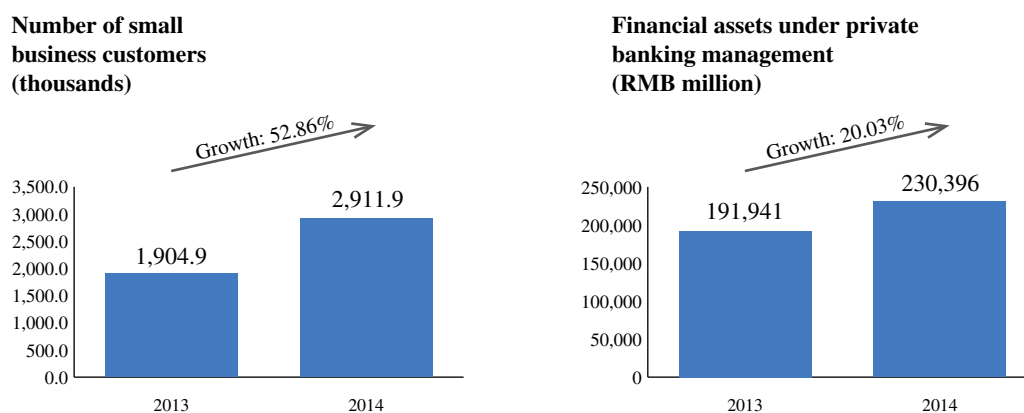
In 2014, in the face of an ever-changing external environment and complicated competition environment, the Company overcame various difficulties and challenges by making persistent efforts in strategic transformation. In response to new challenges and opportunities, the Company ensured its stable development through preventing risk, maintaining growth, facilitating reform, making adjustment and encouraging creativity. The conditions of the operation are as follows:

Steady growth of operating results. The net profit attributable to equity shareholders of the Bank for 2014 amounted to RMB44,546 million, representing an increase of 5.36% as compared with the corresponding period of the previous year. Return on average assets and return on average shareholders' equity were 1.26% and 20.35%, respectively, representing a slight decrease as compared with the corresponding period of the previous year. Basic earnings per share amounted to RMB1.31, representing an increase of RMB0.07 as compared with last year. As at the end of 2014, net assets per share attributable to equity shareholders of the Bank amounted to RMB7.03, representing an increase of RMB1.22 as compared with the end of 2013. Some indicators showed a slowdown of growth, reflecting changes of the macro-environment and market demands and the determination of the Company to change and adjust its business strategies.

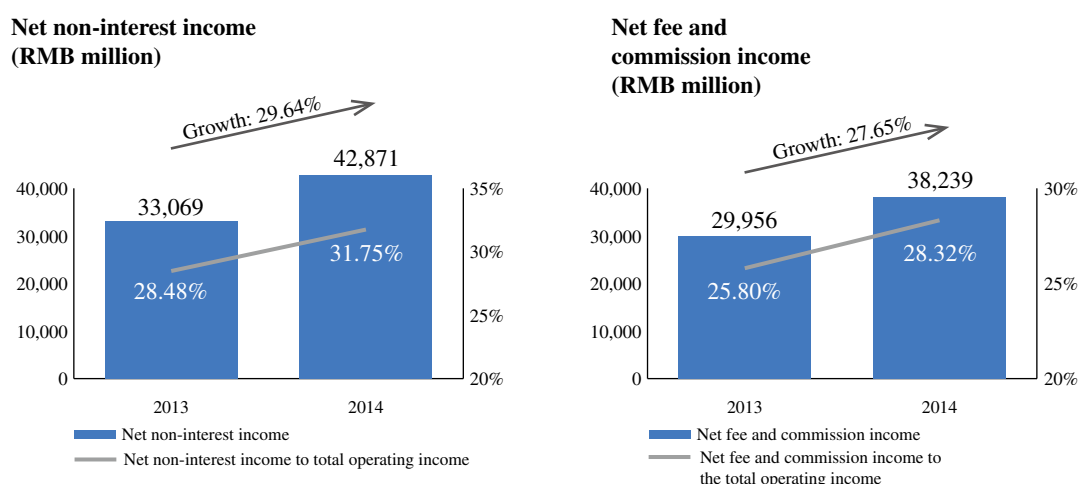


Accelerated development of strategic businesses. In 2014, the Company further implemented its strategy of becoming a “bank for NSOEs”, “bank for small and micro enterprises” and “bank for high-end retail customers” in an orderly manner with proven results. As at the end of 2014, the Company had 11,876 NSOE customers with outstanding loan balances, and the outstanding general loans to NSOEs amounted to RMB653,505 million, accounting for 83.47% and 57.96% of corporate banking segment, respectively. Our strategic position of “bank for NSOEs” was further consolidated. In 2014, the Company maintained its leading position in small business finance. As at the end of 2014, outstanding loans to small and micro enterprises and the number of small business customers of the Company were RMB402,736 million and 2.9119 million respectively, representing an increase of 52.86% as compared with the end of last year. Driven by the small business finance,

the growth of deposits of the Company was significantly strengthened. As at the end of 2014, financial assets of individual customers under management amounted to RMB1,073,023 million, of which, savings deposits amounted to RMB531,628 million. As at the end of 2014, the number of private banking customers of the Company and the financial assets under management were 14,252 and RMB230,396 million, representing increases of 10.48% and 20.03% respectively as compared with the end of last year.



Optimisation of income structure. In 2014, confronting severe challenges of narrowed interest spread and slowdown of margin income growth as a result of interest rate liberalisation, the Company continued to adjust its income structure by focusing on the vigorous development of intermediary business. In 2014, the Group recorded net non-interest income of RMB42,871 million, representing an increase of 29.64% as compared with the corresponding period of the previous year, accounting for 31.75% of the total operating income, representing an increase of 3.27 percentage points as compared with the corresponding period of the previous year. Net fee and commission income amounted to RMB38,239 million, representing an increase of 27.65% as compared with the corresponding period of the previous year, accounting for 28.32% of the total operating income, representing an increase of 2.52 percentage points as compared with the corresponding period of the previous year.



In 2014, in response to the challenges of interest rate liberalisation and internet finance, the Company adjusted its business and income structures based on its insights and strategic planning. With resilient strategic development, optimised implementation efforts and a focus on both strategies and customers, the Company made breakthroughs in several aspects.

Firstly, the Company strived to increase capital return by expanding financial assets and strengthening corporate business. The Company launched “Strategic Business Unit (SBU) reform version 2.0” and accelerated the business transformation of branches to strengthen cross-selling between SBUs and branches as well as the two major product lines of transaction banking and investment banking. These efforts supported the establishment of an all-in-one comprehensive service platform for capital market, financial market, financing and banking services, facilitating the transformation of corporate businesses. As at the end of 2014, the corporate deposit accounts with outstanding balance and the balance of deposits amounted to 547.0 thousand and RMB1.86 trillion respectively, representing an increase of 40.11% and 15.47% respectively.

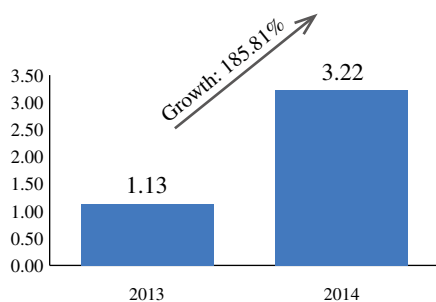
Secondly, “small business finance and community finance” boosted the transformation of the retail banking business. In accordance with its community finance strategies, the Company adjusted and optimised the establishment of community banking outlets. As at the end of 2014, the community banking outlets (including full function self-service banks) amounted to 4,902,743 of which had obtained business licenses. The Company accelerated the process reengineering of small business finance (version 2.0) to carry out restructuring of customer base, product portfolios and industry. The Company continued to optimise its customer structure by increasing the proportion of customers of smaller size. As at the end of 2014, the average loans per account of small and micro loan customers was RMB1.55 million, representing a decrease of 13.09% as compared with the corresponding period of the previous year. The retail banking business operated under a new system focusing on “small business finance and community finance”, which was supported by mobile internet application, ecological environment of small and micro enterprises and living circle of communities. Mobile operation, community banking outlets and electronic channels became important sources of customers, reflecting the comprehensive efficiency of the retail banking business.

Thirdly, the Company grasped development opportunities for its financial market segment. Through the establishment of special departments for asset management and financial institutions, its financial institution management was strengthened significantly. A competitive integrated structure of the financial market segment was initially formed in response to market demand. This structure laid a foundation for expanding low-cost sources of funding, maintaining adequate liquidity and steadily increasing investment income from the financial market. Leveraging on the advantages of products such as structured deposits and TRS, the Company effectively increased deposits from customers and introduced yield-swap bill business (收益互換式票據業務), innovative principal-guaranteed wealth management and T+0 product. Internet finance was connected with the asset custody business successfully, marking a breakthrough in online credit base custody.

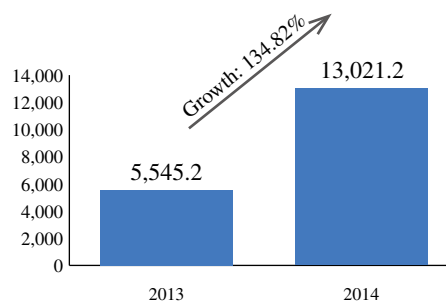
Fourthly, the Company improved its IT services and management of information security, which accelerated the transformation and innovation of technologies. A big data platform of the Group was established to speed up data analysis and application development. The Company developed and launched an online loan system with the proprietary intellectual property and new internet structure. The Company promoted its online banking strategies through product and service innovation with a focus on mobile banking, direct banking, Wechat banking and online payment. These efforts further improved customer experience and rapidly increased its market share, allowing the Company to maintain its leading position among its peers. As at the end of 2014, the number of mobile banking customers was 13.0212 million, representing an increase of 7.4760 million as compared with the corresponding period of the previous year. The transaction volume for the

year amounted to RMB3.22 trillion, representing an increase of 185.81% as compared with the corresponding period of the previous year. The customer transaction frequency was substantially higher than the average level of the industry. With the successful launch of direct banking, the Company introduced an internet financial service system based on the idea of “simple banking”. The number of direct banking customers was 1.4681 million and the subscription volume of Ru Yi Bao amounted to RMB236,687 million.

Mobile banking transaction volume
(RMB trillion)



Number of mobile banking customers
(thousands)



Fifthly, the Company implemented systematic planning for interest rate liberalisation and formulated the reform blueprint and implementation path. It also put great efforts in management innovation. In order to further facilitate the development and innovation of SBUs and improve their operation efficiency, the Company continued to promote the implementation of the “SBU reform version 2.0”. The SBUs established the quasi-corporation mechanism and strengthened the building of professional teams and the transformation of stewardship operation model to accelerate its transformation into a professional investment bank. By introducing the philosophy of simplified operation, we implemented an innovative mobile operating model independent of outlets and counters, which received favourable market response. As at the end of 2014, we had a total of over 5,000 mobile smart devices in service and the aggregate number of issued credit cards through mobile devices amounted to over 4 million, accounting for over 40% of the total number of issued credit cards of the Bank. The first phase of the research and development, as well as platform establishment for customer-oriented operation model were completed. The completion will entirely change the existing outlet service model and significantly enhance the experience of customers with lower operation cost, more efficient services. As a result, customer loyalty will be improved.

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 Banking Corp., Ltd.

We will embrace the new normality and look forward to making new achievements in the future. In 2015, the austerity adjustments of the global economy will continue after the international financial crisis. As such, a significant improvement in the overall sluggish recovery is unlikely. Meanwhile, the economy of China is still mired in the three factors mentioned above, resulting in substantial pressure of downturn adjustment during the process of economic structural adjustment. The Company will develop the spirit of relearning and fortitude with determination in the pursuit of excellence. Response to the liberalisation of interest rate will be given top priority in respect of our transformation and reform. We will ensure the success of “Phoenix Plan” (鳳凰計劃) and accelerate

the structural reforms and management system reforms by innovating and refining our strategies in order to achieve breakthroughs in key businesses. We will strive to build the Company into the best commercial bank in China with core competitiveness and unique business characteristics. It is also our commitment to bring better returns to the shareholders and facilitate the healthy career development of our employees. We will shoulder more corporate responsibilities for the society while striving for new heights and better results.

HONG Qi

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

30 March 2015

Strategic Positioning and Targets of the Company

I. Mission

In view of the complicated macro-economic environment and the intensifying competition in the industry, coupled with the accelerating liberalisation of interest rates, the similar strategic positioning of the commercial banks in the PRC will see some changes. In the coming five years, the Company aims to establish clear business positioning and strategic targets to speed up its transformation and deepen its reform. It will focus on NSOEs and small business finance in order to cater for the needs of the real economy and the industries of the national interests and people's livelihood. Differentiated operation strategies will be adopted to facilitate its brand building as a distinctive financial institution and fully enhance its corporate value.

II. Strategic Positioning and Targets

(I) Strategic positioning

Consolidating its positioning as a bank for NSOEs, small and micro enterprises and high-end retail customers, the Company will put its strategic emphasis on small business finance to further fulfil its strategic positioning.

(II) Strategic targets

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

Annual Awards

1. The Company won the Fourth Best Investor Relations Award (第四屆最佳投資者關係公司大獎) and Icon Award for Corporate Governance in 2014 (2014亞洲企業管治典範獎) from *Corporate Governance Asia* (《亞洲企業管治》);
2. Hong Qi, our Chairman, was named the Best Chairman of Asia in 2014 (2014年度亞洲最佳董事長) in the Tenth Asian Best Corporate Governance Election (第10屆亞洲最佳企業管治公司評選) organised by *Corporate Governance Asia*;
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 Tenth Golden Round Table Award for the Board of Directors of Chinese Listed Companies (第十屆中國上市公司董事會金圓桌獎);
4. The Company received the Best Finance for People's Livelihood Award (最佳民生金融獎) and Welfare and Charity Projects of the Year (年度公益慈善優秀項目獎) from the China Banking Association;
5. The Company was ranked No.1 in the Social Responsibility Index of Chinese Banking Industry (中國銀行業社會責任指數) and No.2 in the Social Responsibility Index of Chinese Non-state-owned Enterprises (中國民營企業社會責任指數) in the *Blue Paper of Corporate Social Responsibilities (2013)* (《企業社會責任藍皮書(2013)》) issued by Chinese Academy of Social Sciences;
6. The Company was awarded the Innovative Trade Finance Services in Asia (亞洲貿易金融創新服務) by *Financial Time* (《金融時報》), a British magazine, and *Boao Review* (《博鰲觀察》);
7. The Company was awarded 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* (《亞洲銀行家》);
8. The Company was honoured as one of the Top 100 Best Employers in China of the Year (中國年度最佳僱主100強) again;
9. The Company was awarded the Best Private Bank of Asset Management (最佳資產管理私人銀行) by the *21st Century Business Herald* (《21世紀經濟報道》);
10. The Company was awarded the Most Outstanding Private Bank of the Year (年度卓越私人銀行) by the *Economic Observer* (《經濟觀察報》);
11. The Company was awarded the Most Innovative Community Bank of the Year (年度最具創新社區銀行) and the Most Competitive Wealth Management Institution of the Year (年度最具競爭力財富管理機構) by Hexun.com (和訊網);

12. The Company was granted the Best Interactive creativity Award of 2014 Gold Medal of Marketing (2014搜狐金營銷獎最佳互動創意獎項) by Sohu.com (搜狐網);
13. The Company and SAS jointly received the award of 2014 Best Data Analysis Project in China (2014年中國最佳數據分析項目獎) in the 2014 China International Banking Convention and Award Ceremony of Asian Banker (2014年中國國際銀行會議暨亞洲銀行家中國獎項計劃) hosted by *The Asian Banker* (《亞洲銀行家》);
14. The Company was elected as the Best Financial Service Bank for Small-and Micro Enterprises (最佳小微企業金融服務銀行) in the 2014 annual election by East Money Award (東方財富風雲榜);
15. The data storage technique and device (數據存儲方法和裝置) developed by our Information Management Department was granted the patent right for invention by the State Intellectual Property Office of the PRC (中華人民共和國知識產權局) (Patent number: 201110280416.X);
16. Direct Bank (直銷銀行) of the Company was awarded the Best Internet Finance of the Year (年度最佳互聯網金融獎) in 2014 Comprehensive Bank Selection of the Second Banking Industry Development Forum (第二屆銀行業發展論壇2014銀行綜合評選) by Sina.com;
17. Direct Bank of the Company was elected as the Best Direct Bank in 2014 (2014年度最佳直銷銀行獎) by the Chinese Finance Certification Agency (“CFCA”);
18. The Company was honoured with the Best Mobile Banking Award of the Year (年度最佳手機銀行獎) in 2014 Comprehensive Bank Selection of the Second Banking Industry Development Forum (第二屆銀行業發展論壇2014銀行綜合評選) by Sina.com (新浪網);
19. The Company was elected as the Most Popular Mobile Bank of the Year (年度最受歡迎手機銀行) at the Fifth Golden Tripod Prize of China Financial Development Forum 2014 (2014中國金融發展論壇暨第五屆金鼎獎榮譽盛典) by the National Business Daily (《每日經濟新聞報社》);
20. Our Precious Metals Business Center of the Financial Market Department was honoured with the Best Innovation Award (最佳創新獎) of the year by the organising committee of China Gold Congress of China (中國國際黃金大會組委會).

Chapter 1 Bank Profile

1. Registered Chinese Name of the Company: 中國民生銀行股份有限公司
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: Qin Rongsheng
Soon Yuk Tai
4. Board Secretary: Wan Qingyuan
Joint Company Secretaries: Wan Qingyuan
Soon Yuk Tai
Representative of Securities Affairs: He Qun
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 Hong Kong Stock Exchange: www.hkexnews.hk
Annual reports are available at Office of the Board of Directors of the Company
9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office
Legal Adviser as to Hong Kong Law: Clifford Chance

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

The Bank profile is based on the information as of 31 December 2014.

Chapter 2 Summary of Financial Data and Indicators

I. Major Accounting Data and Financial Indicators

	2014	2013	Changes of the reporting period over the corresponding period of the previous year	2012	2011	2010
Operating results (RMB million)			Increase/ decrease (%)			
Net interest income	92,136	83,033	10.96	77,153	64,821	45,873
Net non-interest income	42,871	33,069	29.64	25,708	17,375	8,794
Operating income	135,007	116,102	16.28	102,861	82,196	54,667
Operating expenses	54,082	45,962	17.67	42,889	35,449	25,452
Impairment losses on loans and advances	19,928	12,947	53.92	8,331	7,973	5,303
Profit before income tax	59,793	57,151	4.62	50,652	37,175	22,976
Net profit attributable to equity shareholders of the Bank	44,546	42,278	5.36	37,563	27,920	17,581
Net cash flow from operating activities	229,163	-35,238	Negative for the same period of the previous year	-19,889	100,926	37,422
Data per share (RMB/share)						
Basic earnings per share	1.31	1.24	5.65	1.12	0.87	0.55
Diluted earnings per share	1.24	1.19	4.20	1.12	0.87	0.55
Net cash flow per share from operating activities	6.71	-1.04	Negative for the same period of the previous year	-0.58	3.15	1.17
Profitability indicators (%)			Changes in percentage points			
Return on average assets	1.26	1.34	-0.08	1.41	1.40	1.09
Return on average shareholders' equity	20.35	23.44	-3.09	25.67	23.89	18.30
Cost-to-income ratio	33.39	32.69	0.70	34.09	35.71	39.71
Net fee and commission income to operating income ratio	28.32	25.80	2.52	19.95	18.37	15.16
Net interest spread	2.41	2.30	0.11	2.75	2.96	2.82
Net interest margin	2.59	2.49	0.10	2.94	3.14	2.94

	31 December 2014	31 December 2013	Comparison between the end of the previous year to the end of the reporting period	31 December 2012	31 December 2011	31 December 2010
Scale indicators (RMB million)			Increase/ decrease (%)			
Total assets	4,015,136	3,226,210	24.45	3,212,001	2,229,064	1,823,737
Total balance of loans and advances to customers	1,812,666	1,574,263	15.14	1,384,610	1,205,221	1,057,571
Total liabilities	3,767,380	3,021,923	24.67	3,043,457	2,094,954	1,718,480
Deposits from customers	2,433,810	2,146,689	13.38	1,926,194	1,644,738	1,417,877
Share Capital	34,153	28,366	20.40	28,366	26,715	26,715
Total equity attributable to equity shareholders of the Bank	240,142	197,712	21.46	163,077	129,597	104,108
Net assets per share attributable to equity shareholders of the Bank (RMB/share)	7.03	5.81	21.00	4.79	4.04	3.25
			Changes in percentage points			
Assets quality indicators (%)						
Impaired loans ratio	1.17	0.85	0.32	0.76	0.63	0.69
Provision coverage ratio	182.20	259.74	-77.54	314.53	357.29	270.45
Provision for total loans ratio	2.12	2.21	-0.09	2.39	2.23	1.88
			Changes in percentage points			
Capital adequacy ratio indicators (%)						
Core tier-one capital adequacy ratio	8.58	8.72	-0.14	N/A	N/A	N/A
Tier-one capital adequacy ratio	8.59	8.72	-0.13	N/A	N/A	N/A
Capital adequacy ratio	10.69	10.69	—	10.75	10.86	10.44
Total equity to total assets ratio	6.17	6.33	-0.16	5.25	6.02	5.77

- Notes:
- Return on average assets = Net profit/average balance of total assets at the beginning and the end of the period.
 - Return on average shareholders' equity = Net profit attributable to equity shareholders of the Bank/average balance of equity attributable to equity shareholders of the Bank at the beginning and the end of the period.
 - Cost-to-income ratio = (Operating and other expenses – business tax and surcharges)/operating income.
 - Net interest spread = Average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.
 - Net interest margin = Net interest income/average balance of interest-earning assets.
 - Impaired loan ratio = Balance of impaired loans/total balance of loans and advances to customers.
 - Provision coverage ratio = Allowance for impairment losses on loans/balance of impaired loans.
 - Provision for total loan ratio = Allowance for impairment losses on loans/total balance of loans and advances to customers.
 - The capital adequacy ratio and relevant indicators listed in the above chart were calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (Decree of the CBRC 2012 No. 1) since 1 January 2013 and other relevant regulatory requirements. The capital adequacy ratios as at the end of other periods were calculated in accordance with the Administrative Measures for the Capital Adequacy Ratios of Commercial Banks (《商業銀行資本充足率管理辦法》).
 - Earnings per share, net cash flow per share from operating activities and net assets per share attributable to the equity shareholders of the Bank during the reporting period were calculated based on the number of shares in issue after profit distribution for the second half of 2013, and those for comparative period were recalculated.

II. Supplementary Accounting Data and Financial Indicators

(Unit:%)

Major Indicators		Benchmark	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
Liquidity ratios	Consolidated in RMB	≥ 25	36.00	29.31	36.01
Loan-to-deposit ratio	Consolidated in RMB	≤ 75	69.88	73.39	71.93

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

Chapter 3 Management Discussion and Analysis

I. Review of Economic and Fiscal Conditions and Government Policies

In 2014, the international market remained complex and volatile, and the global economy was still in the post-crisis adjustment period. The China's economy continued to focus on maintaining steady growth, adjusting economic structure and promoting reforms. With supportive treasury policy and prudent monetary policy, various economic and financial reforms proceeded orderly. Driven by the acceleration of interest rate liberalization, prosperous development of the capital market, internationalization of RMB and increasing popularization of internet applications in the financial industry, development of private banks and other systems achieved breakthroughs, resulting in a new competition landscape in the banking industry. The regulatory authorities enhanced the guidance and regulations on risk monitoring and business innovation of key aspects, which led to significant improvement in the services provided to real economy and risk prevention. In order to cope with the changes of economic and financial conditions, regulations and policies as well as market competitions, the Company has adopted the following measures:

(i) The Company refined the risk management framework of the Board, launched an Employee Stock Option Plan and completed the design of general risk management framework and further improved the level of corporate governance; (ii) adhering to the principles to maintain steady improvement, promote structural adjustment, seize opportunities, control risks, establish business platforms and enhance operation efficiency, the Company pushed forward its strategic transformation by emphasizing the reforms of SBUs, and the transformation of branches focusing on small business finance and community finance as well as the industry chains and supply chains. Internal and external resources were consolidated based on the needs of customers to promote the sound development of all business lines; (iii) the Company coordinated and planned for the reform projects in response to the liberalization of interest rates, including formulating the general plan and implementation schedules of reforms, implementing management innovation measures, adopting 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); (iv) the Company further enhanced its comprehensive risk management system, advocated the risk culture and carried out "Tie Ji Action" (鐵騎行動) to ensure stable quality of assets; (v) according to the business strategies, the Company seized opportunities from the market trend and major businesses to expand its business scale and enhance operation efficiency. Benefits from the transformation and became more apparent; (vi) the Company promoted innovation of key products and business modes, and achieved synergy in the development of cash management, asset management, commodity transactions, investment banking, internet finance and credit card businesses; (vii) the Company enriched its channels and reformed the operation and service modes by promoting mobile banking and online banking. Mobile and customer-oriented operations achieved significant breakthroughs, which effectively improved customers' experience; (viii) with reasonable allocation of resources and optimization of assets and liabilities, human resources, financial and information technology resource management, the Company increased income and reduced costs effectively, which ensured the sustainable and sound development of its business.

II. Overview of Operations

During the reporting period, in order to actively respond to the adjustments and changes in macro-economic environment and regulatory policies, the Company, under the proper leadership of the Board, further implemented its strategy of becoming a “bank for NSOEs”, “bank for small and micro enterprises” and “bank for high-end retail customers” and adhered to its business goal of being a “distinctive” and “efficient” bank. Based on the principles to maintain steady improvement, promote structural adjustment, seize opportunities, control risks, establish business platforms and enhance operation efficiency as determined at the beginning of the year, the Company reinforced its risk control and promoted the development of various business lines. Profitability was further improved.

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

During the reporting period, net profit attributable to equity shareholders of the Bank of the Group amounted to RMB44,546 million, representing an increase of RMB2,268 million, or 5.36%, as compared with the corresponding period of the previous year. Operating income amounted to RMB135,007 million, representing an increase of RMB18,905 million, or 16.28%, as compared with the corresponding period of the previous year. Net interest margin and net interest spread were 2.59% and 2.41% respectively, representing an increase of 0.10 percentage point and 0.11 percentage point respectively as compared with the corresponding period of the previous year. Basic earnings per share was RMB1.31, representing an increase of RMB0.07, or 5.65%, as compared with the corresponding period of the previous year. Net assets per share attributable to equity shareholders of the Bank were RMB7.03, representing an increase of RMB1.22, or 21.00%, as compared with the end of the previous year.

(II) Coordinated development of assets and liabilities and further expansion of strategic businesses

As at the end of the reporting period, total assets of the Group amounted to RMB4,015,136 million, representing an increase of RMB788,926 million, or 24.45%, as compared with the end of the previous year. Total balance of loans and advances to customers amounted to RMB1,812,666 million, representing an increase of RMB238,403 million, or 15.14%, as compared with the end of the previous year. Total deposits amounted to RMB2,433,810 million, representing an increase of RMB287,121 million, or 13.38%, as compared with the end of the previous year.

With steady growth in scale, the Company continued to develop its strategic businesses. For “small business finance and community finance”, the Company accelerated the process restructuring of Small Business Version 2.0, and adjusted the structures of customers, products and industries as well as the asset structure of small business. In 2014, total loans to small and micro enterprise customers reached RMB453,682 million, representing an increase of 3.22% from the previous year. As at the end of the reporting period, outstanding loans to small and micro enterprises amounted to RMB402,736 million and the number of small and micro enterprise customers totalled 2,911.9 thousand. The Company also promoted the development of community finance. As at the end of the reporting period,

the community banking outlets (including full-function self-service banks) in operation amounted to 4,902. For NSOE strategy, the Company had 11,876 NSOE customers with outstanding loan balances, and the outstanding general loans to NSOEs amounted to RMB653,505 million, accounting for 83.47% and 57.96% of corporate banking segment, respectively. In respect of high-end customer strategy, the Company had 14,252 private banking customers, representing an increase of 10.48% as compared with the end of the previous year. The scale of financial assets of private banking customers under management of the Company reached RMB230,396 million, representing an increase of 20.03% as compared with the end of the previous year.

(III) Further adjustment of operation structure and optimisation of cost management and control

The Group continued to adjust and optimize its business structure, income structure and customer structure. In terms of business structure, the Group further adjusted the investment allocated to assets business, and enlarged the proportion of investment business. As at the end of the reporting period, proportion of securities and other investments amounted to 14.98%, representing an increase of 5.47 percentage points as compared with the end of the previous year. For income structure, during the reporting period, the Group had net non-interest income of RMB42,871 million, representing an increase of RMB9,802 million, or 29.64% as compared with the corresponding period of the previous year, and the net non-interest income accounted for 31.75% of operating income, representing an increase of 3.27 percentage points as compared with the corresponding period of the previous year. For customer structure, as at the end of the reporting period, the number of customers with outstanding balance of corporate deposits totalled 547,000, representing an increase of 156,600 over the end of the previous year. The number of customers with retail deposits increased by 5,887,800 as compared with the end of the previous year, marking a new record for the growth in basic customers. Number of mobile banking customers totalled 13,021,200, representing an increase of 7,476,000 over the end of the previous year. While adjusting its operational structure, the Group further strengthened cost control and optimized cost management. The cost-to-income ratio was 33.39%, representing a slight increase of 0.70 percentage point as compared with the previous year.

(IV) Enhanced risk management and control to maintain general asset quality

The Group continued to improve its risk management system by refining the risk management responsibilities and introducing new recovery and disposal measures. The asset quality was generally under control despite a slight increase in non-performing assets. As at the end of the reporting period, impaired loan ratio of the Group was 1.17%, representing a slight increase of 0.32 percentage point as compared with the end of the previous year. Provision coverage ratio and provision for total loans ratio were 182.20% and 2.12% respectively.

III. Analysis of Major Items of Income Statement

During the reporting period, the Group further improved its profitability and realised a net profit attributable to equity shareholders of the Bank of RMB44,546 million, representing an increase of 5.36% as compared with the corresponding period of the previous year, primarily attributable to the expansion of business scale and increase of operating income.

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

(Unit: RMB million)

Item	2014	2013	Increase (%)
Operating income	135,007	116,102	16.28
Of which: Net interest income	92,136	83,033	10.96
Net non-interest income	42,871	33,069	29.64
Operating expenses	54,082	45,962	17.67
Impairment losses on assets	21,132	12,989	62.69
Profit before income tax	59,793	57,151	4.62
Less: Income tax expense	14,226	13,869	2.57
Net profit	45,567	43,282	5.28
Of which: Net profit attributable to equity shareholders of the Bank	44,546	42,278	5.36
Income attributable to non-controlling interests	1,021	1,004	1.69

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

(Unit: RMB million)

Item	2014		2013		Increase (%)
	Amount	% of total	Amount	% of total	
Net interest income	92,136	68.25	83,033	71.52	10.96
Of which: Interest income from loans and advances to customers	116,924	86.60	104,926	90.37	11.43
Interest income from financial assets held under resale agreements	34,355	25.45	37,548	32.34	-8.50
Interest income from balances with banks and other financial institutions	5,543	4.10	9,447	8.14	-41.33
Interest income from securities and other investments	21,449	15.89	11,992	10.33	78.86
Interest income from balances with the central bank	6,655	4.93	6,567	5.66	1.34
Interest income from finance lease receivables	6,962	5.16	7,189	6.19	-3.16t
Interest income from placements with banks and other financial institutions	7,164	5.31	4,485	3.86	59.73
Interest expenses	-106,916	-79.19	-99,121	-85.37	7.86
Net non-interest income	42,871	31.75	33,069	28.48	29.64
Of which: Net fee and commission income	38,239	28.32	29,956	25.80	27.65
Other net non-interest income	4,632	3.43	3,113	2.68	48.80
Total	135,007	100.00	116,102	100.00	16.28

(I) Net interest income and net interest margin

During the reporting period, net interest income of the Group was RMB92,136 million, representing an increase of RMB9,103 million, or 10.96%, as compared with the corresponding period of the previous year. Among which, the growth of business scale contributed RMB8,455 million to the increase in net interest income and the changes in interest rate contributed RMB648 million to the increase in the net interest income.

During the reporting period, the net interest margin of the Group was 2.59%, representing an increase of 0.10 percentage point as compared with the corresponding period of the previous year. The increase was mainly due to the growth of scale and optimization of structure of interest-earning assets as well as the adjustment of the pricing strategy.

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

(Unit: RMB million)

Item	2014			2013		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Interest-earning assets						
Total balance of loans and advances to customers	1,703,039	116,924	6.87	1,493,864	104,926	7.02
Of which: Corporate loans and advances	1,085,564	72,517	6.68	949,094	65,765	6.93
Personal loans and advances	617,475	44,407	7.19	544,770	39,161	7.19
Securities and other investments	420,053	21,449	5.11	284,685	11,992	4.21
Balances with the central bank	435,648	6,655	1.53	420,505	6,567	1.56
Balances with banks and other financial institutions	126,212	5,543	4.39	227,821	9,447	4.15
Placements with banks and other financial institutions	139,504	7,164	5.14	96,977	4,485	4.62
Financial assets held under resale agreements	651,848	34,355	5.27	726,350	37,548	5.17
Finance lease receivables	86,235	6,962	8.07	83,330	7,189	8.63
Total	<u>3,562,539</u>	<u>199,052</u>	<u>5.59</u>	<u>3,333,532</u>	<u>182,154</u>	<u>5.46</u>

Item	2014			2013		
	Average balance	Interest income	Average cost (%)	Average balance	Interest income	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	2,274,787	54,320	2.39	2,103,518	48,392	2.30
Of which: Corporate deposits	1,739,194	41,888	2.41	1,641,249	37,810	2.30
Demand	631,846	4,912	0.78	622,587	4,240	0.68
Time	1,107,348	36,976	3.34	1,018,662	33,570	3.30
Personal deposits	535,593	12,432	2.32	462,269	10,582	2.29
Demand	131,500	511	0.39	117,236	430	0.37
Time	404,093	11,921	2.95	345,033	10,152	2.94
Deposits from banks and other financial institutions	773,892	37,666	4.87	765,906	37,463	4.89
Placements from banks and other financial institutions	38,078	1,377	3.62	26,868	1,021	3.80
Financial assets sold under repurchase agreements	59,645	2,567	4.30	69,556	3,520	5.06
Debt securities issued	112,958	5,761	5.10	87,732	4,186	4.77
Borrowings from central bank and other financial institutions and others	101,899	5,225	5.13	85,512	4,539	5.31
Total	3,361,259	106,916	3.18	3,139,092	99,121	3.16
Net interest income		92,136			83,033	
Net interest spread			2.41			2.30
Net interest margin			2.59			2.49

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

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

(Unit: RMB million)

Item	Changes due to changes in scale from 2013 to 2014	Changes due to changes in interest rate from 2013 to 2014	Net changes
Changes in interest income:			
Total balance of loans and advances to customers	14,692	-2,694	11,998
Securities and other investments	5,702	3,755	9,457
Balances with the central bank	236	-148	88
Balances with banks and other financial institutions	-4,213	309	-3,904
Placements with banks and other financial institutions	1,967	712	2,679
Financial assets held under resale agreements	-3,851	658	-3,193
Finance lease receivables	251	-478	-227
Subtotal	<u>14,784</u>	<u>2,114</u>	<u>16,898</u>
Changes in interest expenses:			
Deposits from customers	3,940	1,988	5,928
Deposits from banks and other financial institutions	391	-188	203
Placements from banks and other financial institutions	426	-70	356
Financial assets sold under repurchase agreements	-502	-451	-953
Debt securities issued	1,204	371	1,575
Borrowings from central bank and other financial institutions and others	870	-184	686
Subtotal	<u>6,329</u>	<u>1,466</u>	<u>7,795</u>
Changes in net interest income	<u>8,455</u>	<u>648</u>	<u>9,103</u>

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

1. Interest income

During the reporting period, interest income of the Group was RMB199,052 million, representing an increase of RMB16,898 million, or 9.28%, as compared with the corresponding period of the previous year. The expansion of the scale and increase in yield of interest-earning assets contributed RMB14,784 million and RMB2,114 million to the increase in interest income therein, respectively. In respect of interest income structure, interest income from loans and advances accounted for 58.74% of the total interest income and interest income from balances and placements with banks and other financial institutions as well as financial assets held under resale agreements accounted for 23.64% 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 RMB116,924 million, representing an increase of RMB11,998 million, or 11.43%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances accounted for 37.98% of total interest income from all loans and advances, representing an increase of 0.66 percentage point as compared with the corresponding period of the previous year.

(2) Interest income from securities and other investments

During the reporting period, interest income from securities and other investments of the Group was RMB21,449 million, representing an increase of RMB9,457 million, or 78.86%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of investment business and increase in the yield of investment.

(3) Interest income from balances with the central bank

During the reporting period, interest income from balances with the central bank of the Group was RMB6,655 million, representing an increase of RMB88 million, or 1.34%, as compared with the corresponding period of the previous year.

(4) 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 RMB47,062 million, representing a decrease of RMB4,418 million, or 8.58%, as compared with the corresponding period of the previous year. The decrease was mainly due to the adjustments of scale and structure of interbank asset business.

(5) Interest income from finance lease receivables

During the reporting period, interest income of the Group from finance lease receivables amounted to RMB6,962 million, representing a decrease of RMB227 million, or 3.16%, as compared with the corresponding period of the previous year.

2. *Interest expenses*

During the reporting period, interest expenses of the Group was RMB106,916 million, representing an increase of RMB7,795 million, or 7.86%, as compared with the corresponding period of the previous year. Interest expenses increased by RMB6,329 million and RMB1,466 million due to the expansion of the scale of interest-bearing liabilities and the increase in cost on interest-bearing liabilities, respectively. As to the components of interest expenses, the interest expenses on deposits from customers accounted for 50.81% 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 38.92% 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 RMB54,320 million, representing an increase of RMB5,928 million, or 12.25%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of the scale and increase in cost 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 RMB41,610 million, representing a decrease of RMB394 million, or 0.94%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in cost on borrowings from banks and other financial institutions.

(3) Interest expenses on bonds issued

During the reporting period, interest expenses of the Group on bonds issued amounted to RMB5,761 million, representing an increase of RMB1,575 million, or 37.63%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the size of the bonds issued.

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

During the reporting period, interest expenses of the Group from the central bank and other financial institutions and other interest expenses amounted to RMB5,225 million, representing an increase of RMB686 million, or 15.11%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the borrowings of the Group from the central bank and other financial institutions.

(II) Net non-interest income

During the reporting period, the realised net non-interest income of the Group amounted to RMB42,871 million, representing an increase of RMB9,802 million, or 29.64%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2014	2013	Increase (%)
Net fee and commission income	38,239	29,956	27.65
Other net non-interest income	4,632	3,113	48.80
Total	42,871	33,069	29.64

1. *Net fee and commission income*

During the reporting period, net fee and commission income of the Group amounted to RMB38,239 million, representing an increase of RMB8,283 million, or 27.65%, 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 and bank card services.

(Unit: RMB million)

Item	2014	2013	Increase (%)
Bank card services	12,242	8,609	42.20
Agency services	9,666	5,121	88.75
Trust and other fiduciary services	8,911	9,764	-8.74
Credit commitments	4,398	3,654	20.36
Financial advisory services	3,608	2,277	58.45
Settlement services	2,349	3,041	-22.76
Finance lease services	992	517	91.88
Others	127	78	62.82
	<hr/>	<hr/>	
Fee and commission income	42,293	33,061	27.92
Less: Fee and commission expenses	4,054	3,105	30.56
	<hr/>	<hr/>	
Net fee and commission income	<u>38,239</u>	<u>29,956</u>	27.65

2. Other net non-interest income

During the reporting period, other net non-interest income of the Group was RMB4,632 million, representing an increase of RMB1,519 million, or 48.80%, as compared with the corresponding period of the previous year, which was mainly due to the increase in exchange gains, income from the lease of precious metal and proportion of income from leasing business of subsidiaries as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2014	2013	Increase (%)
Net trading gains/(loss)	1,666	-25	Negative for the corresponding period of the previous year
Net gain arising from disposals of securities and discounted bills	2,014	2,505	-19.60
Other operating income	952	633	50.39
Total	4,632	3,113	48.80

(III) Operating expenses

During the reporting period, operating expense of the Group amounted to RMB54,082 million, representing an increase of RMB8,120 million, or 17.67%, as compared with the corresponding period of the previous year. The increase was mainly due to the increases in staff costs, investment on strategic and major businesses, and expenses of outlets, IT system and establishment of channels. The cost-to-income ratio of the Group was 33.39%, representing a slight increase of 0.70 percentage point as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2014	2013	Increase (%)
Staff costs (including Director's emoluments)	22,427	19,145	17.14
Business tax and surcharges	9,005	8,004	12.51
Rental expenses and property management fees	3,979	2,939	35.39
Office expenses	3,739	3,589	4.18
Depreciation and amortisation expenses	2,994	2,114	41.63
Supervisory charges	90	195	-53.85
Business expenses and others	11,848	9,976	18.77
Total	54,082	45,962	17.67

(IV) Impairment losses on assets

During the reporting period, the Group recorded an impairment loss on assets of RMB21,132 million, representing an increase of RMB8,143 million, or 62.69%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	2014	2013	Increase (%)
Loans and advances to customers	19,928	12,947	53.92
Loans and receivables	943	—	Negative for the corresponding period of the previous year
Finance lease receivables	288	692	-58.38
Others	-27	-650	Negative for both periods
Total	<u>21,132</u>	<u>12,989</u>	62.69

(V) Income tax expenses

During the reporting period, income tax expenses of the Group amounted to RMB14,226 million, representing an increase of RMB357 million as compared with the corresponding period of the previous year, and accounting for 23.79% 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 RMB4,015,136 million, representing an increase of RMB788,926 million, or 24.45%, from the end of the previous year. The increase was due to expansion of asset scale.

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

(Unit: RMB million)

Item	31 December 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Total balance of loans and advances to customers	1,812,666	45.15	1,574,263	48.80	1,384,610	43.11
Less: Allowance for impairment losses on loans	38,507	0.96	34,816	1.08	33,098	1.03
Net balance of loans and advances to customers	1,774,159	44.19	1,539,447	47.72	1,351,512	42.08
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	927,756	23.11	767,335	23.78	1,048,905	32.66
Cash and balances with the central bank	471,632	11.75	433,802	13.45	420,418	13.09
Securities and other investments	601,395	14.98	306,722	9.51	243,520	7.58
Finance lease receivables	88,824	2.21	82,543	2.56	74,809	2.33
Property and equipment	36,936	0.92	24,102	0.75	13,631	0.42
Other assets	114,434	2.84	72,259	2.23	59,206	1.84
Total	<u>4,015,136</u>	<u>100.00</u>	<u>3,226,210</u>	<u>100.00</u>	<u>3,212,001</u>	<u>100.00</u>

Note: Securities and other investments include financial assets at fair value through the profit or loss, financial derivatives, 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, total balance of loans and advances to customers of the Group amounted to RMB1,812,666 million, representing an increase of RMB238,403 million, or 15.14%, as compared with the end of the previous year. The total balance of loans and advances to customers accounted for 45.15% of total assets, representing a decrease of 3.65 percentage points as compared with the end of the previous year.

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

(Unit: RMB million)

Item	31 December 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	1,157,985	63.88	968,734	61.54	919,034	66.37
Of which:						
Discounted bills	26,930	1.49	33,364	2.12	15,764	1.14
Personal loans and advances	654,681	36.12	605,529	38.46	465,576	33.63
Total	1,812,666	100.00	1,574,263	100.00	1,384,610	100.00

Breakdown of personal loans and advances is as the following:

(Unit: RMB million)

Item	31 December 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	410,139	62.65	408,891	67.53	317,470	68.19
Credit card overdrafts	147,678	22.56	113,298	18.71	66,305	14.24
Residential mortgage	69,606	10.63	62,096	10.25	71,518	15.36
Others	27,258	4.16	21,244	3.51	10,283	2.21
Total	654,681	100.00	605,529	100.00	465,576	100.00

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

As at the end of the reporting period, the total balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB927,756 million, representing an increase of RMB160,421 million, or 20.91%, as compared with the end of the previous year. The balances accounted for 23.11% of the total assets, representing a slight decrease of 0.67 percentage point as compared with the end of the previous year.

3. *Securities and other investments*

As at the end of the reporting period, the net value of securities and other investments of the Group was RMB601,395 million, representing an increase of RMB294,673 million, or 96.07%, as compared with the end of the previous year, mainly due to the increase in investment, loans and receivables.

(1) Composition of securities and other investments

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

(Unit: RMB million)

Item	31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Financial assets at fair value through the profit or loss	27,213	4.52	22,262	7.26
Positive fair value of derivatives	3,231	0.54	1,986	0.65
Available-for-sale securities	159,724	26.56	111,532	36.36
Held-to-maturity securities	176,834	29.40	133,124	43.40
Loans and receivables	234,393	38.98	37,818	12.33
Total	<u>601,395</u>	<u>100.00</u>	<u>306,722</u>	<u>100.00</u>

(2) Holdings of financial bonds

As at the end of the reporting period, financial bonds held by the Group are mainly policy financial bonds, debt securities of some commercial banks and other financial institutions. The top ten bonds in terms of nominal 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	—
2014 financial bonds	5,310	5.01%	2015-01-20	—
2013 financial bonds	4,850	3.68%	2016-04-11	—
2012 financial bonds	4,200	4.20%	2017-02-28	—
2014 financial bonds	3,550	4.83%	2015-03-24	—
2012 financial bonds	3,460	3.93%	2015-04-23	—
2013 financial bonds	3,430	3.98%	2016-07-18	—
2012 financial bonds	3,200	3.39%	2015-07-09	—
2013 financial bonds	3,000	4.37%	2018-07-29	—
2014 financial bonds	2,980	4.76%	2015-02-26	—
Total	<u>39,350</u>			—

(3) Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	162,931	390	345
Foreign exchange forwards	26,646	446	323
Currency swaps	281,081	1,167	1,598
Precious metal derivatives	32,844	1,180	282
Credit derivatives	66,851	—	—
Extension options	8,300	—	—
Currency options	7,737	48	10
Total		<u>3,231</u>	<u>2,558</u>

(II) Liabilities

As at the end of the reporting period, the Group's total liabilities amounted to RMB3,767,380 million, representing an increase of RMB745,457 million, or 24.67%, as compared with the end of the previous year.

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

(Unit: RMB million)

Item	31 December 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	2,433,810	64.60	2,146,689	71.04	1,926,194	63.29
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	975,010	25.88	638,244	21.12	910,597	29.92
Borrowings from the central bank and other financial institutions	149,592	3.97	81,835	2.71	72,135	2.37
Bonds issued	129,279	3.43	91,968	3.04	74,969	2.46
Others	79,689	2.12	63,187	2.09	59,562	1.96
Total	<u>3,767,380</u>	<u>100.00</u>	<u>3,021,923</u>	<u>100.00</u>	<u>3,043,457</u>	<u>100.00</u>

1. Deposits from customers

As at the end of the reporting period, total balance of deposits from customers of the Group amounted to RMB2,433,810 million, representing an increase of RMB287,121 million, or 13.38%, as compared with the end of the previous year, accounting for 64.60% of the total liabilities. In respect of customer structure, the proportion of corporate deposits, personal deposits and other deposits in total deposits were 77.41%, 22.15% and 0.44%, respectively. In respect of maturity structure, the proportion of demand deposits, time deposits and other deposits in total deposits were 34.70%, 64.86% and 0.44%, respectively.

(Unit: RMB million)

Item	31 December 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	1,884,081	77.41	1,629,503	75.91	1,528,562	79.36
Demand	707,374	29.06	677,725	31.57	621,592	32.27
Time	1,176,707	48.35	951,778	44.34	906,970	47.09
Personal deposits	539,173	22.15	510,944	23.80	393,774	20.44
Demand	137,342	5.64	132,703	6.18	107,861	5.60
Time	401,831	16.51	378,241	17.62	285,913	14.84
Outward remittance and remittance payables	4,858	0.20	4,258	0.20	3,230	0.17
Certificates of deposit	5,698	0.24	1,984	0.09	628	0.03
Total	<u>2,433,810</u>	<u>100.00</u>	<u>2,146,689</u>	<u>100.00</u>	<u>1,926,194</u>	<u>100.00</u>

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 RMB975,010 million, representing an increase of RMB336,766 million, or 52.76%, as compared with the end of the previous year.

3. Bonds issued

As at the end of the reporting period, total bonds issued of the Group amounted to RMB129,279 million, representing an increase of RMB37,311 million, or 40.57%, 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 RMB247,756 million, representing an increase of RMB43,469 million, or 21.28%, as compared with the end of the previous year. Total equity attributable to the equity shareholders of the Bank amounted to RMB240,142 million, representing an increase of RMB42,430 million, or 21.46%, 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 2014	31 December 2013	Increase (%)
Share capital	34,153	28,366	20.40
Capital reserve	49,949	49,234	1.45
Surplus reserve	17,077	16,456	3.77
General reserve	49,344	42,487	16.14
Investment revaluation reserve	-392	-2,842	Negative for both periods
Retained earnings	90,019	64,023	40.60
Exchange reserve	-8	-12	Negative for both periods
Total equity attributable to equity shareholders of the Bank	240,142	197,712	21.46
Non-controlling interests	7,614	6,575	15.80
Total	<u>247,756</u>	<u>204,287</u>	21.28

(IV) Off-balance sheet items

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

(Unit: RMB million)

Item	31 December 2014	31 December 2013	Increase (%)
Bank acceptances	594,300	522,849	13.67
Letters of credit	170,666	126,934	34.45
Guarantees	205,168	105,711	94.08
Re-factoring	300	22,433	-98.66
Unused credit card commitments	47,830	40,377	18.46
Irrevocable loan commitments	3,846	4,343	-11.44
Finance lease out commitments	3,007	2,109	42.58
Capital commitments	20,375	8,564	137.91
Operating lease in commitments	16,533	16,881	-2.06

(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 People's Bank of China ("PBOC"), among nine national joint-stock commercial banks in China, as at the end of the reporting period, the market share of total deposits and personal deposits of the Company were 12.53% and 13.51%, respectively. The market share of total loans and personal loans of the Company were 12.88% and 14.85%, respectively, as at the end of the reporting period. (Note: Nine national joint-stock commercial banks in China referred to China Merchants Bank, CITIC Bank, Industrial Bank, China Everbright Bank, Shanghai Pudong Development Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank and the Company. The above data was based on the information of the domestic institutions of the Company.)

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Real estate	236,931	13.07	165,570	10.52
Manufacturing	230,875	12.74	222,573	14.14
Wholesale and retail	149,983	8.27	145,202	9.22
Leasing and commercial services	126,971	7.00	92,611	5.88
Mining	96,949	5.35	80,941	5.14
Transportation, storage and postal service	65,088	3.59	61,454	3.90
Water, environment and public utilities management	54,107	2.98	32,188	2.04
Construction	49,785	2.75	44,916	2.85
Public administration, social security and social organisations	31,366	1.73	31,502	2.00
Financial services	28,988	1.60	27,480	1.75
Production and supply of electric power, heat, gas and water	25,144	1.39	19,965	1.27
Agriculture, forestry, animal husbandry and fishery	14,897	0.82	12,015	0.76
Accommodation and catering	12,540	0.69	15,503	0.98
Others	34,361	1.90	16,814	1.09
Subtotal	<u>1,157,985</u>	<u>63.88</u>	968,734	61.54
Personal loans and advances	<u>654,681</u>	<u>36.12</u>	605,529	38.46
Total	<u><u>1,812,666</u></u>	<u><u>100.00</u></u>	<u><u>1,574,263</u></u>	<u><u>100.00</u></u>

(II) Geographical distribution of loans

(Unit: RMB million)

Item	31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Northern China	541,053	29.85	475,995	30.24
Eastern China	556,898	30.72	506,901	32.20
Southern China	195,054	10.76	169,256	10.75
Other regions	519,661	28.67	422,111	26.81
Total	<u>1,812,666</u>	<u>100.00</u>	<u>1,574,263</u>	<u>100.00</u>

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, Xiangan Rural Bank and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen, Nanning and Sanya; Other regions include Pengzhou Rural Bank, Qijiang Rural Bank, Tongnan Rural Bank, Meihekou 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, Linzi Rural Bank and the branches in Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang, Hong Kong, Guiyang, Lhasa, Harbin and Lanzhou.

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

(Unit: RMB million)

Item	31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Unsecured loans	332,482	18.34	272,459	17.31
Guaranteed loans	604,994	33.38	565,010	35.89
Loans secured by				
— tangible assets other than monetary assets	664,031	36.63	529,564	33.64
— monetary assets	211,159	11.65	207,230	13.16
Total	<u>1,812,666</u>	<u>100.00</u>	<u>1,574,263</u>	<u>100.00</u>

(IV) *Top ten borrowers*

As at the end of the reporting period, the aggregate outstanding loans to the top ten borrowers of the Group were RMB41,617 million, accounting for 2.30% of the total loans. The top ten borrowers of the Group were as follows:

(Unit: RMB million)

	Outstanding balances	% of total loans
A	6,445	0.36
B	6,204	0.34
C	6,000	0.33
D	3,894	0.21
E	3,666	0.20
F	3,589	0.20
G	3,200	0.18
H	2,935	0.16
I	2,844	0.16
J	2,840	0.16

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

(Unit: %)

Major indicator	Benchmark	31 December 2014	31 December 2013	31 December 2012
Percentage of loan to the single largest borrower	<10	2.11	2.59	2.97
Percentage of loans to the top ten borrowers	<50	13.60	14.44	16.10

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

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

(V) Five-category classification of credit assets

As at the end of the reporting period, the percentage of impaired loans ratio of the Group was 1.17%, representing an increase of 0.32 percentage point as compared with the end of previous year.

(Unit: RMB million)

Item	31 December 2014		31 December 2013		Increase (%)
	Amount	% of total	Amount	% of total	
Performing loans	1,791,532	98.83	1,560,859	99.15	14.78
Of which: Pass	1,755,630	96.85	1,540,486	97.86	13.97
Special-mention	35,902	1.98	20,373	1.29	76.22
Impaired loans	21,134	1.17	13,404	0.85	57.67
Of which: Substandard	16,591	0.92	9,221	0.58	79.93
Doubtful	3,267	0.18	3,102	0.20	5.32
Loss	1,276	0.07	1,081	0.07	18.04
Total	<u>1,812,666</u>	<u>100.00</u>	<u>1,574,263</u>	<u>100.00</u>	<u>15.14</u>

(VI) Migration ratio of loans

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

(Unit: %)

Item	31 December 2014	31 December 2013	31 December 2012
Pass	3.05	2.40	1.98
Special-mentioned	16.67	23.71	11.99
Substandard	12.30	19.60	8.78
Doubtful	14.57	11.79	19.29

(VII)Restructured loans and overdue loans

As at the end of the reporting period, the balance of the restructured loans of the Group was 0.17% at RMB3,156 million, representing an increase of 0.13 percentage point at RMB2,544 million as compared with the end of the previous year. The balance of overdue loans was RMB49,686 million, representing an increase of RMB22,365 million as compared with the end of the previous year. The percentage of overdue loans was 2.74%, representing an increase of 1.00 percentage point as compared with the end of the previous year.

(Unit: RMB million)

Item	31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Restructured loans	3,156	0.17	612	0.04
Overdue loans	49,686	2.74	27,321	1.74

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

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

(Unit: RMB million)

Item	31 December 2014	31 December 2013
Opening balance	34,816	33,098
Charge for the period	22,559	15,091
Release during the period	-2,631	-2,144
Transfer out	-10,056	-7,303
Write-offs	-7,119	-4,049
Recoveries	1,616	596
Unwinding of discount	-674	-470
Exchange gain or loss	-4	-3
	<hr/>	<hr/>
Closing balance	<u>38,507</u>	<u>34,816</u>

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.

(IX) Impaired loans and related measures

As at the end of the reporting period, the Group had impaired loan balance of RMB21,134 million, representing an increase of RMB7,730 million, or 57.67%, as compared with the end of the previous year.

1. Industry concentration of impaired loans

(Unit: RMB million)

Item	31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Real estate	486	2.30	423	3.16
Manufacturing	6,062	28.68	3,985	29.74
Wholesale and retail	6,498	30.75	3,430	25.59
Leasing and commercial services	—	—	241	1.80
Mining	128	0.61	6	0.04
Transportation, storage and postal service	236	1.12	1,393	10.39
Water, environment and public utilities management	—	—	194	1.45
Construction	250	1.18	55	0.41
Public administration, social security and social organisations	—	—	—	—
Financial services	36	0.17	36	0.27
Production and supply of electric power, heat, gas and water	—	—	—	—
Agriculture, forestry, animal husbandry and fishery	103	0.49	73	0.54
Accommodation and catering	75	0.35	42	0.31
Others	102	0.48	54	0.40
Subtotal	13,976	66.13	9,932	74.10
Personal loans and advances	7,158	33.87	3,472	25.90
Total	21,134	100.00	13,404	100.00

2. Geographical distribution of impaired loans

(Unit: RMB million)

Item	31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Northern China	9,465	44.78	5,824	43.45
Eastern China	5,925	28.04	5,333	39.79
Southern China	2,035	9.63	633	4.72
Other regions	3,709	17.55	1,614	12.04
Total	<u>21,134</u>	<u>100.00</u>	<u>13,404</u>	<u>100.00</u>

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) Enhancing credit planning, proactively adjusting loan distribution, and continuously optimizing asset structure in line with the changing economic environment and requirements of macro-economic policies;
- (2) Continuing to improve the risk management policies and imposing multidimensional risk limit management for various industries and regions;
- (3) Further improving the management of credit approval and the system of risk monitoring and early-warning as well as conducting focused stress test, risk identification and special examination. Closely monitoring loans with potential risk factors and potential problems in order to promptly formulate collection and disposal plans so as to control the growth of impaired loans;
- (4) Further enhancing collection and disposal of impaired loans by strengthening the quality control of credit assets, exploring the markets of major sectors and major projects, developing innovative recovery measures, comprehensively utilizing all available recovery and disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off, improving the handling of regional risk and abnormal and contingent loans, conducting specific recovery and disposal activities and to reinforce the accountability mechanism for non-performing assets and to improve the efficiency and effectiveness of recovery; and
- (5) Speeding up the development 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 2014	
	The Group	The Company
Net core tier-one capital	245,686	231,680
Net tier-one capital	245,985	231,680
Total net capital base	305,897	288,786
Core tier-one capital	246,736	236,330
Core tier-one capital deductions	-1,050	-4,650
Other tier-one capital	299	—
Other tier-one capital deductions	—	—
Tier-two capital	59,912	57,106
Tier-two capital deductions	—	—
Total risk-weighted assets	2,862,710	2,713,315
Of which: Credit risk-weighted assets	2,627,376	2,485,009
Market risk-weighted assets	15,186	16,357
Operational risk-weighted assets	220,148	211,949
Core tier-one capital adequacy ratio (%)	8.58	8.54
Tier-one capital adequacy ratio (%)	8.59	8.54
Capital adequacy ratio (%)	10.69	10.64

Capital instruments entitled for the preferential policy during the transitional period: According to 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 2012, the book value of non-qualified tier-two capital instruments of the Company was RMB25,000 million, and was deducted by 10% per annum starting from 2013. As at the end of the reporting period, the balance of non-qualified tier-two capital instruments of the Company was RMB20,100 million.

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

Item	31 December 2014	
	The Group	The Company
Core capital adequacy ratio (%)	8.78	8.78
Capital adequacy ratio (%)	12.12	12.17

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

VII. Segment Report

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

(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	2,627,657	66,132	35,531
Eastern China	1,137,936	29,551	10,668
Southern China	550,662	15,379	6,243
Other regions	867,997	23,945	7,351
Inter-segment elimination	-1,180,880	—	—
Total	<u>4,003,372</u>	<u>135,007</u>	<u>59,793</u>

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	1,761,438	66,890	32,483
Personal banking business	654,455	37,814	10,167
Treasury business	1,446,208	25,987	14,328
Other businesses	141,271	4,316	2,815
Total	<u>4,003,372</u>	<u>135,007</u>	<u>59,793</u>

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 assets and liabilities, including certain financial assets, financial liabilities and repossessed assets; and clarified and refined the principles, methods and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Company has assigned specific working responsibilities to relevant managing departments for fair value management so as to continuously strengthen research on the valuation of its asset and liability businesses and improve internal valuation capabilities. The Company will also gradually optimise 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 and available-for-sale securities. 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.

(Unit: RMB million)

Item	Opening balance	Gain/loss from fair value changes for the period	Accumulated fair value changes charged to equity	Impairment allowance for the period	Closing balance
Financial assets					
Of which: Financial assets at fair value through the profit or loss	22,262	688	—	—	27,213
Positive fair value of derivatives	1,986	1,245	—	—	3,231
Available-for-sale securities	111,387	—	359	-1	159,577
Total	135,635	1,933	359	-1	190,021
Financial liabilities					
Of which: Financial liabilities at fair value through the profit or loss	—	—	—	—	21
Negative fair value of derivatives	1,883	675	—	—	2,558
Total	1,883	675	—	—	2,579

(II) Overdue and outstanding liabilities

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

IX. Performance of Key Business Lines

(I) Corporate banking business

During the reporting period, the general economy and the market conditions were complicated and challenging. The Company aimed to improve the return on capital by expanding the scale of financial assets and strengthening corporate banking business. The Company further proceeded with the implementation of SBU reform version 2.0 (“2.0版事業部改革”) and the transformation of corporate banking business at branches. The Company strengthened the cooperation between the SBUs and the branches for the integration and upgrade of products to facilitate the transformation and development of corporate banking business.

1. Customer base of corporate banking

During the reporting period, based on its NSOE and the “two-chain finance” strategies, the Company formulated practical development policies to further expand its customer base. The Company focused on the operation of logistics platform and crucial elements platform to secure settlement business and customers of net liabilities. The Company also sought to expand customers from the upstream and downstream sectors of the industry chain and supply chain of strategic customers. Third, the Company focused on regionally distinctive markets to explore new industry chain and group customers. Fourth, Customers were classified for management and expansion to improve the marketing management system for strategic and major customers, to involve deeply into the economic activities of customers for the promotion of all lines of financial services and products and the reform and upgrading of the service model of “Financial Stewardship”.

As at the end of the reporting period, driven by the increase in the number of pure deposit-oriented corporate customers, the number of corporate customers with deposits of the Company increased by 156,600 to 547,000. The number of general customers with deposits of the Company was 14,228.

As at the end of the reporting period, the Company had 11,876 NSOE customers with outstanding general loans of RMB653,505 million. In corporate banking business, the number of NSOE customers with outstanding general loans accounted for 83.47% and the relevant general loan amount accounted for 57.96%.

2. Corporate loans

During the reporting period, according to the overall strategic planning, the Company effectively promoted the reform and upgrade of the assets of the Company under the guiding principles of “liquidizing remnant assets, utilizing the increment, pushing forward the strategic goals and adopting stringent risk control”.

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

- (1) The Company insisted on the priority of planning and the importance of mass development and differentiated approval. The Company ensured the effective implementation of business plans through the integration of planning and policy, policy and credit approval and the application of risk policy and risk approval system.
- (2) The Company further improved the structure of credit distribution in various industries. It infiltrated into conventional sectors to build up solid business foundation, and identified mature business models in emerging industries to promptly capture market opportunities in a professional and efficient manner. The Company also withdrew from customers of low efficiency and high risks in the markets of over capacity.
- (3) The Company targeted on four major customer groups, namely industry-concentrated customers, related customers of core firms, customers engaging in resources industries and customers with weak cycles. It focused on developing customers with outstanding operating results for major business, excellent management, sound financial position, high operational efficiency and bright prospects in order to further optimize customer structure.
- (4) The Company enhanced the integration and innovation of credit products and met customers’ financial need with integrated financial services. The Company further improved the structure of credit business to generate higher investment return.

In respect of bills, the Company focused on serving the real economy and coped with changes of market and economic environment. It proactively conducted the acceptance and factoring of paper and electronic commercial bills business to meet the financing needs of enterprises and to effectively reduce the financing costs of customers. Pursuant to the business philosophy of “professionalism, innovation, value”, the Company introduced new products and services for bills business by designing and launching the product of “Bao Zheng Tong” (保證通) to meet the settlement requirement of premium corporate customers, optimise their financial management targets and strengthen the financial service function of bills business. On the other hand, in respect of compliance and risk prevention, the Company strengthened the market-oriented system and professional platform for bill business and built up a professional bill business team to improve the integrated design capability for comprehensive solutions, provide financial service plans and product supports based on studies of customers’ demands, in an aim to push forward the professional operation and varied services of bills business and to better satisfy the need of customers of the real economy in diversified financial products.

At the end of the reporting period, the outstanding corporate loans (including discounted bills) of the Company amounted to RMB1,153,629 million, representing an increase of RMB192,347 million, or 20.01%, as compared with the end of the previous year. The outstanding general corporate loans amounted to RMB1,127,486 million, representing an increase of RMB199,123 million, or 21.45%, as compared with the end of the previous year. The impaired corporate loan ratio was 1.20%.

3. *Corporate deposits*

During the reporting period, to effectively cope with the liberalization of interest rates and the challenges and impact brought by internet banking to the corporate deposit business of commercial banks, the Company strengthened the development of its settlement platform and online transaction financing platform to provide vertically integrated comprehensive intelligent services. These platforms also helped to expand sustainable and low cost deposit sources, thus to fertilise the foundation of corporate deposit customers. As at the end of the reporting period, the balance of corporate deposits of the Company amounted to RMB1,864,153 million, representing an increase of RMB249,699 million, or 15.47%, as compared with the end of the previous year.

During the reporting period, the Company further improved the application and functions of its cash management products. It successfully developed the 3.0 version upgrade of Settlement Pass (結算通). As at the end of the reporting period, the number of customers using Settlement Pass was 421,700, representing an increase of 168,600 as compared with the beginning of the year. The daily average deposits of Settlement Pass customers amounted to RMB746,541 million, representing an increase of RMB148,618 million as compared with the corresponding period of the previous year.

During the reporting period, in the face of the complicated and ever-changing market environment, the transaction financing business of the Company adhered to the principle of “optimising business structure and refining services”. The Company expanded the core customers base of industry chains in order to unify the sales of different customer groups of industry chains. Also, the Company expanded into the financial services of industries with insignificant cyclical changes. It strengthened its differentiated management of various institutions and teams and reinforced its cooperation with third party institutions to further optimise business and customer structure. In line with the electronic and internet business development trend, the Company has accelerated the establishment of system platforms to carry out trading through online financing platforms, including the first phase of warehouse receipt pledge financing platform and the second phase of seller financing platform. As such, an advanced transaction financial service model was established. As at the end of the reporting period, the business volume of transaction financing of the Company was RMB984,146 million. The number of regular industry chain customers was 10,084 and the balance of deposits generated amounted to RMB205,774 million.

4. *Corporate non-interest income business*

During the reporting period, the Company provided more policy support to the development of intermediary business products with less capital requirement, based on the guide line of expanding financial assets. The Company sought to expand its customer base of large, medium and small enterprises under the “two-chain” strategy. Through product innovation and batch development of business model, the income of transaction banking business saw fast growth. The Company promoted the integrated financial service model of Financial Stewardship to increase the income of intelligence-based intermediary business through the support investment banking business of commercial banks. The Company sped up the development and innovation of investment banking business model and promoted the overall professionalism and value creation capacity of intermediary business. The Company recorded rapid increase in net fee and commission income of the corporate business segment during the reporting period. The aggregated amount of net fee and commission income was RMB19,240 million, representing an increase of 34.59% as compared with the corresponding period of the previous year.

In respect of investment banking business of commercial banks, the Company improved the professional management of investment banking to build up its core competitiveness in view of the challenges brought by the liberalization of interest rates. In order to develop the investment banking business in a faster and better way, the Company adjusted the operation model of investment banking in the first half of the year. An independent investment banking department was established to take up the direct-selling operation and development functions. As at the end of the reporting period, the organization and business adjustment of the new department have been completed and the business operation was smooth. With the establishment of the new system, the business development policy of “two-wheel drive, two-line business and step by step” proposed at the beginning of the year was successfully implemented. The Company developed both the asset business and capital business as the two wheels to drive the mutual conversion of assets and capital through its wealth management platform, which formed the positive cycling and sustainable profit model in an aim to maintain profit growth. According to the research and development of the SBUs and local special industries of branches, the investment banking business saw significant improvement in its development and profitability. On the basis of its proprietary businesses, the Company has developed high-end innovative investment banking business with clearly defined profit model. The Company focused on investment banking business opportunities from industry consolidation, capital market, reform of state-owned enterprises, new urbanization, integration of regional resources, cross-border merger and acquisition, fixed income and wealth management and distressed assets disposal. To explore business opportunities of merger and acquisition arising from resources consolidation, the Company has development a series of comprehensive core products in respect of structured financing, private equity funds, convertible bonds, and equity-bond financing to facilitate the upgrade of the investment banking business. With the development of consultancy, financing, similar investment and investment business, the Company is able to provide customers with tailor-made investment banking services and can act as a integrated financial services provider

and create a win-win situation to both the Bank and the enterprises. The credit assets securitization business was established to promote the structural adjustment and upgrade of the industries in China, support small business finance and the development of emerging industries. The proceeds from securitization would be first used for the development of small business finance and emerging industries. The securitization business can also further enhance the risk adjustment capacity of credit assets and improve the management of gearing ratio and optimize the financing structure.

In respect of underwriting and issuance of debt financing instruments, by grasping market opportunities, the Company maintained the issuance size of short-term debt financing bonds as well as mid-term bills. When the National Association of Financial Market Institutional Investors expanded the scale of super short-term debt financing bonds., the Company put more efforts in launching super short-term debt financing bonds and targeted instruments, which have brought rapid business growth. In respect of business innovation, the Company issued its first perpetual bond (participating perpetual mid-term bill) during the reporting period. The Company has issued a total of 215 direct debt financial instruments with aggregate value of RMB146.111 billion, which successfully improved the coherence with the large and medium-sized quality customers and facilitated the transformation of corporate customer base and business structure.

5. *Operation of the SBUs*

During the reporting period, the Company further implemented the SBU reform version 2.0 to promote the driving force, innovation capability and efficiency of the SBUs. Under the principles of “quasi legal person, professionalism, integration of financial resources and Financial Stewardship team”, the Company further optimized the organizational structure and internal operation procedures for the establishment of the quasi-corporation operation system, and the transformation towards professional team-building and the Financial Stewardship service model. During the reporting period, the SBUs achieved stable and healthy development despite the impact of unfavourable factors such as economic downturn and industrial adjustment.

(1) Real Estate Finance SBU

During the reporting period, the real estate market saw sharp decline in sales and investment. The real estate companies experienced faster polarization and competition in real estate finance became even more fierce. The Real Estate Finance SBU sought to reform under the guidance of the Head Office and adopted the strategy of “Five Changes”, i.e. changes from project-oriented operations to customer-oriented operations, from residential properties to all kinds of properties, from financial services for property development and construction to the whole industry chain, from asset management method of debt financing to equity-debt financing of active risk management and from domestic market to both domestic and overseas market. In respect of operation management, the Real Estate Finance SBU focused on light assets-based businesses and reinforced investment banking and transaction banking businesses. The Real Estate Finance SBU further

proceeded with the transformation of its business model and strengthened the establishment of its risk culture and system. Positive performance has been made in the “commercial + investment banking” operations.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Real Estate Finance SBU amounted to RMB61,995 million and RMB115,592 million, respectively. The impaired loan ratio was 0.38% and the net non-interest income amounted to RMB1,509 million.

(2) Energy Finance SBU

During the reporting period, the macro economic growth tended to slow down, the implementations of liberalization of interest rates and financial disintermediation were paced up. The systemic risk of the coal industry was obvious and the problem of over capacity was serious. In facing these external challenges, the Energy Finance SBU of the Company proactively initiated measures to response. Under the guidance of the Bank, the Energy Finance SBU focused on structural adjustment and quality improvement to reform its business and transform to investment banking. The SBU sped up the adjustment of its industry and customer strategies by strengthening data collection and classified management of customers and improving the Financial Stewardship services. It further strengthened its risk management and control by adopting refined post-loan management, and achieved full coverage of management and monitoring to all credit assets so as to maintain the quality of assets. Organization structure and workflow were also optimized to improve operation management efficiency and operation of all lines of business.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Energy Finance SBU amounted to RMB58,992 million and RMB115,030 million, respectively. The impaired loan ratio was 2.09% and the net non-interest income amounted to RMB1,911 million.

(3) Transportation Finance SBU

During the reporting period, in view of the slowdown of economic growth and the overcapacity in the ship building industry, shrinking profit margin and deteriorating quality of assets, the Transportation Finance SBU adopted a customer-oriented approach to capture opportunities in the capital and money markets. The SBU innovated the investment banking business model and financial products, and improved the comprehensive financial services of “commercial + investment banking” for strategic customers, as well as professional and differentiated operation capability, through integration of internal and external resources. The SBU further explored the whole business chain of the auto industry, supported the reform of diverse ownership of the railway industry and facilitated the transformation and upgrading of the port industry, so as to change from the traditional businesses to investment banking business. The SBU has successfully enhanced the customer value and social value while achieving structural optimization and stable profit growth.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Transportation Finance SBU amounted to RMB45,965 million and RMB53,634 million, respectively. The impaired loan ratio was 0.87% and the net non-interest income amounted to RMB910 million.

(4) Metallurgy Finance SBU

During the reporting period, despite the sluggish metallurgical industry and cyclical downturn during the “three superimposed periods”, the Metallurgy Finance SBU proactively took measures and stepped up to the challenges with focus on both business development and risk management through transforming operation mode, adjusting structure and controlling risk, which facilitated the steady growth and optimized structure of businesses. In respect of business development, it adjusted and optimized the financial business in iron and steel smelting industry and expanded the financial business in non-steel industry mainly through “one circle, one chain and one platform”, with an aim to further expand the business to the non-ferrous metals, precious metals and rare metals industries, the upstream metal mining industry, the downstream processing as well as energy and environmental protection industries. In respect of risk management and control, the risk management system and mechanism are optimized and customers were divided into different classes according to their risk profile, which enhanced the process management. In respect of the professional construction, the understanding of the development rhythm of the industry was strengthened through in-depth research and external support.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Metallurgy Finance SBU amounted to RMB30,783 million and RMB38,714 million, respectively. The impaired loan ratio was 6.40%, and the net non-interest income amounted to RMB1,167 million.

(5) Trade Finance SBU

During the reporting period, the Trade Finance SBU continued to implement the operating concept of “becoming a professional service provider of distinctive trade finance”, it adopted the business model of “commercial banking + investment banking”, and integrated capital financing with intelligence and resource. The Trade Finance SBU expanded its business development through distinctive operations and product innovation, and strengthened the stable customer base consisting of the global top 500 enterprises and leading domestic NSOEs as strategic customers and medium-sized NSOEs as regular customers. It was committed to build a featured trade finance brand. In particular, it developed a more comprehensive product system covering international settlement, international trade financing and domestic trade financing with globally-distributed network of correspondent banks and smooth clearing channels. It has established correspondent bank relationships with 1,510 banks in 115 countries and regions. The Trade Finance SBU exerted great efforts to become a financial solutions provider and integrator of finance and resources, and strived to provide solutions

to customers on a series of innovative products such as factoring, structured trade financing, cross-border RMB, domestic and foreign synergies in order to meet their comprehensive demands. In addition, in the face of the booming assets management era, the Trade Finance SBU coordinated various investment institutions and invested in the receivables of enterprises through different asset management products to support the real economy. Such products stood out in the gradually mature investment market and were highly appreciated by investors due to their safety, short term and moderate income, which formed a unique trade finance brand of Minsheng Bank.

Featured businesses such as factoring and structured trade financing continued to take the leading position among domestic banks. The volume of factoring business in 2014 amounted to RMB132,895 million and a total volume of 192.3 thousand million transactions were recorded, among which, the volume of international dual factoring business amounted to US\$1,867 million and a total of 15.8 thousand transactions were recorded.

The Company actively promoted the strategy of “becoming the host bank for the internationalization of NSOEs in China” under the principles of “one more, one less and one chain”, in order to support Chinese NSOEs to export mature technology and transfer over capacity, in exchange of resources, energy, technology and market which are essential elements for the sustainable development of the economy of China. Taking the cross-border industry chains as the channel, the cross-border commercial and investment banking services as the initiatives, the Company provided NSOEs with customized structured financing solutions based on the products including import and export credit loans, shipping financing, overseas investment loans, overseas project financing and international syndicate loans, thus to maintain rapid development of businesses in relation to the “going international” strategy. In respect of the cross-border commercial banking business, the volume of import credit loans for supporting the import of strategic resources, energy and important technology and for facilitating upgrade and replacement of domestic industries, continued to increase. Overseas projects contract financing business supporting the “going international” of technologies and services of industries covering power station, road and bridge, water service, gas and oil, industrial and civil construction, achieved steady progress. Healthy development was achieved in mid to long term international credit businesses for export of ships and marine engineering equipment. Overseas investment loans remained fast growth in supporting the “going international” of NSOE capitals. In respect of cross-border investment banking, the Company strived to promote cross-border merger and acquisition, project financing and international syndicate loans. The Company actively explored new models of matching transaction and the combination of investment and lending. The business scope further expanded from mining, oil, gas, privatization of listed companies to agriculture, communication and IT industries. The Company successfully promoted its CFM brand, a brand for commodity business, to bridge domestic and overseas major markets.

The Company further developed the Lean Six Sigma management quality management system for the entire operation process of trade finance. The Company adopted the Lean Six Sigma management tools in the risk management of domestic factoring, pre-warning assets disposal, post-loan management and credit customer approval and credit rating. The risk management and operation efficiency were both improved and the value of process-based bank was effectively revealed.

As at the end of the reporting period, the Trade Finance SBU had established 34 branches and 26 inter-region business centres (secondary institutions). The SBU recorded net non-interest income of RMB6,441 million and the on- and off-balance sheet and RMB and foreign currencies assets of RMB363,401 million. The rapid and healthy development of the trade finance business attracted extensive attention from domestic and international media of the financial industry. During the reporting period, the Company was awarded “Innovative Services for Asia Trade Finance” (「亞洲貿易金融創新服務」) by Financial Times and Boao Review and “The Best Trade Finance Bank for Small and Medium Enterprises in China” (「中國最佳中小企業貿易金融銀行獎」) by The Asian Banker.

(6) Modern Agriculture Finance SBU

During the reporting period, according to the requirement of the SBU reform version 2.0, the Modern Agriculture Finance SBU was in full operation with its proprietary businesses as a profit centre. The SBU grasped the major strategic opportunities brought by the modernization of agriculture in China, focused on marine fishery, husbandry and agricultural product processing industries and prepared its market planning and sales list. Targeted at investment bank’s customers in selected regional markets with investment banking value, the SBU has built a business development and coordination platform by integrating front, middle and back office functions of planning, risk, channel, product and marketing and has developed an innovative business model. The SBU has also in place an operation process for the positioning, development, retaining and upgrade of modern agricultural customers. Through extensive study of customer needs, the SBU provided comprehensive solutions for “commercial + investment banking” products in the course of transformation to investment banking business and industrial integration.

As at the end of the reporting period, the Modern Agriculture Finance SBU recorded an operating income of RMB136 million, including net non-interest income of RMB87 million, accounting for 63.97% of the total income.

(7) Culture Industry Finance SBU

During the reporting period, under the macro environment of promoting “vigorous development and prosperity” of culture industry, the Culture Industry Finance SBU of the Company focused on film and TV, cultural tourism and new media for the development of customer base and business model based on the operation concept of quasi investment banking business. In respect of film and TV industry, the

SBU has financed the production of more than 60 films and TV series, including the Breakup Buddies (心花路放), The Continent (後會無期), Coming Home (歸來), The Taking of Tiger Mountain by Strategy (智取威虎山) and All Quiet in Peking (北平無戰事), which was recognized and affirmed by the peers. The Company's movie investment fund and cultural travel industry fund were selected as "Typical Case of Cooperation between Cultural and Financial Industries". The Company was the first to try the business models of "crowd funding" (眾籌) and direct project investment to provide comprehensive financial services to customers with higher customer coherence, in addition to financing services. The SBU was awarded by the Ministry of Culture the prize of "Innovative Performance of the Outstanding Cooperation between Cultural and Financial Industries" (優秀文化金融合作創新成果獎). The brand popularity and market influence have been recognised in the film and TV and cultural travel industries.

As at the end of the reporting period, the Culture Industry Finance SBU had financial assets of RMB8,361 million, representing an increase of 129.63% as compared with the end of the previous year. The average daily deposit balance was RMB3,311 million, representing an increase of 93.29% as compared with the previous year.

(8) Stone Industry Finance SBU

During the reporting period, the Stone Industry Finance SBU of the Company aimed to be the largest financial service provider for the stone industry in China. The Company launched the "commercial + investment banking" business for the whole stone industry chain, and continue to promote the all-round "financial +non-financial services" covering stone mining, business matching, stone market, import and export trade, and the investment banking nature has gradually come into shape. The SBU further modified the business model by developing a leading e-commerce platform for stone traders imbedded with banking credit function, the first of its kind in China, which brought trade matching to wider development both offline and online. The Company aimed to promote the transformation and upgrade of the stone industry in China and has become the institution of the level of deputy chairman of China Stone Material Association (中國石材協會) and the China Chamber of Commerce for Stone Industry of ACFIC (全國工商聯石材商會) and participated in the formulation of industrial regulations to enhance the competitiveness of the industry. The influence of the professional brand has been highly regarded. The Company was invited by the local governments of Guangdong, Guangxi, Hubei, Jiangsu, Jilin and Xingjiang to pay investigation tour for the industry concentration planning, and became the only financial institution that participated in the 14th Xiamen International Stone Expo in 2014, one of the top two stone material expos in the world in terms of size. The Company established a "New Stone Age" club for young entrepreneurs in the stone and the related industries to create a multi-resources exchange platform to facilitate the joint development of stone industry.

As at the end of the reporting period, the Stone Industry Finance SBU recorded deposits, financial assets, outstanding loans and net non-interest income of RMB4,291 million, RMB9,052 million, RMB5,563 million and RMB134 million, respectively.

(II) Retail banking

1. Individual finance

During the reporting period, the Company adjusted the business structure of retail banking business by breaking up into the Small Business Finance Department and Retail Banking Department. The Company further strengthened the classified management of individual customers, emphasised on the development of basic customer base and the cross selling function to increase consumer finance. As at the end of the reporting period, the financial assets of individual customers managed by the Company amounted to RMB1,073,023 million, including saving deposits of RMB531,628 million. The daily average of financial assets increased by RMB213,346 million, or 26.99%. The daily average of saving deposits increased by RMB69,157 million, or 15.14%. The market share of the Company stably remained at No. 2 among similar joint-stock banks, while the basic customer base expanded rapidly and the business structure was further improved.

New sources of customers. The number of retail customers with existing deposits increased by 5,887,800 as compared with the beginning of the year, and the number of basic customers also increased significantly. These were mainly due to the substantial change in the growth pattern. Mobile operation, community outlets, cross selling of credit card and electronic channels are new and important sources of customers.

Active promotion of consumer finance. Under the new normality of economy, the Company introduced new product portfolio to wealth management customers to innovate the consumer finance system. During the reporting period, the Bank approved consumer loans of RMB45,949 million and the outstanding balance was RMB93,002 million, representing an increase of RMB13,042 million as compared with the beginning of the year. The assets and liabilities structure of individual customers was further improved.

Reinforcement of cross-selling efforts. The Company put more efforts on the cross-selling between retail business and credit card services and corporate banking business. In addition to provide policy stimulation, the operation process was also integrated through the introduction of “one form for two cards” and the adoption of a new process of “online 2 + N”, which archived remote activation of credit cards. New credit card customers and retail customers under the cross-selling framework exceeded one million. The number of new payees of customer payroll service exceeded 10,000.

Focus on production innovation. New systems in relation to community living circle projects, micro community marketing platform, preferential merchant platform, UnionPay wallet, online store and sales rewards were successfully went live and were also put on trial run in some branches. The three reward point systems for individual customers, namely retail consumption, credit card and e-banking, were integrated into a reward point-based online shopping platform throughout the entire bank, with all exiting bonus points being transferred or converted.

2. *Community finance*

During the reporting period, the Company further implemented its community finance strategy. As at the end of the reporting period, the number of community outlets (including self-service banks with full banking functions) were 4,902, including 743 community sub-branches authorized by the regulatory authorities.

The Company organized PK competition participated by all community stores. The Company also launched community caring programs, launched special wealth management products for communities and carried out special credit card marketing campaigns at communities. With the support of mobile operation, local communities became important sources of customers. As at the end of the reporting period, the balance of financial assets under community finance business exceeded RMB70,000 million and the number of effective customers amounted to more than 300,000. The localized strategy of the Company has proven successful.

The Company strengthened the cooperation with logistic services providers, brand shops and community lifestyle e-commerce websites for the building of a network of preferential merchants in the vicinity of the local community. The Company actively promoted pilot programs for the cloud-based merchants platform to push forward the cooperative projects of quality property management and logistic services. A versatile community sales platform has been established.

3. *Small business finance*

During the reporting period, the Company continued the implementation of its small business finance strategy. The business model and workflow of small business finance were further improved under the principles of “batch-processing, process-based and standardized operations”. The Company sped up the process restructuring for Small Business Finance Version 2.0 by developing and applying 16 sub-systems. The operation process was standardized through systematic operation. In respect of industry selection, the Company changed its focus from conventional consumption items of clothing, food, accommodation and transportation to general consumption and modern service industries, in particular eight emerging industries. In respect of customer operation, the Company changed its focus from business circles to O2O platform for further integration of industry chains. The structure of customer base was further optimized and more downstream customers were acquired. As at the end of the reporting period, the number of small business customers was 2.9119 million, representing an increase of 1.007 million, or 52.86%, as compared with the end of the

previous year. As at the end of the reporting period, the average of loans to small and micro enterprises per account amounted to RMB1.55 million, representing a decrease of 13.09% as compared with the end of the previous year.

The Company proactively adjusted the assets structure of small business. The structure of existing business was further improved. Business with industries of higher risk was reduced or exited. Meanwhile, the Company sped up the upgrade of loan products. The upgraded version of mutual aid fund loan was introduced and more loan products for emerging industries, such as travel, logistics and macro agriculture, were also launched. As at the end of the period, the outstanding loans to small and micro enterprises was RMB402,736 million, representing a decrease of RMB1,986 million as compared with the end of the previous year.

The Company continued to enhance comprehensive exploration of small and micro business customers. The supporting role of small business finance on the conventional retail banking and corporate deposits were further enhanced. During the reporting period, the installed capacity and settlement amount of “Happy Payment” (樂收銀) were over 530 thousand units and RMB4,000 billion respectively. The amount of transaction deposits further increased. As at the end of the reporting period, the small business of the Company attracted 289,700 VIP customers for conventional retail business, representing an increase of 54,300 as compared with the end of the previous year.

In view of the economic downturn and higher regional risks, the Company has developed seven special models for the risk management system of small business finance, which included compliance test, credit rating, pricing of credit and etc. By combining internal and external information, the Company has developed a vertical search engine to serve the needs of the front offices. The Company also promoted the centralized processing at credit factories for micro loan products, in order to improve the normative level of system processing. As at the end of the reporting period, the ratio of non-performing loans to small and micro enterprises of the Company was 1.17%, representing an increase of 0.69 percentage point as compared with the end of the previous years.

During the reporting period, the Company has established four major lines of micro business finance products, namely settlement, financing, wealth management and internet finance. New settlement and cash management products were also introduced for small and micro business customers, including “Monopoly Settlement” (結算大富翁), “Merchant Card” (商隆卡), “Mobile Happy Payment” (移動樂收銀) and “Happy Cash” (樂生金). In respect of internet financial products, the Company introduced the “Online Loan” (網樂貸) for internet lending to small and micro customers, which enabled self-service application, automatic system approval, self-service contract signing and granting of loans, and was well received by the customers and the market.

4. *Credit card business*

As at the end of the reporting period, the aggregate number of issued credit cards of the Company was 20,547.7 thousand, of which, 3,146.1 thousand were newly issued during the reporting period. Transaction volume of credit card business was RMB876,322 million, representing an increase of 50.41% as compared with the corresponding period of the previous year. Account receivables amounted to RMB147,678 million, representing an increase of 30.34% as compared with the end of the previous year. Net non-interest income amounted to RMB11,125 million, representing an increase of 44.71% as compared with the corresponding period of the previous year.

During the reporting period, the Credit Card Centre continuously adhered to the “small business finance and community finance” strategy and “customer-centric, market-oriented and innovation-driven” operation philosophy. The Company further adjusted its customer structure and promoted high income consumption credit cards. The Company adopted the internet channel to speed up the application and approval of credit cards. The quality of assets was maintained at satisfactory level through enhanced risk management covering the entire business process. In respect of product innovation, the Company introduced Minsheng Car Credit Card (民生車車信用卡) with UnionPay function. The card came with one-stop car-related service packages, which included eight major services, such as gas consumption rebate, car washing, auto insurance rebate, designated driving service, etc. The card centre issued its first credit card under international brand name, i.e. American Express All Currency Platinum Card. The card was launched with a series of privileges for overseas studies. In respect of services, all existing value-added service platforms were upgraded. Customers are granted different bonus points for value-added services according to the class of credit cards. The bonus points can be easily redeemed for reservation services through Minsheng credit card mobile bank or VIP hotline. In respect of credit card promotion, the Company enhanced the size and quality of its preferential merchant base, and changed the structure of the merchants. The Company had a total of 52,000 contracted merchants providing comprehensive value-added services covering all aspects of clothing and food to accommodation and transportation. The Company also established the Ministry of Foreign Affairs’ 12308 hotline of global emergency call centre for consular protection, which demonstrated the philosophy of “serving and caring for the people”, and played an significant role in promoting the brand image of the Company.

During the reporting period, the Credit Card Centre was awarded the “Excellent Marketing Award of 2013” by VISA. The “Back Office Card Issue Procedure Improvement Program” of the credit card centre was awarded the Excellent Six Sigma Award by China Association for Quality in 2013 Quality and Technology Competition. The credit card centre also received the General Model Award by the China Banking Association in the Third Customer Services Competition, the Excellent Operation Award jointly by Association of Financial Knowledge Management and China Entrepreneurs Forum (中國企業家論壇), and Model Female Employee of China Financial System by the National Committee of Chinese Financial Workers’ Union (中國金融工會全國委員會).

(III) Private banking business

As at the end of the reporting period, the private banking financial assets under the management of the Company amounted to RMB230,396 million, representing an increase of RMB38,455 million, or 20.03%, as compared with the end of the previous year. The number of private banking customers reached 14,252, representing an increase of 1,352, or 10.48%, as compared with the end of the previous year. During the reporting period, the net fee and commission income of private banking business amounted to RMB2,155 million, representing an increase of RMB456 million, or 26.84%, as compared with the corresponding period of the previous year.

During the reporting period, in view of the economic downturn and changes in policies, 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 and overseas trust business, together with our 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 the private banking of the Company was well-recognised by the media and were awarded a number of awards, including Private Bank of 2014 by China Business News, The Best Private Bank of 2014 by Financial Times; Excellent Private Bank by China Economic Observer, the 11th Elite Technology Award by the National Office of Science and Technology Award, and the Best Asset Management Private Bank by 21st Century Business Herald.

(IV) Treasury business

1. Investments and Transactions

As at the end of the reporting period, the investment balance of the bank accounts and transaction accounts of the Company amounted to RMB564,115 million and RMB27,156 million, respectively. During the reporting period, in view of the long lasting bull market of bond market and stricter regulation on the inter-bank investment market, the Company increased its investment in mid to long term interest rate-related bonds and non-standard investments. The size of investment of the Company increased significantly. The percentage of investment in the total assets of the Company increased by five percentage points. In the investment business of the Company, the proportion of credit related investment saw the most rapid growth.

During the reporting period, the total transaction volume of RMB denominated bonds of the Company amounted to RMB2,651.585 billion, ranking the top in terms of spot transaction volume of bond in this year.

During the reporting period, the transaction volume of domestic forward settlement and RMB exchange swap of the Company amounted to US\$280,882 million, representing an increase of 20.30% as compared with the corresponding period of the previous year. The transaction volume of spot settlement amounted to US\$143,978 million, representing a decrease of 23.77% as compared with corresponding period of the previous year. The Company actively introduced option and its related portfolios and recorded RMB-Forex option trading volume of US\$2,088 million, representing an increase of 194.50% as compared with the corresponding period of the previous year.

2. *Interbank business*

According to the requirements on the governance of interbank business by the CBRC, the Company has set up the Financial Institution Department as the designated unit responsible for the centralized management of various interbank business, with focus on the investments and financing business with other financial institutions. Authorization and grant of credit were under centralized management with a full set of approval procedures for the selection of transaction counterparties. Standardized list-based management was implemented with regular evaluation on credit risks of counterparties, and list of counterparties was adjusted dynamically according to the evaluation results.

3. *Custody business*

In respect of asset custody business, capitalizing on various opportunities arising from the adjustment and enhancement of economic structure, rapid development of the capital market, market trend of large-scale asset custody and development of internet finance, based on the platform of asset custody business, the Company further integrated the resources of the whole bank and built up external cooperative platforms to actively promote cross marketing, in an aim to achieve leaping development. As at the end of the reporting period, asset custody business (including safekeeping) amounted to RMB2,984,041 million, representing an increase of 52.50% as compared with the end of the previous year. Revenue from the custody business was RMB3,347 million, representing an increase of 10.68% as compared with the corresponding period of the previous year. The size and performance of custody business the Company achieved rapid growth.

In respect of pension business, the Company put emphasis on the corporate annuity account management and custodian services and offered innovative financial services such as employee welfare plans and pension wealth management. The Company also explored new businesses such as occupational business unit annuities to zealously build comprehensive financial service platform for pension finance, so as to facilitate the sound development of pension business. As at the end of the reporting period, 143,533 corporate annuity accounts were managed by the Company, representing an increase of 3.53% as compared with the end of the previous year. The corporate annuity funds under custody amounted to RMB17,772 million, representing an increase of 93.74% as compared with the end of the previous year.

4. *Wealth management*

During the reporting period, the wealth management business of the Company strictly complied with various requirements of regulatory policies. It focused on the brand building of “Apex Asset Management” and the strengthening of asset management, optimizing management model of the wealth management business, enhancing wealth management product innovations and expanding sales channels so as to promote the steady growth of wealth management business. As at the end of the reporting period, the existing scale of wealth management products amounted to RMB477,181 million, representing an increase of 43.90% 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 457.65 tons, and the trading volume of silver, including agency sales for legal persons and individuals, amounted to 6,718.23 tons. Total trading value amounted to RMB139,835 million. In terms of on-floor trading value, the Company was the ninth largest dealer at the Shanghai Gold Exchange, one of the most active proprietary dealers at the Shanghai Futures Exchange and one of the important large-volume gold importers in the PRC.

During the reporting period, the Company leased 101.28 tons of gold to corporate customers, ranking the fourth in the market. It sold 767.98 kg of proprietary physical gold to individual customers. The Company satisfied the needs of customer with various products. The outlook of further progress in the market remained bright.

(V) *Overseas business*

The Company steadily expanded its overseas institutions. For Hong Kong Branch, the first overseas branch of the Company, the three major business segments including wholesale (corporate banking business), capital transactions and private banking businesses were further consolidated and strengthened according to the international strategy in 2014. The Hong Kong Branch has developed into an important overseas platform of the Company and has played a vital role in driving the growth of our cross-border collective trade financing business. During the reporting period, the cross-border collective trade financing business contributed HKD656 million to the net fee and commission income of the Hong Kong Branch, representing an increase of 162.40% as compared with the corresponding period of the previous year. The balance of collective deposits amounted to HKD44.082 billion, representing an increase of 92.25% over the end of 2013, which directly generated mainland deposits of RMB13,263 million and net fee and commission income of RMB261 million. The cross-border collective business brought remarkable win-win effect.

In addition, in order to diversify business channel and promote business innovation, the Hong Kong Branch entered into bulk commodity memorandum of understanding with the Hong Kong Stock Exchanges and Clearing Limited, established the Minsheng Ship Owners Association, introduced the financial product manager service, organized bank consortium for NSOEs and issued the first global offering of bonds for enterprises. The Hong Kong Branch also achieved outstanding results in completing the issue of the first cross-border RMB loan in Qianhai, the first acquisition of assets in the way of forfeiting and the development of dual-factoring export business. Capitalizing on the opportunities arising from the overseas expansion of PRC enterprises, in term of mergers and acquisition and privatization businesses, the Hong Kong Branch completed various large projects with international influence including the privatization of Giant Interactive and the acquisition project of Brightoil Petroleum. The loan provided for the privatization of Giant Interactive was the first syndicated loan for the privatization of listed online game company in the market. With the completion of numerous important projects, the Company further expanded to the international markets with increasing influence and brand image. Competitive strengths of the Company continued to strengthen.

As at 31 December 2014, deposit balance of our Hong Kong Branch amounted to HKD74,695 million, representing an increase of 59.88% as compared with the end of the previous year. The outstanding loans (excluding discounted bills) amounted to HKD50,451 million, representing an increase of 49.03% as compared with the end of the previous year. Net non-interest income and net interest income amounted to HKD889 million and HKD1,002 million, respectively.

(VI) Internet finance and service innovation

During the reporting period, capitalizing on the enormous opportunities from the significant and promising demand for internet finance, the Company increased investment to the development and expansion of internet finance, with focus on product and service innovation of mobile banking, direct banking, Wechat banking and online payment. With its continuous efforts to enhance customers' experience, the Company gained support and trust from customers, resulting in rapid increase in market shares and securing leading position among commercial banks.

1. Mobile banking

The Company continuously innovated its mobile banking with an aim to meeting customer's needs promptly with excellent customers' experience. During the reporting period, the Company launched various featured functions such as self-service registration for small amount payment, online loan application and renewal for small and micro customers, online application for credit card and real-time purchase of forex. Localized services such as Guangzhou charitable donation, Nanjing youth volunteer card and Xi'an reserve fund enquiry were also launched to satisfy different needs of local customers. Localized mobile banking service quality of the Company maintained leading position in the industry. The Company also provided services regarding mobile living and social interaction, such as online taxi call, traffic penalty payment, Wechat and blog sharing and change of themes and background images and other value-added

services. Convenience and interaction of services and functions of mobile banking was further strengthened. As at the end of the reporting period, the number of mobile banking customers reached 13.0212 million, representing an increase of 7.4760 million as compared with the end of the previous year. The number of transactions for the reporting period was 182 million, representing an increase of 203.51% as compared with the corresponding period of the previous year, while the transaction turnover for the reporting period amounted to RMB3,220,000 million, representing an increase of 185.81% as compared with the corresponding period of the previous year. Frequency of transactions conducted by customers surpassed the average level of the banking industry. With its high user conversion rate, complete sets of versions, simple subscription procedures, diversified functions, high security and excellent customer's experience, the Company's mobile banking obtained outstanding results with the highest score among 18 national commercial banks in the comprehensive assessment of China's mobile banking for the year organised by China Financial Certification Authority.

2. *Direct banking*

The Company has exerted great efforts in the development of internet finance. On 28 February 2014, the Company officially launched its direct banking business. Adhering to the principle of providing "simple banking services", the Company has established platform and developed new products and services based on the needs and habits of internet users. The Company provided online internet financial services through its designated websites, mobile apps, Wechat banking and 10100123 hotline. Various service channels have been developed and direct banking services were integrated to personal version and small business version of mobile banking, personal online banking and Wechat banking in order to connect direct banking with traditional electronic channels and new Wechat banking platform, facilitating our customers to understand and use the direct banking products and services conveniently. During the reporting period, the Company launched "Sui Xin Cun (随心宝)", "Ru Yi Bao (如意宝)", "Ding Huo Bao (定活宝)" and pledged loans and "Minsheng Gold (民生金)", and established an internet finance service system providing deposits, loans and remittance services. Based on this system, the Company cooperated with third-party companies to provide wealth management services in order to attract new customers in a batch manner. Numbers of customers and transactions both recorded rapid growth. As at the end of the reporting period, the number of customers reached 1.4681 million, and the total subscription amount of "Ru Yi Bao" amounted to RMB236,687 million.

3. *Online banking*

During the reporting period, the Company introduced new functions of online loan application and loan renewal application through its personal online banking and small business online banking systems, shifting the traditional on-site credit application procedures to the new online self-service application mode which significantly improved the convenience and efficiency of loan application and loan renewal application. Other convenient services such as payment of traffic penalties, lottery ticket and non-tax payments were rolled out to diversify our value-added services of

online banking. As at the end of the reporting period, the number of personal online banking customers was 11.6103 million, representing an increase of 4.1780 million over the end of the previous year. The number of transactions was 427 million, representing an increase of 71.49% as compared with the corresponding period of the previous year, while the transaction turnover amounted to RMB10,950 billion, representing an increase of 42.58% as compared with the corresponding period of the previous year. The number of corporate online banking customers was 0.4913 million, representing an increase of 0.1545 million as compared with the corresponding of the previous year. The number of transactions was 79 million, representing an increase of 125.71% as compared with the corresponding period of the previous year, while the transaction turnover amounted to RMB43,490 billion, representing an increase of 104.66% as compared with the corresponding period of the previous year. Online transaction replacement rate was 96.49%. Sales volume of wealth management products via electronic channels increased significantly, which amounted to RMB2,080,000 million in the reporting period. Of which, sales of personal wealth management products recorded RMB1,890,000 million, representing an increase of 70.27% as compared with the corresponding period of the previous year, accounting for 94.15% of the sales of the Company's personal wealth management products.

4. *Wechat banking*

During the reporting period, the Company expanded the Wechat banking services to provide a wide range of mobile financial and mobile living services to customers, including account inquiry, transfers between time and demand deposits, time deposits with instalments, deposits on demand, auto rolling deposits (錢生錢), wealth management, credit cards, reservation at banking outlets and services of preferential merchants. A smart online customer service team was formed to provide full day and ongoing interactive services with Wechat users, such as answering their enquiries, guiding and assisting them to apply for and use various services, which allowed customers to enjoy intelligent and customized one-on-one services as if they were in the VIP rooms of the Bank. The Company also consolidated its resources to carry out cross-business marketing and promotion through Wechat. As a result, popularity and number of users of the Wechat banking of the Company recorded rapid growth. As at the end of the reporting period, Wechat banking of the Company had a total of 2.1811 million customers, ranking top among banks. The Company has become one of the most influential ID in Wechat, which was significant to the product promotion and business marketing of the Company.

5. *Online payment*

In order to meet customers' increasing demand for online payment services, during the reporting period, the Company refined its online payment platform and product mix and enriched the payment channels, so as to provide customers with convenient and fast channel of capital flow and save the settlement costs of customers. Currently, the Company has developed new mobile and online payment services including payment and receipt through two-dimensional barcode on mobile banking, code scanning payment for online shopping, bill payment and top up and purchase of train tickets,

air tickets and tickets for tourist spots, as well as online payment system and functions such as online payment, batch payment and collection through online banking and fees payment for funds. Interbank transaction products were upgraded through launching new security policy of transaction password verification when using cards issued by other banks and streamlining the contract procedures of interbank transactions conducted with mobile banking services. Third-party fund integration channels were provided to customers with secured and convenient fund integration services. Online payment business of the Company has been growing soundly. As at the end of the reporting period, active customers using interbank fund integration services totalled 1.1420 million, representing an increase of 728,200 customers over the end of the previous year, and the total fund integrated amounted to RMB493,337 million. Total personal online payment transactions of the year amounted to RMB116,625 million, and total transaction amount of fund sales supervisory business amounted to RMB303,998 million, and total transaction amount of Fast Fund Payment (基金快付) amounted to RMB38,504 million.

6. *Mobile operations*

During the reporting period, the Company introduced the light operation concept in response to the new development trend of banking business, and commenced the mobile operation model, which attracted immediate positive market response for its application of mobile internet technology without reliance on the operations of outlets and counters. As at the end of the reporting period, the Bank had over 5,000 sets of machines installed and issued over 4 million cards, accounting for over 40% of the total cards issued by the Bank. In respect of banking outlet transformation, the first phase of research and platform establishment for customer-oriented operation was completed. Preparation and trial operation of integrated lobby services and marketing was completed, which was expected to be implemented across the Bank starting from 2015 in phases. Existing service models in banking outlets will be transformed fully through the customer-oriented operations based on new technologies and procedures. Front desk staff will be released from the counters to participate in services and marketing to customers, which will reduce the queuing time of customers, enhance customers' experience, decrease operating costs and improve service quality and customer loyalty.

7. *Self-services*

The Company focused on satisfying customers' needs for self-services and developed five new machines including self-service cash packing machine, self-service ticket machine and self-service receipt printer to reduce the customer flow of counter services, which effectively reduced the pressures of the counters. The Company also launched the trial operation of new products such as electronic accounts for institutions and C-POS platform, which will gradually show the results.

(VII)Major equity investment

1. 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 RMB128,674 million, representing an increase of RMB16.968 billion, or 15.19%, and RMB11,938 million, representing an increase of RMB1.823 billion, or 18.02%, compared with the end of the previous year, respectively. During the reporting period, net profit amounted to RMB1,810 million, representing an increase of RMB169 million, or 10.30% as compared with the previous year. Average return on net assets was 16.42%, representing a decrease of 1.22 percentage points compared with last year. Strived for “distinctive and efficient” development mode, Minsheng Financial Leasing has become one of the largest business jet leasing companies in Asia and the largest ship leasing companies in China. It boasts 304 various types of business jets, helicopters and aircrafts, and 323 ships. It was rated “AAA” in the bond and issuer credit rating by China Lianhe Credit Rating Co., Ltd. (聯合資信評估有限公司).

In the reporting period, in order to further implement the strategies under the “Second Five-Year Outline” of the Company, Minsheng Financial Leasing implemented specialized operation and transformed and upgraded its business in response to the macro-economy and market condition. By adjusting the resource allocation timely, while consolidating its advantages in the major strategic business segments of jets and ships, Minsheng Financial Leasing expanded to new business areas such as healthcare and medical and new energy vehicle segments. In respect of aircraft leasing, Minsheng Financial Leasing maintained dual development. It maintained leading position in Asia-Pacific business jet leasing market by adjusting the positioning of its products and target customers timely to refine the customer structure, and consolidate and enhance its leading position in the business jets market. In the meantime, it also expanded to the retail market and established the “Minsheng Business Jet Club” (民生公務機俱樂部) in cooperation with CMBC International General Aviation Co., Ltd. to facilitate the development of business jet service chain. Moreover, it successfully established a foothold in the international commercial aircraft leasing industry. In respect of ship leasing, Minsheng Financial Leasing further adjusted the business structure to balance and optimise the vessel asset allocation and strengthen its risk tolerance. It also exerted great effort in globalization through establishing close cooperation with international leading ship agency companies, and completed the leasing project of Tasha, the first lease of international jack-up drilling rig in China, which led to the successful establishment of the professional brand of “Minsheng Ship Leasing” in the international vessel financing market. In respect of healthcare and medical

business, the Minsheng medical strategic alliance was formed with our professional teams for the leasing business of medical facilities and equipment. A leading credit investigation and approval system for leasing business was established. In respect of the new energy vehicles business, Minsheng Financial Leasing expanded to the new energy bus market and made investment to bus projects in Beijing and Handan of Hebei Province under new development modes.

The healthy and sustainable development of Minsheng Financial Leasing received high recognition from the industry. The awards it obtained during the reporting period included the Most Influential Finance Leasing Company of 2014 (2014年度最具影響力金融租賃公司), Finance Leasing Company of China for the Year 2014 (2014中國融資租賃年度公司), and the Finance Leasing Company for the Year 2014 (年度融資租賃公司) of the CBN Financial Value Ranking (“CFV”).

(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 RMB307 million, representing an increase of RMB264 million compared to previous year. As at the end of the reporting period, a total of 21 products were managed under Minsheng Royal Fund, with net value and shares of fund asset under its management of RMB38,443 million and 36,396 million respectively. Fund 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 money market funds. According to the Fund Research Centre of Galaxy Securities (銀河證券基金研究中心), Minsheng Royal Fund ranked 34th among 90 fund companies in China in term of scale, maintaining a leading position among the medium-sized fund management companies. The account management business of Minsheng Royal Fund continued to expand rapidly, and assets under its management amounted to RMB30,437 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. As at the end of the reporting period, assets managed by Minsheng Royal Asset Management amounted to RMB490,560 million. It achieved satisfactory business interaction and mutual supplement with the operations of the Company.

During the reporting period, Minsheng Royal Fund was granted the “Innovation Award of Internet Products (互聯網產品創新獎)” and the “Best Growth Potential (最具成長性公司)” awards by Hexun Network, “Innovative China Internet Finance Award (中國互網金融創新獎)” by China Electronic Finance Annual Meeting Committee, and “Internet Finance Brand Marketing Award” (互聯網金融品牌行銷獎) by Tencent Finance. Minsheng Royal Asset Management was awarded as the “Golden Shell Award — the Best Fund and Asset Management Company of the Year (金貝獎「年度最佳基金資產管理公司」)” and the “Golden Dragon Award – the Best Assessment Management Company for Risk Control of the Year (金龍獎「年度最佳風控資產管理公司」)”.

(3) 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 74 business outlets. Total assets amounted to RMB26,578 million, representing an increase of RMB876 million or 3.41% as compared with the end of the previous year. Balances of deposits and total loans were RMB21,448 million and RMB15,621 million, representing a decrease of RMB263 million or 1.21% and an increase of RMB620 million or 4.13% as compared with the end of the previous year, respectively. The Company further improved the risk control system and business development model of rural banks during the reporting period. As at the end of the reporting period, Minsheng rural banks had an excellent asset quality and sound business development. The business strategy to focus on small business finance and regional characteristics business for sustainable development was implemented smoothly with preliminary benefits.

During the reporting period, in strict compliance with the “Five Year Outline” determined by the Board, the Company aimed to maintain effective risk control, rapid business development and stable operation management by gradually implementing centralized management, standardized operation and unique operation mode. The Company continued to improve its management system and implement various measures orderly to support the sound and sustainable development of Minsheng rural banks.

(4) Structured units consolidated to the financial statements of the Group

The structured units consolidated to the financial statement of the Group mainly consist of certain asset management plans. The Group shall determine whether it has controlling right over these structured units 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 units 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 of 31 December 2014, the total equity attributable to the holder of the asset management plans under the management of and consolidated to the financial statements of the Group amounted to RMB5.944 billion, which are presented under the total balance of deposits from customers of the Group. No individual asset management plan had material impact to the financial position of the Group.

(5) Management of consolidated financial statements

With our dedicated efforts over the past three years, the organisation and structure, policy and rules, information system and management procedures of the management of consolidated financial statements of the Group have improved significantly. During the reporting period, according to the regulatory requirement and actual situation of management of the consolidated financial statements of the Group, the Company carried out a series of measures including reporting, supervision and evaluation, and study on new regulations to ensure the stable operation of the Group.

The Company summarized financial statements consolidation tasks and prepared the annual consolidated financial reports for 2013 and interim financial reports for the first half of 2014 of the Group, which stated, among other things, the details of the shareholding structure, operating conditions, capital adequacy ratio, significant risk exposure, internal transactions and audits of consolidated financial statements. Such reports were submitted to the Board, Supervisory Board and regulatory authorities separately in furtherance of communication regarding the consolidated financial statements.

The Company enhanced the management and appraisal of consolidated financial statements of the Group. Management and appraisal of the 2013 consolidated financial statements of the Group were conducted with focus on self-assessment of subsidiaries, rating of management departments responsible for the consolidated financial statements, review and appraisal results of the strategic development and investment management committee and feedbacks on the appraisal results. Implementation of the management of consolidated financial statements was fully evaluated for improvement of effectiveness.

Upon the promulgation of 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》) by the CBRC, the Company strived to comply with the relevant requirements set out in the guidance and established a working team responsible for the management of consolidated financial statement based on the new regulations. The Company also revised the Management Measures for Consolidated Financial Statements of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司併表管理辦法》) and formulated proposal for the implementation of guidance.

The stable operation of the information system for the consolidated financial statements was stable, supporting the effective management of the consolidated financial statements of the Group.

2. *Use of proceeds*

On 15 March 2013, upon the approval by the CSRC in its document of Zheng Jian Xu Ke [2012] No. 1573, the Company issued a total of RMB20,000 million A Share Convertible Bonds at par value, which were listed on the SSE on 29 March 2013 and 2 May 2013 (Convertible Bonds code: 110023). The proceeds from the issuance of A share convertible bonds amounted to RMB20 billion, and was RMB19,912 million in net after deducting direct issuance costs. The net proceeds, together with other funds of the Company, had been used for the business development of the Company. As at the end of the reporting period, A Share Convertible Bonds of RMB935,884,000 in aggregate were converted into A shares of the Company, and the total number of converted shares was 114,247,390. The entire proceeds of the Convertible Bonds converted 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 regime is "Creating Value by Managing Risks". Its risk management system focuses on the coordinated development of quality, efficiency and scale. The objective of the risk management of the Company is to enhance its risk management capability by actively implementing the New Basel Accord and the establishment of a comprehensive risk management system, to support business development and strategic restructuring, strengthen core competitiveness of the Company and safeguard the long term interests of employees and customers so as to maximize shareholder value.

(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 governed by the platform consisting of risk strategies, collective management and risk quantification and measurement tools jointly developed by the Risk Management Department, Credit Assessment Department, Asset Monitoring and Control Department, Legal Affairs and Compliance Department and Asset Custody Department under the coordination of the Risk Management Committee of the Board. 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 statement items and non-credit business are also strictly controlled.

To support the strategic transformation and structural adjustment of the Bank, the Company issued its 2014 General Guidelines of Risk Policy (《2014年風險政策總體導向》), which restated the guiding opinion and general objectives of risk policy in terms of industries,

regions, customers and products and refined the risk policy and management system covering all business lines including, among other things, corporate banking, granting credits to small and micro enterprises and credit cards, all institutions including SBUs and branches, and all on and off-statement products. Strict management for quantitative targets of structural adjustment and quota control for industries with high risks was adopted. In addition, the credit risk internal rating system covering legal corporations, financial institutions and retail businesses was verified and optimized in a comprehensive manner with a more extensive use of risk rating and measurement results. The internal rating system of non-retail business has been widely used in the formulation of risk management policy, credit limit management, differentiated risk approval, credit evaluation, pricing of loan, post-loan supervision, economic capital management, RAROC assessment and other entire-process risk management systems. The retail rating model and the pooling instruments relating to the small and micro business, credit card business and traditional retail business have been applied to the credit approval, determination of credit limit and post-loan alerts of retail business. The refinement and application of the above risk measurement tools further enhanced credit risk management of the Company.

(II) Liquidity risk

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds at reasonable costs in a timely manner to cope with increase in assets or fulfil debt obligations despite its ability to settle the debt. 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 capacities of liquidity risk identification, pricing and refined control and management to achieve optimal balance between liquidity risk and returns pursuant to the development strategies of the Bank. During the reporting period, in the face of the regulatory requirements, increasingly complicated market environment, accelerated financial disintermediation and liberalization of interest rates, 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. The Company focused on the monitoring of potential liquidity risk related to capital business based on the important factors affecting the liquidity of the Company. 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 lending 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 lending business. The Company refined liquidity risk indicator 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) resulting in losses in on balance and off balance 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 based on the rules of the New Basel Accords. The Company also formulated and further improved the management system for market risk through formulating, calculating, monitoring and reporting measures on risk limit.

During the reporting period, the Company continued to steadily promote and refine its market risk management, and streamlined the management process. The market risk management was improved through risk appetite and allocation by the Board, establishment and optimization of management platform, business management service support and coordination. In respect of risk appetite and allocation, our management policy was closely in relation to the risk tolerance of capital and profit, and extensively covered basic policies for market risks of bank accounts and transaction accounts, interest rate risk and exchange rate risk, and on-balance sheet and off-balance sheet businesses, and paid special attention to correlated risks such as liquidity risk. More attention was given to the overall risk measurement and management based on major risk factors when determining the market risk limits. In respect of market risk measurement and verification, market risks on transaction accounts and products were measured and managed based on risk value, sensitivity analysis, gap analysis and other approaches. Verification was carried out based on internal model approach. Core application of the internal approach including quota management, risk report, stress test and capital measurement was extended. In respect of market risk management platform, the Company introduced the internal market risk measurement model which encompassed major functions such as VaR, stress test and backtrack test. It can demonstrate, study and analyse the VaR and SVaR of individual institutions, products and risk factors. In respect of market risk reporting, the Company enriched the application of market risk database through establishment of system and optimized product control functions such as identification of risk factors for profit and loss and assessment of price difference. The Company enhanced the monitoring function of the middle office through automatic generation of daily market risk report.

(IV) Operational risk

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

During the reporting period, the Company further rationalized the management system for operational risks. The Company focused on the improvement of operational risk management of outsourcing and business continuity and closely monitored the operational risk management regarding emerging business segments. Inspection, evaluation and appraisal of operational risk management were implemented to extend the application of operational risk management achievements. The Company expanded the coverage of business continuity management by modifying the management rules and establishing contingency plans in respect of business continuity with regular drills. Risk management on outsourcing was consolidated by revising the management measures, formulating management manual and standardizing management standards as the basis of management inspection. Daily audits and supervision on outsourcing business of the Bank were carried out. The Company put great emphasis on the application of management tools for operational risks and further improved the major risk indicators of operational risk. The Company set up strict procedures of self-assessment of risks and collected loss data regarding operational risks. The Company improved the operational risk for new areas such as internet finance and automobile consumption finance. Overall quality of the evaluation of operational risk management of the Bank was enhanced, which further consolidated the risk alert and prevention of the Company.

In respect of IT risk management, the Company further refined the operation management of production system, and the production system operated efficiently stable without material manufacturing and security incidents. The Company pushed forward the construction of “three disaster recovery centres in two locations”. The Company has built an off-site core system data disaster recovery centre in Chengdu. A new disaster recovery centre for city-wide core business systems has commenced operation in Beijing and had passed four disaster recovery drills in the year. Furthermore, many branches have established their city-wide disaster recovery rooms gradually. The Company actively promoted the construction of IT services and information security management standards and systems. We obtained the international certification of IT service management (ISO20000) and IT security management (ISO27001) with outstanding performance and “Zero Failure”. The standardized management of IT services and information security was significantly improved. With the development of security technologies, the Company continued to strengthen the information security management to secure the operation of internet finance business and other businesses.

(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.

During the reporting period, both overseas credits and debts increased as compared to the beginning of the year, which were mainly from Asia (except China) and the Americas. During the reporting period, the growth of overseas credits was higher than that of overseas debts.

(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 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》), and issued the Implementation Rules of Management on Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險管理實施細則》). 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 upgraded the monitoring network to effective monitor, alert and trace public opinions and information through an advanced public opinion monitoring platform. Risk information management was improved to enhance the information sharing system between all risk management departments of the Company for prompt and full disclosure and exchange of risk information. The Company organised

quarterly risk inspection to forecast, alert and cope with the shift of reputation risk and other risks. Material reputation risk events were reported to the regulatory authorities timely and regular communication was further improved. The Company also maintained close communication with the media to strengthen the brand building and risk resistance so to mitigate reputation risk. During the reporting period, 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-based” management concept and according to the objectives to understand, evaluate, monitor and manage risks, the Company further optimized the monitoring model of suspicious transactions and carried out investigation and rectifications on deficiency of anti-money laundering system to effectively identify risks at an early stage. The Company continued to improve the anti-money laundering system in a scientific and practical approach so as to fulfil the social responsibility of anti-money laundering and improve the overall management level of anti-money laundering of the Company.

During the reporting period, the Company put on trial the high value and suspicious transactions, facilitated the realization of the change of the centralized process pattern of suspicious transactions of the Company and refined its internal control system based on the trial results. The Company established the management systems for different classes of customers, real-time front desk screening system for terrorists and major foreign politicians on list and default interceptions of persons blacklisted by the International Settlement System in accordance with the regulatory requirements of the PBOC to prevent and control risks of money laundering and terrorist financing activities through various channels. We continued the investigation of money laundering by employees to effectively prevent the ethnic crisis of our employees. The Company continued to study and identify the risk of money laundering and analyse the types of money laundering activities in different regions, business lines and channels. The Company continued to identify money laundering activities by their characteristics and promptly analysed and reported any irregularities. The Company effectively prevented money laundering risks through comprehensive analysis of the situation of the field of money laundering. The Company carefully verified the identity of customers and conducted due diligence and effectively prevented 47,608 suspicious money laundering activities. The Company raised 237 money laundering alerts mainly based on the analysis regarding illegal fund-raising by overseas websites, cash withdrawal by “Happy Payment (樂收銀)” credit card and money laundering through wealth management products. The alert system was effective. The Company assisted the regulatory departments and other competent authorities in 528 anti-money laundering investigations. We held 637 training programmes and organized 248 promotional activities with 279,878 promotional materials issued to effectively strengthen the awareness of compliance regarding anti-money laundering and enhance the prevention and management of money laundering effectively.

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

XI. Prospects and Measures

(I) Competition and development of the banking industry

The PRC economy has entered into the new stage of New Normality. Under this New Normality, the overall banking industry will still face numerous uncertainties in 2015. Along with the liberalization of interest rate, RMB internationalisation and innovation in capital market, internet finance and banks grow along with each other despite the competition. New urbanisation, reform of state-owned enterprises, “One Belt and One Road”, development of Yangtze River Economic Zone and integration of Beijing, Tianjin and Hebei boost the growth momentum of real economy, bringing new opportunities to the development of the banking industry. Under the backdrop of the new era of asset management, it is essential for banks to accelerate transformation, refine the strategic positioning, business modes and management systems, enrich service models and diversify products and services portfolio.

(II) Development strategies

In 2015, the Company will fully implement the “Phoenix Project” (鳳凰計劃) by pushing forward its transformation, strengthening and refining development strategies and enhancing risk control and management to ensure effective operations and sound results of operation.

Firstly, upon the election of the new session of the Board, the Company will further refine the communications between the Board, the Supervisory Board and the operation management to facilitate the scientific decision making of the Board. Capital management will be improved and risk management duties of the Board will be clearly defined. Subscription and issue of shares under the employee stock ownership scheme will be completed. The Company aims to establish a highly efficient corporate governance system.

Secondly, the Company will fully implement the “Phoenix Project”. Detailed arrangements will be organized for each segment with focuses on resource allocation, project evaluation and promotions of key areas, in order to support the reform and innovation of the whole Bank.

Thirdly, the Company will adhere to its strategies and seize opportunities to maintain sound business development. The Company will optimise business modes and innovate its systems. According to the national strategies and capitalizing on the opportunities from the new era of asset management, the Company will consolidate internal and external resources and promote the business growth of investment banking, industry chain finance, small business finance, community finance, wealth management, custody and interbank business, so as to achieve synergetic business development.

Fourthly, the Company will strengthen its comprehensive risk management by reinforcing the internal control and promoting the awareness of compliance and risk control among all staff to cultivate its culture of risk responsibilities. The Company will adopt more advanced and effective methods and technologies for risk management to enhance its identification, measurement and prevention of risks. Asset quality evaluation will also be refined and systems and approaches for collection and disposal of loans will be reformed so as to ensure overall stable asset quality.

Fifthly, the Company will further enhance its scientific management approach. The Company will upgrade the big data platform to identify customer's value and implement customer classification management to improve the standard and efficiency of its lean management. With the application of strategic management tools and reasonable and effective resource allocation, effective cost control will be implemented to increase the cost efficiency for sustainable and sound business development.

Sixthly, the Company will deepen its reform and innovation. Management and operation systems for key businesses including SBUs, "small business finance and community finance", and private banking will be reformed continuously. Business modes for investment banking and financial market segments will be optimised with new products and service models in order to support business development.

Seventhly, the Company will enrich customer services on the Internet. Direct banking, mobile banking and online banking products and services will be upgraded to achieve better synergy and cross-selling abilities. Various channels will be consolidated to establish the ecological environment for internet finance of Minsheng Bank.

Eighthly, the Company will strengthen basic management and corporate culture with effective systems. Through system construction, team building and establishment of corporate culture, the Company will form a solid foundation for its management, aiming to develop into a commercial bank with outstanding cultural soft power, efficient operation and quality services.

(III) Potential Risks

At present, domestic economy of the PRC has entered into the new stage of "New Normality". The Central Economic Work Conference has determined the five major objectives for 2015. In view of the market opportunities arising from emerging industries, emerging markets, free trade zones, upgrade of consumption, mixed ownership of state-owned enterprises, infrastructure investment and three major strategic regions, as well as the increasing inherent risks of the Company and the external environment, various risks featuring with high leverage and economic bubbles, such as risks relating to financing of local governments, excessive production capacity, real estates and adjustment of regional structures, shall be closely monitored. In addition, under the impacts and challenges of the liberalisation of interest rates, lower entry requirements for the banking industry, internet finance and financial disintermediation, competitions in the banking industry will be further intensified. In order to further improve the risk management capability, the Company will formulate plans and strategies to strengthen the management of various risks as well as the pre-approval investigation, approval review and post-loan management so as to control the asset quality of loans.

Chapter 4 Changes in Share Capital and Information on Shareholders

I. Changes in Shares

(I) Changes in shares:

(Unit: Share)

	31 December 2013		Changes over the reporting period (+,-)		31 December 2014	
	Number of shares	Percentage (%)	Shares issued for profit distribution	Shares converted from Convertible Bonds	Number of shares	Percentage (%)
I. Shares subject to restriction on sales	—	—	—	—	—	—
1. State-owned shares	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—
Of which:	—	—	—	—	—	—
Held by domestic legal person	—	—	—	—	—	—
Held by domestic natural person	—	—	—	—	—	—
4. Foreign investor shares	—	—	—	—	—	—
Of which:	—	—	—	—	—	—
Held by overseas legal person	—	—	—	—	—	—
Held by overseas natural person	—	—	—	—	—	—
II. Shares not subject to restriction on sales	28,366,192,773	100.00	5,673,270,420	113,639,844	34,153,103,037	100.00
1. Ordinary shares in RMB	22,588,209,933	79.63	4,517,673,852	113,639,844	27,219,523,629	79.70
2. Domestic listed foreign invested shares	—	—	—	—	—	—
3. Overseas listed foreign invested shares	5,777,982,840	20.37	1,155,596,568	—	6,933,579,408	20.30
4. Others	—	—	—	—	—	—
III. Total number of shares	28,366,192,773	100.00	5,673,270,420	113,639,844	34,153,103,037	100.00

(II) Shares subject to restriction on sales and restrictions

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

II. Sufficiency of Public Float

According to the 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

Issuance and listing of Convertible Bonds

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

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

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

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

During the reporting period, the Company had 113,639,844 A shares converted from Convertible Bonds and 4,517,673,852 ordinary shares in RMB issued for profit distribution. Proportion of ordinary shares in RMB increased from 79.63% at the beginning of the year to 79.70%. The Company issued 1,155,596,568 additional overseas listed foreign invested shares for profit distribution, the proportion of which decreased from 20.37% at the beginning of the year to 20.30%.

(III) *Employee shares*

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

(IV) *Convertible bonds*

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

(Unit: RMB)

Name of holders	Nominal value of bonds held
China Life Insurance Co., Ltd. — Traditional—Common Insurance Products — 005L — CT001, SH	684,207,000
Anbang Life Insurance Inc. — Steady Investment Portfolio	607,783,000
Bosera Value Growth Securities Investment Fund	594,164,000
Bank of China — Dacheng Wealth Management 2020 Life-cycle Securities Investment Fund	401,040,000
Industrial and Commercial Bank of China Limited — Industrial Convertible Bond Hybrid Securities Investment Fund	390,714,000
ICBC Credit Suisse Asset Management Co., Ltd. — ICBC — Industrial and Commercial Bank of China Limited	337,539,000
China Construction Bank — ICBCCS Credit Value-added Bond Securities Investment Fund	316,269,000
China Life Insurance (Group) Company — Traditional — Common Insurance Products	292,532,000
National Social Security Fund — Portfolio 207	275,431,000
Aegon-Industrial Fund — Industrial Bank — Industrial Bank Co., Ltd. Shanghai Branch	254,651,000

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

2. *Guarantors of Convertible Bonds*

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

3. *Adjustment of conversion price of Convertible Bonds*

The profit distribution for the second half of 2012, the interim profit distribution for 2013, the profit distribution for the second half of 2013 and the interim profit distribution for 2014 was implemented by the Company on 26 June 2013 (i.e. record date), 9 September 2013 (i.e. record date), 19 June 2014 (i.e. record date) and 6 January 2015 (i.e. record date), respectively. According to the requirements stated in the relevant provisions of the Prospectus in relation to the Public Issuance of A Share Convertible Bonds (with Subordinated Terms) of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司公開發行A股可轉換公司債券(附次級條款)募集說明書》), after the issuance of Convertible Bonds of the Company, the Company shall adjust the conversion price upon implementation of profit distribution. The initial conversion price of the Convertible Bonds of the Company was adjusted from RMB10.23 per share to RMB10.08 per share from 27 June 2013. The conversion price was adjusted from RMB10.08 per share to RMB9.92 per share from 10 September 2013, from RMB9.92 per share to RMB8.18 per share from 25 June 2014, and from RMB8.18 per share to RMB8.105 per share from 9 January 2015.

4. *Conversion of Convertible Bonds*

The conversion period of the Convertible Bonds of the Company shall commence on the first trading day after the expiry of six months from the issuance date and end on the maturity date of Convertible Bonds (i.e. 16 September 2013 to 15 March 2019). The conversion period for the Convertible Bonds commenced on 16 September 2013. As of 31 December 2014, a total of RMB935,884,000 Convertible Bonds of the Company were converted into A shares of the Company and the total number of shares converted was 114,247,390, representing 0.40277% of the total issued shares of the Company prior to the conversion. As of 31 December 2014, Minsheng Convertible Bonds of RMB19,064,116,000 were not converted, representing 95.32058% of the total issued Minsheng Convertible Bonds.

5. *Credit rating of Convertible Bonds*

The Company engaged Dagong, a credit rating firm, to trace and analyse the credit rating of Minsheng Convertible Bonds issued on 15 March 2013. Dagong gathered and analysed information regarding the operation and financial position and performance of obligations of the Company since 2013 and took into consideration of factors such as the change of external operating environment of the Company, issued the Credit Report of A Share Convertible Bonds of China Minsheng Banking Corp., Ltd. in 2013 (《中國民生銀行股份有限公司2013年度A股可轉換公司債券跟蹤評級報告》) (Dagong Bao SD [2014] No. 064). According to the report, the credit rating of Minsheng Convertible Bonds was AA+ and the corporate credit rating remained at AAA with a stable prospect. Please refer to China Securities Journal, Shanghai Securities News and Securities Times published on 17 May 2014 for details.

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

Pursuant to the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2006] No. 27) and the approval by the CBRC (Yin Jian Fu [2006] No. 80), the Company issued a total of RMB4,300 million hybrid capital bonds for a term of 15 years through a public offering in the 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 tenth year but before the maturity date of the bonds. The bonds comprised fixed rate bonds and floating rate bonds. The fixed rate bonds amounted to RMB3,300 million and were issued at an initial interest rate of 5.05% and the interest rate for the remaining five years will increase by 300BP on top of the initial interest rate applicable to the first ten years if the Company does not exercise any redemption option after 5 years. The floating interest rate bonds amounted to RMB1,000 million and the par interest rate per annum was based on the sum of a benchmark interest rate plus a basic spread. The benchmark interest rate was the one-year deposit rate published by the PBOC and the initial basic spread was 2%. If the Company does not exercise the early redemption option, an extra premium of 100BP will apply to the basic spread on a year-on-year basis from the 11th interest payment year. As at 28 December 2006, the proceeds from the RMB4,300 million hybrid capital bonds, net of issuance expenses, were fully credited to the account of the Company and this issue of bonds was thus completed. According to applicable rules, these proceeds of RMB4,300 million were fully accounted as supplementary capital of the Company. Pursuant to the Administrative Measures for the Capital of Commercial Bank (for Trial Implementation) adopted by the CBRC on 1 January 2013, the proceeds were fully accounted as tier-two capital of the Company.

Pursuant to the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2009] No. 8) and the approval by the CBRC (Yin Jian Fu [2009] No. 16), the Company issued a total of RMB5,000 million hybrid capital bonds for a term of 15 years through a public offering in the national interbank bond market. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the 10th year but before the maturity of the bonds. The bonds comprised fixed interest rate bonds and floating rate bonds. The fixed interest rate bonds, amounting to RMB3,325 million, were issued at an initial interest rate of 5.70% and the interest rate for the remaining five years will increase by 300BP on top of the initial interest rate applicable to the first ten years if the Company does not exercise any redemption option. The floating interest rate bonds amounted to RMB1,675 million and the par interest rate per annum was based on the sum of a benchmark interest rate plus a basic spread. The benchmark interest rate was the one-year deposit rate published by the PBOC and the initial basic spread was 3%. If the Company does not exercise the early redemption option, an extra premium of 300BP will apply to the basic spread on a year-on-year basis from the 11th interest payment year. As of 26 March 2009, proceeds from the RMB5,000 million hybrid capital bonds, net of issuance expenses, were fully credited to the account of the Company and this issue of bonds was thus completed. According to applicable rules, these proceeds of RMB5,000 million were fully accounted as supplementary capital of the Company. Pursuant to the Administrative Measures for the Capital of Commercial Bank (for Trial Implementation) adopted by the CBRC on 1 January 2013, the proceeds were fully accounted as tier-two capital of the Company.

Pursuant to the approval by the CBRC (Yin Jian Fu [2004] No. 159) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2010] No. 31), the Company issued another batch of revolving subordinated bonds at fixed interest rate totalling RMB5,800 million through a public offering in the national interbank bond market. These subordinated bonds were issued for a term of ten years and the interests were paid on an annual basis. Subject to the approval by the CBRC, the Company might exercise an one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of the bonds. The initial interest rate was 4.29% and the interest was paid on an annual basis. As of 17 June 2010, the proceeds from the RMB5,800 million subordinated bonds, net of issuance expenses, were fully credited to the account of the Company and this issue of bonds was thus completed. According to applicable rules, the proceeds from RMB5,800 million were fully accounted as supplementary capital of the Company. Pursuant to the Administrative Measures for the Capital of Commercial Bank (for Trial Implementation) adopted by the CBRC on 1 January 2013, the proceeds were fully accounted as tier-two capital of the Company.

Pursuant to the approval by the CBRC (Yin Jian Fu [2010] No. 625) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2011] No. 64), the Company issued a total of RMB10,000 million subordinated bonds at fixed interest rates through a public offering in the national interbank bond market. The interests were paid on an annual basis. The subordinated bonds were issued for a term of 10 years and 15 years respectively. The 10-year bonds, amounting to RMB6,000 million, were issued at the nominal interest rate of 5.50% while the 15-year bonds, amounting to RMB4,000 million, were issued at the nominal interest rate of 5.70%. These subordinated bonds granted the issuer a one-off early redemption option, that is, subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of the 10-year bonds or after the expiry of the tenth year but before the maturity date of the 15-year bonds. The exercise of the early redemption option by the issuer at par value is not subject to the consent of bond holders. As of 28 March 2011, the proceeds from the RMB10,000 million subordinated bonds, net of issuance expenses, were fully credited to the account of the Company and this issue of bonds was thus completed. According to applicable rules, these proceeds of RMB10,000 million were fully accounted as supplementary capital of the Company. Pursuant to the Administrative Measures for the Capital of Commercial Bank (for Trial Implementation) adopted by the CBRC on 1 January 2013, the proceeds were fully accounted as tier-two capital of the Company.

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

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 at par value 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.

V. Shareholders

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

(Unit: share)

Total number of shareholders
at the end of the reporting period 713,958

Total number of shareholders
at the end of the fifth trading day
prior to the disclosure of
the annual report 755,649

Particulars of shareholdings of the top ten shareholders

Name of shareholders	Type of shareholder	Shareholdings percentage	No. of shares held	Number of shares subject to restriction held
HKSCC Nominees Limited	/	20.19%	6,894,167,177	0
Anbang Life Insurance Inc. — Steady Investment Portfolio	Domestic legal person	4.97%	1,698,579,144	0
Anbang Property Insurance Inc. — Traditional products	Domestic legal person	4.88%	1,665,225,632	0
New Hope Investment Co., Ltd.	Domestic legal person	4.69%	1,600,304,190	0
China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001, SH	Domestic legal person	4.05%	1,381,568,777	0
Shanghai Giant Lifetech Co., Ltd.	Domestic legal person	3.37%	1,149,732,989	0
China Shipowners Mutual Assurance Association	Domestic legal person	3.18%	1,086,917,406	0
Orient Group Incorporation	Domestic legal person	3.12%	1,066,764,269	0
Anbang Insurance Group Co., Ltd. — Traditional Insurance Products	Domestic legal person	2.75%	939,292,013	0
China Oceanwide Holdings Group Co., Ltd.	Domestic legal person	2.46%	838,726,939	0

Shareholdings of top ten holders of shares not subject to restriction on sales

Name of shareholders	Number of shares not subject to restriction held	Classes of shares
HKSCC Nominees Limited	6,894,167,177	Overseas listed foreign invested shares (H shares)
Anbang Life Insurance Inc. — Steady Investment Portfolio	1,698,579,144	Ordinary shares dominated in RMB
Anbang Property Insurance Inc. — Traditional products	1,665,225,632	Ordinary shares dominated in RMB
New Hope Investment Co., Ltd.	1,600,304,190	Ordinary shares dominated in RMB
China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001, SH	1,381,568,777	Ordinary shares dominated in RMB
Shanghai Giant Lifetech Co., Ltd.	1,149,732,989	Ordinary shares dominated in RMB
China Shipowners Mutual Assurance Association	1,086,917,406	Ordinary shares dominated in RMB
Orient Group Incorporation	1,066,764,269	Ordinary shares dominated in RMB
Anbang Insurance Group Co., Ltd. — Traditional Insurance Products	939,292,013	Ordinary shares dominated in RMB
China Oceanwide Holdings Group Co., Ltd.	838,726,939	Ordinary shares dominated in RMB
Statement on the related relationship or concert 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.	

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

(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 2014, 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	794,789,685			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	3,857,091,549			
				4,651,881,234	1	17.09	13.62
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,084,876,472*	2 & 5	7.66	6.10
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,600,304,190*	2	5.88	4.69
New Hope Investment Co., Ltd.	A	Long	Beneficial Owner	1,600,304,190*	2	5.88	4.69
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	2,084,876,472*	3 & 5	7.66	6.10
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,084,876,472*	4 & 5	7.66	6.10
Fosun International Limited	H	Long	Beneficial Owner	695,179,800			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	124,818,600			
				819,998,400	6 & 7	11.83	2.40

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 Holdings Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	819,998,400	6 & 7	11.83	2.40
UBS AG	H	Long	Beneficial Owner	240,184,253			
		Long	Person having a security interest	512,436,613			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	11,607,273			
				<hr/>			
				764,228,139	8 & 10	11.02	2.24
UBS Group AG	H	Short	Beneficial Owner	26,193,666	8 & 10	0.38	0.08
		Long	Person having a security interest in shares	512,436,613			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	251,791,526			
				<hr/>			
				764,228,139	9 & 10	11.02	2.24
Shi Yuzhu	H	Short	Interest held by the corporation(s) controlled by this substantial shareholder	26,193,666	9 & 10	0.38	0.08
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	638,829,500	11	9.21	1.87
Union Sky Holding Group Limited	H	Long	Beneficial Owner	586,100,000	11	8.45	1.72
JPMorgan Chase & Co.	H	Long	Beneficial Owner	107,214,647			
		Long	Investment Manager	302,293,698			
		Long	Custodian	155,283,542			
				<hr/>			
				564,791,887	12	8.15	1.65
		Short	Beneficial Owner	26,584,948	12	0.38	0.08
Ge Weidong	H	Long	Beneficial Owner	273,863,500			
			Interest held by the corporation(s) controlled by this substantial shareholder	132,816,000			
				<hr/>			
				406,679,500	13	5.87	1.19

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 (%)
BlackRock, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	378,510,065	14	5.46	1.11
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	10,306,000	14	0.15	0.03

* 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 2014. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Notes:

1. Anbang Insurance Group Co., Ltd. had interests in the 4,651,881,234 A shares (in which 76,526,773 A shares were held through physically settled derivatives (off exchange)) of the Company by virtue of its control over Anbang Life Insurance Inc., Anbang Property Insurance Inc., Hexie Health Insurance Co., Ltd and Anbang Asset Management Co., Ltd.
2. The 2,084,876,472 A shares comprised 484,572,282 A shares directly held by South Hope Industrial Co., Ltd. and 1,600,304,190 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 484,572,282 A shares held by South Hope Industrial Co., Ltd. and in the 1,600,304,190 A shares held by New Hope Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,600,304,190 A shares held by New Hope Investment Co., Ltd.

3. 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 2,084,876,472 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this annual report in the section headed "Interests of the Directors, Supervisors and Chief Executives in the Securities and Debentures of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
4. Ms. Liu Chang held 37.66% of the issued share capital of New Hope Group Co., Ltd. (see note (2) above). According to the SFO, Ms. Liu was deemed to have interests in the 2,084,876,472 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).
5. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 2,084,876,472 A shares, as set out in the above table, were from the same block of shares.

6. The 819,998,400 H shares (Long position) (in which 390,000,000 H shares were held through cash settled derivatives (off exchange)) 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 89,226,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 79.6% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang (a Non-executive Director of the Company) held 58% of the issued share capital of Fosun International Holdings Ltd.

According to the SFO, Fosun International Limited was deemed to have interests in the 35,592,600 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 89,226,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 819,998,400 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 and Debentures of the Company or its Associated Corporations under Hong Kong Laws and Regulations".

7. The interests that Fosun International Limited and Fosun International Holdings Ltd. had in the 819,998,400 H shares, as set out in the above table, were from the same block of shares.
8. UBS AG had a long position in 764,228,139 H shares and a short position in 26,193,666 H shares of the Company through a number of indirect wholly-owned subsidiaries. Besides, 58,436,915 H shares (Long position) and 25,938,666 H shares (Short position) were held through derivatives as follows:

1,311,865 H shares (Long position)	— through physically settled derivatives (on exchange)
25,602,045 H shares (Short position)	— through cash settled derivatives (on exchange)
13,275 H shares (Long position) and 264,961 H shares (Short position)	— through physically settled derivatives (off exchange)
57,111,775 H shares (Long position) and 71,660 H shares (Short position)	— through cash settled derivatives (off exchange)
9. UBS Group AG held 96.64% of the issued share capital of UBS AG (see note (8) above). According to the SFO, UBS Group AG was deemed to have interests in the 764,228,139 H shares (Long position) and 26,193,666 H shares (Short position) of the Company in which UBS AG had interests.
10. The interests that UBS AG and UBS Group AG had in the 764,228,139 H shares (Long position) and 26,193,666 H shares (Short position), as set out in the above table, were from the same block of shares.
11. The 638,829,500 H shares comprised 586,100,000 H shares (all held through cash settled derivatives (off exchange)) held directly by Union Sky Holding Group Limited and 52,729,500 H shares held directly by Vogel Holding Group Limited. Union Sky Holding Group Limited was wholly-owned by Mr. Shi Yuzhu. According to the SFO, Mr. Shi Yuzhu was deemed to have interests in the 586,100,000 H shares of the Company in which Union Sky Holding Group Limited had interests. Vogel Holding Group Limited was wholly-owned by Ms. Shi Jing, daughter of Mr. Shi Yuzhu. Mr. Shi Yuzhu is the de facto controller of Vogel Holding Group Limited and was therefore deemed to have interests in the 52,729,500 H shares held by Vogel Holding Group Limited. Besides, 505,700,000 H shares were held through cash settled options.
12. JPMorgan Chase & Co. had a long position in 564,791,887 H shares and a short position in 26,584,948 H shares of the Company by virtue of its control over a number of corporations, which were direct wholly-owned or indirect wholly-owned subsidiaries of JPMorgan Chase & Co., except the following corporation:

12.1 China International Fund Management Co Ltd had a long position in 22,441,200 H shares of the Company. China International Fund Management Co Ltd was owned as to 49% by JPMorgan Asset Management (UK) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.

The entire interest and short position of JPMorgan Chase & Co. in the Company included a lending pool of 155,283,542 H shares. Besides, 19,617,761 H shares (Long position) and 23,570,948 H shares (Short position) were held through derivatives as follows:

3,040,590 H shares (Long position) and 3,087,657 H shares (Short position)	— through physically settled derivatives (on exchange)
12,663,200 H shares (Short position)	— through cash settled derivatives (on exchange)
16,577,171 H shares (Long position) and 7,820,091 H shares (Short position)	— through cash settled derivatives (off exchange)

13. The 406,679,500 H shares (Long position) comprised 273,863,500 H shares directly held by Mr. Ge Weidong and 132,816,000 H shares directly held by Chaos Investment Co., Ltd., which was a wholly-owned by Mr. Ge.
14. BlackRock, Inc. had a long position in 378,510,065 H shares (in which 300 H shares were held through cash settled derivatives (off exchange)) and short position in 10,306,000 H shares of the Company through a number of indirect wholly-owned subsidiaries.

Save as disclosed above and the section headed “Interests of the Directors, Supervisors and Chief Executives in the Securities and Debentures of the Company or its Associated Corporations under Hong Kong Laws and Regulations”, the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 31 December 2014 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

As at 31 December 2014, no single shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited).

(IV) Controlling shareholder and ultimate controller

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

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

As at 31 December 2014, no single shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited).

Chapter 5 Directors, Supervisors, Senior Management and Employees

I. Directors, Supervisors and Senior Management

(I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at beginning of the period (share)	Shares held at the end of the period (share)	Aggregate remuneration before tax payable during the reporting period (RMB ten thousand)	Remuneration received from shareholders (RMB ten thousand)
HONG Qi	M	1957	Vice Chairman, Executive Director & President of the Bank Vice Chairman, Executive Director, President of the Bank & Acting Chairman Chairman & Executive Director	10 April 2012–18 August 2014 18 August 2014–28 August 2014 28 August 2014–31 January 2015 31 January 2015–10 April 2015	0	0	450.74	0
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	10 April 2012–10 April 2015	0	0	87.00	97.97
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	10 April 2012–10 April 2015	0	0	88.00	324.48
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	10 April 2012–10 April 2015	0	0	83.00	108
LIANG Yutang	M	1958	Vice Chairman & Executive Director	10 April 2012–10 April 2015	0	0	419.39	0
WANG Yugui	M	1951	Non-executive Director	10 April 2012–10 April 2015	0	0	81.50	0
WANG Hang	M	1971	Non-executive Director	10 April 2012–10 April 2015	0	0	85.00	0
WANG Junhui	M	1971	Non-executive Director	10 April 2012–10 April 2015	0	0	75.50	0
WU Di	M	1965	Non-executive Director	15 June 2012–10 April 2015	0	0	78.50	300
GUO Guangchang	M	1967	Non-executive Director	17 December 2012–10 April 2015	0	0	80.50	0
YAO Dafeng	M	1962	Non-executive Director	23 December 2014–10 April 2015	0	0	0	0
QIN Rongsheng	M	1962	Independent Non-executive Director	10 April 2012–10 April 2015	0	0	0	0
WANG Lihua	M	1963	Independent Non-executive Director	10 April 2012–10 April 2015	0	0	91.50	0
HAN Jianmin	M	1969	Independent Non-executive Director	10 April 2012–10 April 2015	0	0	97.00	0
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	15 June 2012–10 April 2015	0	0	95.00	0
BA Shusong	M	1969	Independent Non-executive Director	15 June 2012–10 April 2015	0	0	42.25	0
YOU Lantian	F	1951	Independent Non-executive Director	17 December 2012–10 April 2015	0	0	0	0
DUAN Qingshan	M	1957	Chairman of the Supervisory Board & Employee Supervisor	10 April 2012–10 April 2015	0	0	365.02	0
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	10 April 2012–10 April 2015	633,100	759,720	336.95	0
ZHANG Ke	M	1953	External Supervisor	10 April 2012–10 April 2015	0	0	64.00	0
LI Yuan	M	1954	Supervisor	10 April 2012–10 April 2015	0	0	59.50	0
ZHANG Disheng	M	1955	Supervisor	10 April 2012–10 April 2015	0	0	61.00	0
LU Zhongnan	M	1955	Supervisor	10 April 2012–10 April 2015	0	0	63.50	0
WANG Liang	M	1942	External Supervisor	10 April 2012–10 April 2015	0	0	61.00	0
XING Benxiu	M	1963	Vice President	10 April 2012–10 April 2015	0	0	246.85	0

Name	Gender	Year of birth	Position	Term of office	Shares held at beginning of the period (share)	Shares held at the end of the period (share)	Aggregate remuneration before tax payable during the reporting period (RMB ten thousand)	Remuneration received from shareholders (RMB ten thousand)
WAN Qingyuan	M	1965	Board Secretary	10 April 2012–10 April 2015	0	0	267.35	0
BAI Dan	F	1963	Chief Financial Officer	10 April 2012–10 April 2015	0	0	268.71	0
SHI Jie	M	1965	Assistant to President	7 August 2012–10 April 2015	0	0	240.99	0
LI Bin	F	1967	Assistant to President	7 August 2012–10 April 2015	0	0	242.36	0
LIN Yunshan	M	1970	Assistant to President	7 August 2012–10 April 2015	0	0	240.99	0
DONG Wenbiao	M	1957	Former Chairman & Executive Director, resigned	10 April 2012–18 August 2014	0	0	305.72	0
SHI Yuzhu	M	1962	Former Non-executive Director, resigned	10 April 2012–25 March 2014	0	0	28.50	0
MAO Xiaofeng	M	1972	Former Vice President	10 April 2012–10 June 2014	0	0	324.48	0
			Former Executive Director & Vice President	10 June 2014–28 August 2014				
			Former Executive Director & President, resigned	28 August 2014–31 January 2015				
LI Huaizhen	M	1957	Former Vice Chairman of the Supervisory Board & Employee Supervisor, resigned	10 April 2012–11 June 2014	0	0	151.76	0
ZHAO Pinzhang	M	1956	Former Vice President, resigned	10 April 2012–7 November 2014	0	0	295.00	0

Notes:

- On 6 March 2014, the Board received the resignation letter from Mr. Qin Rongsheng. The resignation will not come into effect until the newly appointed Independent Non-executive Director commences his/her service. Prior to that, Mr. Qin Rongsheng will continue to perform his duties as the Independent Non-executive Director;
- On 14 March 2014, Mr. Wang Lihua, an Independent Non-executive Director, no longer serves as an independent director of Shandong Xingmin Wheel Co., Ltd. (listed on the Shenzhen Stock Exchange (Stock Code: 002355));
- On 24 March 2014, Mr. Zhang Hongwei, a Vice Chairman, no longer serves as the chairman of the board of directors of Orient Group Industrial Co., Ltd.;
- On 25 March 2014, Mr. Shi Yuzhu, a Director, resigned from his position as the Non-executive Director of the Company;
- On 30 April 2014, the Board received the resignation letter from Ms. You Lantian. The resignation will not come into effect until the newly appointed Independent Non-executive Director commences his/her service. Prior to that, Ms. You Lantian will continue to perform her duties as an Independent Non-executive Director;
- In May 2014, Mr. Guo Guangchang, a Non-executive Director, started to serve as the chairman of the board of director of Fidelidade — Companhia de Seguros, S.A. and Multicare — Seguros de Saude, S.A. and Cares – Companhia de Seguros;
- On 9 May 2014, Mr. Zhang Disheng, a Supervisor, started to serve as an independent director of Far East Industrial Stock Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000681));
- On 20 May 2014, Mr. Ba Shusong, an Independent Non-executive Director, no longer serves as the independent non-executive director of Wanda Commercial Properties (Group) Co., Limited (listed on the Hong Kong Stock Exchange (stock code: 00169));
- On 10 June 2014, the 2013 AGM considered and approved the appointment of Mr. Mao Xiaofeng as a Director of the sixth session of the Board;

10. On 11 June 2014, due to work arrangement, Mr. Li Huaizhen tendered his resignation as the Vice Chairman of the Supervisory Board and Employee Supervisor;
11. On 10 July 2014, Mr. Cheng Hoi-chuen, an Independent Non-executive Director, started to serve as an independent non-executive director of Hutchison Whampoa Limited (listed on the Hong Kong Stock Exchange (stock code: 00013));
12. On 22 July 2014, the Board received the resignation letter from Mr. Ba Shusong, an Independent Non-executive Director. The resignation will not come into effect until the newly appointed Independent Non-executive Director commences his/her service. Prior to that, Mr. Ba Shusong will continue to perform his duties as an Independent Non-executive Director;
13. On 31 July 2014, Mr. Mao Xiaofeng, an Executive Director, no longer serves as an independent non-executive director of the Modern Media Holdings Limited (listed on the Hong Kong Stock Exchange (stock code: 00072));
14. On 18 August 2014, the Board received the resignation letter Mr. Dong Wenbiao, the Chairman of the Board. His position as the chairman of Strategic Development and Investment Management Committee of the Board is terminated simultaneously;
15. On 28 August 2014, the Board has appointed Mr. Hong Qi as the Chairman of the sixth session of the Board. Mr. Hong Qi ceases to serve as the President of the Company. Mr. Mao Xiaofeng was elected as the President of the Company;
16. On 7 November 2014, due to work arrangement, Mr. Zhao Pinzhang tendered his resignation as the Vice President of the Company and other related position to the Board;
17. On 23 December 2014, Mr. Yao Dafeng was elected as a Director of the sixth session of the Board at the second EGM of the Company. The qualification of Mr. Yao Dafeng is subject to the approval of the CBRC;
18. On 31 January 2015, due to personal reason, Mr. Mao Xiaofeng tendered his resignation as the Director, President and member of related special committee under the Board to the Board. Mr. Hong Qi, the Chairman, was elected as acting president during the vacancy of the president at the seventh extraordinary meeting of the sixth session of the Board of the Company;
19. The total pre-tax remunerations for Executive Directors, Chairman of the Supervisory Board, Vice Chairmen of the Supervisory Board, Employee Supervisors and senior management are still in confirmation process and further disclosure regarding such unconfirmed part will be made by the Company;
20. Remunerations of resigned or retired Directors, Supervisors and senior management were referred to their remunerations during their terms;
21. Qin Ronsheng and You Lantian, the Independent Non-executive Directors, are government officials under direct management of central government (中管幹部). In accordance with the (2008) No. 22 Circular issued by Central Commission for Discipline Inspection of the Communist Party of China (中紀委) and based on their personal requests, they have waived their directors' remuneration for 2014. Ba Shusong, an Independent Non-executive Director, voluntarily proposed to waive his remuneration with effective from May 2014;
22. During the reporting period, the Company distributed cash dividend and share dividend for the second half of 2013 to all registered shareholders of the Company. The number of shares held by Mr. Wang Jiazhi, Vice Chairman of the Supervisory Board, increased from 633,100 shares as at the beginning of the reporting period to 759,720 shares as at the end of the reporting period;
23. 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 above postponement is subject to the consideration and approval of shareholders' general meeting.

(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 and General Manager	2003–Present
Guo Guangchang	Fosun International Limited	Executive Director and Chairman	December 2004–Present
	Shanghai Fosun Industrial Technology Development Co., Ltd.	Director	August 2003–Present
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

Directors

Executive Directors

Mr. Hong Qi, has been an Executive Director since 8 January 2004. He is also the Chairman of the Board 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 president 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, an executive committee member of China Society for International Finance and Banking and a council member of Financial Planning Standard Council of China. Mr. Hong was a vice president of the Company from 2000 to March 2009 and became the President in March 2009. He was a director of the Business Department, Head Office of the Company from January 1996 to September 1996. Mr. Hong acted as the vice general manager of Beijing Administrative Department from September 1996 to April 1998 and was promoted to the general manager from 1998 to 2000. Prior to joining the Company, Mr. Hong was the managing director and secretary of the party committee of the Beihai branch of the Bank of Communications from 1994 to 1995, a deputy director of the Securities Research

Institute of the Renmin University of China from 1993 to 1994, and a section chief at the headquarters of the PBOC from 1985 to 1991. Mr. Hong has over 30 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 to the President of the Company from 2003 to 2005, the general manager of the Beijing Administrative Department of the Company from 2002 to 2007 and became the Vice President of the Company in February 2005. Before joining the Company, Mr. Liang was the manager of the Integrated Planning Department of the Bank of Communications from 1994 to 1995, and the general manager of Yutong Real Estate Development and Investment Company of the Bank of Communications, Zhengzhou Branch from 1992 to 1994. Mr. Liang was the deputy head of the Academic Secretariat of Henan Finance and Management College from 1991 to 1992, and the deputy director, director of the Management Teaching and Researching Department of Henan Finance and Management College from 1985 to 1991. Mr. Liang has over 32 years of experience in finance. Mr. Liang obtained a master's degree in Economics from Xiamen University in 1993 and is a senior economist.

Non-executive Directors

Mr. Zhang Hongwei, has been a Vice Chairman of the Board of the Company since 30 April 2000. Mr. Zhang is a Non-executive Director and also a member of Strategic Development and Investment Management Committee and Nomination Committee under the Board. Mr. Zhang is the chairman of the board of Orient Group Incorporation (listed on the SSE (stock code: 600811)) and Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190/900952)), the chairman of the board of directors of United Energy Group Limited (listed on the Hong Kong Stock Exchange (stock code: 00467)) and Orient Group Investment Holding Co., Ltd. and a director of China Minzu Securities Co., Ltd.. Mr. Zhang was previously a member of the 11th CPPCC and a member of the Standing Committee of the 10th CPPCC. Mr. Zhang was the vice chairman of the ACFIC from 1997 to 2007. Mr. Zhang obtained a master's degree in Economics from Harbin Institute of Technology in 1997 and is a senior economist.

Mr. Lu Zhiqiang, has been a Vice Chairman of the Board of the Company since 16 July 2006. Mr. Lu is a Non-executive Director and also a member of Strategic Development and Investment Management Committee and Compensation and Remuneration Committee under the Board. Mr. Lu had been a Director since the establishment of the Company until June 2003 and was re-elected as a Director in 2006. Mr. Lu is the chairman of the board and president of Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd., a director of China Oceanwide International Investment Company Limited and a director of Legend Holdings Corporation. Mr. Lu is also a member of the

Standing Committee of the CPPCC, a member of the Committee for Economic Affairs of the CPPCC, the vice council chairman of China Foundation for Glory Society and a vice chairman of the CCCPS in 2012. Mr. Lu was the chief supervisor of the Company from June 2003 to December 2004 and a deputy chief supervisor of the Company from December 2004 to June 2006. He was also a director of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837)) and the chairman of the board of directors of Oceanwide Real Estate Group Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000046)). Mr. Lu was a member of the Standing Committee and vice chairman of the ACFIC from 1998 to 2012. Mr. Lu obtained a master's degree in Economics from Fudan University in 1995 and is a research fellow.

Mr. Liu Yonghao, has been a Vice Chairman of the Board of the Company since 23 March 2009. Mr. Liu is a Non-executive Director, a member of Strategic Development and Investment Management Committee under the Board and was previously a vice chairman of the Board since the establishment of the Company until 2006. Mr. Liu is currently the chairman of the board of New Hope Group Co., Ltd. (the substantial shareholder of the Company), the chairman of the board of Shandong New Hope Liuhe Group Co., Ltd., and director of New Hope Liuhe Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000876), the substantial shareholder of the Company). Mr. Liu was a member of the CPPCC since 1993 to 2013. He was previously a Standing Committee member of CPPCC and a vice chairman of Committee for Economic Affairs of the CPPCC during the period. He has been elected as a representative of the National People's Congress in 2013. Mr. Liu was previously the chairman of the board of New Hope Investment Co., Ltd. (the substantial shareholder of the Company), the vice president of the China Society for Promotion of the Guangcai Program and vice chairman of the ACFIC.

Mr. Wang Yugui, was appointed on 3 December 1995 and has been a Non-executive Director since the establishment of the Company. Mr. Wang is also a member of Risk Management Committee and 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 managing director of China Shipowners Mutual Assurance Association, executive director of China Maritime Law Association and the China Association of Trade in Services and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837)). Mr. Wang graduated from Beijing Second Foreign Language Institute in 1977 and is a senior economist.

Mr. 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 Shenzhen Stock Exchange (stock code: 000876), the substantial shareholder of the Company) since 29 November 2011. Mr. Wang was previously a civil servant at the general office of the PBOC, the chairman of the board of Kunming O-Park Co., Ltd., the consultant and chief operating officer of the Corporate Finance Department of New Hope Group Co., Ltd., the vice chairman of the board of Union Trust & Investment Ltd., the chairman and president of Sichuan South Hope Industrial Co., Ltd. and the general manager of Beijing Shouwang Asset Management Co., Ltd.. Mr. Wang has a master's degree in Economics from Peking University.

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

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

Mr. Guo Guangchang, has been a Non-executive Director since 17 December 2012. He is also a member of Compensation and Remuneration Committee and Risk Management Committee under the Board. Mr. Guo is currently the executive director and chairman of Fosun International Limited (listed on the Hong Kong Stock Exchange (stock code: 00656)), a vice chairman of Nanjing Nangang Iron & Steel United Co., Ltd., a director of Club Méditerranée SA (listed on NYSE Euronext Paris (symbol: CU)), a non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (listed on the Hong Kong Stock Exchange (stock code: 002196) and listed on the SSE (stock code: 600196)) and director of Shanghai Forte Land Co., Ltd., the shares of which were withdrawn from listing on the Hong Kong Stock Exchange in May 2011. He is also the chairman of Fidelidade – Companhia de Seguros, S.A., Multicare – Seguros de Saude, S.A. and Cares – Companhia de Seguros, S.A. In addition, Mr. Guo is currently a member of the 12th session of the CPPCC, the vice council chairman of China Foundation for Glory Society and the chairman of Zhejiang Chamber of Commerce in Shanghai. Mr. Guo was previously a member of the 11th National People’s Congress of the PRC, a member of the 9th session of the CPPCC and the non-executive director of Sinopharm Group Co., Ltd. (listed on the Hong Kong Stock Exchange (stock code: 01099)). Mr. Guo obtained a bachelor’s degree in Philosophy and a master’s degree in Business Administration from Fudan University in 1989 and 1999 respectively.

Mr. Yao Dafeng, a senior economist, has been a Non-executive Director 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 the board of directors 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 and the chairman of Audit Committee and Related Party Transactions Supervision Committee under the Board. Mr. Qin is a professor of the Beijing National Accounting Institute, the vice president of the China Audit Society 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 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, Jiangxi University of Finance and Economics.

Mr. Wang Lihua, has been an Independent Non-executive Director of the Company since 9 September 2009. He is also a member of Related Party Transactions Supervision Committee, Compensation and Remuneration Committee and Nomination Committee under the Board. Mr. Wang is currently the chief partner of Beijing Tian Yuan Law Firm, executive councilor of the All China Lawyers Association and a non-standing committee member of the third session of Administrative Review Committee of Beijing Municipal People's Government (北京人民政府行政覆議委員會). He is also the vice president of the Beijing Xicheng Social Organisation Association (北京市西城區社會組織聯合會), vice president of the 1st session of Beijing Xicheng Enterprises and Entrepreneurs Association and an independent director of Hainan Mining Co., Ltd. (listed on the SSE (stock code: 601969)). Mr. Wang was previously the director of the Research Office of the Law School of Peking University, the vice president of the 7th session Beijing Lawyers Association, a member of the 7th and 8th sessions Examination Committee for Security Issuance under the CSRC, a member of the 3rd, 4th (the 1st session of the new series), 2nd and 3rd sessions Examination Committee for Mergers, Acquisitions and Restructurings of Listed Companies under the CSRC, an advisor of the consultant group to the Beijing Municipal Government, an expert of the Affiliate of International Chamber of Commerce in China, the president of the 1st session of Beijing Xicheng Lawyers Association, a member of Listing Committee of Shenzhen Stock Exchange (深圳證券交易所上市委員會委員), an independent director of Xinjiang Chalkis Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000972)) and an independent director of Shandong Xingmin Wheel Co., Ltd. (listed on the Shenzhen Stock Exchange (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 a member of Audit Committee, Related Party Transactions Supervision Committee, Compensation and Remuneration Committee and Nomination Committee under the Board. Mr. Han is currently a member of Management Committee (管理委員會委員) and managing partner of Da Hua CPA (Special General Partnership), an independent director of Tianjin Bohai Commodity Exchange Ltd, an independent director of Dongxing Securities 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 has previously served 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 a 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 Hong Kong Stock Exchange (stock code: 00002)), Great Eagle Holdings Limited (listed on the Hong Kong Stock Exchange (stock code: 00041)), MTR Corporation Limited (listed on the Hong Kong Stock Exchange (stock code: 00066)), Hui Xian Asset Management Limited (listed on the Hong Kong Stock Exchange (stock code: 87001)), Shanghai Industrial Holdings Limited (listed on the Hong Kong Stock Exchange (stock code: 00363)), Wing Tai Properties Limited (listed on the Hong Kong Stock Exchange (stock code: 00369)) and Hutchison Whampoa Limited (listed on the Hong Kong Stock Exchange (stock code: 00013)). Mr. Cheng was awarded the Justice of the Peace in Hong Kong, Officer of the Order of the British Empire and Hong Kong Gold Bauhinia Star and was appointed as a member of the 11th CPPCC. Mr. Cheng was the chief economist and chief financial officer of HSBC, the vice-president and chief executive officer of Hang Seng Bank Limited (listed on the Hong Kong Stock Exchange (stock code: 00011)), the chairman of HSBC and the chairman of HSBC (China) Company Limited. In addition, Mr. Cheng served as an adviser to the Central Policy Unit of the Government of the Hong Kong Special Administrative Region, a member of the executive council and legislative council as well as the Hong Kong Affairs Adviser to the PRC. Mr. Cheng received a bachelor's degree of social science from The Chinese University of Hong Kong in 1973 and a 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 a doctor's degree of business administration, *honoris causa*, by the Open University and a doctor's degree of social science, *honoris causa*, by The Chinese University of Hong Kong in 2005.

Mr. Ba Shusong, has been an Independent Non-executive Director of the Company since 15 June 2012. He is also a member of Strategic Development and Investment Management Committee, Nomination Committee and Related Party Transactions Supervision Committee and the chairman of Risk Management Committee under the Board. Mr. Ba is currently serving as the deputy head of Financial Research Institute of Development Research Centre of the State Council and vice secretary general of China Society of Macroeconomics. He was the deputy division director of Development and Planning Department of Bank of China Limited (listed on the SSE (stock code: 601988) and listed on the Hong Kong Stock Exchange (stock code: 03988)) head office, the vice president of Bank of China Limited's Hangzhou Branch, senior manager of Bank of China Limited Hong Kong-Macau Regional Office, assistant general manager of Risk Management Department of BOC Hong Kong (Holdings) Limited (listed on the Hong Kong Stock Exchange (stock code: 02388)), officer of Development and Planning Committee of Securities Association of China and the deputy head of the Economic Affairs Department of the Liaison Office of the Central People's Government in HKSAR. Mr. Ba was the independent director of Da An Gene Co., Ltd. of Sun Yat-sen University (listed on the Shenzhen Stock Exchange (stock code: 002030)), Industrial Bank Co., Ltd. (listed on the SSE (stock code: 601166)), Shanghai Great Wisdom Co., Ltd. (listed on the SSE (stock code: 601519)), AVIC Capital Co., Ltd. (listed on the SSE (stock code: 600705), formerly known as Beiya Industrial (Group) Co., Ltd. and was renamed on 17 July 2012) and Guo Yuan Securities Co., Ltd. (listed on Shenzhen Stock Exchange (stock code: 000728)), and the independent non-executive director of China Chengtong Development Group Limited (listed on the Hong Kong Stock Exchange (stock code: 00217)), China Investment Development Limited (listed on the Hong Kong Stock Exchange (stock code: 00204)) and Wanda Commercial Properties (Group) Co., Ltd. (listed on Hong Kong Stock Exchange (stock code: 00169), formerly known as Hengli Commercial Properties Group Limited and was renamed on 15 July 2013). Mr. Ba obtained a doctor's degree from the Central University of Finance and Economics in 1999. He is a research fellow and PhD tutor.

Ms. You Lantian, has been an Independent Non-executive Director of the Company since 17 December 2012. She is also the chairwoman of Nomination Committee, a member of Compensation and Remuneration Committee and Audit Committee under the Board. Ms. You is a member of the 12th National Committee of CPPCC and vice chairwoman of China Soong Ching Ling Foundation. Ms. You was previously a member of the 11th National Committee of CPPCC, the deputy director of the Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese and the deputy head of United Front Work Department, the party secretary of Beijing Institute of Planning Labour Administration and the deputy head and head of Beijing Municipal Labour Bureau, the head of Beijing Municipal Labour and Social Security Bureau, a member of the Standing Committee of Beijing Municipal Committee, the secretary of Chongwen District Committee, the head of United Front Work Department, the secretary of Health Committee and the chairwoman of Municipal Labour Union. Ms. You obtained her master's degree in Economic Administration from the Party School of the Central Committee of Communist Party of China and is a senior economist.

Supervisors

Mr. Duan Qingshan, has been an employee Supervisor of the Company since 10 April 2012. Mr. Duan is the Chairman of the Supervisory Board. He is also the Chairperson of Supervisory Committee and a member of the Nomination and Examination Committee under the Supervisory Board. Mr. Duan joined the Company in 1996 and has been appointed as the chief financial officer of the Company from 2010 to April 2012. Mr. Duan has also been appointed as the general manager of the Human Resources Department and director of Organisation Department of Party Committee from November 2007 to 2012. He served as the president and secretary of Party Committee of Taiyuan Central Sub-branch of the Company from 2002 to 2007, and served as a vice president, the president and secretary of Party Committee of Taiyuan Sub-branch of the Company from 1998 to 2002. He was the member of the Preparatory Committee of Taiyuan Sub-branch of the Company from 1996 to 1998. Prior to joining the Company, Mr. Duan successively served as a director of Auditing Division of Taiyuan 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 35 years experience in banking management. Mr. Duan obtained a master's degree in Business Administration from Wuhan University in 2006. Mr. Duan was awarded as "National Excellent Innovative Entrepreneurs", "Best Corporate Culture Leader" and "Meritorious Entrepreneurs in Shanxi" in 2007, "Top Ten Best Financial Figures in Shanxi" in 2006, and "National Financial May 1st Labour Medal" and "Model Workers in Shanxi Province" in 2004.

Mr. 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 (directed the operation) of Shinan Office and a vice president (directed the operation) of Development Department of Qingdao Branch of China Everbright Bank from 1996 to 1998. He also served as a director of Qingdao Branch of China Citic Bank from 1992 to 1996, an officer and a deputy director (division level) of 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 Shandong TV University from 1983 to 1986. Mr. Wang has been 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 a PhD degree in Economic Philosophy from Shanghai University of Finance and Economics and is a senior economist.

Mr. Zhang Ke, has been an external Supervisor of the Company since 10 April 2012 and is also a chairperson of Nomination and Examination Committee and a member of the Supervisory Committee under the Supervisory Board. Mr. Zhang is the chairman and chief partner of Shinewing Certified Public Accountants, the chairman of Shinewing Management and Consulting Company Limited, the independent director of the Guiyang Longmaster Information & Technology Co., Ltd. (listed on Shenzhen Stock Exchange (stock code: 300288)) and the Net 263 Limited (listed on Shenzhen Stock Exchange (stock code: 002467)) and an external director of China National Salt Industry Corporation. Mr. Zhang is also the vice president of the Chinese Institute of Certified Public Accountants and Beijing Association of Forensic Science. Mr. Zhang was an independent non-executive director of the Company from 2003 to 2009. He was the general manager of Shinewing Certified Public Accountants, vice executive director of Coopers & Lybrand (China), deputy general manager of Zhongxin Yongdao Accountants Firm, a partner of Coopers & Lybrand International, deputy executive officer of Zhongxin Accountants Firm, and the department manager of China International Economics Consultants Co., Ltd. of the CITIC Group. Mr. Zhang obtained his bachelor's degree in Economics from Renmin University of China. He is a senior accountant and certified public accountant.

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

Mr. Zhang Disheng, has been a Shareholder Supervisor of the Company since 15 January 2007. He is a member of the Nomination and 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 Shenzhen Stock Exchange (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 the vice chairman of New China Trust Co., Ltd.. Prior to that, Mr. Lu was 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 served at various positions at the Heilongjiang, Harbin and Shenyang branches of the PBOC from 1979 to 2001. Mr. Lu graduated from the class of graduate course for advanced studies in economics management and is a senior economist.

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

Senior Management

Mr. Hong Qi is the Acting 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 Directorate and deputy director of the Savings Division of the PBOC from 1991 to 1994. He served as a deputy director of the Banking Operation and Management Division of the PBOC from 1994 to 1998. He was a deputy director of Chinese Banking Supervision Division of the Supervision Directorate I of the PBOC and director of the Supervision Directorate from 1998 to 2003. He served as a director of the Chinese Banking Supervision Division of the Banking Supervision Department I of the CBRC from April 2003 to July 2003. He worked as the leader of the Preparatory Team for Xiamen Bureau of the CBRC, the director-general and secretary of the Communist Party of China ("CPC") Committee of Xiamen Bureau of the CBRC from July 2003 to 2006. He also served as the director-general and secretary of the CPC Committee of Liaoning Bureau of the CBRC from 2006 to 2008 and the director of the Human Resources Department of the CBRC from 2008 to June 2010. Mr. Xing obtained a master's degree in Business Administration from Liaoning University.

Mr. Wan Qingyuan, was appointed as the Board Secretary and the Joint Company Secretary of the Company in April 2012. Mr. Wan is currently serving as the Chief Director of the Office of the Board of the Company. He is also the secretary of Party Committee, 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 of Public Relation Planning Department of the Executive Office of the Company's Head Office, the assistant to director, the deputy director and the vice president of Corporate Culture Department (person in charge), respectively. Mr. Wan has been working in the financial industry for 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 chairman of Asset and Liability Management Committee, the chairman of Financial Management Committee and the general manager of the Finance and Accounting Department of the Company. Ms. Bai joined the Company in 2000 and served as the deputy general manager of the Accounting and Settlement Department. She also served as the deputy general manager and general manager of the Accounting and Settlement Department of the Company since March 2001 and December 2008 respectively. She has worked as the general manager of the Finance and Accounting Department of the Company since December 2008. Prior to joining the Company, Ms. Bai served as the assistant to general manager, deputy general manager and general manager of the Finance and Accounting Department of Dalian Branch of the Bank of Communications from 1993 to 2000, and the accountant and deputy head of Dalian Development Zone Branch of the Bank of Communications from 1988 to 1993. Ms. Bai obtained a master's degree in Business Administration from Beijing Jiaotong University in 2008 and is an accountant.

Mr. Shi Jie, was appointed as the assistant to the President of the Company in August 2012. He is also a general manager of the Credit Assessment Department. Mr. Shi joined the Company in 1998 and served as the general manager of the Financial and Planning Department of Shijiazhuang Sub-branch. He served as the general manager of the Business Department of Shijiazhuang Branch from March 2001, and the deputy director (person-in-charge), senior assistant to the general manager and deputy general manager of the Credit Assessment Department of the Head Office from July 2001. He served as the head of preparatory team for the Changchun Branch of the Company in June 2008, President and secretary of Party Committee of Changchun Branch in February 2009 and general manager of the Credit Assessment Department in August 2009. Prior to joining the Company, Mr. Shi served as the director of the Finance Department of Hebei University of Economics and Business from 1995 to 1998, and the executive members of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995. Mr. Shi obtained a master's degree in Management from Tianjin Institute of Finance and Economics.

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

Mr. Lin Yunshan, was appointed as the assistant to the President of the Company in August 2012. Mr. Lin is also the chairman of the Retail Banking Management Commission. Mr. Lin joined the Company in 2001, and served as the director of Bills Business Office under the Business Department of the Company from 2002 to 2003, assistant to general manager of the Business Department of the Company from 2003 to 2005, member of the Party Committee and vice president of Shenzhen Branch of the Company from 2005 to 2007, director of the office of the Corporate Banking Management Commission of the Company from 2007 to 2009, and the general manager of the Corporate Banking Department of the Company from 2009 to 2012. Prior to joining the Company, Mr. Lin served as a principal staff member of the Regulatory Department I of the PBOC from 1999 to 2001, principal staff member of the Payment System Office under the Payment Technology Department of the PBOC from 1998 to 1999, and deputy principal staff member and principal staff member of the Accounting Department of the PBOC from 1993 to 1998. Mr. Lin obtained a master's degree in Finance from the Renmin University of China.

Joint Company Secretaries

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

Ms. Soon Yuk Tai, aged 48, is the Joint Company Secretary of the Company appointed on 2 November 2009. Ms. Soon is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Prior to joining Tricor Group in 2002, she was a senior manager of company secretarial services at Ernst & Young and Tengis Limited in Hong Kong. Ms. Soon is a chartered secretary and a fellow of the Institute of Chartered Secretaries and Administrators in United Kingdom and the Hong Kong Institute of Chartered Secretaries. Ms. Soon has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many listed companies.

(IV) Changes of information of Directors and Supervisors

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

1. Mr. Hong Qi, an Executive Director of the Company, was appointed as honorary vice chairman of Sun Yefang Economic Science Foundation, the vice president of China Red Ribbon Foundation of ACFIC, the deputy director of Working Committee for Poverty Alleviation of ACFIC and the vice council chairman of China Foundation for Poverty Alleviation of ACFIC. Mr. Qi no longer served as a committee member of China Society for Finance and Banking.
2. Mr. Wang Hang, a Non-executive Director of the Company, no longer served as the vice chairman of China Youth Entrepreneurs Association.
3. Mr. Qin Rongsheng, an Independent Non-executive Director of the Company, no longer served as the vice president of the China Association of Chief Financial Officers.
4. Mr. Wang Lihua, an Independent Non-executive Director of the Company, was appointed as an independent director of Hainan Mining Co., Ltd. (listed on the SSE (stock code: 601969)) and no longer served as an independent director of Shandong Xingmin Wheel Co. Ltd (listed on the Shenzhen Stock Exchange (stock code: 002355) since 14 March 2014. He also ceased to serve as the president of the 1st session of Beijing Xicheng Lawyers Association, a member of Listing Committee of Shenzhen Stock Exchange (深圳證券交易所上市委員會委員) and an independent director of Shenyang Transformer Research Institute Co., Ltd. (瀋陽變壓器研究院股份有限公司).
5. Mr. Han Jianmin, an Independent Non-executive Director of the Company, was appointed as a member of the disciplinary committee of Beijing Institute of Certified Public Accountants (北京註冊會計師協會懲戒委員會委員) and the advisory expert of management accounting of Ministry of Finance (中國財政部管理會計).
6. Mr. Guo Guangchang, a Non-executive Director of the Company, no longer served as the vice council chairman of Youth Business China and has served as the chairman of the board of directors of Fidelidade — Companhia de Seguros, S.A., Multicare — Seguros de Saude, S.A., Cares — Companhia de Seguros since May 2014.
7. Since 24 March 2014, Mr. Zhang Hongwei, the Vice Chairman of the Company, no longer served as the chairman of the board of directors of Orient Group Industrial Co., Ltd..
8. Since 20 May 2014, Mr. Ba Shusong, an Independent Non-executive Director of the Company, no longer served as the independent non-executive director of Wanda Commercial Properties (Group) Co., Limited (listed on the Hong Kong Stock Exchange (Stock Code: 00169)).

9. Since 10 July 2014, Mr. Cheng Hoi-chuen, an Independent Non-executive Director of the Company, has served as an independent non-executive director of Hutchison Whampoa Limited (listed on the Hong Kong Stock Exchange (stock code: 00013)).
10. Since 31 July 2014, Mr. Mao Xiaofeng, an Executive Director of the Company, no longer served as an Independent Non-executive Director of the Modern Media Holdings Limited (listed on the Hong Kong Stock Exchange (Stock Code: 00072)).
11. Mr. Lu Zhongnan, a Supervisor of the Company, was appointed as the vice chairman of New China Trust Co., Ltd. and no longer served as the chairman of Shenzhen New Industry Venture Capital Co., Ltd..
12. Mr. Zhang Ke, a Supervisor of the Company, was appointed as the independent director of Guiyang Longmaster Information & Technology Co., Ltd. (listed on Shenzhen Stock Exchange (stock code: 300288)) and Net 263 Limited (listed on Shenzhen Stock Exchange (stock code: 002467)).
13. On 9 May 2014, Mr. Zhang Disheng, a Supervisor of the Company, was appointed as an independent director of Far East Industrial Stock Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000681)).

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

1. On 6 March 2014, Mr. Qin Rongsheng, a Director of the Company, tendered his resignation as an Independent Non-executive Director and a member of related special committee of the Board according to the document named Cai Ren Gan [2014] No.33 issued by the Ministry of Finance;
2. On 25 March 2014, Mr. Shi Yuzhu, a Non-executive Director, tendered his resignation as a shareholder Director (non-executive) and a member of relevant special committee of the Board due to the planned retirement from current corporate management works;
3. On 30 April 2014, Ms. You Lantian, a Director of the Company, tendered her resignation as an Independent Non-executive Director and a member of related special committee of the Board according to the document named Gan Fa [2013] No. 210 issued by the United Front Work Department;
4. On 10 June 2014, Mr. Mao Xiaofeng was elected as a Director of the sixth session of the Board at the 2013 annual general meeting of the Company;
5. On 11 June 2014, Mr. Li Huaizhen, a Vice Chairman of the Supervisor Board of the Company, tendered his resignation as a Vice Chairman of the Supervisor Committee, an Employee Supervisor and the member of relevant special committee of the Supervisor Board due to work arrangement;

6. On 22 July 2014, in accordance with the regulation issued by the Development Research Center of the State Council (國務院發展研究中心) requesting its research personnel to resign from the position of an independent director in all listed companies, Mr. Ba Shusong, a Director of the Company, tendered his resignation as an Independent Non-executive Director and member of related special committee of the Board;
7. On 18 August 2014, Mr. Dong Wenbiao tendered his resignation as a Director of the sixth session of the Board of the Company, Chairman and member of related special committee of the Board according to the Articles of Association of the Company and due to other work arrangements;
8. On 28 August 2014, Mr. Hong Qi was elected as Chairman of the sixth session of the Board of the Company by the Board of the Company. Mr. Hong Qi no longer served as a president of the Company and Mr. Mao Xiaofeng was appointed as the president of the Company;
9. On 7 November 2014, Mr. Zhao Pinzhang tendered his resignation as a Vice President and other related duties due to other work arrangements;
10. On 23 December 2014, Mr. Yao Dafeng was elected as a Director of the sixth session of the Board at the second extraordinary general meeting for 2014 of the Company;
11. On 31 January 2015, Mr. Mao Xiaofeng tendered his resignation as a Director of China Minsheng Bank, President and a member of related special committee of the Board due to personal reasons. Hong Qi, the Chairman, was elected as acting president during the vacancy of president at the seventh extraordinary meeting of the sixth session of the 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).

(VII) Directors' interests in competing business

Mr. Wu Di, a Non-executive Director of the Company, is a director of Hangzhou United Rural Commercial Bank Co., Ltd. (杭州聯合農村商業銀行股份有限公司) (“Hangzhou United Bank”) and has no interest in the equity in Hangzhou United Bank. To the best knowledge of the Company, Hangzhou United Bank was established on 5 January 2011. The customers of Hangzhou United Bank are mainly from rural areas and local communities as well as SMEs. Its registered capital is RMB1.515 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 2014, the total assets, outstanding deposits, outstanding loans and equity of Hangzhou United Bank were RMB108.543 billion, RMB86.88 billion, RMB60.706 billion and RMB11.597 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.

(VIII) Interests of the Directors, Supervisors and Chief Executives in the Securities and Debentures of the Company or its Associated Corporations under Hong Kong Laws and Regulations

- (i) As at 31 December 2014, the following Directors/Supervisor of the Company had the following interests in the shares/debentures 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)	2,084,876,472	1	7.66	6.10
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,066,764,269	2	3.92	3.12
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	838,726,939	3	3.08	2.46
		H	Long position	Interest held by his controlled corporation(s)	6,864,600	4	0.10	0.02
Guo Guangchang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	40,000,000	5	0.15	0.12
		H	Long position	Interest held by his controlled corporation(s)	819,998,400	6	11.83	2.40
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	759,720		0.003	0.002

Notes:

- The 2,084,876,472 A shares comprised 484,572,282 A shares directly held by South Hope Industrial Co., Ltd. and 1,600,304,190 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 484,572,282 A shares held by South Hope Industrial Co., Ltd. and the 1,600,304,190 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 2,084,876,472 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.

3. 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.
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. Mr. Guo Guangchang was deemed to have 40,000,000 A shares in total by virtue of his control over Shanghai Fosun Industrial Technology Development Co., Ltd.
6. The 819,998,400 H shares (Long position) (in which 390,000,000 H shares were held through cash settled derivatives (off exchange)) comprised 695,179,800 H shares directly held by Fosun International Limited, 35,592,000 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 89,226,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 79.6% 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 58% of the issued share capital of Fosun International Holdings Ltd.

According to the SFO, Fosun International Limited was deemed to have interests in the 35,592,000 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 89,226,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 819,998,400 H shares held by Fosun International Limited in the Company.

(ii) As at 31 December 2014, 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.

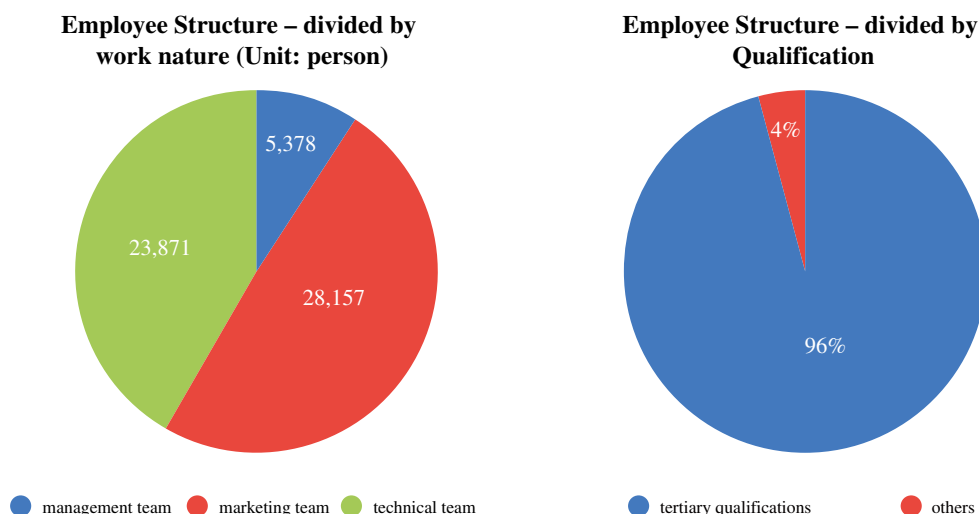
Save as disclosed above, as at 31 December 2014, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

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

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, subsisted during the reporting period. None of the Directors 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).

II. Employees

As at the end of the reporting period, the Group had 59,659 employees, of which 57,406 were employees of the Company and 2,253 were employees of the subsidiaries of the Company. Divided by professional specialties, 5,378 were categorized as management team, 28,157 as marketing team, and 23,871 as technical team. The Company had 54,880 employees with tertiary qualifications, accounting for 96% of the total number of employees. In addition, 142 employees of the Company have retired.



The guiding principles of the Company’s remuneration policy in 2014 were to effectively determine and allocate remuneration and resources with an aim to improve operating results strategically, enhance capital control, streamline business structure and enhance the core competitiveness of the Bank and to reinforce cost-effective management of operations according to the requirements of strategic transformation of the Company and the needs for business development, enhance the effectiveness of incentive policy in risk management and control through further improving the remuneration deferral mechanism to optimise the risk control system, and to develop and improve the employee stock ownership scheme and other long term incentive measures so as to promote the sound operation and sustainable development of the Company.

The Company highly emphasizes on employee training. Trainings of the Bank focused on the concept of “strategic development, business innovation and transformation” and the establishment of professional, diversified and international teams. To develop an ongoing training and career development system for its employees throughout their employment, training programs were organized throughout the path of their career development. The

Bank designed a training schedule and allocated customised training resources to employees of different levels and positions. During the trainings, the Bank applied innovative training concepts and enriched training methods to enhance the development of professional employees. The Bank aimed to transform its training to self-learning and nurturing of personnel in order to develop into a learning organization as well as an intelligent bank. In 2014, the Bank organized various training programs of more than 2,600 with attendance over 280,000, and a total of 4,200,000 hours of training, and organized 7 internal qualification examinations with attendance of 47,000.

III. Business Network

As at the end of the reporting period, the Company had set up 39 branches in 38 cities across China, with 1,021 banking outlets in total.

During the reporting period, Shanghai Pilot Free Trade Zone Branch, Harbin Branch and Lanzhou Branch of the Company had commenced their operation.

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

Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Head Office	1	16,251	1,532,577	No.2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	73	3,406	711,516	No.2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	67	2,722	311,928	No.100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	51	2,237	176,279	Minsheng Tower, No.68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	47	1,681	154,715	Minsheng Bank Tower, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	41	1,637	95,729	China Minsheng Bank Tower, No.396 Xinhua Road, Jiangnan District, Wuhan
Taiyuan Branch	41	1,562	85,096	No.2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	67	2,270	126,617	Minsheng Bank Tower, No.197 Yu Hua Road East, Chang'an District, Shijiazhuang

Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Dalian Branch	29	1,087	71,623	No.4A Wuwu Road, Zhongshan District, Dalian
Nanjing Branch	61	2,511	248,748	No.20 Hongwu Bei Road, Nanjing
Hangzhou Branch	45	1,717	149,057	Jinzun, Zunbao Mansion, No.98 Shimin Street, Qianjiang New Town, Jiangan District, Hangzhou
Chongqing Branch	24	1,057	79,570	Tongjuyuanjing Building, No.9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	22	1,124	72,130	China Minsheng Bank Tower, No.78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	28	1,041	49,274	No.282 Hudong Road, Fuzhou
Jinan Branch	47	1,872	103,826	No.229 Luoyuan Street, Jinan
Ningbo Branch	20	797	43,301	No.815 Ju Xian Road, Ningbo
Chengdu Branch	35	1,408	97,370	Block 6, No.966 North Section of Tianfu Avenue, Gaoxin District, Chengdu
Tianjin Branch	30	948	51,603	China Minsheng Bank Tower, No.43 Jianshe Road, Heping District, Tianjin

Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Kunming Branch	22	929	50,762	Chuntian Yinxiang Building, No.331 Huancheng Nan Road, Kunming
Quanzhou Branch	15	543	37,900	No.689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	20	1,146	74,521	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	30	1,075	38,709	No.18 Fuzhou Nan Road, Shinan District, Qingdao
Wenzhou Branch	14	607	50,585	Hengha Building, No.1707 Wenzhou Avenue, Wenzhou
Xiamen Branch	15	599	66,522	7/F, Lixin Plaza, No.90 Hubin Nan Road, Xiamen
Zhengzhou Branch	38	1,435	113,826	Minsheng Bank Tower, No.1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	22	878	54,921	Minsheng Tower, No.189 Binjiang Road, Yuelu District, Changsha
Changchun Branch	22	638	29,852	Minsheng Tower, No.500 Changchun Street, Nangan District, Changchun
Hefei Branch	16	736	52,252	Tian Qing Building, No.135 Bozhou Road, Hefei
Nanchang Branch	14	648	38,155	No.237 Xiangshan Bei Road, Nanchang
Shantou Branch	10	444	11,576	1-3/F, Huajing Plaza, No.17 Hanjiang Road, Longhu District, Shantou

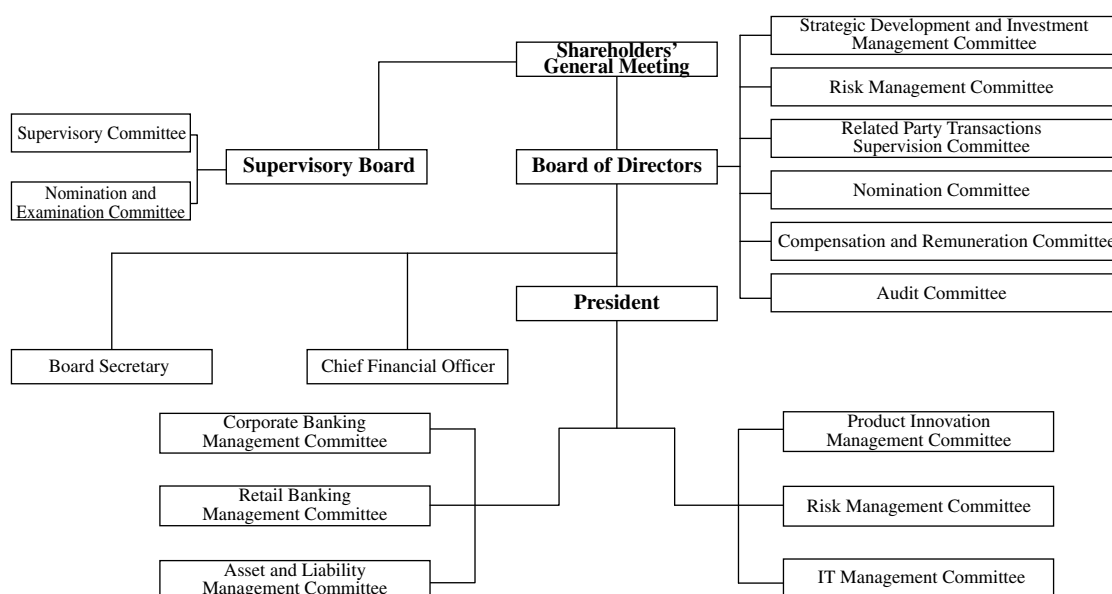
Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Nanning Branch	13	515	26,505	1, 8-12/F, Guangxi Development Tower, No.111-1 Minzu Avenue, Nanning
Hohhot Branch	10	398	28,618	1-3/F, Block A, Fortune Mansion, No.36 Xinhua East Street, Saihan District, Hohhot
Shenyang Branch	12	458	37,838	No.65 Nanjing North Street, Heping District, Shenyang
Hong Kong Branch	1	176	70,611	36/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Guiyang Branch	7	266	26,916	No.28 Yangguan Avenue, Guanshanhu District, Guiyang
Sanya Branch	2	141	18,031	No.128 Xinfeng Street, Hedong District, Sanya
Lhasa Branch	3	137	11,823	Global Plaza, No.8 Beijing West Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	2	91	15,840	1/F, No.188 Yesheng Road, Pudong New District, Shanghai
Harbin Branch	2	116	9,650	1-6/F, Olympic Centre Area 1, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	2	102	8,530	1-4/F, Gansu daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Inter-region adjustment			(1,180,880)	
Total	<u>1,021</u>	<u>57,406</u>	<u>3,854,022</u>	

Notes:

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

Chapter 6 Corporate Governance

I. Corporate Governance Structure



II. Corporate Governance Overview

During the reporting period, the Company continuously focused on establishing a transparent and efficient corporate governance structure, ceaselessly optimised 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 Bank. Details are as follows:

1. During the reporting period, the Company had organised and prepared a total of 69 meetings, including three shareholders' general meetings, 10 Board meetings, 45 meetings of the special committees of the Board, seven meetings of the Supervisory Board and four meetings of the special committees of the Supervisory Board. 225 material 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 revision were considered and approved at these meetings.

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 Shareholders' 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》), Measures for Capital Management (《資本管理辦法》), Measures for Liquidity Risk Management (《流動性風險管理辦法》), the Liquidity Contingency Plan (《流動性應急計劃》) and Measures for Writing Off Bad Debts (《呆賬核銷管理辦法》). 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 level 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 optimise the systematic, standardised and regular performance evaluation system for the senior management of the Board.

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

4. During the reporting period, the Company fully utilised the public education platforms and training programs provided by the regulatory authorities and arranged different batches of Directors and Supervisors to participate in the relevant training programs for directors and supervisors. All the Directors and Supervisors fulfilled the training requirements for their employment qualification stipulated by the regulatory authority and thereby enhanced their capabilities in carrying out duties.
5. During the reporting period, Directors of the Company reviewed the internal control systems of the Company and its subsidiaries and considered them effective. Such review covered all important aspects of control, including finance, operation and compliance control, and risk management function.
6. The Audit Committee of the Board of Directors of the Company conducted specialised internal control research and investigation at four branches and one subsidiary, and continued to facilitate the evaluation on internal audit departments of the Company in terms of innovative management and performance appraisal.
7. During the reporting period, the Company further strengthened the collation and update of information on related parties and continued to accelerate the work of standardised credit granting for the related party groups.

8. During the reporting period, based on the provisions of the Articles of Association and the requirements of regulatory authorities, the Supervisory Board of the Company continued to further define the functions of each position and refine policies and systems for the stable development of the Company. It also regulated the supervision and carried out new working plan to facilitate the performance of duties. The Supervisory Board convened different meetings to consider the relevant resolutions. The Supervisory Board also attended different meetings of the Board and important business meetings of the senior management. Through conducting different examinations and researches, the Supervisory Board pursued its philosophy of “supervising the implementation of strategies by the Board to facilitate corporate development”. With standardised performance of duties, its efficiency was also enhanced.
9. During the reporting period, based on the supervisory responsibilities and monitoring requirements, the Supervisory Board of the Company closely monitored the operation and management of the Company. It organised and conducted researches and examinations on the response of the branches to the liberalisation of interest rate and the business development of tier-two branches in accordance with the law. Appraisal 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.
10. A total of seven issues of Newsletter of the Board of Directors (《董事會工作通訊》) and 51 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 among the Board of Directors, the Supervisory Board and the senior management, and among the Directors and Supervisors.
11. 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 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.
12. According to the internal inspection of the Company, no leakage of important information of the Company had been found as at the end of the reporting period. None of the insiders had purchased or sold the shares of the Company taking the advantage of any share price sensitive inside information prior to the disclosure of such information. On 22 March 2012, the Rules for Insider Registration and Management (《內幕信息知情人登記管理規定》) was considered and approved at the 22nd meeting of the 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.

13. 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.

III. Board of Directors

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

(I) Composition of the Board

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

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

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

implementation of the Policy of Board Diversity and review such policy when necessary to ensure its effectiveness. The Nomination Committee shall discuss any amendments to the Policy of Board Diversity when necessary and submit the proposed amendments to the Board for approval.

The list of Directors of the Company and their profiles are shown in “Directors, Supervisors, Senior Management and Employees” of this report. Among the members of the Board of the Company, Mr. Liu Yonghao is the chairman and substantial shareholder of New Hope Group Co., Ltd., and Mr. Wang Hang is a 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.

(II) Powers of the Board

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

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

10. to appoint or remove the President and CFO of the Company based on the recommendations of the Nomination Committee; to appoint or remove Board Secretary based on the recommendations of the Chairman of the Board; to appoint or remove the senior management, such as Vice Presidents and financial officers of the Company based on the recommendations of the President and to decide on matters relating to their remunerations, reward and the imposition of any disciplinary measures;
11. to approve the appointment or dismissal of President, Vice Presidents and other senior management, whose qualifications had been accredited by the CBRC, of branches;
12. to establish the basic management system of the Company;
13. to formulate proposals for any amendment to the Articles of Association of the Company;
14. to manage the disclosure of information of the Company;
15. to propose at the shareholders' general meetings for the appointment or replacement of the accounting firms of the Company for audit purpose;
16. to review working reports of the President of the Company and to examine the President's performance;
17. the Board shall establish a supervisory system to ensure that the management body will formulate a code of conduct and working principles for the management staff and the business personnel at all levels and that the regulatory documents will specifically require employees at all levels promptly report any possible conflict of interests, stipulate concrete rules and establish corresponding mechanism;
18. the Board shall establish an information reporting system that requires the senior management to report to the Board and Directors the operational issues of the Company regularly, and the reporting system shall cover provisions for the following issues: the scope of the information reported to the Board and Directors and the minimum reporting standards, the information reporting frequency, the information reporting method, the responsible body and liabilities arising from delayed or incomplete information reporting and the confidentiality requirements; and
19. to exercise any other powers prescribed by the applicable laws, administrative regulations and departmental rules, as well as any other powers conferred by the Articles of Association of the Company.

(III) Board meetings and contents of resolutions

During the reporting period, 10 Board meetings were held by the Board to deliberate on and approve major resolutions in relation to strategies, policies, finance and operation of the Company.

Meeting	Date	Publication	Date of disclosure
Fifth Extraordinary Meeting of the Sixth Session of the Board	10 January 2014	China Securities Journal, Shanghai Securities News, and Securities Times	11 January 2014
Sixth Extraordinary Meeting of the Sixth Session of the Board	20 January 2014	China Securities Journal, Shanghai Securities News, and Securities Times	21 January 2014
14th Meeting of the Sixth Session of the Board	14 March 2014	China Securities Journal, Shanghai Securities News, and Securities Times	15 March 2014
15th Meeting of the Sixth Session of the Board	28 March 2014	China Securities Journal, Shanghai Securities News, and Securities Times	29 March 2014
16th Meeting of the Sixth Session of the Board	25 April 2014	Exempt from announcement in accordance with relevant provisions	
17th Meeting of the Sixth Session of the Board	31 July 2014	China Securities Journal, Shanghai Securities News, and Securities Times	1 August 2014
18th Meeting of the Sixth Session of the Board	28 August 2014	China Securities Journal, Shanghai Securities News, and Securities Times	29 August 2014
19th Meeting of the Sixth Session of the Board	15 October 2014	China Securities Journal, Shanghai Securities News, and Securities Times	16 October 2014
20th Meeting of the Sixth Session of the Board	30 October 2014	Exempt from announcement in accordance with relevant provisions	
21st Meeting of the Sixth Session of the Board	7 November 2014	China Securities Journal, Shanghai Securities News, and Securities Times	8 November 2014

In the above 10 meetings, 68 resolutions in respect of four regular reports, working report of the Board, working reports of the President, financial budget and final account reports, profit distribution proposals, establishment of institutions and the system revision were considered and approved.

The following table sets out the attendance of Directors of the Company at the meetings of the Board in 2014:

Directors	Attendance/ Number of Meetings
Hong Qi	10/10
Zhang Hongwei	10/10
Lu Zhiqiang	10/10
Liu Yonghao	10/10
Liang Yutang	10/10
Wang Yugui	10/10
Wang Hang	10/10
Wang Junhui	10/10
Wu Di	10/10
Guo Guangchang	10/10
Qin Rongsheng	10/10
Cheng Hoi-chuen	10/10
Ba Shusong	10/10
You Lantian	10/10
Wang Lihua	10/10
Han Jianmin	10/10
Dong Wenbiao	6/6
Mao Xiaofeng	5/5
Shi Yuzhu	3/3

Note: Yao Dafeng was appointed as a Non-executive Director of the Company at the extraordinary general meeting held on 23 December 2014. The Company has not held any Board meetings since then till 31 December 2014, thus there was no attendance record for Yao Dafeng.

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

1. Implementation of the profit distribution plan

The Board of the Company distributed dividends to the shareholders according to the profit distribution policy for the second half of 2013 approved at the 2013 Annual General Meeting. On the basis of total share capital as at the record date, cash dividend of RMB1 (before tax) for every 10 shares and 2 shares of stock dividends for every 10 shares were distributed to the shareholders whose names appeared on the share register as at the record date. The total amount of cash dividend and the number of shares of stock dividends were RMB2,837 million and 5,673 million shares respectively. 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 completed the issuance of bonus shares of A Shares and distributed cash dividend to the holders of A Shares on 25 June 2014 and 30 June 2014 respectively. Also, the Company completed the issuance of bonus shares of H Shares and distributed cash dividend to the holders of H Shares on 14 July 2014 and 8 August 2014 respectively.

The Board of the Company distributed dividends to the shareholders upon approval of the interim profit distribution proposal for 2014 at the 2014 Second Extraordinary Shareholders' Meeting. 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 RMB2,561 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 9 January 2015 and 2 February 2015, respectively.

For details of implementation, please refer to the overseas regulatory announcements published by the Company.

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

The following table sets out the attendance of Directors at the shareholders' general meetings in 2014:

Directors	Attendance/ Number of Meetings
Hong Qi	3/3
Zhang Hongwei	3/3
Lu Zhiqiang	1/3
Liu Yonghao	3/3
Liang Yutang	3/3
Wang Yugui	3/3
Wang Hang	3/3
Wang Junhui	3/3
Wu Di	3/3
Guo Guangchang	3/3
Qin Rongsheng	3/3
Wang Lihua	3/3
Han Jianmin	3/3
Cheng Hoi-chuen	3/3
Ba Shusong	3/3
You Lantian	2/3
Dong Wenbiao	2/2
Mao Xiaofeng	1/1
Shi Yuzhu	0/1

Note: Yao Dafeng was appointed as a Non-executive Director of the Company at the extraordinary general meeting held on 23 December 2014. The Company has not held any shareholders' general meetings since then till 31 December 2014, thus there was no attendance record for Yao Dafeng.

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

The Board of the Company comprises six Independent Non-executive Directors. The qualification, number and proportion 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 Bank for 1 to 2 days per month. The Company provided offices and facilities for Independent Non-executive Directors. All Independent Non-executive Directors have complied with the on-duty policy. The main duties of the Independent Non-executive Directors while they are on duty are: to study the works of their respective committees; to research and confirm the proposals put forward by the committees; to review working reports of the senior management or various departments of the head office; and to discuss and determine or amend any relevant corporate governance policy. During the reporting period, the Independent Non-executive Directors had worked in the Bank for 47 working days in aggregate, had 131 meetings with the management and the relevant department staff and made more than 76 proposals. It is an achievement for the Bank 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 scientific and independence of the decision-making of the Board.

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

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

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 accounting year. The Independent Non-executive Directors may conduct investigation on certain issues if necessary. The Independent Non-executive Directors shall verify the qualification of the accounting firms to be engaged by the Company and the qualification of the certified public accountants responsible for the audit of the annual report of the Company. Upon the issuance of the preliminary audit opinion, the Independent Non-executive Directors shall hold at least one meeting with the auditor responsible for the audit of the annual report of the Company to discuss the issues identified in the audit process before a Board meeting is convened to review the annual report.

Pursuant to the 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 2014 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 2014, maintained continuous communication with the accounting firm in respect of the annual audit and reviewed audit plans, report on pre-audit and audit from the accounting firm, and examined the actual operating results of the Company.

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

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

- (1) Nomination, appointment and removal of Directors;
- (2) Appointment or removal of senior management;
- (3) Remuneration of Directors and senior management;
- (4) Major and very substantial related party transactions between the shareholders, de facto controllers and their respective related companies and the Company, and whether the Company has taken effective measures to collect outstanding payments;
- (5) Issues that Independent Non-executive Directors considered may prejudice the interests of minority shareholders; 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 the Nomination Committee, Compensation and Remuneration Committee, Audit Committee, Related Party Transactions Supervision Committee and Risk Management Committee under the Board. At least one Independent Non-executive Director in each of the Audit Committee and Related Party Transactions Supervision Committee has professional accounting experience.

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

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

**Attendance of the Independent Non-executive Directors
at the Board meetings in 2014**

Directors	Number of meetings	Attendance in person	Attendance by proxy
Qin Rongsheng	10	10	0
Ba Shusong	10	10	0
Cheng Hoi-chuen	10	10	0
You Lantian	10	7	3
Wang Lihua	10	10	0
Han Jianmin	10	10	0

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

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

(VII) Chairman of the Board and President

During the reporting period, 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, from 1 January to 18 August 2014, the Chairman of the Board, Mr. Dong Wenbiao, 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. From 1 January to 28 August 2014, Mr. Hong Qi was the President of the Company. He was responsible for the business operation of the Company and implementation of the strategies and business plans of the Company.

On 18 August 2014, Mr. Dong Wenbiao tendered his resignation as the Chairman of the sixth session of the Board and Executive Director. From 18 August to 28 August 2014, Mr. Hong Qi served as the acting Chairman of the Board.

Since 28 August 2014, Mr. Hong Qi, who was appointed as the Chairman of the Board of the Company, is responsible for leading the Board and acting as the Chairman of the Board meetings. He shall ensure that all Directors are well informed of the issues to be discussed during the Board meetings. He is also responsible for the management of the operation of the Board and ensures that the Board shall discuss all major and relevant issues in a timely and constructive manner. In order to allow the Board to discuss all major and relevant issues in time, the Chairman of the Board maintains close contact with relevant senior management to ensure that the Directors can promptly receive appropriate, complete and reliable information for their consideration and review. Since 28 August 2014, Mr. Mao Xiaofeng was appointed as the President of the Company. He is responsible for the business operation of the Company and implementation of the strategies and business plans of the Company.

On 31 January 2015, Mr Mao Xiaofeng tendered his resignation as a Director of the Company, the President and members of the relevant special committees of the Board of the Company to the Board of the Company for personal reasons. The 7th extraordinary meeting of the sixth session of the Board has 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.

(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 2014. 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 2014.

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

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

The major works of corporate governance performed by the Board of the Company in 2014 were as follows: the Board had conducted due diligence assessments of Directors and senior management, and formulated and amended various administration policies of the Company in accordance with domestic and overseas regulatory requirements, including the Articles of Association, Rules of Procedure of the Shareholders' General Meeting and the Rules of Procedure of the Board of Directors. The Board also confirmed that, save as disclosed in this report, the Company had complied with the code provisions of Appendix 14 to the Hong Kong Listing Rules throughout 2014 based on its review.

Members, functions and powers of the six special committees of the Board and their works in 2014 are as follows:

(I) Strategic Development and Investment Management Committee

1. Composition of the Strategic Development and Investment Management Committee and meetings in 2014

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

On 25 March 2014, according to the Announcement on Resignation of Shi Yuzhu as Director and Nomination of Director, the number of members of the Strategic Development and Investment Management Committee of the sixth session of the Board was changed to seven with Dong Wenbiao as the chairman and Hong Qi, Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Junhui and Ba Shusong as members.

On 18 August 2014, according to the Announcement on Resignation of Chairman 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 six with Hong Qi as the chairman and Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Junhui and Ba Shusong as members.

On 15 October 2014, according to the Resolution on Adjusting the Composition of Certain Special Committees of the Sixth Session of the Board of Directors of the Company approved at the nineteenth meeting of the sixth session of the Board of the Company, 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 Mao Xiaofeng as members.

On 14 January 2015, Mr. Yao Dafeng was appointed as a member of the Strategic Development and Investment Management Committee by the Board. On 31 January 2015, former Executive Director, Mao Xiaofeng, resigned his position as Executive Director and member of relevant committees. 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.

In 2014, the Strategic Development and Investment Management Committee convened seven meetings, deliberated on 42 proposals and received 10 reports. The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	7/7
Lu Zhiqiang	7/7
Liu Yonghao	7/7
Shi Yuzhu	3/3
Wang Junhui	7/7
Wang Yugui	1/2
Executive Directors	
Dong Wenbiao	4/4
Hong Qi (<i>chairman of the committee</i>)	7/7
Mao Xiaofeng	2/2
Independent Non-executive Director	
Ba Shusong	7/7

Notes: Shi Yuzhu, Wang Yugui, Dong Wenbiao and Mao Xiaofeng shall not be counted as the quorum of all seven meetings as they were appointed or resigned during the year or due to the change in the number of members of the Strategic Development and Investment Management Committee.

2. *Major achievements of the Strategic Development and Investment Management Committee in 2014*

In 2014, the Strategic Development and Investment Management Committee, under the overall strategic guidance of the Chairman of the Board carried out strategic management and investment management in order to thoroughly fulfil its duties.

(1) Execution of daily duties

During the reporting period, the Strategic Development and Investment Management Committee convened seven meetings (three on-site meetings and four off-site meetings) to discuss material decision issues of the Company, which deliberated on 42 proposals and received 10 reports. It also strengthened research efforts and prepared 19 different research reports.

(2) Effective implementation of strategic management

During the reporting period, the Strategic Development and Investment Management Committee actively conducted strategic research and launched the interim evaluation and revision of the second Five-Year Development Outline. The Strategic Development and Investment Management Committee implemented the annual key strategies by stages and monitored the implementation on a monthly basis.

(3) Further consolidation of foundation of capital management

During the reporting period, the Strategic Development and Investment Management Committee established the capital management system of the Board. It also adopted the capital management regulations to facilitate the daily management and control of the Board over the capital so as to enhance the general level of capital management.

(4) Implementation of significant investment and merger and acquisition project

During the reporting period, the Strategic Development and Investment Management Committee reorganized the objectives of equity investment based on diversified, international and group-oriented strategies in order to clearly define the future business objectives. The project of CMBC International Holdings Limited (民生商銀國際項目) has been approved by the CBRC and will become a platform for all investment banking businesses under Minsheng Bank in Hong Kong in order to facilitate the implementation of diversified and international strategies.

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

During the reporting period, the Strategic Development and Investment Management Committee strengthened the supervision, evaluation and assessment of consolidated financial statements of the Group. It carried out daily management of consolidated financial statements of the Group and actively complied with the new regulatory rules in order to strengthen the standard routine management of consolidated financial statements of the Group.

(6) Optimisation of material fixed assets investment management

During the reporting period, the Strategic Development and Investment Management Committee considered and approved various material fixed assets investment proposals and continued to keep track of the implementation of the approved material fixed assets investment proposal so as to ensure their efficiency.

(7) Stable development of rural banks

During the reporting period, the Company continued to explore and improve the management system and further optimized the risk control and business development model of rural banks. Different initiatives were taken to facilitate the healthy and sustainable development of Minsheng rural banks. As of the end of the reporting period, there were 29 Minsheng rural banks and 74 rural banking outlets of the Company. Attributable to the excellent asset quality and stable business development, the Company focused on small business finance and developed regional features. A sustainable business model was preliminarily established.

(8) Enhancement of the management of affiliated entities

During the reporting period, according to the second Five-Year Development Outline and the group-oriented development requirement, as well as the strategy “Company strategy, Company governance, Company value”, the principle line for the management of affiliated entities, the Company took the initiative to respond to the challenges and opportunities brought by the changes of domestic and international financial conditions in line with the strategies, corporate governance and corporate value of the management of affiliated entities in order to further boost the sound and substantial development of such entities.

In order to boost the business synergy between affiliated entities and the Company, the Company fully utilised its strategic platform so as to explore new capital-saving development model while establishing new growth point for new industrial chain and corporate business. In order to refine the corporate governance of its affiliated entities, the Company strengthened its core competitiveness, launched the employee share option scheme of affiliated entities and formulated the initial implementation plan. Strategic cooperation between Minsheng E-commerce and the Company was also optimised. The Company enhanced the strategic governance of affiliated entities and with the coordination of Minsheng Financial Leasing and Minsheng Royal Fund, the implementation of the second Five-Year Development Outline was evaluated to ensure that the strategic management of the affiliated entities is in line with the strategies of the Company. Through conducting annual self-assessment of internal control and establishing internal control system, cultivating risk prevention education and audit mechanism of dividend payment to major shareholders, and formulating guidelines of risk management of the Board, the corporate governance and internal control of affiliated entities were improved. Synergistic risk control of Minsheng Financial Leasing and the Bank was tightened to effectively enhance the comprehensive risk management. The Company improved the management of internal transactions of affiliated entities by supporting the business development of affiliated entities according to the law. Leveraging the advanced technology and experience of the Company, the committee assisted Minsheng Financial Leasing and Minsheng Royal Fund in refining information analysis system. A large data platform of the Group containing the data of affiliated entities was set up to store the core data of Minsheng Financial Leasing and Minsheng Royal Fund for analysis so as to explore and analyse the cross-selling opportunities of the Group for providing efficient integrated services to the customers. By refining the online training platform of affiliated entities and supervising the training of new employees as well as the financial and risk training of affiliated entities, the Company strengthened the compliance awareness of the employees of affiliated entities.

(II) Nomination Committee

1. Composition of the Nomination Committee and meetings in 2014

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

On 15 October 2014, according to the Resolution on Adjusting the Composition of Certain Special Committees of the Sixth Session of the Board of Directors of the Company approved at the nineteenth meeting of the sixth session of the Board of the Company, the number of members of the Nomination Committee of the sixth session of the Board was changed to ten 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 Mao Xiaofeng as members.

On 31 January 2015, former Executive Director, Mao Xiaofeng, resigned his position as Executive Director and member of relevant committees. The number of members of the Nomination Committee of the sixth session of the Board was changed to nine 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.

The Nomination Committee convened six meetings and reviewed eight proposals in 2014. The attendance record is as the following:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Zhang Hongwei	6/6
Wang Yugui	5/5
Wang Hang	6/6
Executive Directors	
Hong Qi	6/6
Mao Xiaofeng	1/1
Independent Non-executive Directors	
You Lantian (<i>chairman of the committee</i>)	4/6
Qin Rongsheng	6/6
Cheng Hoi-chuen	6/6
Ba Shusong	6/6
Wang Lihua	6/6
Han Jianmin	6/6

Note: Wang Yugui and Mao Xiaofang shall not be counted as the quorum of all six meetings as they were appointed or resigned during the year due to the change in the composition of the Nomination Committee.

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

(1) Nomination procedures for Director candidates

(i) General procedures for the nomination of Director candidates

Method of election of the Company's Directors: after soliciting the opinions of the shareholders, the former Board of Directors will, in accordance with the relevant provisions of the Articles of Association of the Company, submit a written proposal at the shareholders' general meeting containing the biographies and basic information of the candidates. The Nomination Committee under the Board of Directors is responsible for soliciting the opinions of shareholders, collecting the nomination proposals and examining the qualifications of the candidates to determine whether they comply with

the qualification requirements for a director of a commercial bank under the Company Law of the PRC, Commercial Banks Law and relevant laws, administrative regulations and departmental rules. After the review, the Nomination Committee will submit the proposal to the Board of Directors for their deliberation, after which the Board of Directors will submit a proposal at shareholders' general meeting for voting. Nominator shall obtain consent from nominee prior to the nomination. If a shareholder or the Supervisory Board raises an objection to the list of Director candidates, he or it may submit a new proposal in accordance with the Articles of Association of the Company, pursuant to which the Nomination Committee shall examine the qualification of relevant candidates and submit the proposal to the Board of Directors for their determination as to whether the proposal should be further submitted at the shareholders' general meeting.

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

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

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

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

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

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

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

3. *Major achievements of the Nomination Committee in 2014*

During the reporting period, the Nomination Committee of the Board duly performed various duties as assigned by the Board by commencing the annual work in accordance with the annual development plan of the Board and Working Plan of the Nomination Committee (《提名委員會工作計劃》) formulated at the beginning of the year.

Efforts were also made to prepare the annual duty report of Independent Directors and qualification approval of candidates of Director and senior management of the Bank. Major achievements in the year are as follows.

(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 2013 (《獨立董事2013年度述職報告》) and submitted the report to the shareholders at the annual general meeting. This report mainly describes the basic information, annual duty performance, progress of annual report and key issues concerned matters of the annual performance of Independent Directors in order to reflect the independence and compliance of the annual work of Independent Directors in 2013.

(2) Review of the qualification of candidates of Director of the Board

During the reporting period, the nomination committee reviewed the qualification of candidates of Director with the objective and fair principle.

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 follows the principle of using the best, and fully considered the benefits of the Board of a diversified composition of the Board under the objective situation. Please see Chapter 5 “Directors, Supervisors, Senior Management and Employees”, of the Report for the composition of the Board. The Board and the Nomination Committee believes, the composition of the Board complies with the requirements of the Policy of Board Diversity of the Company.

(3) Review the qualification of the President of the Bank

During the reporting period, the Nomination Committee reviewed the qualification of the President of the Bank. The committee conducted a subjective evaluation on the essential integrated capability of the new President of the Bank according to the development strategy of the Bank and the performance of the candidate.

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

During the reporting period, the Nomination Committee continued to perform its duty in making decisions on candidate selection and appointment of key officers. It enhanced the standard, transparency and efficiency for the nomination and examination procedures. The Nomination Committee considered a total of 37 candidates for senior management of branches during the year.

(III) Compensation and Remuneration Committee

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

1. Composition of the Compensation and Remuneration Committee and meetings in 2014

The Compensation and Remuneration Committee of the sixth session of the Board had nine members. The chairman was Cheng Hoi-chuen and the members were Lu Zhiqiang, Liang Yutang, Wang Hang, Guo Guangchang, Qin Rongsheng, You Lantian, Wang Lihua and Han Jianmin.

The Compensation and Remuneration Committee convened five meetings, reviewed 11 proposals and received three reports in 2014. The attendance record is as the following:

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	
<i>Cheng Hoi-chuen (chairman of the committee)</i>	5/5
Qin Rongsheng	5/5
You Lantian	2/5
Wang Lihua	5/5
Han Jianmin	5/5

2. Major achievements of the Compensation and Remuneration Committee in 2014

During the reporting period, in line with the development strategy of the Board, the Compensation and Remuneration Committee focused on refining the rational and reasonable remuneration incentive scheme. In response to the changes of external operation environment, it strived to carry out different tasks for more efficient governance.

- (1) Discussing and reviewing the proposal on the employee share option scheme of the Bank

In order to enhance the sense of belonging of the employees and the competitiveness of the Company, during the reporting period, the Compensation and Remuneration Committee proposed and discussed the employee share option scheme in line with the employee remuneration reform. Based on its discussion with several parties, the Compensation and Remuneration Committee submitted a proposal relating to the participants, issue scale, issue price, source of the shares, lock-up period and exercise arrangement of the employee share option scheme to the Board for approval. The proposal of the employee share option scheme is an important initiative to optimise the governance mechanism of the Company and effectively enhance the image of the Company in the capital market.

- (2) Discussing and determining the targets of key appraisal indicators of senior management in 2014

During the reporting period, the Compensation and Remuneration Committee discussed and determined the key appraisal indicators of the senior management for the year and reasonably set the performance indicators and weighting mechanism.

- (3) Evaluating the performance of Directors for the year

During the reporting period, the Compensation and Remuneration Committee of the Board evaluated the performance of all the Directors for 2013. The targets of evaluation were all the Directors, including shareholders directors, independent non-executive 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 13 members of the Senior Management of the head office and 31 branch presidents (including the executive vice president in charge) appointed by the Board for the year 2013, on their leadership and performance of duties, under the authorisation of the Board. The performance assessment facilitated a thorough understanding of the Board to the operation management of the Bank, and specifically, was effective for the supervision of the annual performance of the senior management and branch presidents.

- (5) Reviewing the annual remuneration of the Directors and the senior management of the Bank

During the reporting period, the Compensation and Remuneration Committee reviewed and disclosed the 2013 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 of China Minsheng Bank (《中國民生銀行董事、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 Administration 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 2013, the Compensation and Remuneration Committee reviewed and disclosed the 2013 remuneration report of senior management of the head office appointed by the Board.

- (6) Determining the remuneration of certain senior management of the head office

During the reporting period, the Compensation and Remuneration Committee of the Board determined the remuneration of the Chairman and the President according to the Management Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》).

(IV) Risk Management Committee

1. Composition of the Risk Management Committee and meetings in 2014

The Risk Management Committee of the sixth session of the Board of Directors comprised five 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 increased to six. The chairman was Ba Shusong and the members were Liang Yutang, Wang Yugui, Wang Hang, Guo Guangchang and Yao Dafeng.

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

The Risk Management Committee convened 13 meetings, discussed and reviewed 24 proposals in 2014.

The attendance record is as follows:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Wang Yugui	13/13
Wang Hang	12/13
Guo Guangchang	13/13
Executive Director	
Liang Yutang	13/13
Independent Non-executive Director	
Ba Shusong (<i>chairman of the committee</i>)	13/13

2. *Major achievements of the Risk Management Committee in 2014*

In 2014, the Risk Management Committee continued to focus on innovation and implementation and performed its duties on risk guidance assessment and investigation under the leadership of the Board. The committee strengthened the supervision of the implementation of all risk policies by regulatory departments and the Board and conducted the formulation of risk policies, risk assessment and special risk investigation. During the year, the Risk Management Committee convened 13 meetings and reviewed and approved various proposals, including the Guiding Opinion on Risk Management by the Board of Directors in 2014 (《董事會2014年度風險指導意見》), Report on Risk Assessment of the Board of Directors (《董事會風險評估報告》), the Administrative Measures for Liquidity Risk Management (2014) (《流動性風險管理辦法(2014年版)》), Indicator for Liquidity Risk Control in 2014 (《2014年流動性風險控制指標》), Report on IT Risk Management of 2013 (《2013年信息科技風險管理報告》) and the Administrative Measures for Outsourcing Risk Management of Minsheng Bank (2014) (《民生銀行外包風險管理辦法(2014年版)》). The committee conducted research and reviewed risk management reports from the management quarterly and considered and approved their quarterly risk management reports. The committee also reviewed special proposals, such as Report of Risk Management of Minsheng Bank Group (《民生銀行集團風險管控情況報告》), Report of the implementation of the Basel III (《新資本協議實施進展情況滙報》), Report of the Development of Trade and Financial Business and its Risk Management (《貿易金融業務發展與風險管控情況滙報》) and Report of the Development of Small Business and its Risk Management (《小微業務最新發展及風險管控情況滙報》).

(V) Audit Committee

1. Composition of the Audit Committee and meetings in 2014

The Audit Committee of the sixth session of the Board comprised six members. The chairman of the committee was Qin Rongsheng, and the members were Shi Yuzhu, Wu Di, Cheng Hoi-chuen, You Lantian and Han Jianmin. On 25 March 2014, according to the Announcement on Resignation of Shi Yuzhu as Director and Nomination of Director, the number of the Audit Committee of the sixth session of the Board was changed to five with Qin Rongsheng as the chairman and Wu Di, Cheng Hoi-chuen, You Lantian and Han Jianmin as members.

As of the end of the reporting period, the Audit Committee consisted of five members, including four Independent Non-executive Directors and one Non-executive Director. Four Independent Non-executive Directors are experts in audit, 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 that the committee to perform its duties effectively.

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

The Audit Committee convened seven meetings and reviewed 21 proposals in 2014.

The attendance record is as the following:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Shi Yuzhu	2/2
Wu Di	7/7
Independent Non-executive Directors	
Qin Rongsheng (<i>chairman of the committee</i>)	7/7
Cheng Hoi-chuen	7/7
Han Jianmin	7/7
You Lantian	7/7

Note: Shi Yuzhu, a former Non-executive Director, resigned as a Director on 25 March 2014.

2. *Major achievements of the Audit Committee in 2014*

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

During the reporting period, the Audit Committee under the Board visited four branches and one subsidiary to carry out special inspections on internal control and reviewed multiple reports of internal audit departments. The Audit Committee extended the inspection coverage to its subsidiaries and operating units and supervised, directed, audited and examined the audit exercises to further improve the development of the internal control system.

(2) Revision of measures for verifying and writing off bad debts

During the reporting period, measures for verifying and writing off bad debts have been revised in line with expanding banking business and the cyclical change in the macro-economy so that relevant proportions and procedures are more adaptable to the changing market conditions.

(3) 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 organised the preparation and audit of the 2013 Results Announcement, and completed its review, and organised the review of the 2013 Report on Final Accounts, 2014 Financial Budget, 2014 Interim Financial Report, and the first and third quarterly reports of 2014 of the Company.

(4) Completion of appointment of external auditors for annual audit

The appointment of external auditors through tendering for every three years has been completed, including score calculation for all accounting firms tendering for external audits and the nomination of the alternative companies. According to the scores, the Company confirmed the re-appointment of KPMG Certified Public Accountants as the accounting firms for the external audit of the Company subject to submission to the Board and shareholders' general meeting.

(VI) Related Party Transactions Supervision Committee

1. Composition of the Related Party Transactions Supervision Committee and meetings in 2014

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

On 25 March 2014, according to the Announcement on Resignation of Shi Yuzhu as Director and Nomination of Director, the number of members of the Related Party Transactions Supervision Committee of the sixth session of the Board was changed to seven with Qin Rongsheng as the chairman and Liang Yutang, Wang Junhui, Wu Di, Ba Shusong, Wang Lihua and Han Jianmin as members.

As at the end of the reporting period, the Related Party Transactions Supervision Committee of the Company had seven members, of which four Independent Non-executive Directors, two Non-executive Directors and one Executive Director. Four Independent Non-executive Directors are experts in audit, finance and management. Two Non-executive Directors are key persons in charge of renowned companies in China and have extensive experience in management and sufficient knowledge in finance and accounting.

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

The members of the Related Party Transactions Supervision Committee and their profiles are set out in the section headed “Directors, Supervisors, Senior Management and Employees” of this report. The members of the committee are in no way related to each other in terms of finance, business, family or other material relations or relevant relations.

The Related Party Transactions Supervision Committee under the Board convened seven meetings and reviewed 11 proposals in 2014.

The attendance record is as the following:

Members	Attendance/ Number of Meetings
Non-executive Directors	
Shi Yuzhu	2/2
Wang Junhui	7/7
Wu Di	7/7
Executive Director	
Liang Yutang	7/7
Independent Non-executive Directors	
Qin Rongsheng (<i>chairman of the committee</i>)	7/7
Wang Lihua	7/7
Han Jianmin	7/7
Ba Shusong	7/7

Note: Shi Yuzhu, a former Non-executive Director, resigned as a Director on 25 March 2014.

2. *Major achievements of the Related Party Transactions Supervision Committee in 2014*

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

Integrated credit granting for related party groups has remarkable advantages in various aspects, such as management efficiency and risk control. In 2014, the integrated credit granting for related party groups was implemented gradually as planned and was in compliance with the relevant regulatory requirements on information disclosure of listed companies and group customer management of banks imposed by the regulatory authorities. The Company's management of credit to related party groups was enhanced through management measures, including confirmation and re-organisation of inventory and customer list for new related party group shareholders as well as verification and adoption of credit risk limit.

(2) Re-organisation of list of related parties

According to the amendments to A+H related regulations, the database of related parties is 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. As such, a solid foundation was laid to raise the management standards 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 completed various related party transaction recognition and integrated credit approval, as well as the recognition and approval of related party transactions in connection with the private issue of RMB ordinary shares (A shares).

(4) Effective management of internal transactions of the Group

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

V. The Supervisory Board

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

(I) Composition of the Supervisory Board

As at the end of the reporting period, the Supervisory Board of the Company comprised seven members, including three Shareholder Supervisors, two External Supervisors and two Employee Supervisors. Two External Supervisors are experts in finance and management; three Shareholder Supervisors are key persons in charge of renowned companies in the PRC with extensive management experience, sufficient knowledge in finance and accounting; and two Employee Supervisors have been engaged in banking operation and management for a long time, possessing extensive professional experiences. Li Huaizhen, a former supervisor, resigned as Vice Chairman of the Supervisory Board and Supervisor on 11 June 2014.

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

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

(II) The functions and duties of the Supervisory Board

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

1. to review the regular reports of the Company drafted by the Board and opine on the reports in writing;
2. to examine and supervise financial activities of the Company and may (if necessary) engage another accounting firm to conduct independent auditing on financial status in the name of the Company;
3. to oversee the compliance of Directors, President, Vice Presidents, CFO and Board Secretary of the Company in performing their duties;
4. to demand any Directors, President, Vice Presidents, CFO and Board Secretary of the Company to rectify his/her conduct when such conduct is detrimental to the interests of the Company, and to report such conduct to shareholders’ general meetings or relevant national regulatory authorities if necessary; and to make proposals to remove any Director and/or member of senior management if they breach any applicable laws, administrative regulations, the Company’s Articles of Association or resolutions of shareholders’ general meetings;
5. to conduct audit over the issues in connection with the operation and decision making, risk management and internal control of the Company as and when necessary;
6. to make a departure audit, if required, in respect of any resigning director or member of senior management;
7. to issue opinions on the engagement of the accounting firm by the Company;
8. to propose to convene extraordinary shareholders’ general meetings, and, if the Board fails to convene or chair such a meeting as required under the Company Law of the PRC, to convene or chair the shareholders’ general meetings;
9. to propose to convene an extraordinary board meeting and submit proposals to the shareholders’ general meeting;
10. to file lawsuits against Directors and member of senior management according to Article 152 of the Company Law of the PRC;

11. to investigate any irregularities in the operations of the Company and, if necessary, may engage accounting firms, law firms or other professional firms to assist its work at the costs of the Company; and
12. to exercise other powers prescribed by the Articles of Association or conferred by the shareholders' general meeting.

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

(III) The Supervisory Board meetings and contents of resolutions

During the reporting period, seven meetings have been held by the Supervisory Board of the Company. The details are as follows:

Meeting	Date	Publication	Date of Disclosure
4th Extraordinary Meeting of the Sixth Session of the Supervisory Board	28 January 2014	Shanghai Securities News, China Securities Journal and Securities Times	29 January 2014
14th Meeting of the Sixth Session of the Supervisory Board	28 March 2014	Shanghai Securities News, China Securities Journal and Securities Times	29 March 2014
15th Meeting of the Sixth Session of the Supervisory Board	25 April 2014	Exempt from announcement in accordance with relevant provisions	
16th Meeting of the Sixth Session of the Supervisory Board	28 August 2014	Exempt from announcement in accordance with relevant provisions	
5th Extraordinary Meeting of the Sixth Session of the Supervisory Board	3 September 2014	Shanghai Securities News, China Securities Journal and Securities Times	4 September 2014
17th Meeting of the Sixth Session of the Supervisory Board	30 October 2014	Exempt from announcement in accordance with relevant provisions	
18th Meeting of the Sixth Session of the Supervisory Board	7 November 2014	Shanghai Securities News, China Securities Journal and Securities Times	8 November 2014

The Supervisory Board of the Company reviewed and approved 18 proposals of the Company, including without limitation, the 2013 Annual Report, Quarterly Reports and Interim Report for 2014, 2013 Working Report of the Supervisory Board, and Performance Assessment Report of Directors and Senior Management for 2013 by the Supervisory Board at the above meetings. During the reporting period, the Supervisory Board had no objection towards the supervision matters.

(IV) The attendance record of Supervisors of the Company at meetings of the Supervisory Board in 2014

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

Note: Li Huaizhen, the former Vice Chairman of the Supervisory Board, resigned as Supervisor on 11 June 2014.

(V) The attendance record of Supervisors of the Company at shareholders' general meetings in 2014

The following table sets out the attendance of Supervisors of the Company at the shareholders' general meetings in 2014:

Supervisors	Attendance/ Number of meetings
Duan Qingshan	3/3
Li Huaizhen	1/1
Wang Jiazhi	3/3
Zhang Ke	3/3
Li Yuan	3/3
Zhang Disheng	3/3
Lu Zhongnan	3/3
Wang Liang	2/3

VI. Special Committees under the Supervisory Board

The Supervisory Board of the Company comprises Nomination and Examination Committee and Supervisory Committee. Members, powers and functions of such committees and their works in 2014 are as follows:

(I) Nomination and Examination Committee

According to the Resolution on the Composition of the Special Committees of the Sixth Session of the Supervisory Board passed at the first meeting of the sixth session of the Supervisory Board on 10 April 2012, the Nomination and Examination Committee of the sixth session of the Supervisory Board comprised six members, including Zhang Ke (chairman of the committee), Duan Qingshan, Li Huaizhen, Zhang Disheng, Lu Zhongnan and Wang Liang. Li Huaizhen, a former member, resigned as Supervisor and member of the Nomination and Examination Committee on 11 June 2014. As of the end of 2014, the Nomination and Examination Committee comprised five members.

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

In 2014, the Nomination and Examination Committee under the sixth session of the Supervisory Board convened two meetings and reviewed four proposals. The attendance record of each member is as the following:

Member	Attendance/ Number of meetings
Nomination and Examination Committee under the sixth session of the Supervisory Board	
Zhang Ke (<i>chairman of the committee</i>)	2/2
Duan Qingshan	2/2
Li Huaizhen	1/1
Zhang Disheng	2/2
Lu Zhongnan	2/2
Wang Liang	2/2

In 2014, 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 audit. It also reviewed and approved the remuneration distribution plan for the Supervisors, organised and arranged training programs for Supervisors and refined the performance supervision files. All tasks in 2014 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 2014 were as follows:

1. Carrying out performance appraisal

During the reporting period, the Nomination and Examination Committee carried out performance appraisal of the Board, Directors, Supervisors and senior management in 2013. 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. At the end of the year, the committee carried out the annual performance appraisal of Directors, Supervisors and senior management based on the supervision information of performance during the year. The committee also formulated the Performance Appraisal Report on the Board of Directors and Directors in 2014 (Draft) (《2014 年度董事會及董事履職評價報告 (草案) 》), the Performance Appraisal Report on Supervisors in 2014 (Draft) (《2014 年度監事履職評價報告 (草案) 》) and the Performance Appraisal Report on Senior Management and Its Members in 2014 (Draft) (《2014 年度高級管理層及高管人員履職評價報告 (草案) 》).

2. *Conducting departure audit of senior management*

In 2014, departure audits of certain former member of senior management were conducted in accordance with the regulatory requirements of institutions such as the CBRC, the CSRC and stock exchanges of the listing places and the relevant requirements of the Company. Based on thorough understanding of the duties of the personnel being audited, the committee prepared the departure audit 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 committee conducted review and examination of the remuneration distribution in 2013 based on researches and submitted the results to the Supervisory Board for consideration, approval and disclosure along with the 2013 annual report.

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*

In 2014, the Nomination and Examination Committee refined the performance supervision by establishing performance supervision files for every Director and Supervisor. The new approach of establishing individual file for each person and categorising management significantly enhanced the efficiency of performance supervision. Categorized performance files served as an important reference for the annual performance appraisal of Directors and Supervisors and facilitated the standardisation of performance appraisal.

(II) Supervisory Committee

According to the Resolution on the Composition of the Special Committees of the Sixth Session of the Supervisory Board passed at the first meeting of the sixth session of the Supervisory Board on 10 April 2012, the Supervisory Committee under the sixth session of the Supervisory Board comprised seven members. The members of the Supervisory Committee included Duan Qingshan (chairman of the committee), Li Huaizhen, Wang Jiazhi, Zhang Ke, Li Yuan, Lu Zhongnan and Hu Ying. Hu Ying, a former member, resigned as Supervisor and the member of the Supervisory Committee on 18 June 2013. Li Huaizhen, a former member, resigned as Supervisor and member of the Supervisory Committee on 11 June 2014. As of the end of 2014, the Supervisory Committee comprised five members.

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

In 2014, the Supervisory Committee under the sixth session of the Supervisory Board convened two meetings and reviewed two proposals. The attendance record of each member is as the following:

Member	Attendance/ Number of Meetings
Supervisory Committee under the sixth session of the Supervisory Board	
Duan Qingshan (<i>chairman of the committee</i>)	2/2
Li Huaizhen	0/1
Wang Jiazhi	2/2
Zhang Ke	2/2
Li Yuan	2/2
Lu Zhongnan	2/2

In 2014, based on the work plan of the Supervisory Board, the Supervisory Committee under the sixth sessions 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, conducted investigation and evaluation on special topics and enhanced financial and risk supervision. Through carrying out special investigation, the committee duly performed its duties. The major achievements of Supervisory Committee under the Supervisory Board in 2014 were as follows:

1. Organising and conducting researches and evaluation on special topics

During the reporting period, the Supervisory Committee assisted the Supervisory Board in completing two large-scale researches and evaluations on special topics based on the working arrangement of the Supervisory Board and the state development of the company, including the evaluation on the management of middle and back offices of the head office and investigation on operation of tier-two branches. The committee provided opinions and recommendations on the management system of middle and back office of the Company, the deficiencies of development and operation management of sub-branches, so as to further facilitate the reform of management system of the Company and support the healthy development of sub-branches.

2. Reinforcing the financial monitoring

During the reporting period, the committee reinforced the monitoring of key financial issues of the Company based on regulatory requirements and information disclosure requirements. Through receiving internal and external audit 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 close attention to the changes in major operational data and indicators and analysed 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 recommendations on supervision to the Board and management.

3. Strengthening internal control and the monitoring of risk

The committee further strengthened the internal control and monitoring of risk based on the changes in internal and external environment and regulatory opinions. The committee supervised and investigated the internal control system, the overall risk management structure and risk management and control of important aspects, including the development and management of off-balance sheet business, risks of the loans to small and micro enterprises and the disposal of troubled assets. Relevant risk management reports were also prepared. The committee supervised relevant departments to further strengthen the compliance of operation, so as to enhance risk management and control.

4. Conducting thorough 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 topics and issues such as liquidity risk management and direct sales banking business. Through data and information and interview with personnel of relevant authorities, other banks and financial institutions and intermediary institutions, the committee prepared research and investigation reports and made suggestions to improve liquidity risk management and regulate the development of new businesses.

VII. The Decision-making System of the Company

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

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

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

In accordance with the Management Rules on Remuneration of Senior Management (《高級管理人員薪酬管理制度》) of the Company, the performance remuneration of the senior management is pegged to their Key Performance Indicators ("KPIs"). With reference to the 2014 Financial Budget Report (《2014年度財務預算報告》), the Compensation and Remuneration Committee under the Board set the benchmarks of the KPIs for 2014 and the Board determined to evaluate the senior management for 2014 based on their six KPI results, including the net profit and the risk-adjusted return on capital ratio and so on, 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 members of the senior management to develop together with the Company. The Company formulated a fair and coherent remuneration policy for senior management with reasonable structure and market competitiveness; set up incentive and discipline mechanism for members of senior management with simple and clear classification, assessment procedures and duties and performance management system; and determined remuneration of senior management according to their duties, capability and contribution to operating results.

(II) Remuneration policy for Directors of the Company

The Company paid remuneration to all Directors in accordance with the Rules on Remuneration of Directors and Supervisors (《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.

IX. Information Disclosure and Investor Relations

(I) Information disclosure

The Company discloses its information in strict compliance with the regulations of the securities regulatory authorities, and publishes all sorts of regular reports and interim reports in accordance with laws to ensure the timeliness, accuracy, truthfulness and integrity of its information disclosure and to ensure equal access to information for all shareholders. During the reporting period, the Company published four regular reports and 58 interim announcements on SSE. The Company also published over 150 announcements on the Hong Kong Stock Exchange.

In 2014, the Company won the “Golden Award of Best Corporate Governance Disclosure for H-Share Companies and Other Mainland Enterprises” from the Hong Kong Institute of Certified Public Accountants. Wan Qingyuan, our Board Secretary, was awarded the “Board Secretary of the Best Company of Corporate Governance — Information Disclosure” (金治理 — 信息披露公司董秘獎) by Shanghai Securities News and cnstock.com. The 2013 Annual Report of the Company won the silver prize in “LACP Annual Report Competition” (LACP 年報比賽銀獎), “Best Cover Design Award” (最佳年報封面大獎) and ranked No.59 among top 80 annual reports in Asia-Pacific Region and top 20 among all annual reports in China. The 2013 Annual Report also won the bronze prize in the selection of annual report organized by the ARC.

(II) Investor Relations Management

In respect of investor relations management, the Company adhered to its strategic targets and put a great emphasis on its market positioning. The Company conducted researches on topics such as the direct bank sale and risk management and control for analysts and investors, 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 website, investor hotlines, investor journals, investment strategy conferences with securities companies and joint researches. In 2014, the Company organised three press conferences for the results and attracted a total of 450 audiences. The Company held three shareholders' general meetings and the senior management communicated with about 200 investors in the meetings. The Company took part in 13 large-scale institutional investment strategy seminars and met over 400 investors. It also held 10 joint researches and 60 conferences with investors, meeting over 570 investors. The Company communicated with over 400 investors in aggregate through various ways such as teleconferences, email and e-interaction platform of the Shanghai Stock Exchange. 12 special issues of Investors were published. During the reporting period, the Company won the "4th Corporate Governance Asia Recognition Awards — Company of Best Investor Relations" (《亞洲企業管治》“第四屆最佳投資者關係公司”大獎).

X. Rights of Shareholders

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

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

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

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

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

If the Supervisory Board agrees thereto, a notice of convening such general or class meeting shall be issued within 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 Bank's shares with voting rights in the proposed meeting for not less than 90 consecutive days shall have the right to convene and preside over the meeting.

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

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

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

Address: 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 shareholders' general meetings:*

In accordance with the Articles of Association of the Company, shareholders individually or jointly holding not less than 3% of shares of the Bank shall be entitled to put forward proposals to the Company. Shareholders individually or jointly holding no less than 3% of shares of the Bank may put forward provisional proposals to the meeting convener in writing 10 days prior to the date of the shareholders' general meeting. Convener of such shareholders' general meeting shall issue a supplementary notice of the meeting setting out the content of the provisional proposals within 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 shareholders' general meeting. The contents of such excluded proposal and explanation of the Board of Directors shall be disclosed together with the results of the shareholders' general meeting after the close of the meeting.

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

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

XI. Amendments to Articles of Association in 2014

The Company held the Second Extraordinary General Meeting for 2014, the First A Share Class Meeting for 2014 and the First H Share Class Meeting for 2014 on 23 December 2014. At such meetings, the Proposal in respect of Amendments to the Articles of Association of China Minsheng Banking Corp., Ltd. was considered and approved. The revised Articles of Association shall be applicable to the Company upon the issuance of the preference shares and approval of the relevant regulatory authorities and become effective upon the date of completion of the issuance of the preference shares. Before the issuance of the preference shares, the prevailing Articles of Association shall remain valid. For details, please refer to circular regarding the convening of the Second Extraordinary General Meeting for 2014, the First A Share Class Meeting for 2014 and the First H Share Class Meeting for 2014 dated 5 December 2014 published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

XII. 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. Our Directors, Hong Qi, Liang Yutang, Zhang Hongwei, Lu Zhiqiang, Wang Yugui, Wang Junhui, Wu Di, Qin Rongsheng, Han Jianmin and Cheng Hoi-chuen, attended the briefing sessions and training programs of business organised by the Company and financial or corporate governance seminars organised by professional institutions and studied the relevant publications. Our Director, Liu Yonghao attended the briefing sessions and training programs of business organised by the Company and financial or corporate governance seminars organised by professional institutions. Our directors, Yao Dafeng, Ba Shusong and You Lantian, attended financial or corporate governance seminars organised by professional institutions and studied the relevant publications. Our Directors, Wang Hang, Guo Guangchang and Wang Lihua, attended financial or corporate governance seminars organised by professional institutions.

All Directors had submitted their training records during the year ended 31 December 2014 to the Company Secretary.

XIII. Training of Company Secretaries

During the financial year ended 31 December 2014, both Wan Qingyuan and Soon Yuk Tai, the Joint Company Secretaries, had attended no less than 15 hours of relevant professional training organised by the SSE, the Hong Kong Stock Exchange or other professional bodies.

XIV. 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.

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

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

Chapter 7 Shareholders' General Meeting

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

On 27 February 2014, the first extraordinary general meeting in 2014 of the Company was held in Beijing in which shareholders attended and voted in person and online. The resolution regarding the downward adjustments to the conversion price of Minsheng Convertible Bonds was considered and disapproved at the meeting. Please refer to the announcement of the Company regarding the voting results published in the website of Hong Kong Stock Exchange on 27 February 2014 for details.

On 10 June 2014, the 2013 annual general meeting of the Company was held in Beijing in which shareholders attended and voted in person and online. The resolutions on the 2013 Annual Report of the Company, the 2013 Final Financial Report of the Company, the 2014 Annual Budgets Report of the Company, the Work Report of the Board for 2013, the Work Report of the Supervisory Board for 2013, the Proposed Profit Distribution Plan for the Second Half of 2013 of the Company, the Appointment and Remuneration of the Auditing Firm for 2014 and the Appointment of Mr. Mao Xiaofeng as a Director of the sixth session of the Board were considered and approved at the meeting. Please refer to the announcement of the Company regarding the voting results published in the website of Hong Kong Stock Exchange on 10 June 2014 for details.

On 23 December 2014, the second extraordinary general meeting in 2014 of the Company, the first A share class meeting in 2014 and the first H share class meeting in 2014 of the Company were held in Beijing in which shareholders attended and voted in person and online. The meetings considered and passed the Proposal in respect of the Qualification of the Company in relation to the Non-public Issuance of Preference Shares, the Proposal in respect of Non-public Issuance of Domestic Preference Shares by the Company, the Proposal in respect of Non-public Issuance of Offshore Preference Shares by the Company, the Proposal in respect of Feasibility Analysis Report of the Use of Proceeds from Non-public Issuance of Preference Shares by the Company, the Proposal in respect of Authorisation to the Board and its Authorised Persons by the Shareholders' General Meeting to Exercise Full Power to Deal with Matters Relating to the Issuance of Preference Shares, the Proposal in respect of Issuance Plan of Financial Bonds and Tier-Two Capital Bonds of the Company for 2014 to 2016, the Proposal in respect of the Authorisation to the Board to Issue Offshore Bonds in Due Course, the Proposal in respect of Amendments to the Articles of Association of China Minsheng Banking Corp., Ltd., the Proposal in respect of Change of Registered Share Capital of the Company, the Proposal in respect of Formulation of Capital Management Plan for 2014 to 2016 of China Minsheng Banking Corp., Ltd., the Proposal in respect of Formulation of Shareholder Return Plan for 2014 to 2016 of China Minsheng Banking Corp., Ltd., the Proposal in respect of Impacts on Dilution of Current Returns of Non-public Issuance of Preference Shares and Non-public Issuance of Renminbi Ordinary Shares (A Shares) by the Company and relevant Remedial Measures, the Proposal in respect of Amendments to the Rules of Procedures for Shareholders' General Meeting of China Minsheng Banking Corp., Ltd., the Proposal in respect of Amendments to the Rules of Procedure for the Meeting of the Board of Directors of China Minsheng Banking Corp., Ltd., the Proposal in respect of the 2014 Interim Profit Distribution Plan of the Company and the Proposal in respect of the Appointment of Mr. Yao Dafeng as a Director of the Sixth Session of the Board of Directors of the Company. Please refer to the announcement of the Company regarding the voting results published in the website of Hong Kong Stock Exchange on 23 December 2014 for details.

Chapter 8 Internal Control

I. Adequacy, Effectiveness and Completeness of Internal Control

(1) Organisation structure of internal control system

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

(2) Internal control system

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

The internal control system of the Company covers corporate governance policies cored on the Company's Articles of Association and the rules of procedures of the Shareholders' General Meeting, the Board of Directors and its special committees and the Supervisory Board. It also covers operational systems consisting of business regulations in relation to loans to corporate clients, corporate deposits, loans to individuals, personal deposits, other personal business, treasury, wealth management, trade finance internet banking, credit

card, investment banking and asset custody. Management systems also covers regulations of business management, accounting and auditing, financial management, IT, computer system risk control, corporate culture establishment, organisation and position setting and definition of responsibilities, employment, qualification, compulsory vacation, authority management, seal management, security, rewards and penalty, supervision and inspection over organisation and personnel. The system also covers information control systems, in particular, the Management Rules for Information Disclosure (《信息披露管理制度》), the Rules for Internal Reporting of Operation Information (《經營信息內部報告制度》) and the Accountability System for Material Errors in Information Disclosure of Annual Report (《年報信息披露重大責任追究制度》). The Accountability System for Material Errors in Information Disclosure of Annual Report was approved at the ninth meeting of the fifth session of the Board of the Company to strictly impose the accountability and punishment on staff for misrepresentations and significant errors of information disclosures in annual reports due to failure in performing or improperly performing their duties. During the reporting period, there was no material error of information disclosures in the annual report of the Company. The existing policies have been embedded into current management departments, business departments, business processes and operating procedures and provided sound and effective protection against financial risks.

(3) Major internal control measures

During the reporting period, the Company further refined and improved its internal control system by taking the following measures: (i) the Company established a comprehensive risk management system and a refined risk management system version 2.0 for small and micro enterprises according to the quasi-corporation nature of SBUs to complement the transformation and reform of the Bank's SBUs as well as the strategy of small business finance, which is in line with the risk management and strategy implementation; (ii) the capability of overall risk management of the Company was enhanced by actively implementing the Basel III in accordance with its requirements and agendas. With the main purpose of establishing management systems for credit risk, market risk and operational risk of the first Pillar, the implementation of Basel III recorded substantial progress. Breakthrough was made in the establishment and operation of internal credit risk rating system. The economic capital measurement system was comprehensively established. The successful results of all projects were further applied. The establishment of market risk management system was promoted steadily. The management consulting project was entirely launched and the first phase of the market risk management information system has completed. The operational risk management system was satisfactorily completed and the system was launched for full operation; (iii) the Company continued the implementation of long-term risk prevention mechanism and saw significant results in risk prevention. During the economic downturn, the Company proactively explored and constantly improved the risk prevention system, organisation structure, working procedures and administrative measures. According to "effective and normalised" philosophy, a three-layered risk prevention system was established to form a matrix network for risk prevention with clear division of responsibilities and full cooperation, which was supervised by the management team and implemented by the business units in order to ensure the healthy and steady operation of each business of the Bank; (iv) the Company comprehensively upgraded its IT system and successfully launched a new version of the core banking system and maintained

the secure and stable operation of the information system. Progress has been made in the establishment of the disaster recovery system. Various application systems were promptly developed to meet the business needs of the Bank. The significant development of the IT systems provided technical support for the transformation and evolution of the Bank; (v) the Company strengthened the internal control mechanism of key risk areas by implementing 67 measures to improve internal control for key businesses, 45 measures to establish and optimise the procedures and 16 measures to develop and upgrade the business and risk management systems in order to refine the business management and rectify the procedural flaws and facilitate the constant improvement of the internal control foundation of the Bank; (vi) in order to establish an ambience of strict compliance, the Company built up a culture of compliant internal control. Through adopting a compliant discussion, decision-making and implementation mechanism, the Company established a working mechanism for the management team to analyse, decide and organise significant compliance issues of internal control on a regular basis. Through 1,983 times of dialogue relating to compliant discharge of duties with newly recruited management personnel and compliance guidance to new branches and employees and non-compliant employees, the Company has emphasised on the establishment of new subject compliance awareness. By formulating the basic means of violation accountability such as risk elimination and risk accountability, the Company linked compliance and accountability in order to create a strict internal control environment; (vii) the Company strengthened the inspection of effectiveness of the implementation of internal control and risk management. It established a rapid risk responding system considering the risk exposures during economic downturns through specific examinations and researches and investigation on business lines including credit, financial accounting and retail banking, and continued to reinforce supervision and inspection in high-risk areas, key businesses, key positions and newly established units, as well as supervision and rectification mechanism of risk management and internal control in the hope of improving the internal control of the Company.

(4) Supervision and evaluation activities of internal control

The internal audit department of the Company is responsible for supervision and regular evaluation of the establishment and implementation of internal control policies and procedures. It oversees and facilitates the branches and business departments to revise and refine in response to changes in the laws and regulations of the country, the Company's organisation structure, business performance and market environment.

During the reporting period, the Audit Department of the Company completed comprehensive internal control evaluation on eight tier-one branches in Shanghai, Taiyuan, Zhengzhou, Changsha, Kunming, Quanzhou, Hohhot and Jinan, one branch of the Trade Finance SBU, and eight tier-two branches in Cangzhou, Yantai, Ganzhou, Yanbian, Ordos, Wuxi, Nanyang and Luoyang based on the business transformation feature of the Company and in compliance with the latest Guidelines of Internal Control of Commercial Banks. In respect of subsidiaries, the Company also completed comprehensive internal control evaluation on Minsheng Royal Fund and twelve Minsheng rural banks in Penglai, Meihekou, Songjiang, Changyuan, Taicang, Qijiang, Tongnan, Ziyang, Jiangxia, Jiading, Xiang'an and Linzhi, so as to supervise the internal control and standardise the management of newly launched institutions so as to improve its compliant operations and internal control systems. Through continuous evaluation on internal control, the Company

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

(5) Culture of internal control

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

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

II. Representation of the Board’s Responsibility on Internal Control

The Board of the Company was responsible for the establishment, improvement and effective implementation of the internal control system. The objectives of internal control are to ensure the compliance of the operation, the security of assets and the truthfulness, completeness and credibility of the information contained in the financial report, and to enhance operating efficiency so as to fully achieve the Company’s operating strategies and targets. Only reasonable assurance of the above purposes could be provided as there are inherent limitations in the internal control system.

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

The Board of Directors has carried out evaluation on the internal control system in accordance with the Basic Standard for Corporate Internal Control and its guidelines, the Guidelines of Internal Control of Commercial Banks and other regulatory requirements on internal control and concluded that the system was effective on 31 December 2014. KPMG Huazhen (Special General Partnership) engaged by the Company has conducted review and issued an opinion on the self-assessment report of internal control system of the Company, which confirmed the Company maintained effective internal control of financial report in all material aspects as of 31 December 2014 in accordance with the relevant regulations, and no material defect was identified in all material aspects of internal control on non-financial items.

IV. Internal Audit

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

The Company performed supervision and examination on internal control of business units through on-site audits, off-site audits, special audits and departure audits. The Audit Department of the Company conducted a total of 96 audits and inspections during the reporting period, including 12 audits on key business development, 48 compliance audits, 13 audits on businesses with high risk, 8 efficiency audits and 15 audits on affiliates, and 284 departure audits were carried out. Off-site audits were carried out with coverage ratio of 100%. On-site audits, with coverage ratios of 100% on tier-one branches, 82.76% on tier-two branches and 62.08% on sub-branches in the same city. 671 reports were issued during the year, including 155 special audits and investigation and research reports, 53 risk reminders and audit comments, 120 reports on investigation and analysis, material matters and highlights, 307 departure audit reports, 15 reports on non-performing loans and 21 accountability reports. The Company performed its audit supervision, evaluation and consultation duties in a more effective way. The problems identified in the audits were tracked and urged to be rectified while the persons responsible for the problems were held accountable. Collaborations among head office, branches and business management departments in resolving problems were also strengthened. In addition to conducting examination on overall business and process risks, the Company has made continuous improvement on the internal control and management throughout the Bank.

Chapter 9 Report of the Board of Directors

I. Performance of Principal Business and Financial Results

Please refer to Chapter 3 “Management Discussion and Analysis”.

II. Profit Distribution Plan

The audited profit after taxation of the Company for 2014 was RMB43,574 million. The net profit for the first half of the year was RMB25,095 million. A cash interim dividend of RMB2,561 million was distributed in the interim profit distribution plan. The net profit for the second half of the year was RMB18,479 million. The dividend distribution for the second half of 2014 is proposed as follows:

According to the relevant requirement, 10% of the total net profit for 2014 was allocated to the statutory surplus reserve. After deduction of the contribution for the first half of the year, a contribution of RMB3,793 million was allocated to the reserve for the second half of the year. A general provision for risks of RMB6,700 million was made at a rate of 1.5% of the balance of the risky assets as at the end of December 2014. The profits distributable to shareholders as at 31 December 2014 was RMB83,664 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 in the registers as at the record date a cash dividend of RMB1.10 (before tax) for every 10 shares being held. Based on 34,153 million shares of the Company in issue as at 31 December 2014, the total cash dividend is RMB3,757 million.

As there are exercisable outstanding A-share convertible bonds, the actual amount of cash dividend to be distributed shall be determined according to the number of shares registered on the record date. The cash dividend will be denominated in RMB and will be declared in RMB to investors through Shanghai-Hong Kong Stock Connect and holders of A shares who are not investors through Shanghai-Hong Kong Stock Connect and in Hong Kong dollar for holders of H shares who are not investors through Shanghai-Hong Kong Stock Connect. 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 as announced by the People’s Bank of China as at the day of the annual general meeting.

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

Taxation

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得法) 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.

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 Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares of the Company listed on the Shanghai Stock Exchange (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 Shanghai Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (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 Hong Kong Stock Exchange 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 Hong Kong Stock Exchange 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.

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.

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

(Unit: RMB million)

	2013	2012	2011
Cash dividends	7,318	8,510	8,510
Net profit attributable to equity shareholders of the Bank	42,278	37,563	27,920
Cash dividend payout ratio (%)	17.31	22.66	30.48

IV. Cash Dividends Policy of the Company

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

If the Bank generated profits in the previous accounting year but the Board did not make any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the use of proceeds retained by the Bank not used for distribution shall be explained in detail in its periodic reports and the Independent 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 Bank's profit distribution policy due to the needs of operation and long term development of the Bank, any proposal regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Non-executive Directors and the Supervisory Board and, after consideration by the Board, be proposed to the shareholders' general meeting of the Bank for approval. Any proposal regarding the adjustments to the Bank's cash dividend policy shall be approved by more than two-thirds of the votes of the shareholders attending the shareholders' general meeting of the Bank. Online voting shall be made available, when such proposal is voted on a general meeting.

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

V. Implementation of the Guiding Opinion on Risk Management by the Board of Directors in 2014 and Guiding Opinion in 2015

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

The Guiding Opinion on Risk Management by the Board of Directors in 2014 of China Minsheng Banking Corp., Ltd. (《中國民生銀行董事會2014年風險管理指導意見》) (the “2014 Guidelines”) is the guidelines for the Board of Directors to execute risk strategies, a guiding document for risk management and an important document for risk and compliance of the Company. The 2014 Guidelines mainly includes the prospects of the macro-economic environment and the focus of the Company’s risk management in 2014, the guiding principle as well as the objectives and guidelines of risk management and the implementation of the guidelines.

The management is required by the 2014 Guidelines to formulate specific and practicable annual risk management policy and plan based on the 2014 Guidelines, which will set out the implementation measures and formulates the overall plans for the implementation of risk management targets. The Risk Management Committee under the Board is responsible for the guidance, supervision and evaluation of the implementation of the 2014 Guidelines. The Office of Risk Management Committee under the Board conducts evaluation on the risks and risk management and the implementation of the 2014 Guidelines of the Company every half a year or according to the operational need of risk management. In addition, the Risk Management Committee identifies and monitors potential risks and oversees risks and risk management by conducting risk inspection and 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) Guiding Opinion on Risk Management by the Board of Directors in 2015

In order to strengthen the establishment of a comprehensive risk management system, guide the risk management in 2015, enhance risk prevention capability, secure strategic transformation and business development and effectively implement the development strategies of the Board, the Risk Management Committee of the Board of the Company formulated the Guiding Opinion 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”), which provide guidelines on the risk management of the Company in 2015.

Based on the development strategy of the Board and the risks and risk management of the Company and taking into account regulatory policies and the development and changes in operating environment, the 2015 Guidelines specify the principles and preferences of the Board on risk management, formulate the risk management objectives for 2015, set out risk management strategies according to the main risk categories, and guide the implementation of risk management policies and measures. The 2015 Guidelines mainly include the macro-economic outlook and the focus of the risk management of the Company for 2015, the guiding principles and objectives of risk management, guidelines on risk management, and the security measures and implementation of the guidelines.

By formulating the 2015 Guidelines, the Board refined the communication mechanism of risk management for commercial banks, optimised the risk management system composed by the shareholders' meeting, the Board, the Supervisory Board and the senior management, with focus on the Board and enhanced the risk control of the Company and effectively implemented the development strategies of the Board. The 2015 Guidelines ensured the safe and stable operation, strategic transformation and sustainable development of the Company.

VI. Pre-emptive Right

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

Chapter 10 Report of the Supervisory Board

I. Activities of the Supervisory Board

(I) Special audits and investigations

1. In January 2014, the Supervisory Board conducted comprehensive evaluation on the management of middle and back offices of the head office of the Company.
2. In July 2014, the Supervisory Board conducted a specialised investigation on the influence of liberalisation of interest rate on the Company.
3. In October 2014, the Supervisory Board investigated the operation and development of tier-two branches of the Company.

(II) Strategic evaluations

1. In January 2014, the Supervisory Board completed the evaluation on the management of middle and back offices of the head office. The evaluation was the first review and assessment on the management ability and efficiency of the head office since the establishment of the Bank. The Supervisory Board formed three evaluation teams and carried out investigations and researches on a total of 91 units of various levels, held 139 meetings, interviewed and investigated 2,269 personnel of various positions, and collected 56 reporting materials from branches, 38 self-assessment reports and feedback and 933 questionnaires from departments of the middle and back offices of the head office. The evaluation provided an objective analysis and evaluation on the Company's management system, processes-building and implementation of policies of middle and back offices, and identified existing problems to provide references for decision making regarding further reforms of middle and back offices of the Company.
2. In October 2014, the Supervisory Board commenced investigation on the operation and management of tier-two branches. The investigation took place at eight tier-one branches in Hangzhou, Shenzhen, Nanjing and Changsha and 15 local tier-two branches in Shaoxing, Zhuhai, Wuxi and Zhuzhou as well as special sub-branches. The investigation was primarily carried out through on-site investigation, meeting and staff interview and review of documents. The Supervisory Board prepared an investigation report after holding a total of 20 meetings, interviewing and investigating 520 personnel of various positions, collecting 58 reporting materials and documents from branches, summarising interview records of over 30,000 words and reviewing over a hundred documents relating to the systems of tier-two branches such as authorisation management, business workflow and appraisal policy. The report includes analysis on the current operation and problems of tier-two branches as well as specific opinions and suggestions for further enhancement on the establishment and development of tier-two branches.

(III) Supervision on 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 performance of the Board, Directors, the senior management and the senior executives for 2013 on a regular basis. Routine and ongoing supervision on the performance of Directors and the senior executives was conducted through attending meetings of the Board and the senior management, recording the discussion of meetings, reviewing the minutes of meetings of the Board and the senior management and recording the performance of Directors. In the middle of the year, the Supervisory Board assessed and reviewed the performance of Directors and Supervisors in the first half of 2014 and issued reports on the performance of Directors and Supervisors in order to remind Directors and Supervisors of their performance. At the end of 2014, based on the requirements of the system, the Supervisory Board conducted annual evaluation on the performance of Directors, Supervisors and the senior executives for 2014. In addition, for more effective and comprehensive supervision on the performance of the Directors and Supervisors, the Supervisory Board prepared a performance file for each Director and Supervisor for the year, which provided an important basis for the evaluation of the performance of Directors and Supervisors for the year. As a result, the management of the performance of the Directors and Supervisors was more transparent and standardised. Moreover, according to the regulatory requirements of the CBRC, the CSRC and stock exchanges of the listing places as well as the relevant requirements of the Company, the Supervisory Board conducted resignation audits on several 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 resignation audit reports and submitted the reports to relevant regulatory authorities.

(IV) Performance ability-building

1. Special researches of liberalisation of interest rate for more effective risk warning of innovative businesses

During the reporting period, the Supervisory Board visited certain branches and financial institutions to study the implication of liberalisation of interest rate. Professionals were invited to hold seminars on liberalisation of interest rate so as to better equip the Supervisors with knowledge on current financial environment and development trend, and to facilitate the work of the Supervisory Board under new environment. Two research reports were released with ten management proposals which were submitted to the Board and senior management for consideration. In addition, in view of the emerging financial hot spots and new business mode of the banking industry, the Supervisory Board conducted researches on internet banking, e-commerce and liquidity risk. Five research reports were issued to the senior management with certain suggestions for their reference. These reports also allowed the Supervisory Board to better understand new supervision methods for strategic businesses, emerging businesses and related risk management.

2. Organised workshops with other banks and financial institutions for sharing of valuable experience

During the reporting period, the Supervisory Board had organised a number of exchange programmes and visits with other banks and financial institutions in accordance with its working plan to facilitate the performance of its duties. The Supervisory Board visited Shunde Rural Commercial Bank, Guangdong Nanyue Bank, Evergrowing Bank and Harbin Bank. In addition, the Supervisory Board also received visits from the supervisory boards of other banks and financial institutions, including China Association for Public Companies, Cinda Group, Ping An Bank, Huaxia Bank and China Life Insurance (Group) Company. 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 board of other banks and financial institutions and was inspired by the valuable experience of its counterparts. The activities also strengthened the relationship between the Supervisory Board and other banks and financial institutions and laid a solid foundation for business cooperation with such banks and financial institutions.

3. Trainings for Supervisors for better performance

According to the requirements of the regulatory authorities, the chairman and vice chairman of the Supervisory Board attended two professional training sessions organised by the CBRC. The Supervisory Board also arranged Supervisors to attend trainings for directors and supervisors of listed companies organised by the CBRC. In addition, in response to the effect of liberalisation of interest rate and the slowdown of marco economy on the reform of the Bank, the Company organised a special training titled How to Respond to the Liberalisation of Interest Rate (《如何應對利率市場化挑戰》) in the year for the Supervisors to better understand the policies and to better analyse the macroeconomic and microeconomic issues. After these training programmes, the performance of supervisors showed significant improvement.

4. Strengthened external communication for better working environment

The Supervisory Board further strengthened the internal and external communication based on the needs for discharging its duties. The Supervisory Board enhanced the coordination and communication with the Board and the senior management and promptly informed each other their working plans, major events and other information for better coordination with the Board and the senior management to achieve the strategic targets of the Company and protect the core interests of shareholders and further enhance the corporate governance of the Company. The Supervisory Board also reinforced the communication with the regulatory authorities and external audit firms. During the year, the Supervisory Board continued to report its work in accordance with the requirements of the CBRC. The Supervisory Board also cooperated with the CBRC and Beijing branch of CBRC in the investigation of the “Performance of the Supervisory Board of Small and Medium Commercial Banks” and “The Corporate Governance of Commercial Banks” by submitting its work report and information regarding the participating in relevant investigation and interviews. The performance of

the Supervisory Board was highly regarded by the CBRC. The Supervisory Board was also invited by China Association for Public Companies to participate in the drafting of The Guidelines of Supervisory Board of Listed Companies (上市公司監事會工作指引). Based on its experience and needs, the Supervisory Board provided constructive ideas on the improvement of corporate governance to strengthen the functions of supervisory board, to regulate and enhance the powers of the supervisory board, to optimise the working procedures and to specify the duties. The contribution of the Supervisory Board was highly recognised.

II. Independent Opinion of the Supervisory Board

(I) Lawful operation of the Company

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

(II) Authenticity of the financial statements

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

(III) Use of proceeds from fund-raising activities

The Company successfully issued tier-two Capital Bonds with an aggregate amount of RMB20 billion in the inter-bank bond market in China on 18 March 2014. The use of proceeds was used as the tier-two capital of the Company and was in compliance with the undertaking on the use of proceed stated in the prospectus.

(IV) Acquisition and disposal of assets

During the reporting period, the Company did not acquire or dispose of any assets.

(V) Related party transactions

During the year, 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 Company's Articles of Association. The Supervisory Board is not aware of any act which would prejudice the interests of the Company and its shareholders.

(VI) Implementation of resolutions adopted at general meetings

The Supervisory Board raised no objection to the reports and proposals submitted by the Board to the shareholders' general meetings in 2014 and supervised the implementation of the resolutions adopted at shareholders' general meetings. The Supervisory Board is of the opinion that the Board is able to implement the resolutions in an earnest manner.

(VII) Internal control

The Company placed much importance on its internal control and further enhanced its management of internal control to establish and implement a more comprehensive and reasonable internal control system. During the reporting period, no material defects were found in respect of the completeness, reasonability and effectiveness of the internal control mechanism and system. The Supervisory Board raised no objection to the Self-Evaluation Report of Internal Control for 2014 of the Company.

Chapter 11 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 2014, there were 3,106 outstanding litigations with disputed amounts over RMB1 million involving the Company as plaintiff for approximately RMB19,764.97 million and 77 litigations involving the Company as defendant for approximately RMB391.14 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

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

III. Material Contracts and Their Performance

The Company participated in and won the bid for the land use right of Plot Z4 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, has completed the design of the construction plan for the main body, the foundation pit supporting and the exterior wall and the design of interior decoration is in progress. The Company has completed the foundation pit supporting and pile foundation construction of parcel No.1 and the construction of basement structure is in progress. The foundation pit supporting and pile foundation 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, has completed the design of the construction plan for the main body and the foundation pit supporting, and the design of exterior wall 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 Sub-road in Taijiang District, Fuzhou. The design of the project is in progress.

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

IV. Major Guarantees

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

V. Commitments by the Company

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

VI. Appointment of Accountants

The general meeting of the Company resolved to engage KPMG Huazhen (Special General Partnership) and KPMG as the domestic and international auditors of the Company for 2014, 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 2014 financial statements, review of the 2014 interim financial statements and audit of internal control for 2014, was RMB9.80 million, including fees for internal control audit of RMB1 million.

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

VII. Major Related Party Transactions

There was no major related party transaction of the Company. For details of the related party transactions under the relevant accounting principles during the reporting period, please refer to Note 46 to the Consolidated Financial Statements.

VIII. Purchase, Sale or Redemption of Securities

During the 12 months ended 31 December 2014, 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 date of this report, the members of Audit Committee of the Company comprises Mr. Qin Rongsheng (chairman), Mr. Cheng Hoi-chuen, Ms. You Lantian, Mr. Han Jianmin and Mr. Wu Di. The main responsibilities of the Audit Committee include reviewing and scrutinising 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 2014 and the results announcement for 2014.

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

Not applicable.

XI. Penalties to the Company and Directors, Supervisors and Senior Management of the Company

During the reporting period, the Company is not aware of any penalty involving the Company and Directors, Supervisors and senior management of the Company which has a significant impact on the operation of the Company.

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

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

XIII. Other Major Events

1. The Company made an announcement on the website of Hong Kong Stock Exchange on 26 August 2014 that it received the Approval on the Commencement of Business Operation of Harbin Branch of China Minsheng Banking Corp., Ltd. (Hei Yin Jian Fu [2014] No. 240) from Heilongjiang Branch of the CBRC. The Heilongjiang Branch of the CBRC approved the commencement of business operation, the qualifications of senior management, the scope of business and business address of Harbin Branch. The business address of the branch is 1-6/F, District 1, Olympic Center, No.11 Aijian Road, Daoli District, Harbin, Heilongjiang.
2. The Company made an announcement on the website of Hong Kong Stock Exchange on 3 September 2014 that it received the Approval on the Commencement of Business Operation of Lanzhou Branch of China Minsheng Banking Corp., Ltd. (Gan Yin Jian Fu [2014] No. 193) from Gansu Branch of the CBRC. The Gansu Branch of the CBRC approved the commencement of business operation, the qualifications of the branch president, the scope of business and business address of Lanzhou Branch. The business address of the branch is 1-4/F, Gansu Daily Building, No.123 Baiyin Road, Chengguan District, Lanzhou.
3. The Company made an announcement on the website of Hong Kong Stock Exchange on 14 November 2014 that it received the Approval on the Establishment of CMBC International Holdings Limited (民生商銀國際控股有限公司) by China Minsheng Banking Corp., Ltd. (Yin Jian Fu [2014] No. 781) from the CBRC. The CBRC approved the establishment of CMBC International Holdings Limited in Hong Kong by the Company, with capital injection of not more than HK\$2 billion and 100% of its shareholding being owned by the Company.

Chapter 12 Corporate Social Responsibility

During the reporting period, adhering to the concept of “serving and caring for the people”, the Company was committed to the responsibility of serving the society and improving public welfare in order to establish closer ties between the Bank and the society. By upholding the principle of innovation, the Company achieved the goal of maintaining harmonious development of the Company, the society and the ecological environment. The Company’s performance of social responsibility has marked a new milestone.

Innovating responsibility management to build a responsible brand. The Company further improved the communication for social responsibility with a focus on the social responsibility report. The 2013 Social Responsibility Report (《2013年度社會責任報告》) fully disclosed the performance of economic, social and environmental obligations of the Company with innovative structure in a innovative and reader-friendly style. It was the first report based on case studies in China, winning high recognition from the society. In addition, the Company strengthened its supervision over the implementation of charity projects, and issued the “Implementation Report on Charity and Donation Projects of China Minsheng Banking Corp., Ltd. (2008–2013)” (《中國民生銀行公益捐贈基金項目執行報告(2008–2013)》), which fully concluded the performance and achievements of social responsibilities of the Company in recent years. During the reporting period, the Company joined the United Nations Global Compact and became the first national joint stock commercial bank member, which further expanded the communication platform and enhanced the international reputation and influence of the Company in respect of social responsibilities.

Strictly complying with laws and putting risk exposure under control. The Company further streamlined the structures and procedures of comprehensive risk management, and continued to consolidate the foundation of compliance and internal control. In order to ensure operation in compliance with laws, the Company strengthened the internal control system by enriching and improving the tools and methods for internal control, and carried out special measures including forming, reviewing and implementing compliance rules, preparing compliance files and establishing violation records to raise the awareness of compliance. The Company carried out a one-year risk culture training programme, which focused on solving major issues of risk management and promoting risk culture in order to enhance our capacity and level of risk management, compliance and internal control. Risk monitoring and management for asset quality was strengthened to ensure stable and satisfactory asset quality. Also, in order to maintain effective management of the quasi-corporation mode of SBUs, the Company established a regular information disclosure and evaluation system for SBUs. By carrying out regular disclosure, evaluation and improvement, the Company comprehensively tightened the supervision and continued to refine the operation of SBUs in order to enhance the professional operation of SBUs and improve the management of special departments under the head office.

Focusing on inclusive financial services for the real economy. Based on the different development cycles and financing needs of NSOEs, the Company provided integrated and customised financial service solutions to support the strategic development and business growth of NSOEs. Aiming to support the development of innovative small and micro enterprises, the Company further reformed its service models by increasing the proportion of customers of smaller size, providing more support to small and micro enterprises in the industry chain, putting more resources to product research and development, and extending the application of information

technology, so as to support the sustainable development of small and micro enterprises. In addition, the Company established a multi-network marketing platform, a community service platform as well as a mobile service platform for daily lives which satisfied all needs of community residents including food and beverage, accommodation, travelling, shopping and entertainment. The Company has refined the business model to create a convenient and quality family life for the community. The Company is committed to the development of inclusive financial services through innovation of small business finance, restructuring of community finance, services for rural areas and supporting regional development.

Improving service quality to build the homeland culture. With its flexible systems and advanced management philosophy, the Company provides a wide range of effective and convenient financial products with various channels and measures, on-line and off-line. In order to enhance the service quality and customer's experience, the Company put efforts in innovation and launched the new direct banking business in response to the trend of internet application, so as to provide more affordable and diversified financial services for more customers. In order to perform our obligation to protect financial consumers' rights, the Company strengthened service management and developed innovative services to better protect customer's rights. The Company also organised public education and enhanced technological protection, aiming to make contribution to the improvement of financial quality of the society and development of a regulated environment for financial business. The Company had developed its homeland culture based on human-oriented core value. We care of the satisfaction of our employees and have effective system and channels for communication. The Company conducted various staff-caring activities to promote their career development, harmonious working atmosphere, and humanistic in an aim to enhance the satisfaction of our staff.

Undertaking the responsibility to cultivate an environmentally friendly culture. We have regular practices to protect the public environment. We have green loan approval system to strictly control the granting of loans to industries of over capacity and not in line with our green loan policy. Energy-saving, new energy, low carbon emission and other industries supported by government policy would enjoy favourable loan terms. We fully support the development of industries of high efficiency and quality as well as low carbon emission for a beautiful China. In addition, the Company strengthened our green operation by establishing a green ecosystem in office. The idea and technology of energy-saving and environmental protection were adopted in the construction and establishment of office buildings and branch outlets. We place importance to the office environmental management with a view to reduce the impact of office operation to the environment. We have introduced various systems and regulations of environmental management with practical procedures for implementation. We have an officer in charge of energy-saving and emission control to educate and supervise the environmental protection of all staff. Every staff is required to efficiently use electricity, water and every sheet of paper so as to reduce the consumption of water, paper and electricity.

Public charity for harmonious society. The Company adhered to its effective self-sustained public charity approach and help the poor through information technological means. The Company continued to launch the "Poverty Alleviation by Information Provision" (信息扶贫模式) to broadcast free advertisement of agricultural products nationwide for 13 counties and cities in ten provinces, which facilitated the selling of over 1.9 billion kilograms of overstocked agricultural products. The Company continued the "Beautiful Villages — Preservation Action

for the Ancient Villages” (美麗鄉村 — 古村落保護行動) programme to provide comprehensive financial assistance for the preservation, urbanisation and development eco-cultural business of the ancient Fanpai village (反排村) in Guizhou. The Company also launched effective poverty relief programmes in four counties from Henan and Gansu. The total donation of our staff in the year amounted to more than RMB10 million. The Bank sponsored 68 teachers from four counties to attend training programmes in Beijing and granted study allowances to 1,700 students. We had also financed the building of 11 new schools. We launched public welfare programmes, including “Xinjiang Guangcai Minsheng Programme” (光彩民生工程) “Glory Tour to Xinyang and South Xinjiang” (光彩事業信陽行、南疆行), and provided more financial support to the poverty relief programmes in mid-west China so as to improve local residents' living standards. The Company continued the donation to children with congenital heart disease in Tibet, China Red Ribbon Foundation (中華紅絲帶公益基金會), Meigu Minsheng School and Red Ribbon Mother and Child Safety Program (紅絲帶母嬰平安項目), a relief programme of AIDS patients.

The Company has been devoting to specialised charity programmes by supporting Minsheng art institutions. After renovation of 15 months, Shanghai 21st Century Minsheng Art Museum (上海二十一世紀民生美術館) reopened and held a grand opening show “Multi Universes” (多種宇宙) which drew great attention and received much appreciation of the public. The museum had organised a total of seven shows and 140 education activities. Exhibitions organised by the museum, such as Childhood Friends Getting Fat — Moving Image of Liu Xiaodong 1984-2014” (兒時朋友都胖了 — 劉小東1984-2014影像展) and “Contemporary Photography in China 2009-2014” (中國當代攝影2009-2014), were also highly appreciated. The Company also prepared to establish the Beijing Minsheng Contemporary Art Museum (北京民生現代美術館) and Chinese Calligraphy Museum (中國書法館), and organized the 9th “Kuai Zai Ya Ji” (快哉雅集) and the public lecture series of “Poems for primary students by Ye Jiaying” (葉嘉瑩為小學生講詩詞). With all these efforts, the Company has been striving to expand cultural and public welfare channels and to establish the most influential international cultural exchange platform.

The Company's social responsibility practices were highly recognised by the third parties such as the relevant government authorities, charity organisations and mainstream media. The Company was awarded the “Best Livelihood Finance Award” by China Banking Association, “Welfare and Charity Projects of the Year” (年度公益慈善優秀項目獎) and “Outstanding Contribution Award” by China Poverty Relief Foundation, “Best Practice” award by the UN Global Compact. The Company also ranked the 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) and the second in the Social Responsibility Index of China's Non-state-owned Enterprises (中國民營企業社會責任指數第二名).

Chapter 13 Financial Reports

- I. 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 2014
- IV. Unaudited Supplementary Financial Information for the Year 2014

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 198 to 335 which comprise the consolidated and Bank statements of financial position as at 31 December 2014, 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.

Auditors’ 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.

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 state of affairs of the Bank and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	<u>2014</u>	<u>2013</u>
Interest income		199,052	182,154
Interest expense		(106,916)	(99,121)
Net interest income	6	92,136	83,033
Fee and commission income		42,293	33,061
Fee and commission expense		(4,054)	(3,105)
Net fee and commission income	7	38,239	29,956
Net trading gain/(loss)	8	1,666	(25)
Net gain arising from disposals of securities and discounted bills	9	2,014	2,505
Impairment losses on assets	10	(21,132)	(12,989)
Operating expenses	11	(54,082)	(45,962)
Other operating income		952	633
Profit before income tax		59,793	57,151
Income tax expense	13	(14,226)	(13,869)
Net profit		<u>45,567</u>	<u>43,282</u>
Net profit attributable to:			
Equity shareholders of the Bank		44,546	42,278
Non-controlling interests		1,021	1,004
		<u>45,567</u>	<u>43,282</u>
Earnings per share (expressed in RMB)	14		
Basic earnings per share		1.31	1.24
Diluted earnings per share		1.24	1.19

The notes on pages 208 to 335 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	<u>2014</u>	<u>2013</u>
Net profit		<u>45,567</u>	<u>43,282</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale securities	39	3,267	(3,219)
Less: Income tax relating to available-for-sale securities	39	(817)	804
Exchange difference on translating foreign operations		<u>10</u>	<u>(19)</u>
Other comprehensive income, net of tax		<u>2,460</u>	<u>(2,434)</u>
Total comprehensive income		<u>48,027</u>	<u>40,848</u>
Total comprehensive income attributable to:			
Equity shareholders of the Bank		47,000	39,852
Non-controlling interests		<u>1,027</u>	<u>996</u>
		<u>48,027</u>	<u>40,848</u>

The notes on pages 208 to 335 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	<u>2014</u>	<u>2013</u>
ASSETS			
Cash and balances with central bank	15	471,632	433,802
Balances with banks and other financial institutions	16	75,462	88,885
Precious metals		25,639	2,913
Financial assets at fair value			
through the profit or loss	17	27,213	22,262
Positive fair value of derivatives	18	3,231	1,986
Placements with banks and other financial institutions	19	176,416	108,026
Financial assets held under resale agreements	20	675,878	570,424
Loans and advances to customers	21	1,774,159	1,539,447
Investment securities:			
— available-for-sale securities	22	159,724	111,532
— held-to-maturity securities	22	176,834	133,124
— loans and receivables	22	234,393	37,818
Finance lease receivables	23	88,824	82,543
Property and equipment	24	36,936	24,102
Deferred income tax assets	25	11,764	10,683
Other assets	27	77,031	58,663
Total assets		<u>4,015,136</u>	<u>3,226,210</u>
LIABILITIES			
Borrowings from central bank		50,745	405
Deposits from customers	29	2,433,810	2,146,689
Deposits and placements from banks and other financial institutions	30	891,719	573,677
Financial liabilities at fair value through the profit or loss		21	—
Negative fair value of derivatives	18	2,558	1,883
Financial assets sold under repurchase agreements	31	83,291	64,567
Borrowings from banks and other financial institutions	32	98,847	81,430
Provisions		1,931	2,188
Debt securities issued	33	129,279	91,968
Current income tax liabilities		3,026	2,475
Other liabilities	34	72,153	56,641
Total liabilities		<u>3,767,380</u>	<u>3,021,923</u>

The notes on pages 208 to 335 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	<u>2014</u>	<u>2013</u>
EQUITY			
Share capital	35	34,153	28,366
Capital reserve	35	49,949	49,234
Surplus reserve	36	17,077	16,456
General reserve	36	49,344	42,487
Investment revaluation reserve	39	(392)	(2,842)
Retained earnings	36	90,019	64,023
Exchange reserve		(8)	(12)
		<u> </u>	<u> </u>
Total equity attributable to equity shareholders of the Bank		240,142	197,712
Non-controlling interests	37	7,614	6,575
		<u> </u>	<u> </u>
Total equity		247,756	204,287
		<u> </u>	<u> </u>
Total liabilities and equity		4,015,136	3,226,210
		<u> </u>	<u> </u>

Approved and authorised for issue by the Board of Directors on 30 March 2015.

Hong Qi
Chairman

Hong Oi
Acting President

Qin Rongsheng
Director

(Company Seal)

The notes on pages 208 to 335 form part of these financial statements.

Statement of Financial Position

As at 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	<u>2014</u>	<u>2013</u>
ASSETS			
Cash and balances with central bank	15	468,023	430,132
Balances with banks and other financial institutions	16	69,027	82,502
Precious metals		25,639	2,913
Financial assets at fair value			
through the profit or loss	17	27,156	22,262
Positive fair value of derivatives	18	3,231	1,986
Placements with banks and other financial institutions	19	179,011	108,026
Financial assets held under resale agreements	20	675,868	570,424
Loans and advances to customers	21	1,759,094	1,524,803
Investment securities:			
— available-for-sale securities	22	158,335	111,512
— held-to-maturity securities	22	176,834	133,124
— loans and receivables	22	228,946	37,818
Property and equipment	24	22,629	18,622
Deferred income tax assets	25	11,060	10,135
Investment in subsidiaries	26	3,725	3,725
Other assets	27	56,504	41,137
Total assets		<u>3,865,082</u>	<u>3,099,121</u>
LIABILITIES			
Borrowings from central bank		50,000	—
Deposits from customers	29	2,406,308	2,124,978
Deposits and placements from banks and other financial institutions	30	896,254	579,989
Financial assets sold under repurchase agreements	31	80,075	55,345
Negative fair value of derivatives	18	2,558	1,883
Provisions		1,931	2,188
Debt securities issued	33	129,279	91,968
Current income tax liabilities		2,601	2,125
Other liabilities	34	59,746	45,768
Total liabilities		<u>3,628,752</u>	<u>2,904,244</u>

The notes on pages 208 to 335 form part of these financial statements.

Statement of Financial Position (Continued)

As at 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	<u>2014</u>	<u>2013</u>
EQUITY			
Share capital	35	34,153	28,366
Capital reserve	35	49,652	48,937
Surplus reserve	36	17,077	16,456
General reserve	36	48,445	41,700
Investment revaluation reserve	39	(392)	(2,842)
Retained earnings	36	87,400	62,264
Exchange reserve		(5)	(4)
Total equity		<u>236,330</u>	<u>194,877</u>
Total liabilities and equity		<u><u>3,865,082</u></u>	<u><u>3,099,121</u></u>

Approved and authorised for issue by the Board of Directors on 30 March 2015.

Hong Qi
Chairman

Hong Oi
Acting President

Qin Rongsheng
Director

(Company Seal)

The notes on pages 208 to 335 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

Attributable to equity shareholders of the Bank

	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 208 to 335 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

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

The notes on pages 208 to 335 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Profit before income tax	59,793	57,151
<i>Adjustments for:</i>		
— Impairment losses on assets	21,132	12,989
— Depreciation and amortisation	3,558	2,417
— Changes in provisions	(257)	(985)
— (Gains)/losses on disposal of property and equipment and other long-term assets	(16)	11
— (Gains)/losses from changes in fair value	(1,258)	378
— Net losses/(gains) on disposal of investment securities	8	(182)
— Interest expense on debt securities issued and other financing activities	5,761	4,186
— Interest income from investment securities	(20,724)	(11,209)
	<u>67,997</u>	<u>64,756</u>
<i>Changes in operating assets:</i>		
Net increase in balances with central bank, banks and other financial institutions	(26,766)	(1,414)
Net (increase)/decrease in placements with banks and other financial institutions	(90,503)	5,504
Net (increase)/decrease in financial assets held under resale agreements	(108,090)	163,920
Net increase in loans and advances to customers	(261,184)	(202,340)
Net increase in other operating assets	(42,429)	(12,317)
	<u>(528,972)</u>	<u>(46,647)</u>
<i>Changes in operating liabilities:</i>		
Net increase in deposits from customers	287,121	220,495
Net increase/(decrease) in deposits and placements from banks and other financial institutions	318,042	(203,585)
Net increase/(decrease) in financial assets sold under repurchase agreements	18,717	(68,221)
Income tax paid	(15,573)	(15,719)
Net increase in borrowings from central bank	50,340	74
Net increase in other operating liabilities	31,491	13,609
	<u>690,138</u>	<u>(53,347)</u>
Net cash from operating activities	<u>229,163</u>	<u>(35,238)</u>

The notes on pages 208 to 335 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	<u>2014</u>	<u>2013</u>
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		323,732	223,410
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		126	690
Cash payment for purchase of investment securities		(589,642)	(283,121)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		<u>(18,649)</u>	<u>(14,700)</u>
Net cash from investing activities		<u>(284,433)</u>	<u>(73,721)</u>
Cash flows from financing activities:			
Capital contribution from non-controlling interests to subsidiaries		21	121
Proceeds from issue of debt securities		51,610	19,912
Repayments of debt securities issued		(14,600)	—
Interest paid on debt securities issued		(3,606)	(3,490)
Dividends paid		<u>(2,899)</u>	<u>(8,746)</u>
Net cash from financing activities		<u>30,526</u>	<u>7,797</u>
Net decrease in cash and cash equivalents		<u>(24,744)</u>	<u>(101,162)</u>
Cash and cash equivalents at 1 January		157,001	258,568
Effect of foreign exchange rate changes		<u>(125)</u>	<u>(405)</u>
Cash and cash equivalents at 31 December	40	<u><u>132,132</u></u>	<u><u>157,001</u></u>

The notes on pages 208 to 335 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in millions of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

China Minsheng Banking Corp., Ltd. (the “Bank”) is a national joint-stock commercial bank established in the People’s Republic of China (“PRC”) on 7 February 1996 with the approval of the State Council of the PRC and the People’s Bank of China (“PBC”).

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking Regulatory Commission (“CBRC”), and the business licence No. 100000000018983 as approved by the State Administration for Industry and Commerce of the PRC.

The Bank’s A share and H share 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, assets management and other financial services in the PRC.

As at 31 December 2014, the Bank has 39 tier-one branches and 31 directly controlled subsidiaries in the PRC.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

(1) Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except that: (i) available-for-sale securities are measured at fair value; and (ii) financial assets and financial liabilities at fair value through profit or loss (including derivative instruments) are measured at fair value.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(1) Basis of preparation (continued)

(i) Changes in accounting policies

The Group has adopted new International Financial Reporting Standards (“IFRSs”) and interpretations effective for the current period. There is no early adoption of any new IFRSs not yet effective for the current accounting period. The following developments are relevant to the Group’s financial statements:

Standard	Content
• IFRS 10 (Amendments)	Consolidated financial statements
• IFRS 12 (Amendments)	Disclosure of interests in other entities
• IAS 27 (Amendments)	Separate financial statements — Investment entities
• IAS 32 (Amendments)	Financial instruments: presentation — offsetting financial assets and financial liabilities
• IAS 36 (Amendments)	Impairment of assets — Recoverable amount disclosures for non-financial assets

Amendments to IFRS 10 — Consolidated financial statement, IFRS 12 — Disclosure of interests in other entities and IAS 27 — Separate financial statements — Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. The adoption does not have any material impact on the Group’s financial statements.

Amendments to IAS 32 — Financial instruments: presentation — offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments to IAS 32 clarify the meaning of “currently has a legally enforceable right to set-off”. The adoption does not have any material impact on the Group’s financial statements.

Amendments to IAS 36 — Impairment of assets — Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The adoption does not have any material impact on the Group’s financial statements.

(ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Standard	Content	Effective for accounting periods beginning on or after
IFRS 9	Financial instruments	1 January 2018

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 profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit.

(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 branches are determined in accordance with the primary economic environment in which they operate.

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(3) Foreign currency translation (continued)

Foreign currency financial statements of overseas branches are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. The income and expenses of foreign operations are translated into RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the transaction dates. Foreign exchange differences arising from foreign operations are recognised as “exchange reserve” in the shareholder’s equity in the statement of financial position.

The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

(4) Income recognition

Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Interest income*

Interest income from interest-bearing financial instruments is recognised in profit or loss based on the effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the related impairment loss.

When the future cash flow or the expected life of financial assets or financial liabilities could not be estimated reliably, the Group adopted the contractual cash flow over the full contractual term of the financial assets or financial liabilities.

(ii) *Fee and commission income*

Fee and commission income is recognised in profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(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).

Financial assets are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement basis of the financial assets; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss unless: the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets designated at fair value through profit or loss of the Group are reported in "financial assets at fair value through the profit or loss" in the statement of financial position.

b Loans and receivables

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

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;

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(5) Financial assets (continued)

(i) Classification (continued)

c Held-to-maturity investments (continued)

- 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.

(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.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(5) Financial assets (continued)

(iii) Derecognition (continued)

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.

(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.

(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 reorganisation;
- disappearance of an active market for financial assets because of financial difficulties;

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(6) Impairment of financial assets (continued)

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot be identified with the individual financial assets in the Group, including: adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer of an equity instrument;
- a significant (the decline of fair value over 50%) or prolonged decline (the continued decline of fair value over one year) in the fair value of an investment in an equity instrument below its cost; and
- other objective evidence indicating there is an impairment of the financial asset.

(i) *Loans and receivables and held-to-maturity investments*

Individual assessment

Loans and receivables and held-to-maturity investments, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognised in profit or loss.

Cash flows relating to short-term loans and receivables and held-to-maturity investments are not discounted if the effect of discounting is immaterial. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans and advances to customers not considered individually significant and individually assessed loans and receivables with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in profit or loss.

For homogeneous groups of loans and advances that are not considered individually significant, the Group adopts a flow rate methodology to assess impairment losses on a collective basis. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions.

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.

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)

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.

Impairment reversal and loan write-off

If, in a subsequent period, the amount of the impairment loss on loans and receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan has met specific conditions by the end of the observation period of normally 6 months, with the approval from management, they would no longer be considered as impaired.

(ii) *Available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. For available-for-sale financial assets in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be treated in accordance with the following principles: (i) the impairment loss on debt instruments classified as available-for-sale shall be reversed, with the amount of the reversal recognised in profit or loss; (ii) the impairment loss on equity instruments classified as available-for-sale shall not be reversed through the profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income; or (iii) the impairment loss in respect of available-for-sale equity investments carried at cost shall not be reversed. The impairment losses recognised in an interim period in respect of such financial assets are not reversed in a subsequent period. This is the case even if no loss or a smaller loss would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(7) Financial liabilities

(i) *Classification, recognition and measurement*

The Group classifies its financial liabilities into the following two categories at inception: financial liabilities at fair value through profit or loss and other financial liabilities.

a Financial liabilities at fair value through profit or loss

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

b Other financial liabilities

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently carried at amortised cost using the effective interest method.

(ii) *Derecognition*

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(8) Derivative financial instruments and embedded derivative financial instruments

The Group uses derivative financial instruments such as forward, futures, swap and option contracts to hedge its risks associated with foreign currency and interest rate fluctuation respectively. A derivative financial instrument has all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability. The gain or loss on re-measurement to fair value is recognised in profit or loss.

An embedded derivative financial instrument is a component of a hybrid contract that includes a non-derivative host contract (the “host contract”), and the derivative financial instrument causes some or all of the cash flows that otherwise would be required by the contract to be modified, according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or interest rate index, credit rating or credit index, or other variables such as the conversion option of a convertible bond. The embedded derivative is separated from the host contract and accounted for as a separate derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

If an embedded derivative is separated, the host contract shall be accounted for as financial assets or liabilities, if it is a financial instrument.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(8) Derivative financial instruments and embedded derivative financial instruments (continued)

Gains and losses from changes in fair value of derivatives, including the contractual interest, that do not qualify for hedge accounting are reported in profit or loss. The Group has no derivative positions that are accounted for as hedges.

(9) Fair value measurement

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

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

(10) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(11) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell with changes in fair value less cost to sell included in "net trading gain/(loss)" in the statement of comprehensive income. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(13) Repossessed assets (continued)

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.

(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.

(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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(15) Property and equipment (continued)

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).

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.

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.

(18) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(19) Employee benefits

(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.

(21) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(i) *Operating leases*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss, using the straight-line method, over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) *Finance leases*

When the Group is a lessor under financial lease, at the leasing commencement date, the minimum lease payments receivables and initial direct costs are recognised as finance lease receivables and any unguaranteed residual value is recognised at the same time. The difference between the sum of minimum lease payments receivables, initial direct costs, the unguaranteed residual value and their present value is accounted for as unearned finance income.

The unearned finance income is amortised using the effective interest method over the lease period.

Impairment losses on lease receivables are accounted for in accordance with the accounting policies set out in Note 2(6)(i).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(22) Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as a liability are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as liability when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

(23) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(24) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(25) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

(26) Financial guarantees contracts

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(27) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - a has control or joint control over the Group;
 - b has significant influence over the Group; or
 - c is a member of the key management personnel of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - a The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - b One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - c Both entities are joint ventures of the same third party;
 - d One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - e The entity is controlled or jointly controlled by a person identified in (i);
 - f A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(28) Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

The reports on an operating segment are consistent with those internal reports submitted to the chief operating decision maker.

3 FINANCIAL RISK MANAGEMENT

(1) Financial risk management overview

The Group's activities expose it to a variety of financial risks, which entails analyses, evaluations, acceptance and management of risks of varying degrees or combinations. The core characteristic of the financial business is taking risk; risks are inevitable in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

As at 31 December 2014, the Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Leasing") and Minsheng Royal Fund Management Co., Ltd. ("Minsheng Fund"), and 29 rural banks. Its subsidiaries as separate entities, are responsible for financial risk management in their respective businesses. In 2014, the financial risk arising from commercial banking was the most significant risk for the Group's operations.

The Group's risk management policies are designed to set appropriate risk limits and controls, and to monitor risks and limit compliance through reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems in line with changes in markets, products and the industry's best practices.

The Bank has a Risk Management Committee under the Board of Directors, and the committee is responsible for setting the Bank's overall risk management strategies, monitoring the Bank's risk management and internal controls and assessing the Bank's overall risk position. In accordance with the risk management strategies set by the committee, the Bank's senior management formulates and promotes compliance of risk management policies, practices and procedures.

The Bank has a Strategic Development and Investment Management Committee under the Board of Directors. The committee is responsible for the daily management of subsidiaries, with a comprehensive risk management framework in the pipeline at the Group level.

The most significant types of risks to the Group are credit risk, market risk, liquidity risk and operational risk. Market risk comprises currency risk, interest rate risk and other price risk.

(2) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to it. Credit exposures arise principally in lending, trade finance, 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.

(i) Credit risk measurement

a Loans and credit commitments

The Group measures and manages the quality of its credit assets according to the *CBRC Guidelines for Risk Classification of Loans* (the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(i) Credit risk measurement (continued)

a Loans and credit commitments (continued)

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.

b Debt securities and other bills

For debt securities and other bills, the Group manages credit risk exposures by setting limits to external credit ratings of its investments. A credit rating of BBB or above (by Standard & Poor's or equivalent agencies) at the time of purchase is required for foreign currency debt securities investments. RMB debt securities investments require a rating of A or above for long-term securities investments, and a rating of A-1 or above for short-term securities investments, from an external rating agency recognised by the PBC. The Group's risk control team also regularly reviews credit ratings of issuers of securities held by the Group and makes risk management recommendations from both industry and enterprise perspectives for adjustments to risk management practices.

(ii) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status of these customers regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on- and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors basis actual risk exposures daily in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include:

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

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.

b Derivative instruments

Only the Bank is authorised to engage in financial derivative transactions. The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

c Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, such as those situations where the amount of credit commitment exceeds the original credit limit, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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.

(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	
	2014	2013	2014	2013
Balances with central bank	461,667	424,643	458,252	421,130
Balances with banks and other financial institutions	75,462	88,885	69,027	82,502
Financial assets at fair value through the profit or loss	27,213	22,262	27,156	22,262
Positive fair value of derivatives	3,231	1,986	3,231	1,986
Placements with banks and other financial institutions	176,416	108,026	179,011	108,026
Financial assets held under resale agreements	675,878	570,424	675,868	570,424
Loans and advances to customers				
— Corporate loans and advances	1,135,706	945,913	1,131,514	938,646
— Personal loans and advances	638,453	593,534	627,580	586,157
Investment securities				
— Debt securities	567,382	282,040	560,935	282,040
Finance lease receivables	88,824	82,543	—	—
Other financial assets	57,280	47,368	43,272	34,812
Total	3,907,512	3,167,624	3,775,846	3,047,985
Off-balance sheet credit commitments	1,025,117	824,756	1,020,510	822,121
Maximum credit risk exposure	4,932,629	3,992,380	4,796,356	3,870,106

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(v) Loans and advances to customers

	Group		Bank	
	2014	2013	2014	2013
Gross balance of loans and advances to customers				
Neither past due nor impaired	1,762,876	1,546,301	1,748,317	1,531,799
Past due but not impaired	28,656	14,558	27,803	14,199
Impaired	21,134	13,404	20,925	13,264
	1,812,666	1,574,263	1,797,045	1,559,262
Less: allowance for impairment loss				
Neither past due nor impaired	(28,220)	(28,060)	(27,880)	(27,773)
Past due but not impaired	(3,265)	(1,619)	(3,184)	(1,606)
Impaired	(7,022)	(5,137)	(6,887)	(5,080)
	(38,507)	(34,816)	(37,951)	(34,459)
Net balance				
Neither past due nor impaired	1,734,656	1,518,241	1,720,437	1,504,026
Past due but not impaired	25,391	12,939	24,619	12,593
Impaired	14,112	8,267	14,038	8,184
	1,774,159	1,539,447	1,759,094	1,524,803

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	
	2014	2013	2014	2013
Corporate loans and advances	1,128,370	951,502	1,124,566	944,297
Personal loans and advances	634,506	594,799	623,751	587,502
Total	1,762,876	1,546,301	1,748,317	1,531,799

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

a Neither past due nor impaired (continued)

Loans and advances to customers neither past due nor impaired were analysed by types of collateral as follows:

	Group		Bank	
	2014	2013	2014	2013
Unsecured loans	322,365	265,784	322,106	265,572
Guaranteed loans	582,908	554,932	575,278	546,484
Loans secured by				
— tangible assets other than monetary assets	650,795	520,588	646,262	516,693
— monetary assets	206,808	204,997	204,671	203,050
Total	<u>1,762,876</u>	<u>1,546,301</u>	<u>1,748,317</u>	<u>1,531,799</u>

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

	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	<u>14,008</u>	<u>5,053</u>	<u>5,647</u>	<u>3,948</u>	<u>28,656</u>
	2013				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	5,617	797	639	247	7,300
Personal loans and advances	3,313	1,833	1,636	476	7,258
Total	<u>8,930</u>	<u>2,630</u>	<u>2,275</u>	<u>723</u>	<u>14,558</u>

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

b Past due but not impaired (continued)

Bank

	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
Total	13,818	4,767	5,462	3,756	27,803

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

As at 31 December 2014, the balance of loans and advances past due but not impaired which were covered by collateral was RMB11,256 million (2013: RMB6,515 million). The fair value of collateral held against these loans and advances was amounted to RMB19,725 million (2013: RMB6,772 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.

c Impaired loans

	Group		Bank	
	2014	2013	2014	2013
Corporate loans and advances	13,976	9,932	13,878	9,846
Personal loans and advances	7,158	3,472	7,047	3,418
Total	21,134	13,404	20,925	13,264
% of total loans and advances	1.17%	0.85%	1.16%	0.85%
Allowance for impairment losses				
— Corporate loans and advances	(3,864)	(3,344)	(3,834)	(3,311)
— Personal loans and advances	(3,158)	(1,793)	(3,053)	(1,769)
Total	(7,022)	(5,137)	(6,887)	(5,080)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(v) Loans and advances to customers (continued)

c Impaired loans (continued)

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.

Impaired loans and advances by type of collateral:

	Group		Bank	
	2014	2013	2014	2013
Unsecured loans	4,715	2,775	4,715	2,775
Guaranteed loans	10,088	5,936	9,939	5,826
Loans secured by				
— tangible assets other than monetary assets	3,810	3,594	3,750	3,570
— monetary assets	2,521	1,099	2,521	1,093
Total	<u>21,134</u>	<u>13,404</u>	<u>20,925</u>	<u>13,264</u>
Fair value of collateral held against impaired loans	<u>5,459</u>	<u>4,230</u>	<u>5,447</u>	<u>4,219</u>

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 RMB3,156 million as at 31 December 2014 (2013: RMB612 million).

Among impaired loans and advances, rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	Group and Bank	
	2014	2013
Loans and advances to customers	<u>54</u>	<u>135</u>
% of total loans and advances	<u>0.01%</u>	<u>0.01%</u>

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(vi) Amounts due from banks and other financial institutions

Amount due from banks and other financial institutions includes balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	Group		Bank	
	2014	2013	2014	2013
Individually assessed and impaired gross amount	179	—	179	—
Allowances for impairment losses	(156)	—	(156)	—
Subtotal	23	—	23	—
Grade A to AAA	498,123	484,453	494,273	478,320
Grade B to BBB	288,930	226,099	288,930	225,849
Unrated	140,680	56,783	140,680	56,783
Subtotal	927,733	767,335	923,883	760,952
Total	927,756	767,335	923,906	760,952

Amounts neither past due nor impaired are analysed above according to the Group and the Bank's internal credit rating. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of domestic banks and non-bank financial institutions for which the Group and the Bank have not assigned an internal credit rating.

(vii) Finance lease receivables

	Group	
	2014	2013
Present value of minimum finance lease receivables		
Neither past due nor impaired	82,287	80,395
Past due but not impaired	7,893	3,698
Impaired	997	688
	91,177	84,781
Less: allowance for impairment loss		
Neither past due nor impaired	(1,255)	(1,423)
Past due but not impaired	(810)	(519)
Impaired	(288)	(296)
	(2,353)	(2,238)
Net balance	88,824	82,543

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(viii) Debt securities

RMB-denominated debt securities

Group

	2014				Total
	Financial assets at fair value through the profit or loss	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	<u>27,044</u>	<u>154,824</u>	<u>176,567</u>	<u>234,393</u>	<u>592,828</u>

Bank

	2014				Total
	Financial assets at fair value through the profit or loss	Available-for-sale securities	Held-to-maturity securities	Loans and receivables	
Neither past due nor impaired	26,987	153,824	176,567	228,946	586,324
Total	<u>26,987</u>	<u>153,824</u>	<u>176,567</u>	<u>228,946</u>	<u>586,324</u>

Group and Bank

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(viii) Debt securities (continued)

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

Group and Bank

	2014			Total
	Financial assets at fair value through the 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
Total	169	1,331	267	1,767

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

The Group's available-for-sale and held-to-maturity debt securities are individually assessed for impairment. The Group's impaired debt securities are all foreign currency debt securities, which were valued at RMB344 million as at 31 December 2014 (2013: RMB344 million), incurring an impairment loss of RMB291 million (2013: RMB290 million).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets

Credit risk increases when counterparties are concentrated in same industries or geographical regions. The Group conducts its credit business predominantly within mainland China, with major customers concentrated in a number of key industries. In China, different regions and different industries have their own unique characteristics in economic development. This has consequently exposed the Group's operations to different credit risks.

a Geographical concentration

Financial assets other than securities (by business units' location)

Group

	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)
Finance lease receivables	82,203	—	—	6,621	88,824
Other financial assets	49,690	6,574	2,854	1,393	60,511
Total	1,500,656	765,256	314,867	732,138	3,312,917
	2013				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	401,325	11,807	3,849	7,662	424,643
Balances with banks and other financial institutions	51,552	19,768	8,895	8,670	88,885
Placements with banks and other financial institutions	85,888	12,969	1,600	7,569	108,026
Financial assets held under resale agreements	207,580	152,111	53,346	157,387	570,424
Gross loans and advances to customers	475,995	506,901	169,256	422,111	1,574,263
Less: allowance for impairment losses	(9,866)	(12,353)	(3,829)	(8,768)	(34,816)
Finance lease receivables	81,539	—	—	1,004	82,543
Other financial assets	42,439	4,540	1,350	1,025	49,354
Total	1,336,452	695,743	234,467	596,660	2,863,322

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

a Geographical concentration (continued)

Bank

	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
Total	1,403,631	753,964	312,781	717,379	3,187,755
	2013				
	Northern China	Eastern China	Southern China	Overseas and other PRC regions	Total
Balances with central bank	401,130	9,929	3,592	6,479	421,130
Balances with banks and other financial institutions	47,914	18,745	8,087	7,756	82,502
Placements with banks and other financial institutions	85,888	12,969	1,600	7,569	108,026
Financial assets held under resale agreements	207,580	152,111	53,346	157,387	570,424
Gross loans and advances to customers	475,787	498,382	168,445	416,648	1,559,262
Less: allowance for impairment losses	(9,861)	(12,121)	(3,811)	(8,666)	(34,459)
Other financial assets	30,100	4,475	1,266	957	36,798
Total	1,238,538	684,490	232,525	588,130	2,743,683

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

a Geographical concentration (continued)

Financial assets — securities (by issuers' location)

Group

	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
Total	592,923	221	138	1,313	594,595

Bank

	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
Total	586,419	221	138	1,313	588,091

Group and Bank

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

b Industry concentration

Group

	2014						
	Governments and quasi- governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
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
Finance lease 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
Total	592,603	1,348,834	257,682	242,731	825,119	640,543	3,907,512
	2013						
	Governments and quasi- governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	424,643	—	—	—	—	—	424,643
Balances with banks and other financial institutions	—	88,885	—	—	—	—	88,885
Placements with banks and other financial institutions	—	108,026	—	—	—	—	108,026
Financial assets held under resale agreements	—	570,424	—	—	—	—	570,424
Corporate loans and advances	—	27,245	216,638	162,108	539,922	—	945,913
— of which balance secured by collateral	—	23,165	73,849	146,216	261,938	—	505,168
Personal loans and advances	—	—	—	—	—	593,534	593,534
— of which balance secured by collateral	—	—	—	—	—	216,308	216,308
Investment securities							
— debt securities	162,194	51,998	11,633	1,245	54,970	—	282,040
Finance lease receivables	—	257	26,511	5,071	50,704	—	82,543
Other financial assets	10,007	7,491	3,802	5,891	42,512	1,913	71,616
Total	596,844	854,326	258,584	174,315	688,108	595,447	3,167,624

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) Credit risk (continued)

(ix) Credit risk concentration of financial assets (continued)

b Industry concentration (continued)

Bank

	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
Total	589,188	1,338,918	243,444	239,467	735,198	629,631	3,775,846
	2013						
	Governments and quasi- governments	Financial institutions	Manufacturing	Real estate	Others	Individuals	Total
Balances with central bank	421,130	—	—	—	—	—	421,130
Balances with banks and other financial institutions	—	82,502	—	—	—	—	82,502
Placements with banks and other financial institutions	—	108,026	—	—	—	—	108,026
Financial assets held under resale agreements	—	570,424	—	—	—	—	570,424
Corporate loans and advances	—	27,245	213,429	162,108	535,864	—	938,646
— of which balance secured by collateral	—	23,165	72,502	146,216	260,459	—	502,342
Personal loans and advances	—	—	—	—	—	586,157	586,157
— of which balance secured by collateral	—	—	—	—	—	213,330	213,330
Investment securities							
— debt securities	162,194	51,998	11,633	1,245	54,970	—	282,040
Other financial assets	10,007	7,305	3,790	5,885	30,190	1,883	59,060
Total	593,331	847,500	228,852	169,238	621,024	588,040	3,047,985

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank divides its portfolios into either trading or bank portfolios. Trading portfolios include those positions arising from transactions where the Bank acts as principal with clients or with the market. Bank portfolios largely consist of held-to-maturity and available-for-sale securities held by the Bank and market risk exposures in its loan and advance accounts.

Currently, the Risk Management Department is responsible for the centralised coordination regarding the market risk management of the Bank, and responsible for monitoring, establishing and the daily market risk management and reporting of the market risk of exposure limit of the bank portfolios.

The Financial and Planning Department of Minsheng Leasing is responsible for monitoring and controlling market risks on fund positions.

(i) *Market risk measurement techniques*

As part of market risk management, the Group adopts various strategies to mitigate risks. The Bank also enters into derivatives such as interest rate swaps to match interest rate risk associated with fixed-rate long-term debt securities and.

The techniques in measuring and controlling market risk are as follows:

The primary techniques applied by the Risk Management Market of the Bank in measuring and controlling market risk are mainly net position exposure analyses; stop-loss approaches; sensitivity analyses of interest rates and exchange rates; stress testing; scenario analyses and value at risk (VaR) method.

The Bank applies sensitivity analyses to estimate interest rate and exchange rate risks arising from trading accounts and non-trading portfolios. This means to periodically calculate gaps between interest-earning assets and interest-bearing liabilities that would reach maturity or be subject to repricing during a certain period. Then, the Bank uses the gap data to carry out sensitivity analyses against movements of benchmark and market interest rates and foreign exchange rates, in order to guide adjustment of repricing and maturity structures of interest-earning assets and interest-bearing liabilities. The Bank has set up a reporting system under which summarised sensitivity analyses are reported regularly to senior management (for example, the Asset and Liability Management Committee) for review.

(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 dollars and Hong Kong dollars.

The Group manage 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.

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

	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
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
Finance lease receivables	81,958	6,866	—	—	88,824
Other assets	136,981	18,470	356	26,007	181,814
Total assets	3,847,014	129,925	9,650	28,547	4,015,136
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
Total liabilities	3,601,755	127,777	22,116	15,732	3,767,380
Net position	245,259	2,148	(12,466)	12,815	247,756
Foreign currency derivatives	930	(135)	(122)	—	673
Off-balance sheet credit commitments	967,255	56,009	394	1,459	1,025,117

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

Group (continued)

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

Bank

	2014				
	RMB	USD	HKD	Others	Total
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
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	121,650	1,931	356	26,007	149,944
Total assets	3,721,969	104,924	9,642	28,547	3,865,082
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
Total liabilities	3,488,992	101,920	22,108	15,732	3,628,752
Net position	232,977	3,004	(12,466)	12,815	236,330
Foreign currency derivatives	930	(135)	(122)	—	673
Off-balance sheet credit commitments	962,648	56,009	394	1,459	1,020,510

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

Bank (continued)

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

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 2014, 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 RMB3 million (2013: increase by RMB35 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 RMB3 million (2013: decrease by RMB35 million).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(ii) Foreign exchange risk (continued)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that makes the following assumptions:

- a The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by one hundred basis points against the RMB's average rate on the reporting date;
- b The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;
- c The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;
- d The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;
- e Other variables (including interest rates) remained unchanged; and
- 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.

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 the other contractual repricing dates (or maturity dates whichever are earlier).

Group

	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		461,667	—	—	—	9,965	471,632
Balances with banks and other financial institutions		64,575	10,854	33	—	—	75,462
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
Finance lease receivables		88,824	—	—	—	—	88,824
Other assets		5,399	12,894	8,136	784	154,601	181,814
Total assets		2,744,297	692,188	342,966	67,550	168,135	4,015,136
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
Total liabilities		2,414,506	964,699	259,726	48,760	79,689	3,767,380
Total interest sensitivity gap		329,791	(272,511)	83,240	18,790	88,446	247,756

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

Group (continued)

		2013					
Note	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total	
Assets:							
	424,643	—	—	—	9,159	433,802	
	72,715	8,701	3,858	3,611	—	88,885	
	79,749	20,177	8,100	—	—	108,026	
	249,360	215,907	105,157	—	—	570,424	
(i)	1,430,769	89,501	18,190	987	—	1,539,447	
	25,509	52,585	155,929	48,017	434	282,474	
	82,543	—	—	—	—	82,543	
	1,464	4,625	13,804	2,369	98,347	120,609	
Total assets	<u>2,366,752</u>	<u>391,496</u>	<u>305,038</u>	<u>54,984</u>	<u>107,940</u>	<u>3,226,210</u>	
Liabilities:							
	35	350	20	—	—	405	
	1,424,986	480,768	240,894	41	—	2,146,689	
	434,473	135,104	4,100	—	—	573,677	
	58,006	2,988	3,191	382	—	64,567	
	17,990	50,737	9,706	2,997	—	81,430	
	18,651	1,000	49,937	22,380	—	91,968	
	—	—	—	—	63,187	63,187	
Total liabilities	<u>1,954,141</u>	<u>670,947</u>	<u>307,848</u>	<u>25,800</u>	<u>63,187</u>	<u>3,021,923</u>	
Total interest sensitivity gap	<u>412,611</u>	<u>(279,451)</u>	<u>(2,810)</u>	<u>29,184</u>	<u>44,753</u>	<u>204,287</u>	

- (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 RMB39,429 million as at 31 December 2014 (2013: RMB20,733 million).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

Bank

		2014					
Note	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total	
Assets:							
	458,252	—	—	—	9,771	468,023	
	59,607	9,420	—	—	—	69,027	
	61,791	97,148	20,072	—	—	179,011	
	371,837	290,463	13,568	—	—	675,868	
(i)	1,592,295	102,964	60,572	3,263	—	1,759,094	
	89,454	168,980	239,009	63,492	3,180	564,115	
	5,366	12,870	8,136	784	122,788	149,944	
Total assets	<u>2,638,602</u>	<u>681,845</u>	<u>341,357</u>	<u>67,539</u>	<u>135,739</u>	<u>3,865,082</u>	
Liabilities:							
	50,000	—	—	—	—	50,000	
	1,562,632	647,076	196,497	103	—	2,406,308	
	674,866	221,388	—	—	—	896,254	
	73,492	6,583	—	—	—	80,075	
	21,209	15,757	49,963	42,350	—	129,279	
	—	—	—	—	66,836	66,836	
Total liabilities	<u>2,382,199</u>	<u>890,804</u>	<u>246,460</u>	<u>42,453</u>	<u>66,836</u>	<u>3,628,752</u>	
Total interest sensitivity gap	<u>256,403</u>	<u>(208,959)</u>	<u>94,897</u>	<u>25,086</u>	<u>68,903</u>	<u>236,330</u>	

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

Bank (continued)

		2013					
Note	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total	
Assets:							
	421,130	—	—	—	9,002	430,132	
	70,232	8,662	3,608	—	—	82,502	
	79,749	20,177	8,100	—	—	108,026	
	249,360	215,907	105,157	—	—	570,424	
(i)	1,418,953	86,677	18,186	987	—	1,524,803	
	25,509	52,586	155,928	48,017	414	282,454	
	1,464	4,624	13,805	2,369	78,518	100,780	
	<u>2,266,397</u>	<u>388,633</u>	<u>304,784</u>	<u>51,373</u>	<u>87,934</u>	<u>3,099,121</u>	
Liabilities:							
	1,412,001	473,436	239,500	41	—	2,124,978	
	440,816	135,073	4,100	—	—	579,989	
	55,345	—	—	—	—	55,345	
	18,651	1,000	49,937	22,380	—	91,968	
	—	—	—	—	51,964	51,964	
	<u>1,926,813</u>	<u>609,509</u>	<u>293,537</u>	<u>22,421</u>	<u>51,964</u>	<u>2,904,244</u>	
	<u>339,584</u>	<u>(220,876)</u>	<u>11,247</u>	<u>28,952</u>	<u>35,970</u>	<u>194,877</u>	

- (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 RMB38,590 million as at 31 December 2014 (2013: RMB20,309 million).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(3) Market risk (continued)

(iii) Interest rate risk (continued)

If yield curves for respective currencies move in parallel for 100 basis points on 1 January 2014, their potential impact on the Group's and the Bank's net interest income and shareholders' equity for the following year is as follows:

	Group		Bank	
	2014 Gain/(loss)	2013 Gain/(loss)	2014 Gain/(loss)	2013 Gain/(loss)
Up 100 bps parallel shift in yield curves	1,398	1,924	1,095	1,510
Down 100 bps parallel shift in yield curves	(1,398)	(1,924)	(1,095)	(1,510)

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.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

As at 31 December 2014, the Bank was required to maintain 17.5% of the total RMB denominated deposits and 5% of the total foreign currency denominated balances as statutory reserves with the PBC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(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.

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

		2014							
Note	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	
	(i)								
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	
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	
Finance lease receivables	9,183	137	3,990	3,615	19,214	47,569	5,116	88,824	
Other assets	50,412	25,639	48,901	17,024	28,179	10,137	1,522	181,814	
Total assets	<u>501,902</u>	<u>131,926</u>	<u>490,150</u>	<u>499,295</u>	<u>1,403,623</u>	<u>799,297</u>	<u>188,943</u>	<u>4,015,136</u>	
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	
Total liabilities	<u>2,025</u>	<u>1,278,456</u>	<u>711,876</u>	<u>451,027</u>	<u>982,109</u>	<u>288,743</u>	<u>53,144</u>	<u>3,767,380</u>	
Net position	<u>499,877</u>	<u>(1,146,530)</u>	<u>(221,726)</u>	<u>48,268</u>	<u>421,514</u>	<u>510,554</u>	<u>135,799</u>	<u>247,756</u>	
Notional amount of derivatives	—	—	125,397	147,351	242,483	71,159	—	586,390	

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(ii) Maturity analysis (continued)

Group (continued)

		2013							
Note	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	
	(i)								
Assets:									
Cash and balances with central bank	388,289	45,513	—	—	—	—	—	433,802	
Balances with banks and other financial institutions	—	14,663	49,736	11,494	8,918	3,858	216	88,885	
Placements with banks and other financial institutions	—	—	31,987	47,762	20,177	8,100	—	108,026	
Financial assets held under resale agreements	—	—	47,111	202,249	215,907	105,157	—	570,424	
Loans and advances to customers	(ii) 12,166	9,040	182,914	164,614	767,519	302,652	100,542	1,539,447	
Investment securities									
— available-for-sale securities	488	—	3,203	12,735	24,462	64,682	5,962	111,532	
— held-to-maturity securities	—	—	525	7,836	12,011	74,001	38,751	133,124	
— loans and receivables	—	—	485	681	16,113	17,289	3,250	37,818	
Finance lease receivables	4,155	—	2,739	3,699	19,796	47,829	4,325	82,543	
Other assets	37,604	3,122	28,093	10,767	20,847	16,620	3,556	120,609	
Total assets	442,702	72,338	346,793	461,837	1,105,750	640,188	156,602	3,226,210	
Liabilities:									
Borrowings from central bank	—	—	—	35	350	20	—	405	
Deposits from customers	—	1,012,149	143,971	269,504	478,498	240,347	2,220	2,146,689	
Deposits and placements from banks and other financial institutions	—	40,908	278,240	115,325	135,104	4,100	—	573,677	
Financial assets sold under repurchase agreements	—	—	43,559	7,670	9,765	3,191	382	64,567	
Borrowings from banks and other financial institutions	—	—	5,440	12,550	50,737	9,706	2,997	81,430	
Debt securities issued	—	—	—	—	—	49,937	42,031	91,968	
Other liabilities	2,282	22,214	8,611	5,243	12,830	10,354	1,653	63,187	
Total liabilities	2,282	1,075,271	479,821	410,327	687,284	317,655	49,283	3,021,923	
Net position	440,420	(1,002,933)	(133,028)	51,510	418,466	322,533	107,319	204,287	
Notional amount of derivatives	—	—	79,154	72,068	152,621	77,752	—	381,595	

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(ii) Maturity analysis (continued)

Bank

		2014							
Note	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	
	(i)								
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	
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	21,882	22,161	29,056	11,980	1,379	149,944	
Total assets	<u>476,114</u>	<u>127,139</u>	<u>457,115</u>	<u>498,239</u>	<u>1,369,910</u>	<u>751,568</u>	<u>184,997</u>	<u>3,865,082</u>	
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	
Total liabilities	<u>1,949</u>	<u>1,272,301</u>	<u>699,546</u>	<u>431,711</u>	<u>909,079</u>	<u>268,903</u>	<u>45,263</u>	<u>3,628,752</u>	
Net position	<u>474,165</u>	<u>(1,145,162)</u>	<u>(242,431)</u>	<u>66,528</u>	<u>460,831</u>	<u>482,665</u>	<u>139,734</u>	<u>236,330</u>	
Notional amount of derivatives	—	—	125,397	147,351	242,483	71,159	—	586,390	

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(ii) Maturity analysis (continued)

Bank (continued)

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

(i) For cash and balances with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBC. For investments represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

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

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

	2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	61,072	—	—	—	410,579	471,651
Balances with banks and other financial institutions	51,657	15,585	10,193	33	—	77,468
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
Finance lease receivables	4,736	4,290	22,803	56,454	17,131	105,414
Other financial assets	54,931	8,379	20,570	10,194	1,419	95,493
Total financial assets (expected maturity date)	<u>651,320</u>	<u>519,100</u>	<u>1,491,651</u>	<u>939,695</u>	<u>692,153</u>	<u>4,293,919</u>
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)	<u>1,983,441</u>	<u>478,018</u>	<u>1,052,713</u>	<u>344,968</u>	<u>60,629</u>	<u>3,919,769</u>

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)

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

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

	2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	60,448	—	—	—	407,594	468,042
Balances with banks and other financial institutions	46,783	14,697	9,728	—	—	71,208
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	35,978	11,760	21,004	11,423	5,200	85,365
Total financial assets (expected maturity date)	<u>620,138</u>	<u>515,437</u>	<u>1,451,078</u>	<u>882,172</u>	<u>675,268</u>	<u>4,144,093</u>
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
Total financial liabilities (contractual maturity date)	<u>1,973,563</u>	<u>458,714</u>	<u>978,077</u>	<u>323,591</u>	<u>50,495</u>	<u>3,784,440</u>

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)

	2013					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	44,728	—	—	—	385,421	430,149
Balances with banks and other financial institutions	59,829	10,777	9,025	3,937	—	83,568
Placements with banks and other financial institutions	31,999	47,843	20,553	8,603	—	108,998
Financial assets held under resale agreements	47,778	208,379	224,273	116,759	—	597,189
Loans and advances to customers	212,961	174,000	793,727	361,495	120,597	1,662,780
Investment securities	4,180	21,421	52,736	158,703	50,038	287,078
Other financial assets	11,642	8,994	21,599	40,650	13,986	96,871
Total financial assets (expected maturity date)	413,117	471,414	1,121,913	690,147	570,042	3,266,633
Financial liabilities:						
Deposits from customers	1,162,090	292,513	523,674	295,166	53	2,273,496
Deposits and placements from banks and other financial institutions	287,744	121,710	166,575	4,318	—	580,347
Financial assets sold under repurchase agreements	43,086	5,637	6,918	—	—	55,641
Debt securities issued	—	105	53	50,629	45,886	96,673
Other financial liabilities	3,604	700	1,706	1,008	73	7,091
Total financial liabilities (contractual maturity date)	1,496,524	420,665	698,926	351,121	46,012	3,013,248

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

	2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	4	3	2	(29)	—	(20)
Credit derivatives	—	—	—	—	—	—
Total	<u>4</u>	<u>3</u>	<u>2</u>	<u>(29)</u>	<u>—</u>	<u>(20)</u>
	2013					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(14)	(7)	(19)	12	—	(28)
Credit derivatives	—	—	—	—	—	—
Total	<u>(14)</u>	<u>(7)</u>	<u>(19)</u>	<u>12</u>	<u>—</u>	<u>(28)</u>

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.

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.

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)

Group and Bank

	2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
— Cash outflow	(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	<u>(101,141)</u>	<u>(82,650)</u>	<u>(167,068)</u>	<u>(123)</u>	<u>—</u>	<u>(350,982)</u>
Total cash inflow	<u>101,132</u>	<u>82,442</u>	<u>167,292</u>	<u>123</u>	<u>—</u>	<u>350,989</u>
	2013					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
— Cash outflow	(56,471)	(53,471)	(92,869)	(497)	—	(203,308)
— Cash inflow	56,539	53,563	92,790	497	—	203,389
Precious metal derivatives						
— Cash outflow	(1,680)	—	—	—	—	(1,680)
— Cash inflow	1,659	—	—	—	—	1,659
Total cash outflow	<u>(58,151)</u>	<u>(53,471)</u>	<u>(92,869)</u>	<u>(497)</u>	<u>—</u>	<u>(204,988)</u>
Total cash inflow	<u>58,198</u>	<u>53,563</u>	<u>92,790</u>	<u>497</u>	<u>—</u>	<u>205,048</u>

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

	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
Total	955,674	88,155	18,196	1,062,025

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(4) Liquidity risk (continued)

(v) Analysis on contractual undiscounted cash flows of commitments (continued)

Bank

	2014			Total
	Less than 1 year	1 to 5 years	More than 5 years	
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
Total	946,737	74,851	18,147	1,039,735

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

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(6) Capital management

In managing capital, the Group aims to ensure compliance with regulatory requirements, continuously improve its ability to mitigate risks and enhance the return on its capital. On this basis, the Group has set its capital adequacy objectives, and taken a range of measures, including budgeting/planning and performance measurement and limit management, to ensure the realisation of management objectives. This helps meet the requirements for regulatory compliance, credit rating, risk premium and shareholder return; promote the Group's risk management; ensure an orderly expansion of asset bases; and enhance business structures and models.

In recent years, the Group increased capital utilisation. To ensure the capital adequacy ratio ("CAR") is in line with regulatory requirements etc., the Group commits itself to establishing and fostering discipline for economically efficient capital management. There is continuous improvement of locked-in capital accounting and an introduction of planning and performance assessments that have return on capital as a primary performance indicator. At the same time, the use of capital is better managed, and management policies have been implemented to guide coordinated asset growth in business entities, with reduced capital requirements.

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

On 1 January 2013, the Group started computing the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC. As at 31 December 2014, the Group had been computing the capital adequacy ratios in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks* and other relevant regulations promulgated by the CBRC.

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(6) Capital management (continued)

	Note	<u>2014</u>	<u>2013</u>
Core tier-one capital adequacy ratio		8.58%	8.72%
Tier-one capital adequacy ratio		8.59%	8.72%
Capital adequacy ratio		10.69%	10.69%
Components of capital base			
Core tier-one capital:			
Share capital		34,153	28,366
Valid portion of capital reserve		49,949	49,234
Surplus reserve		17,077	16,456
General reserve		49,344	42,487
Retained earnings		90,019	64,023
Valid portion of non-controlling interests		6,594	6,050
Others	(1)	(400)	(2,854)
Total core tier-one capital		<u>246,736</u>	<u>203,762</u>
Total core tier-one capital		246,736	203,762
Core tier-one capital deductions		<u>(1,050)</u>	<u>(1,108)</u>
Net core tier-one capital		245,686	202,654
Other tier-one capital		<u>299</u>	<u>129</u>
Net tier-one capital		<u>245,985</u>	<u>202,783</u>
Tier-two capital:			
Valid portion of tier-two capital instruments issued and share premium		40,080	22,535
Surplus provision for loan impairment		18,902	23,114
Valid portion of non-controlling interests		930	783
Tier-two capital deductions		<u>—</u>	<u>(600)</u>
Net tier-two capital		<u>59,912</u>	<u>45,832</u>
Net capital base		<u>305,897</u>	<u>248,615</u>
Credit risk-weighted assets		2,627,376	2,101,930
Market risk-weighted assets		15,186	35,680
Operational risk-weighted assets		<u>220,148</u>	<u>187,495</u>
Total risk-weighted assets		<u>2,862,710</u>	<u>2,325,105</u>

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

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.

(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.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

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.

Operating segments are presented as the following geographical and business segments:

Geographical segments:

- (1) Northern China: including Minsheng Financial Leasing Co., Ltd. ("Minsheng 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 Co., Ltd. ("Minsheng 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 Pengzhou Minsheng Rural Bank Co., Ltd. ("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")

5 SEGMENT INFORMATION (CONTINUED)

Geographical segments: (continued)

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 and Harbin.

Group

	2014					Total
	Northern China	Eastern China	Southern China	Other locations	Inter- segment elimination	
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

5 SEGMENT INFORMATION (CONTINUED)

Geographical segments: (continued)

Group (continued)

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

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.

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:

5 SEGMENT INFORMATION (CONTINUED)

Business segments: (continued)

Group

	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
Total profit	<u>32,483</u>	<u>10,167</u>	<u>14,328</u>	<u>2,815</u>	<u>59,793</u>
Depreciation and amortisation	1,284	721	496	1,057	3,558
Capital expenditure	<u>3,821</u>	<u>2,144</u>	<u>1,477</u>	<u>11,273</u>	<u>18,715</u>
Segment assets	1,761,438	654,455	1,446,208	141,271	4,003,372
Deferred income tax assets					<u>11,764</u>
Total assets					<u>4,015,136</u>
Segment liabilities/total liabilities	(1,873,558)	(594,682)	(1,173,133)	(126,007)	<u>(3,767,380)</u>
Credit commitments	<u>974,280</u>	<u>47,830</u>	<u>—</u>	<u>3,007</u>	<u>1,025,117</u>

5 SEGMENT INFORMATION (CONTINUED)

Business segments: (continued)

Group (continued)

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

6 NET INTEREST INCOME

	<u>2014</u>	<u>2013</u>
Interest income arising from:		
— Loans and advances to customers		
— corporate loans and advances	68,608	61,735
— personal loans and advances	44,407	39,161
— discounted bills	3,909	4,030
— Financial assets held under resale agreements	34,355	37,548
— Balances with banks and other financial institutions	5,543	9,447
— Investment securities	20,724	11,209
— Balances with central bank	6,655	6,567
— Finance lease receivables	6,962	7,189
— Placements with banks and other financial institutions	7,164	4,485
— Financial assets at fair value through the profit or loss	725	783
Subtotal	199,052	182,154
Interest expense arising from:		
— Deposits from customers	(54,320)	(48,392)
— Borrowings from central bank	(368)	(479)
— Deposits and placements from banks and other financial institutions	(39,043)	(38,484)
— Financial assets sold under repurchase agreements	(2,567)	(3,520)
— Borrowings from banks and other financial institutions	(4,857)	(4,060)
— Debt securities issued	(5,761)	(4,186)
Subtotal	(106,916)	(99,121)
Net interest income	92,136	83,033
Of which:		
Interest income from impaired financial assets identified	674	470

7 NET FEE AND COMMISSION INCOME

	<u>2014</u>	<u>2013</u>
Fee and commission income		
— Bank card services	12,242	8,609
— Agency services	9,666	5,121
— Trust and other fiduciary services	8,911	9,764
— Credit commitments	4,398	3,654
— Financial advisory services	3,608	2,277
— Settlement services	2,349	3,041
— Finance lease services	992	517
— Others	127	78
Subtotal	42,293	33,061
Fee and commission expense	(4,054)	(3,105)
Net fee and commission income	38,239	29,956

8 NET TRADING GAIN/(LOSS)

	<u>2014</u>	<u>2013</u>
Gain/(loss) on exchange rate instruments	419	(125)
Gain on precious metals and other products	471	924
Gain/(loss) on interest rate instruments	<u>776</u>	<u>(824)</u>
Total	<u><u>1,666</u></u>	<u><u>(25)</u></u>

9 NET GAIN ARISING FROM DISPOSALS OF SECURITIES AND DISCOUNTED BILLS

	<u>2014</u>	<u>2013</u>
Net gain arising from disposals of discounted bills	2,090	2,261
Net (loss)/gain arising from disposals of securities	<u>(76)</u>	<u>244</u>
Total	<u><u>2,014</u></u>	<u><u>2,505</u></u>

Disposal gain or loss of discounted bills represents the difference between the discounted interest income unamortised and rediscounted interest cost.

10 IMPAIRMENT LOSSES ON ASSETS

	<u>2014</u>	<u>2013</u>
Loans and advances to customers	19,928	12,947
Investment securities – loans and receivables	943	—
Finance lease receivables	288	692
Financial assets held under resale agreements	156	—
Others	<u>(183)</u>	<u>(650)</u>
Total	<u><u>21,132</u></u>	<u><u>12,989</u></u>

11 OPERATING EXPENSES

	<u>2014</u>	<u>2013</u>
Staff costs, including directors' emoluments		
— Short-term employee benefits	20,379	17,488
— Post-employment benefits — defined contribution plans	2,048	1,657
Business tax and surcharges	9,005	8,004
Office expenses	3,739	3,589
Rental and property management expenses	3,979	2,939
Depreciation and amortisation	2,994	2,114
CBRC supervisory charges	90	195
Business expenses and others	<u>11,848</u>	<u>9,976</u>
Total	<u><u>54,082</u></u>	<u><u>45,962</u></u>

Auditors' remuneration included in the operating expenses of the Group for the year ended 31 December 2014 was RMB14 million (2013: RMB12 million).

12 DIRECTORS AND SUPERVISORS' EMOLUMENTS

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 ⁽¹⁾⁽³⁾	2,657	202	198	3,057
Hong Qi ⁽¹⁾⁽³⁾	3,907	303	297	4,507
Mao Xiaofeng ⁽¹⁾⁽³⁾	2,733	227	285	3,245
Liang Yutang ⁽¹⁾⁽³⁾	3,751	227	216	4,194
Duan Qingshan ⁽¹⁾⁽³⁾	3,239	227	184	3,650
Wang Jiazhi ⁽¹⁾⁽³⁾	3,025	227	118	3,370
Li Huaizhen ⁽¹⁾⁽³⁾	1,201	114	203	1,518
Ba Shusong	423	—	—	423
Zheng Haiquan	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 ⁽²⁾	—	—	—	—
You Lantian ⁽²⁾	—	—	—	—

- (1) The Bank defers part of the performance-based compensations to the executive directors, the Chairman and Vice Chairman of the Supervisory Board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 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 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 2014 financial statements.

12 DIRECTORS AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2013 (in thousands of RMB)

	2013			Total
	Basic salaries, allowances and benefits	Contributions to pension schemes	Discretionary bonus	
Dong Wenbiao ⁽¹⁾⁽³⁾	4,517	409	2,008	6,934
Hong Qi ⁽¹⁾⁽³⁾	4,274	409	1,891	6,574
Liang Yutang ⁽¹⁾⁽³⁾	4,013	307	1,717	6,037
Duan Qingshan ⁽¹⁾⁽³⁾	3,483	307	1,485	5,275
Wang Jiazhi ⁽¹⁾⁽³⁾	3,312	307	1,442	5,061
Li Huaizhen ⁽¹⁾⁽³⁾	2,945	307	1,230	4,482
Ba Shusong	1,005	—	—	1,005
Zheng Haiquan	950	—	—	950
Han Jianmin	910	—	—	910
Zhang Hongwei	875	—	—	875
Lu Zhiqiang	845	—	—	845
Wang Hang	845	—	—	845
Wang Lihua	845	—	—	845
Hu Ying	726	45	63	834
Liu Yonghao	825	—	—	825
Shi Yuzhu	820	—	—	820
Guo Guangchang	815	—	—	815
Wang Yugui	790	—	—	790
Wu Di	775	—	—	775
Wang Junhui	760	—	—	760
Zhang Ke	655	—	—	655
Lu Zhongnan	650	—	—	650
Zhang Disheng	615	—	—	615
Wang Liang	615	—	—	615
Li Yuan	610	—	—	610
Qin Rongsheng ⁽²⁾	—	—	—	—
You Lantian ⁽²⁾	—	—	—	—

(1) The Bank defers part of the performance-based compensations to the executive directors, the Chairman and Vice Chairman of the Supervisory Board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 46.

(2) Qin Rongsheng, You Lantian waived emoluments for the year ended 31 December 2013.

(3) The emoluments before tax of executive directors, the Chairman and Vice Chairman of the Supervisory Board were approved by the Compensation and Remuneration Committee of the Board of Director. The Bank made further disclosure in the *Supplementary Announcement Regarding the Senior Management's Emoluments of China Minsheng Banking Corp., Ltd.*, and the related emoluments were restated accordingly.

For the year ended 31 December 2014, 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

	<u>2014</u>	<u>2013</u>
Current tax for the year	16,203	15,018
Adjustment for prior years	(79)	(87)
Subtotal	16,124	14,931
Changes in deferred tax (Note 25)	(1,898)	(1,062)
Total	14,226	13,869

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

	Note	<u>2014</u>	<u>2013</u>
Profit before income tax		59,793	57,151
Income tax at the tax rate of 25%		14,948	14,288
Effect of non-taxable income	(i)	(951)	(618)
Effect of non-deductible expenses	(ii)	381	288
Others		(152)	(89)
Income tax expense		14,226	13,869

(i) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, which are exempted from income tax.

(ii) The non-deductible expenses mainly represent non-deductible entertainment expenses.

The applicable income tax rate for mainland China is 25% for the year ended 31 December 2014 (2013: 25%). The applicable income tax rate for Hong Kong branch is 16.5% (2013: 16.5%).

14 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	<u>2014</u>	<u>2013</u>
Net profit attributable to equity shareholders of the Bank	44,546	42,278
Weighted average number of ordinary shares in issue (in millions)	34,043	34,039
Basic earnings per share (in RMB)	1.31	1.24

14 EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share is calculated by dividing the adjusted profit attributable to equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue. The Bank has the convertible corporate bonds as dilutive potential ordinary shares.

	<u>2014</u>	<u>2013</u>
Net profit attributable to equity shareholders of the Bank	44,546	42,278
Add: interest expense on convertible corporate bonds, net of tax, outstanding as at 31 December	668	509
Net profit used to determine diluted earnings per share	<u>45,214</u>	<u>42,787</u>
Weighted average number of ordinary shares in issue (in millions)	34,043	34,039
Add: weighted average number of ordinary shares for diluted earnings per share (in millions)	2,331	1,928
Weighted average number of ordinary shares for diluted earnings per share (in millions)	<u>36,374</u>	<u>35,967</u>
Diluted earnings per share (in RMB)	<u>1.24</u>	<u>1.19</u>

15 CASH AND BALANCES WITH CENTRAL BANK

	<u>Group</u>		<u>Bank</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash	9,965	9,159	9,771	9,002
Balances with central bank				
— Statutory deposit reserves	410,202	387,830	407,217	384,945
— Surplus deposit reserves	51,106	36,354	50,676	35,726
— Fiscal deposits	359	459	359	459
Total	<u>471,632</u>	<u>433,802</u>	<u>468,023</u>	<u>430,132</u>

The domestic branches of the Bank places statutory deposit reserves with the PBC. The statutory deposit reserves are not available for use in the Bank's daily business. As at 31 December 2014, the statutory deposit reserve rate applicable to the Bank for RMB deposits is 17.5% and the reserve rate for foreign currency deposits is 5% (2013: 18% of RMB deposits and 5% of foreign currency deposits).

The 29 rural banking subsidiaries of the Bank and Minsheng Leasing are required to place statutory RMB deposit reserve at rates determined by the PBC. Hong Kong branch is required to place statutory deposit reserve at rates determined by local regulators.

Surplus deposit reserves maintained with the PBC is for the purposes of clearing interbank transactions.

16 BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2014	2013	2014	2013
Mainland China				
— Banks	60,758	81,093	54,583	74,710
— Other financial institutions	3,143	1,674	3,143	1,674
Overseas				
— Banks	11,537	6,118	11,301	6,118
— Other financial institutions	24	—	—	—
Total	<u>75,462</u>	<u>88,885</u>	<u>69,027</u>	<u>82,502</u>

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS

	Group		Bank	
	2014	2013	2014	2013
Held for trading purpose				
Government				
— Listed outside Hong Kong	860	912	860	912
Central bank				
— Listed outside Hong Kong	—	20	—	20
Policy banks				
— Listed outside Hong Kong	2,142	6,325	2,142	6,325
Banking and non-banking financial institution				
— Listed outside Hong Kong	4,007	2,091	3,987	2,091
Other corporates				
— Listed outside Hong Kong	18,696	10,497	18,659	10,497
Designated at fair value through profit or loss				
Other corporates				
— Unlisted	1,508	2,417	1,508	2,417
Total	<u>27,213</u>	<u>22,262</u>	<u>27,156</u>	<u>22,262</u>

The financial statements classified debt securities traded on China Domestic Interbank Bond Market as listed bonds.

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.

18 DERIVATIVES (CONTINUED)

The notional amount and fair value of unexpired derivative financial instruments held by the Group and the Bank are set out in the following tables:

Group and Bank

	2014		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	162,931	390	(345)
Foreign exchange forwards	26,646	446	(323)
Currency swaps	281,081	1,167	(1,598)
Precious metal derivatives	32,844	1,180	(282)
Credit derivatives	66,851	—	—
Extension options	8,300	—	—
Currency options	7,737	48	(10)
Total		<u>3,231</u>	<u>(2,558)</u>

	2013		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	95,524	719	(621)
Foreign exchange forwards	15,285	141	(156)
Currency swaps	184,124	1,120	(1,104)
Precious metal derivatives	1,659	—	(1)
Credit derivatives	72,487	—	—
Extension options	8,300	—	—
Currency options	4,216	6	(1)
Total		<u>1,986</u>	<u>(1,883)</u>

Credit risk weighted amount

	Group and Bank	
	2014	2013
Exchange rate contracts	1,350	779
Interest rate contracts	164	168
Precious metal contracts	1,357	69
Other derivative contracts	279	43
Total	<u>3,150</u>	<u>1,059</u>

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.

19 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2014	2013	2014	2013
Mainland China				
— Banks	104,004	60,265	104,004	60,265
— Other financial institutions	51,787	19,368	54,382	19,368
— Others*	14,130	20,854	14,130	20,854
Overseas				
— Banks	3,744	7,539	3,744	7,539
— Other financial institutions	2,751	—	2,751	—
Total	176,416	108,026	179,011	108,026

* 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	
	2014	2013	2014	2013
Discounted bills	594,043	383,494	594,043	383,494
Government and quasi-government bonds	15,964	9,878	15,954	9,878
Financial bonds	8,933	—	8,933	—
Others*	57,094	177,052	57,094	177,052
Gross balance	676,034	570,424	676,024	570,424
Less: allowance for impairment losses	(156)	—	(156)	—
Net balance	675,878	570,424	675,868	570,424

* 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.

21 LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2014	2013	2014	2013
Corporate loans and advances				
— Corporate loans	1,131,055	935,370	1,127,486	928,363
— Discounted bills	26,930	33,364	26,143	32,919
Subtotal	1,157,985	968,734	1,153,629	961,282
Personal loans and advances				
— Micro lending*	410,139	408,891	402,736	404,722
— Residential mortgage	69,606	62,096	69,550	62,087
— Credit cards	147,678	113,298	147,678	113,298
— Others	27,258	21,244	23,452	17,873
Subtotal	654,681	605,529	643,416	597,980
Gross balance	1,812,666	1,574,263	1,797,045	1,559,262
Less: allowance for impairment losses				
— Individual assessment	(3,864)	(3,344)	(3,834)	(3,311)
— Collective assessment	(34,643)	(31,472)	(34,117)	(31,148)
Subtotal	(38,507)	(34,816)	(37,951)	(34,459)
Net balance	1,774,159	1,539,447	1,759,094	1,524,803

* Micro lending is a loan product offered to the small and micro enterprise owners and proprietors.

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses

Group

	2014				
	Loans and advances for which allowances are collectively assessed <i>(Note (i))</i>	Impaired loans and advances <i>(Note (ii))</i>		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
— Corporate loans and advances	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	<u>(31,485)</u>	<u>(3,158)</u>	<u>(3,864)</u>	<u>(7,022)</u>	<u>(38,507)</u>
Net balance of loans and advances to customers	<u>1,760,047</u>	<u>4,000</u>	<u>10,112</u>	<u>14,112</u>	<u>1,774,159</u>
	2013				
Gross balance of loans and advances to customers					
— Corporate loans and advances	958,802	—	9,932	9,932	968,734
— Personal loans and advances	602,057	3,472	—	3,472	605,529
Allowance for impairment losses	<u>(29,679)</u>	<u>(1,793)</u>	<u>(3,344)</u>	<u>(5,137)</u>	<u>(34,816)</u>
Net balance of loans and advances to customers	<u>1,531,180</u>	<u>1,679</u>	<u>6,588</u>	<u>8,267</u>	<u>1,539,447</u>

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses (continued)

Bank

	2014				Total
	Loans and advances for which allowances are collectively assessed (<i>Note (i)</i>)	Impaired loans and advances (<i>Note (ii)</i>)		Subtotal	
		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	<u>1,745,056</u>	<u>3,994</u>	<u>10,044</u>	<u>14,038</u>	<u>1,759,094</u>
	2013				
Gross balance of loans and advances to customers					
— Corporate loans and advances	951,436	—	9,846	9,846	961,282
— Personal loans and advances	594,562	3,418	—	3,418	597,980
Allowance for impairment losses	(29,379)	(1,769)	(3,311)	(5,080)	(34,459)
Net balance of loans and advances to customers	<u>1,516,619</u>	<u>1,649</u>	<u>6,535</u>	<u>8,184</u>	<u>1,524,803</u>

(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).

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses (continued)

(iv) As at 31 December 2014, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB13,976 million (2013: RMB9,932 million). The covered portion and uncovered portion of these loans and advances were RMB5,540 million (2013: RMB4,126 million) and RMB8,436 million (2013: RMB5,806 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB4,128 million (2013: RMB2,980 million). As at 31 December 2014, the individual impairment allowances made for these loans and advances were RMB3,864 million (2013: RMB3,344 million).

As at 31 December 2014, the loans and advances of the Bank for which the impairment allowances were individually assessed amounted to RMB13,878 million (2013: RMB9,846 million). The covered portion and uncovered portion of these loans and advances were RMB5,508 million (2013: RMB4,108 million) and RMB8,370 million (2013: RMB5,738 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB4,105 million (2013: RMB2,972 million). As at 31 December 2014, the individual impairment allowances made for these loans and advances were RMB3,834 million (2013: RMB3,311 million).

(2) Loans and advances to customers analysed by industries

	Group				Bank			
	2014		2013		2014		2013	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Corporate loans and advances								
Real estate	236,931	13.07	165,570	10.52	236,931	13.18	165,570	10.62
Manufacturing	230,875	12.74	222,573	14.14	229,335	12.76	219,276	14.06
Wholesale and retail	149,983	8.27	145,202	9.22	149,350	8.31	143,838	9.22
Leasing and commercial services	126,971	7.00	92,611	5.88	126,671	7.05	92,247	5.92
Mining	96,949	5.35	80,941	5.14	96,843	5.39	80,935	5.19
Transportation, storage and postal service	65,088	3.59	61,454	3.90	65,043	3.62	61,361	3.94
Water, environment and public utilities management	54,107	2.98	32,188	2.04	54,019	3.01	32,147	2.06
Construction	49,785	2.75	44,916	2.85	49,403	2.75	44,458	2.85
Public administration, social security and social organisations	31,366	1.73	31,502	2.00	31,366	1.75	31,494	2.02
Financial services	28,988	1.60	27,480	1.75	28,988	1.61	27,480	1.76
Production and supply of electric power, heat, gas and water	25,144	1.39	19,965	1.27	25,087	1.40	19,931	1.28
Agriculture Forestry Animal Husbandry and fishery	14,897	0.82	12,015	0.76	14,442	0.80	10,844	0.70
Accommodation and catering	12,540	0.69	15,503	0.98	12,522	0.70	15,440	0.99
Others	34,361	1.90	16,814	1.09	33,629	1.87	16,261	1.04
Subtotal	1,157,985	63.88	968,734	61.54	1,153,629	64.20	961,282	61.65
Personal loans and advances	654,681	36.12	605,529	38.46	643,416	35.80	597,980	38.35
Total	1,812,666	100.00	1,574,263	100.00	1,797,045	100.00	1,559,262	100.00

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Loans and advances to customers analysed by types of collateral

	Group				Bank			
	2014		2013		2014		2013	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Unsecured loans	332,482	18.34	272,459	17.31	332,223	18.49	272,247	17.46
Guaranteed loans	604,994	33.38	565,010	35.89	596,792	33.21	556,153	35.67
Loans secured by								
— tangible assets other than monetary assets	664,031	36.63	529,564	33.64	659,127	36.68	525,610	33.71
— monetary assets	211,159	11.65	207,230	13.16	208,903	11.62	205,252	13.16
Total	<u>1,812,666</u>	<u>100.00</u>	<u>1,574,263</u>	<u>100.00</u>	<u>1,797,045</u>	<u>100.00</u>	<u>1,559,262</u>	<u>100.00</u>

(4) Overdue loans analysed by overdue period

Group

	2014				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
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
Total	<u>26,700</u>	<u>19,868</u>	<u>3,081</u>	<u>37</u>	<u>49,686</u>
% of total loans and advances	<u>1.46%</u>	<u>1.10%</u>	<u>0.17%</u>	<u>0.01%</u>	<u>2.74%</u>
	2013				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	4,173	1,878	354	—	6,405
Guaranteed loans	5,555	3,629	781	8	9,973
Loans secured by					
— tangible assets other than monetary assets	5,755	2,617	353	40	8,765
— monetary assets	1,390	675	113	—	2,178
Total	<u>16,873</u>	<u>8,799</u>	<u>1,601</u>	<u>48</u>	<u>27,321</u>
% of total loans and advances	<u>1.07%</u>	<u>0.56%</u>	<u>0.10%</u>	<u>0.01%</u>	<u>1.74%</u>

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period (continued)

Bank

	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
Total	26,040	19,574	2,982	37	48,633
% of total loans and advances	1.44%	1.09%	0.17%	0.01%	2.71%
	2013				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	4,173	1,878	354	—	6,405
Guaranteed loans	5,329	3,460	768	8	9,565
Loans secured by					
— tangible assets other than monetary assets	5,732	2,597	339	40	8,708
— monetary assets	1,371	667	113	—	2,151
Total	16,605	8,602	1,574	48	26,829
% of total loans and advances	1.06%	0.55%	0.10%	0.01%	1.72%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)
(5) Changes in allowance for impairment losses:
Group

	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	<u>3,864</u>	<u>18,415</u>	<u>16,228</u>	<u>38,507</u>
	2013			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,855	17,656	11,587	33,098
Charge for the year	8,478	2,309	4,304	15,091
Release during the year	(1,975)	—	(169)	(2,144)
Reclassification	485	(485)	—	—
Transfer out	(5,731)	—	(1,572)	(7,303)
Write-offs	(1,670)	—	(2,379)	(4,049)
Recoveries	277	—	319	596
Unwinding of discount	(375)	—	(95)	(470)
Exchange gain or loss	—	(3)	—	(3)
At 31 December	<u>3,344</u>	<u>19,477</u>	<u>11,995</u>	<u>34,816</u>

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(5) Changes in allowance for impairment losses: (continued)

Bank

	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	<u>3,834</u>	<u>18,281</u>	<u>15,836</u>	<u>37,951</u>
	2013			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,847	17,548	11,507	32,902
Charge for the year	8,374	2,265	4,193	14,832
Release during the year	(1,975)	—	(169)	(2,144)
Reclassification	485	(485)	—	—
Transfer out	(5,682)	—	(1,572)	(7,254)
Write-offs	(1,640)	—	(2,360)	(4,000)
Recoveries	277	—	319	596
Unwinding of discount	(375)	—	(95)	(470)
Exchange gain or loss	—	(3)	—	(3)
At 31 December	<u>3,311</u>	<u>19,325</u>	<u>11,823</u>	<u>34,459</u>

	Note	Group		Bank	
		2014	2013	2014	2013
Available-for-sale securities	(1)	159,724	111,532	158,335	111,512
Held-to-maturity securities	(2)	176,834	133,124	176,834	133,124
Loans and receivables	(3)	234,393	37,818	228,946	37,818
Total		570,951	282,474	564,115	282,454
Analysed as follows:					
— Listed in Hong Kong		330	357	330	357
— Listed outside Hong Kong		346,228	242,754	346,228	242,754
— Unlisted		224,393	39,363	217,557	39,343
Total		570,951	282,474	564,115	282,454

(1) Available-for-sale securities

	Group		Bank	
	2014	2013	2014	2013
Debt securities at fair value				
Government				
— listed in Hong Kong	17	98	17	98
— listed outside Hong Kong	13,575	5,642	13,575	5,642
— unlisted	1,183	786	1,183	786
Policy banks				
— listed in Hong Kong	79	—	79	—
— listed outside Hong Kong	72,323	45,471	72,323	45,471
Banking and non-banking financial institution				
— listed outside Hong Kong	16,604	8,689	16,604	8,689
— unlisted	52	117	52	117
Other corporates				
— listed outside Hong Kong	51,322	50,295	51,322	50,295
— unlisted	1,000	—	—	—
Subtotal	156,155	111,098	155,155	111,098
Equity investment				
— listed in Hong Kong	234	259	234	259
— unlisted	3,335	175	2,946	155
Total	159,724	111,532	158,335	111,512

The book value of the Group's and the bank's impaired available-for-sale financial assets amounted to RMB936 million as at 31 December 2014 (2013: RMB937 million) and the provision amounted to RMB855 million (2013: RMB854 million).

The Group did not reclassified any investment securities in 2014. 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 RMB19.25 billion (31 December 2013: RMB19.00 billion), and the fair value was RMB19.97 billion (31 December 2013: RMB18.72 billion). The Group would recognize a fair value loss of RMB0.12 billion (31 December 2013: RMB1.36 billion) in other comprehensive income during the year had no reclassification been made on these debt securities.

22 INVESTMENT SECURITIES (CONTINUED)

(2) Held-to-maturity securities

	Group and Bank	
	2014	2013
Government		
— listed outside Hong Kong	113,277	79,479
Policy banks		
— listed outside Hong Kong	41,325	30,385
Banking and non-banking financial institution		
— listed outside Hong Kong	12,777	8,611
— unlisted	468	467
Other corporates		
— listed outside Hong Kong	8,987	14,182
Total	<u>176,834</u>	<u>133,124</u>
Fair value of listed securities	<u>178,616</u>	<u>128,548</u>

(3) Loans and receivables

	Group		Bank	
	2014	2013	2014	2013
Bond				
Government				
— unlisted	284	332	284	332
Policy banks				
— listed outside Hong Kong	9,887	—	9,887	—
Banking and non-banking financial institution				
— listed outside Hong Kong	6,151	—	6,151	—
— unlisted	2,195	4,115	2,195	4,115
Other corporates				
— unlisted	7,190	3,373	7,190	3,373
Trust beneficiary rights	47,018	8,891	46,894	8,891
Asset management plan	162,611	21,107	157,288	21,107
Total	<u>235,336</u>	37,818	<u>229,889</u>	37,818
Less: allowance for impairment losses	<u>(943)</u>	—	<u>(943)</u>	—
Net value	<u>234,393</u>	<u>37,818</u>	<u>228,946</u>	<u>37,818</u>

Note: All of the above trust beneficiary rights and asset management plan are unlisted.

23 FINANCE LEASE RECEIVABLES

	Group	
	2014	2013
Finance lease receivables	105,414	98,801
Less: unearned finance lease income	(14,237)	(14,020)
Present value of minimum finance lease receivables	91,177	84,781
Less: allowance for impairment losses		
— Collective assessment	(2,066)	(1,942)
— Individual assessment	(287)	(296)
Net balance	88,824	82,543

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

Group

	2014			2013		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	31,828	(4,299)	27,529	32,902	(5,573)	27,329
1 year to 2 years	23,545	(3,180)	20,365	26,660	(3,506)	23,154
2 years to 3 years	17,150	(2,316)	14,834	15,847	(1,963)	13,884
3 years to 5 years	15,760	(2,128)	13,632	13,795	(1,516)	12,279
More than 5 years	6,071	(820)	5,251	5,115	(674)	4,441
Indefinite ⁽¹⁾	11,060	(1,494)	9,566	4,482	(788)	3,694
	105,414	(14,237)	91,177	98,801	(14,020)	84,781

(1) The indefinite period amount represents the balances being impaired or overdue for more than one month.

24 PROPERTY AND EQUIPMENT

Group

	<u>Buildings</u>	<u>Leasehold improvement</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Operating lease fixed assets</u>	<u>Construction in progress</u>	<u>Total</u>
Original cost							
Balance at 1 January 2013	7,413	3,316	4,230	383	1,077	2,817	19,236
Increase	987	2,048	1,840	71	4,605	3,294	12,845
CIP transfers	1,116	—	—	—	—	(1,116)	—
Decrease	—	(15)	(255)	(20)	(159)	(100)	(549)
Balance at 31 December 2013	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	<u>12,487</u>	<u>7,357</u>	<u>7,789</u>	<u>487</u>	<u>14,328</u>	<u>4,654</u>	<u>47,102</u>
Accumulated depreciation							
Balance at 1 January 2013	(1,303)	(1,846)	(2,213)	(213)	(30)	—	(5,605)
Increase	(247)	(885)	(722)	(47)	(133)	—	(2,034)
Decrease	—	6	239	20	24	—	289
Balance at 31 December 2013	(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	<u>(1,905)</u>	<u>(3,796)</u>	<u>(3,508)</u>	<u>(285)</u>	<u>(592)</u>	<u>—</u>	<u>(10,086)</u>
Impairment losses							
Balance at 1 January 2013	—	—	—	—	—	—	—
Increase	—	—	—	—	(80)	—	(80)
Decrease	—	—	—	—	—	—	—
Balance at 31 December 2013	—	—	—	—	(80)	—	(80)
Increase	—	—	—	—	—	—	—
Decrease	—	—	—	—	—	—	—
Balance at 31 December 2014	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(80)</u>	<u>—</u>	<u>(80)</u>
Net value							
Balance at 31 December 2013	7,966	2,624	3,119	194	5,304	4,895	24,102
Balance at 31 December 2014	<u>10,582</u>	<u>3,561</u>	<u>4,281</u>	<u>202</u>	<u>13,656</u>	<u>4,654</u>	<u>36,936</u>

24 PROPERTY AND EQUIPMENT (CONTINUED)

Bank

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Construction in progress	Total
Original cost						
Balance at 1 January 2013	7,406	3,188	4,133	355	2,817	17,899
Increase	982	2,021	1,822	68	3,293	8,186
CIP transfers	1,116	—	—	—	(1,116)	—
Decrease	—	(6)	(254)	(20)	(99)	(379)
Balance at 31 December 2013	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
Accumulated depreciation						
Balance at 1 January 2013	(1,302)	(1,814)	(2,172)	(204)	—	(5,492)
Increase	(248)	(862)	(702)	(44)	—	(1,856)
Decrease	—	5	239	20	—	264
Balance at 31 December 2013	(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)
Net value						
Balance at 31 December 2013	7,954	2,532	3,066	175	4,895	18,622
Balance at 31 December 2014	10,174	3,468	4,215	188	4,584	22,629

As at 31 December 2014 and 31 December 2013, the Group and the Bank did not have any property and equipment which were acquired by means of finance leasing or temporarily idle or held for sale.

The carrying value of buildings and leasehold improvements is analysed by the remaining terms of the leases as follows:

	Group		Bank	
	2014	2013	2014	2013
Held in mainland China				
on long-term lease (more than 50 years)	123	5	118	—
on medium-term lease (10–50 years)	10,121	7,957	9,731	7,951
on short-term lease (less than 10 years)	3,899	2,628	3,793	2,535
Total	14,143	10,590	13,642	10,486

As at 31 December 2014, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB526 million (2013: RMB1,574 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.

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

	2014		2013	
	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	9,710	38,840	7,499	29,996
Employee benefits payable	1,960	7,840	1,905	7,620
Fair value losses of				
— derivatives	639	2,558	471	1,884
— available-for-sale securities	355	1,420	969	3,876
— financial assets at fair value through the profit or loss	46	184	167	668
Others	130	520	193	772
Subtotal	<u>12,840</u>	<u>51,362</u>	<u>11,204</u>	<u>44,816</u>
Deferred income tax liabilities				
Fair value gains of				
— derivatives	(807)	(3,231)	(499)	(1,996)
— available-for-sale securities	(223)	(892)	(20)	(80)
— financial assets at fair value through the profit or loss	(46)	(184)	(2)	(8)
Subtotal	<u>(1,076)</u>	<u>(4,307)</u>	<u>(521)</u>	<u>(2,084)</u>
Deferred income tax assets, net	<u>11,764</u>	<u>47,055</u>	<u>10,683</u>	<u>42,732</u>

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

	2014		2013	
	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	9,094	36,376	7,096	28,384
Employee benefits payable	1,920	7,680	1,871	7,484
Fair value losses of				
— derivatives	639	2,558	471	1,884
— available-for-sale securities	355	1,420	969	3,876
— financial assets at fair value through the profit or loss	46	184	167	668
Others	82	328	82	328
Subtotal	12,136	48,546	10,656	42,624
Deferred income tax liabilities				
Fair value gains of				
— derivatives	(807)	(3,231)	(499)	(1,996)
— available-for-sale securities	(223)	(892)	(20)	(80)
— financial assets at fair value through the profit or loss	(46)	(184)	(2)	(8)
Subtotal	(1,076)	(4,307)	(521)	(2,084)
Deferred income tax assets, net	11,060	44,239	10,135	40,540

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 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	<u>9,710</u>	<u>1,040</u>	<u>2,090</u>	<u>12,840</u>	<u>(1,076)</u>	<u>(1,076)</u>
At 1 January 2013	6,995	580	1,634	9,209	(392)	(392)
Recognised in profit or loss	504	285	464	1,253	(191)	(191)
Recognised in other comprehensive income	—	742	—	742	62	62
At 31 December 2013	<u>7,499</u>	<u>1,607</u>	<u>2,098</u>	<u>11,204</u>	<u>(521)</u>	<u>(521)</u>

Bank

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Fair value gains	Gross deferred income tax liabilities
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	<u>9,094</u>	<u>1,040</u>	<u>2,002</u>	<u>12,136</u>	<u>(1,076)</u>	<u>(1,076)</u>
At 1 January 2013	6,742	580	1,593	8,915	(392)	(392)
Recognised in profit or loss	354	285	360	999	(191)	(191)
Recognised in other comprehensive income	—	742	—	742	62	62
At 31 December 2013	<u>7,096</u>	<u>1,607</u>	<u>1,953</u>	<u>10,656</u>	<u>(521)</u>	<u>(521)</u>

25 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(3) Offsetting of balances within the same tax jurisdiction of deferred income tax assets and liabilities are as follows:

	Group		Bank	
	2014	2013	2014	2013
Deferred income tax assets	—	—	—	—
Deferred income tax liabilities	(1,076)	(521)	(1,076)	(521)

(4) Deferred income tax assets and liabilities taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Group

	2014		2013	
	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	11,764	47,055	10,683	42,732
Deferred income tax liabilities	—	—	—	—

Bank

	2014		2013	
	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	11,060	44,239	10,135	40,540
Deferred income tax liabilities	—	—	—	—

26 INVESTMENT IN SUBSIDIARIES

	<u>2014</u>	<u>2013</u>
Minsheng Leasing	2,600	2,600
Minsheng 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	51	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
Linshi Rural Bank	13	13
	<hr/>	<hr/>
Total	<u><u>3,725</u></u>	<u><u>3,725</u></u>

26 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Leasing	Tianjin China	Leasing	5,095	Limited company	51.03	51.03
Minsheng Fund	Guangdong China	Fund management	300	Limited company	63.33	63.33
Pengzhou Rural Bank	Sichuan China	Commercial bank	55	Limited company	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	100	Limited company	35	35
Songjiang Rural Bank	Shanghai China	Commercial bank	150	Limited company	35	35
Qijiang Rural Bank	Chongqing China	Commercial bank	60	Limited company	50	50
Tongnan Rural Bank	Chongqing China	Commercial bank	50	Limited company	50	50
Meihekou Rural Bank	Jilin China	Commercial bank	50	Limited company	51	51
Ziyang Rural Bank	Sichuan China	Commercial bank	80	Limited company	51	51
Jiangxia Rural Bank	Hubei China	Commercial bank	80	Limited company	51	51
Changyuan Rural Bank	Henan China	Commercial bank	50	Limited company	51	51
Yidu Rural Bank	Hubei China	Commercial bank	50	Limited company	51	51
Jiading Rural Bank	Shanghai China	Commercial bank	200	Limited company	51	51
Zhongxiang Rural Bank	Hubei China	Commercial bank	70	Limited company	51	51
Penglai Rural Bank	Shandong China	Commercial bank	100	Limited company	51	51
Anxi Rural Bank	Fujian China	Commercial bank	100	Limited company	51	51
Funing Rural Bank	Jiangsu China	Commercial bank	60	Limited company	51	51
Taicang Rural Bank	Jiangsu China	Commercial bank	100	Limited company	51	51
Ningjin Rural Bank	Hebei China	Commercial bank	40	Limited company	51	51
Zhangpu Rural Bank	Fujian China	Commercial bank	50	Limited company	51	51
Puer Rural Bank	Yunnan China	Commercial bank	30	Limited company	51	51
Jinghong Rural Bank	Yunnan China	Commercial bank	30	Limited company	51	51
Zhidan Rural Bank	Shaanxi China	Commercial bank	15	Limited company	51	51
Ningguo Rural Bank	Anhui China	Commercial bank	40	Limited company	51	51
Yuyang Rural Bank	Shaanxi China	Commercial bank	50	Limited company	51	51
Guichi Rural Bank	Anhui China	Commercial bank	50	Limited company	51	51
Tiantai Rural Bank	Zhejiang China	Commercial bank	60	Limited company	51	51
Tianchang Rural Bank	Anhui China	Commercial bank	40	Limited company	51	51
Tengchong Rural Bank	Yunnan China	Commercial bank	40	Limited company	51	51
Xiang'an Rural Bank	Fujian China	Commercial bank	70	Limited company	51	51
Linzhi Rural Bank	Tibet China	Commercial bank	25	Limited company	51	51

27 OTHER ASSETS
Group

	Note	2014			2013		
		Gross balance	Allowance for impairment losses	Carrying amount	Gross balance	Allowance for impairment losses	Carrying amount
			(Note 28)			(Note 28)	
Items in the process of clearance and settlement		17,752	—	17,752	14,651	—	14,651
Interest receivable	(1)	16,593	—	16,593	12,339	—	12,339
Prepayments for leased assets	(2)	12,988	(143)	12,845	12,409	(152)	12,257
Repossessed assets	(3)	9,362	(57)	9,305	2,183	(57)	2,126
Investment properties		4,877	—	4,877	3,563	—	3,563
Land use right		4,315	—	4,315	4,363	—	4,363
Prepayment of decoration		2,496	—	2,496	2,629	—	2,629
Prepayment of properties		1,757	—	1,757	1,678	—	1,678
Commission receivable		1,378	—	1,378	1,156	—	1,156
Prepayment of rent and deposits		1,172	—	1,172	848	—	848
Intangible assets	(4)	958	—	958	1,029	—	1,029
Claims and legal fees recoverable		753	(194)	559	268	(77)	191
Long-term deferred expenses		296	—	296	214	—	214
Prepayment of equipment		173	—	173	283	—	283
Others		2,555	—	2,555	1,341	(5)	1,336
Total		77,425	(394)	77,031	58,954	(291)	58,663

Bank

	Note	2014			2013		
		Gross balance	Allowance for impairment losses	Carrying amount	Gross balance	Allowance for impairment losses	Carrying amount
			(Note 28)			(Note 28)	
Items in the process of clearance and settlement		17,747	—	17,747	14,633	—	14,633
Interest receivable	(1)	16,380	—	16,380	12,093	—	12,093
Repossessed assets	(3)	9,124	(57)	9,067	2,178	(57)	2,121
Land use right		2,976	—	2,976	2,995	—	2,995
Prepayment of decoration		2,494	—	2,494	2,624	—	2,624
Prepayment of properties		1,757	—	1,757	1,678	—	1,678
Commission receivable		1,378	—	1,378	1,156	—	1,156
Prepayment of rent and deposits		1,164	—	1,164	842	—	842
Intangible assets	(4)	925	—	925	1,005	—	1,005
Claims and legal fees recoverable		749	(194)	555	266	(77)	189
Long-term deferred expenses		264	—	264	204	—	204
Prepayment of equipment		170	—	170	283	—	283
Others		1,627	—	1,627	1,319	(5)	1,314
Total		56,755	(251)	56,504	41,276	(139)	41,137

27 OTHER ASSETS (CONTINUED)

(1) Interest receivable

	Group		Bank	
	2014	2013	2014	2013
Loans and advances to customers	5,807	4,961	5,751	4,902
Debt securities	7,824	4,903	7,823	4,902
Others	2,962	2,475	2,806	2,289
Total	<u>16,593</u>	<u>12,339</u>	<u>16,380</u>	<u>12,093</u>

(2) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

(3) Repossessed assets

Repossessed assets include buildings, machinery and equipment. The disposal of repossessed assets made by the Group during the year of 2014 amounted to RMB213 million at cost (2013: RMB36 million).

(4) Intangible assets

Group

	At 1 January 2014	Increase	Decrease	At 31 December 2014
Cost				
— Software	812	304	—	1,116
— Other	1,303	26	—	1,329
Total	<u>2,115</u>	<u>330</u>	<u>—</u>	<u>2,445</u>
Accumulated depreciation				
— Software	(443)	(287)	—	(730)
— Other	(643)	(114)	—	(757)
Total	<u>(1,086)</u>	<u>(401)</u>	<u>—</u>	<u>(1,487)</u>
Net value				
— Software	369	17	—	386
— Other	660	(88)	—	572
Total	<u>1,029</u>	<u>(71)</u>	<u>—</u>	<u>958</u>

27 OTHER ASSETS (CONTINUED)

(4) Intangible assets (continued)

Group (continued)

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Cost				
— Software	592	220	—	812
— Other	853	450	—	1,303
Total	1,445	670	—	2,115
Accumulated depreciation				
— Software	(276)	(167)	—	(443)
— Other	(397)	(246)	—	(643)
Total	(673)	(413)	—	(1,086)
Net value				
— Software	316	53	—	369
— Other	456	204	—	660
Total	772	257	—	1,029
Bank				
	At			At
	1 January			31 December
	2014	Increase	Decrease	2014
Cost				
— Software	767	289	—	1,056
— Other	1,302	26	—	1,328
Total	2,069	315	—	2,384
Accumulated depreciation				
— Software	(422)	(281)	—	(703)
— Other	(642)	(114)	—	(756)
Total	(1,064)	(395)	—	(1,459)
Net value				
— Software	345	8	—	353
— Other	660	(88)	—	572
Total	1,005	(80)	—	925

27 OTHER ASSETS (CONTINUED)

(4) Intangible assets (continued)

Bank (continued)

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Cost				
— Software	554	213	—	767
— Other	857	445	—	1,302
Total	<u>1,411</u>	<u>658</u>	<u>—</u>	<u>2,069</u>
Accumulated depreciation				
— Software	(262)	(160)	—	(422)
— Other	(396)	(246)	—	(642)
Total	<u>(658)</u>	<u>(406)</u>	<u>—</u>	<u>(1,064)</u>
Net value				
— Software	292	53	—	345
— Other	461	199	—	660
Total	<u>753</u>	<u>252</u>	<u>—</u>	<u>1,005</u>

28 MOVEMENTS IN ALLOWANCES FOR IMPAIRMENT LOSSES

Group

		2014				
	Note	<u>At 1 January</u>	<u>Charge</u>	<u>Transfer in/(out)</u>	<u>Write-offs</u>	<u>At 31 December</u>
Loans and advances to customers	21	34,816	19,928	(9,118)	(7,119)	38,507
Available-for-sale securities	22	854	—	1	—	855
loans and receivables	22	—	943	—	—	943
Finance lease receivables	23	2,238	288	(138)	(35)	2,353
Financial assets held under resale agreements	20	—	156	—	—	156
Others		371	117	(14)	—	474
Total		<u>38,279</u>	<u>21,432</u>	<u>(9,269)</u>	<u>(7,154)</u>	<u>43,288</u>

		2013				
	Note	<u>At 1 January</u>	<u>Charge</u>	<u>Transfer out</u>	<u>Write-offs</u>	<u>At 31 December</u>
Loans and advances to customers	21	33,098	12,947	(7,180)	(4,049)	34,816
Available-for-sale securities	22	863	—	(9)	—	854
Finance lease receivables	23	1,598	692	(2)	(50)	2,238
Others		363	60	(38)	(14)	371
Total		<u>35,922</u>	<u>13,699</u>	<u>(7,229)</u>	<u>(4,113)</u>	<u>38,279</u>

Bank

		2014				
	Note	<u>At 1 January</u>	<u>Charge</u>	<u>Transfer in/(out)</u>	<u>Write-offs</u>	<u>At 31 December</u>
Loans and advances to customers	21	34,459	19,500	(9,055)	(6,953)	37,951
Available-for-sale securities	22	854	—	1	—	855
loans and receivables	22	—	943	—	—	943
Financial assets held under resale agreements	20	—	156	—	—	156
Other assets	27	139	117	(5)	—	251
Total		<u>35,452</u>	<u>20,716</u>	<u>(9,059)</u>	<u>(6,953)</u>	<u>40,156</u>

		2013				
	Note	<u>At 1 January</u>	<u>Charge</u>	<u>Transfer out</u>	<u>Write-offs</u>	<u>At 31 December</u>
Loans and advances to customers	21	32,902	12,688	(7,131)	(4,000)	34,459
Available-for-sale securities	22	863	—	(9)	—	854
Other assets	27	181	10	(38)	(14)	139
Total		<u>33,946</u>	<u>12,698</u>	<u>(7,178)</u>	<u>(4,014)</u>	<u>35,452</u>

29 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2014	2013	2014	2013
Demand deposits				
— Corporate deposits	707,374	677,725	700,213	668,213
— Personal deposits	137,342	132,703	136,088	131,181
Time deposits (including call and notice deposits)				
— Corporate deposits	1,176,707	951,778	1,163,940	946,241
— Personal deposits	401,831	378,241	395,540	373,373
Outward remittance and remittance payables	4,858	4,258	4,829	3,986
Certificates of deposit	5,698	1,984	5,698	1,984
Total	2,433,810	2,146,689	2,406,308	2,124,978

The pledged deposits included in deposits from customers are analysed as follows:

	Group		Bank	
	2014	2013	2014	2013
Pledged deposits for bank acceptances	277,199	268,516	276,660	267,790
Pledged deposits for letters of credit and guarantees	56,780	46,946	56,698	46,945
Other pledged deposits	75,485	70,741	75,006	69,953
Total	409,464	386,203	408,364	384,688

30 DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2014	2013	2014	2013
Mainland China				
— Banks	306,613	273,850	310,269	280,043
— Other financial institutions	569,618	288,200	570,497	288,319
Overseas				
— Banks	15,488	11,627	15,488	11,627
Total	891,719	573,677	896,254	579,989

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	Group		Bank	
	2014	2013	2014	2013
Discounted bills	9,626	6,931	9,312	6,747
Investment securities	70,766	48,598	70,763	48,598
Finance lease receivables	2,899	9,038	—	—
Total	<u>83,291</u>	<u>64,567</u>	<u>80,075</u>	<u>55,345</u>

As at 31 December 2014, the balances under repurchase agreements include bills transactions with the PBC amounting to RMB9,625 million (31 December 2013: RMB6,915 million).

32 BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2014	2013
Credit borrowings	84,339	73,809
Secured borrowings		
— by monetary assets	465	702
— by tangible assets other than monetary assets	14,043	6,919
Total	<u>98,847</u>	<u>81,430</u>

As at 31 December 2014, the secured borrowings of RMB465 million (2013: RMB702 million) were secured by finance lease receivables of RMB288 million (2013: RMB339 million) and beneficial right on operational property of RMB332 million (2013: RMB1,092 million). The secured borrowings of RMB14,043 million (2013: RMB6,919 million) were secured by the assets under financial lease of RMB7,225 million (2013: RMB7,000 million) property and equipment of RMB8,974 million (2013: RMB1,309 million) and other assets of RMB385 million (2013: RMB242 million).

33 DEBT SECURITIES ISSUED

	Note	Group and Bank	
		2014	2013
Financial bonds	(1)	49,965	49,949
Tier two capital bonds	(2)	19,973	—
Certificates of interbank deposit	(3)	17,371	—
Convertible corporate bonds	(4)	16,922	16,976
Subordinated bonds	(5)	15,764	15,762
Hybrid capital bonds	(6)	9,284	9,281
Total		<u>129,279</u>	<u>91,968</u>

33 DEBT SECURITIES ISSUED (CONTINUED)

(1) Financial bonds

		Group and Bank	
	Note	<u>2014</u>	<u>2013</u>
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	29,978	29,968
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	19,987	19,981
Total		<u>49,965</u>	<u>49,949</u>

(i) RMB30.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.30% per annum, payable annually.

(ii) RMB20.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.39% per annum, payable annually.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(2) Tier two capital bonds

		Group and Bank	
	Note	<u>2014</u>	<u>2013</u>
RMB20 billion — 15-year fixed rate tier two capital bonds 2014	(i)	<u>19,973</u>	<u>—</u>

(i) RMB20.0 billion worth of fixed-tier two capital bonds were issued in 2014, with a term of 15 years, and a fixed coupon rate of 6.60% per annum. The Bank has an option to redeem all or part of the subordinated bonds at par value in the period from the last day of the fifth year to the maturity date.

(3) Certificates of interbank deposit

	Group and Bank	
	<u>2014</u>	<u>2013</u>
Certificates of interbank deposit	<u>17,371</u>	<u>—</u>

(4) Convertible corporate bonds

	Group and Bank	
	<u>2014</u>	<u>2013</u>
RMB20 Billion — 6-year fixed rate convertible corporate bonds 2013	<u>16,922</u>	<u>16,976</u>

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). Within 5 trading days after maturity, the Bank shall redeem the outstanding convertible corporate bonds at 106% of par value, including interest for the sixth year.

33 DEBT SECURITIES ISSUED (CONTINUED)

(4) Convertible corporate bonds (continued)

During the conversion period, if the closing price of the Bank's A shares is not lower than or equal to 130% of the prevailing conversion price during at least 15 trading days out of any 30 consecutive trading days, the Bank has the right to redeem all or part of the outstanding convertible corporate bonds at par value plus accrued interest. The exercise of the conditional redemption rights should be approved by the CBRC as a prerequisite.

During the term of the convertible corporate bonds, if the closing price of the Bank's A shares during 15 trading days out of any 30 consecutive trading days is lower than 80% of the prevailing conversion price of the convertible corporate bonds, the Bank may also propose downward adjustments to the conversion price for the approval of the shareholder's meeting within ten working days as of knowing the above conditions.

The initial conversion price was RMB10.23 per share. The conversion price of the convertible corporate bonds will be adjusted for the dilutive effects of distribution of stock dividends, specified increases in share capital, new share issuance, offering, and cash dividend.

During the period from the issuance date to 31 December 2014, the conversion price was adjusted from RMB10.23 per share to RMB8.18 per share, as a result of dividend distribution.

The convertible corporate bonds issued have been split into the liability and equity components as follows:

	<u>Liability component</u>	<u>Equity component</u>	<u>Total</u>
Nominal value of convertible corporate bonds	16,469	3,531	20,000
Less: direct transaction costs	(72)	(16)	(88)
	<u>16,397</u>	<u>3,515</u>	<u>19,912</u>
Balance as at the issuance date			
Conversion	(5)	(1)	(6)
Amortisation	584	—	584
	<u>16,976</u>	<u>3,514</u>	<u>20,490</u>
Balance as at 31 December 2013			
Conversion	(828)	(163)	(991)
Amortisation	774	—	774
	<u>16,922</u>	<u>3,351</u>	<u>20,273</u>
Balance as at 31 December 2014			

(5) Subordinated bonds

	Note	<u>Group and Bank</u>	
		<u>2014</u>	2013
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(i)	5,990	5,989
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(ii)	3,992	3,992
RMB5.8 billion — 10-year subordinated fixed rate bonds 2010	(iii)	5,782	5,781
Total		<u>15,764</u>	<u>15,762</u>

- (i) RMB6.0 billion worth of fixed-rate subordinated bonds were issued in 2011, with a term of 10 years and a fixed coupon rate of 5.50% per annum. According to the terms, the Bank has an option to redeem all or part of the subordinated bonds at face value in the period from the last day of the fifth year to the maturity date.

(5) Subordinated bonds (continued)

- (iii) RMB4.0 billion worth of fixed-rate subordinated bonds were issued in 2011, with a term of 15 years and a fixed coupon rate of 5.70% per annum. According to the terms, the Bank has an option to redeem all or part of the subordinated bonds at face value in the period from the last day of the tenth year to the maturity date.
- (iii) RMB5.8 billion worth of fixed-rate subordinated bonds were issued in 2010, with a term of 10 years and a fixed rate of 4.29% per annum. According to the terms, the Bank has the option to redeem all or part of the subordinated bonds at face value in the period from the last day of the fifth year to the maturity date.

According to the issuance terms, these bonds are subordinated to all other claims on the Bank's assets, except those of the hybrid capital bond holders and shareholders.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(6) Hybrid capital bonds

	Note	Group and Bank	
		2014	2013
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	3,318	3,317
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	1,672	1,671
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(iii)	3,295	3,295
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(iv)	999	998
		9,284	9,281

- (i) RMB3.325 billion worth of fixed-rate hybrid capital bonds were issued in 2009, with a term of 15 years and fixed coupon rates of 5.70% per annum for the first 10 years. And 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) RMB1.675 billion worth of floating-rate hybrid capital bonds were issued in 2009, with a term of 15 years. The floating rate is based on the one-year time deposit rate published by the PBC plus a spread of 3.00% per annum for the first 10 years. 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) RMB3.3 billion worth of fixed-rate hybrid capital bonds were issued in 2006, with a term of 15 years and fixed coupon rates of 5.05% per annum for the first 10 years. And 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) RMB1.0 billion worth of floating-rate hybrid capital bonds were issued in 2006, with a term of 15 years. The floating rate is based on the one-year time deposit rate published by the PBC plus a spread of 2.00% per annum for the first 10 years. If the Bank does not exercise the early redemption right, from the 11th year onward, the spread will increase to 3.00% per annum.

The holders of the hybrid capital bonds are subordinated to holders of subordinated bonds and holders of tier two capital bonds, but have priority over shareholders. All holders of hybrid capital bonds enjoy the same priority of claim. According to the issuance terms, the Bank has the option to defer interest payment if the core capital adequacy ratio calculated based on its latest audited financial reports is below 4%. If the sum of surplus reserve plus retained earnings shown on the latest audited statement of financial position is negative and no cash dividends have been paid to ordinary equity shareholders in the last 12 months, the Bank must defer interest payment.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

34 OTHER LIABILITIES

	Note	Group		Bank	
		2014	2013	2014	2013
Interest payable	(1)	33,805	27,749	33,199	26,963
Receipt in advance		9,534	8,726	77	77
Employee benefits payable	(2)	7,996	7,682	7,707	7,488
Items in the process of clearance and settlement		7,348	4,039	7,346	4,039
Other tax payable	(3)	3,052	2,637	2,923	2,966
Dividend payable		2,562	54	2,562	54
Wealth management products payable		1,298	450	1,298	450
Deferred fee and commission income		847	1,333	847	1,013
Guarantee deposits for finance lease		787	907	—	—
Asset-backed securities payable		481	—	481	—
Payable of equipment purchase		443	341	219	273
Accrued expenses		387	248	336	247
Others		3,613	2,475	2,751	2,198
Total		<u>72,153</u>	<u>56,641</u>	<u>59,746</u>	<u>45,768</u>

(1) Interest payable

	Group		Bank	
	2014	2013	2014	2013
Deposits from customers	23,970	19,142	23,674	18,975
Deposits from banks and other financial institutions	5,290	5,129	5,270	5,126
Debt securities issued	3,622	2,596	3,622	2,596
Borrowings from banks and other financial institutions	290	628	—	—
Others	633	254	633	266
Total	<u>33,805</u>	<u>27,749</u>	<u>33,199</u>	<u>26,963</u>

(2) Employee benefits payable

Group

	Note	At	Increase	Decrease	At
		1 January 2014			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		<u>7,682</u>	<u>22,427</u>	<u>(22,113)</u>	<u>7,996</u>

34 OTHER LIABILITIES (CONTINUED)
(2) Employee benefits payable (continued)
Group (continued)

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Salaries, bonuses and allowances	6,572	13,264	(13,525)	6,311
Staff welfare fees	—	1,797	(1,797)	—
Social insurance	1,051	2,721	(2,505)	1,267
Housing fund	63	832	(796)	99
Labour union fee, staff and workers' education fee	25	531	(551)	5
Total	<u>7,711</u>	<u>19,145</u>	<u>(19,174)</u>	<u>7,682</u>

Bank

	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		<u>7,488</u>	<u>21,663</u>	<u>(21,444)</u>	<u>7,707</u>

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Salaries, bonuses and allowances	6,446	12,797	(13,095)	6,148
Staff welfare fees	—	1,767	(1,767)	—
Social insurance	1,050	2,661	(2,474)	1,237
Housing fund	63	814	(778)	99
Labour union fee, staff and workers' education fee	24	519	(539)	4
Total	<u>7,583</u>	<u>18,558</u>	<u>(18,653)</u>	<u>7,488</u>

34 OTHER LIABILITIES (CONTINUED)

(2) Employee benefits payable (continued)

(i) Short-term Employee benefits

Group

	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
Total	<u>7,537</u>	<u>20,379</u>	<u>(20,097)</u>	<u>7,819</u>

Bank

	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
Total	<u>7,343</u>	<u>19,666</u>	<u>(19,479)</u>	<u>7,530</u>

(ii) Post-employment benefits-defined contribution plans

Group

	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
Total	<u>145</u>	<u>2,048</u>	<u>(2,016)</u>	<u>177</u>

34 OTHER LIABILITIES (CONTINUED)

(2) Employee benefits payable (continued)

(ii) Post-employment benefits-defined contribution plans (continued)

Bank

	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
Total	<u>145</u>	<u>1,997</u>	<u>(1,965)</u>	<u>177</u>

(3) Other tax payable

	Group		Bank	
	2014	2013	2014	2013
Business tax payable	2,136	2,030	2,092	1,990
Others	916	607	831	976
Total	<u>3,052</u>	<u>2,637</u>	<u>2,923</u>	<u>2,966</u>

35 SHARE CAPITAL AND CAPITAL RESERVE

	Group and Bank	
	2014	2013
Common shares listed in Mainland China (A share)	27,219	22,588
Common shares listed in Hong Kong (H share)	6,934	5,778
Total shares	<u>34,153</u>	<u>28,366</u>

All A shares and H shares are with no selling restrictions and rank pari passu with the same rights and benefits.

The details of the increase in Share capital in 2014 is set out in note 33(4) and 38.

The Group's capital reserve is RMB49,949 million as at 31 December 2014 (2013: RMB49,234 million), which mainly comprises capital premium and equity component of convertible bonds.

(1) Surplus reserve

Under PRC laws, the Bank is required to appropriate 10% of its net profit, as determined under ASBE, to a statutory surplus reserve until the balance reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Bank appropriated some of its net profit under ASBE to the statutory surplus reserve, which amounts to RMB564 million for the first half of 2014, which has been approved by Board of Directors on 28 August 2014. Besides, the Bank appropriated RMB57 million as statutory surplus reserve for the second half of 2014. The accumulated balance as at 31 December 2014 has reached 50% of share capital. The Bank appropriated 10% of its net profit under ASBE to the statutory surplus reserve, which amounts to RMB3,793 million (including the statutory surplus reserve of RMB57 million that the Bank appropriated for the second half of 2014) for the second half of 2014, which has been approved by Board of Directors on 30 March 2015, while it is still subject to Shareholders' meeting approval. The Bank appropriated RMB4,126 million as statutory surplus reserve for the year 2013. The Bank did not make any appropriation to discretionary surplus reserve in 2014 and 2013.

(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.

Pursuant to the resolution of the meeting of Board of Directors held on 28 August 2014, the Bank appropriated RMB45 million of profits recorded to the general reserve in the first half of 2014. Pursuant to the resolution of the meeting of Board of Directors held on 30 March 2015, the Bank appropriated RMB6,700 million of profits recorded to the general reserve in the second half of 2014, while it is still subject to Shareholders' meeting approval. The Bank appropriated RMB2,900 million of profits recorded to the general reserve in 2013.

In addition, 29 rural banking subsidiaries and Minsheng Leasing of the Group also appropriated 1.5% of the balance of risk-bearing assets as at 31 December 2014 to the general reserve following the same requirement as above. Minsheng Fund appropriated 10% of its monthly income of fund management fees from after-tax profits to general reserve in accordance with the *Provisional Measures on Supervision and Administration of Risk Provision of Public Offering of Securities Investment Funds* (CSRC Decree No.94) issued by the CSRC, it can no longer extract when the balance reaches 1% of the net asset value of the Fund. Meanwhile, Minsheng Fund appropriated 1% of its current net profit to general reserve in accordance with the *Financial Rules for Financial Enterprises — Implementation Guide* (No.23 [2007] of the Ministry of Finance) issued by the MOF.

In total, the subsidiaries appropriated RMB199 million (2013: RMB217 million) to the general reserve for the year ended 31 December 2014, including RMB112 million (2013: RMB107 million) attributable to the Bank.

(3) Retained earnings

As at 31 December 2014, retained earnings of the group included the statutory surplus reserve of RMB338 million appropriated by the subsidiaries and attributable to the Bank (2013: RMB232 million).

37 NON-CONTROLLING INTERESTS

The non-controlling interests of the subsidiaries are as follows:

	<u>2014</u>	<u>2013</u>
Tianjin Fortune Real Estate Co., Ltd.	1,406	1,191
Beijing Dayixingye Real Estate Development Corp., Ltd.	1,054	893
Shanghai Guozhijie Investment Development Corp., Ltd.	937	794
Jiangsu Sunshine Group Corp., Ltd.	703	596
Shanghai Guozheng Investment Management Corp., Ltd.	703	596
Guangzhou Ziquan Real Estate Development Corp., Ltd.	469	397
China Century Investment Corp., Ltd.	469	397
Shengjinda Investment Corp., Ltd.	105	89
Royal Bank of Canada	100	52
Others	1,668	1,570
Total	<u>7,614</u>	<u>6,575</u>

38 DIVIDENDS

The Board of Directors approved the profit distribution plan for the second half of 2014 in the meeting held on 30 March 2015. The cash dividends declared was RMB1.10 (before tax) for every 10 shares. The total amount of cash dividends of RMB3,757 million is calculated based on the total number of shares in issue of 34,153 million as at 31 December 2014. Since the convertible bond of the Bank is still under conversion period, the total number of shares at the date of registry cannot be determined, and the actual total amount of cash dividends may subject to changes.

The shareholders approved the cash dividend 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. The cash dividend was based on the total stock of A share on 8 January 2015 and the total stock of H share on 6 January 2015.

The shareholders approved the cash dividend and stock dividend distribution plan for the second half of 2013 during the Annual General Meeting held on 10 June 2014. The cash dividend declared was RMB1.00 (before tax) for every 10 shares, totaling RMB2,837 million; and the stock dividend declared was 2 shares for every 10 shares, totaling RMB5,674 million.

39 INVESTMENT REVALUATION RESERVE

	<u>Group and Bank</u>	
	<u>2014</u>	<u>2013</u>
At 1 January	(2,842)	(427)
Changes in fair value of available-for-sale securities	3,498	(3,127)
Less: deferred income tax	(875)	782
Transfer to profit or loss upon disposal	(491)	(182)
Less: deferred income tax	123	45
Transfer to profit or loss due to amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	260	90
Less: deferred income tax	(65)	(23)
At 31 December	<u>(392)</u>	<u>(2,842)</u>

40 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	Group	
	2014	2013
Cash (<i>Note 15</i>)	9,965	9,159
Surplus deposit reserve with central bank (<i>Note 15</i>)	51,106	36,354
Original maturity within 3 months:		
— Balances with banks and other financial institutions	48,419	66,336
— Placements with banks and other financial institutions	22,642	45,152
Total	132,132	157,001

41 TRANSFERRED 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 enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

As at 31 December 2014, loans with an original carrying amount of RMB5,840 million have been securitised by the group. As at 31 December 2014, the carrying amount of prime grade assets that the Group continues to recognise was RMB266 million, and the carrying amount of subordinated grade assets that the Group continues to recognise was RMB26 million, the assets were classified as loans and receivables.

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.

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.

42 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)
(1) Credit commitments (continued)

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	Group		Bank	
	2014	2013	2014	2013
Bank acceptances	594,300	522,849	592,701	522,325
Letters of credit	170,666	126,934	170,666	126,934
Guarantees	205,168	105,711	205,167	105,709
Re-factoring	300	22,433	300	22,433
Unused credit card commitments	47,830	40,377	47,830	40,377
Irrevocable loan commitments				
— original maturity date within 1 year	2,280	2,109	2,280	2,109
— original maturity date over 1 year (inclusive)	1,566	2,234	1,566	2,234
Finance lease commitments	3,007	2,109	—	—
Total	<u>1,025,117</u>	<u>824,756</u>	<u>1,020,510</u>	<u>822,121</u>
	Group		Bank	
	2014	2013	2014	2013
Credit risk weighted amounts of credit commitments	<u>341,295</u>	<u>327,515</u>	<u>336,689</u>	<u>324,881</u>

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%.

(2) Capital commitments

	Group		Bank	
	2014	2013	2014	2013
Contracted but not paid for	18,799	8,557	1,396	906
Authorised but not contracted for	1,576	7	1,576	7
Total	<u>20,375</u>	<u>8,564</u>	<u>2,972</u>	<u>913</u>

(3) Operating lease commitments

The future minimum lease payments under non-cancellable operating lease of the Group are summarised as follows:

	Group		Bank	
	2014	2013	2014	2013
Within 1 year	3,055	3,441	2,995	3,419
After 1 year but within 5 years	9,536	8,912	9,365	8,839
After 5 years	3,942	4,528	3,893	4,505
Total	<u>16,533</u>	<u>16,881</u>	<u>16,253</u>	<u>16,763</u>

42 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments as at 31 December 2014, in material respects, as specified in the contracts.

(5) Assets pledged

	Group		Bank	
	2014	2013	2014	2013
Balance with banks and other financial institutions	2,057	—	1,900	—
Discounted bills	9,538	6,777	9,225	6,634
Investment securities	70,763	48,599	70,763	48,599
Finance lease receivables	10,462	16,931	—	—
Property and equipment	9,306	2,401	—	—
Other assets	385	242	—	—
Total	102,511	74,950	81,888	55,233

Some of the Group's assets are pledged as collateral under repurchase agreements, loan agreements with other financial institutions and for obtaining credit quotas.

The Group maintains statutory deposit reserves with the PBC as required (Note 15). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. The fair value of such pledged assets was RMB594,043 million as at 31 December 2014 (2013: RMB383,494 million). As at 31 December 2014, the Group sold or repledged RMB2,487 million of pledged assets which it has an obligation to repurchase on due dates (2013: RMB6,496 million).

(6) Underwriting of securities

	Group and Bank	
	2014	2013
Medium- and short-term finance bills	150,082	60,300

(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 2014 was RMB3,455 million (2013: RMB7,477 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 2014. 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 group's total revenue in total investment income is high. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2014, the asset management plans managed and consolidated by the Group amounted to RMB5,944 million, which are mainly included in deposits from customers. The financial impact of any individual asset management plan on the Group's financial performance is not significant.

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 2014 in the structured entities sponsored by third party institutions:

	Group	
	31 December 2014	
	Carrying amount	maximum exposure
Trust beneficiary plan	103,949	103,949
Speicalised asset management plan	161,668	161,668
Asset-backed financings	17,006	17,006
	<u>282,623</u>	<u>282,623</u>

	Group	
	31 December 2013	
	Carrying amount	maximum exposure
Trust beneficiary plan	127,955	127,955
Speicalised asset management plan	63,892	63,892
Asset-backed financings	526	526
	<u>192,373</u>	<u>192,373</u>

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 2014 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	Group		
	31 December 2014		
	Loans and receivables	Available- for-sale financial assets	Financial assets held under resale agreements
Trust beneficiary plan	47,018	—	56,931
Speicalised asset management plan	161,668	—	—
Asset-backed financings	13,537	3,469	—
	<u>222,223</u>	<u>3,469</u>	<u>56,931</u>

	Group		
	31 December 2013		
	Loans and receivables	Available- for-sale financial assets	Financial assets held under resale agreements
Trust beneficiary plan	8,891	—	119,064
Speicalised asset management plan	21,107	—	42,785
Asset-backed financings	377	149	—
	<u>30,375</u>	<u>149</u>	<u>161,849</u>

The maximum exposures to loss in the above trust beneficiary plan, segregated asset management plans are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

(2) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest.

The types of unconsolidated structured entities sponsored by the Group include investment funds and non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2014, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at 31 December 2014, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, is RMB376.59 billion and RMB553.52 billion respectively (31 December 2013: RMB287.17 billion and RMB164.20 billion).

44 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

(3) Structured entities sponsored by the Group during the year which the Group does not consolidate and holds an interest at 31 December 2014.

During the year of 2014, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB5.45 billion (for the year ended 31 December 2013: RMB5.12 billion), including the amount of RMB0.78 billion and RMB4.67 billion from investment funds and non-principal-guaranteed wealth management products, respectively (for the year ended 31 December 2013: RMB0.22 billion and RMB4.90 billion).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2014 but matured before 31 December 2014 is RMB1,023.35 billion (for the year ended 31 December 2013: RMB1,210.45 billion).

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 RMB76,517 million as at 31 December 2014 (2013: RMB57,906 million). The Group's balances of corporate annuity funds custodian operations were RMB17,772 million as at 31 December 2014 (2013: RMB9,836 million). The Group's balances of credit assets entrusted management were RMB7,975 million as at 31 December 2014 (2013: RMB2,423 million). And the Group's balances of entrusted loans were RMB406,100 million as at 31 December 2014 (2013: RMB118,818 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.

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:

	<u>Types of collateral</u>	<u>2014</u>	<u>2013</u>
Legend Holdings Ltd.	Guaranteed	1,800	440
Sinopharm Group Co., Ltd. and its subsidiaries	Guaranteed	1,348	163
	Pledged	—	980
Giant Interactive Group	Pledged	1,117	—
Orient Group Incorporation	Pledged	500	500
Good First Group Co., Ltd.	Guaranteed	495	330
	Collateralised	—	100
Wuxi Giant Pharmaceutical Co., Ltd.	Guaranteed	400	400
Shanghai Goldpartner Biotech Co., Ltd.	Guaranteed	300	300
Jiangxi Xindi Investment Co., Ltd.	Guaranteed	288	300
Oriental Hope Baotou Terrae Rare Aluminum Co., Ltd	Guaranteed	200	—
Orient Group Industry Co., Ltd.	Pledged	200	—
Dongyang China Woodcarvings Center	Collateralised	148	—
Wuxi Giant Bioengineering Co., Ltd.	Guaranteed	100	100
Sichuan Tianyi University	Collateralised	80	—
Southwest Jiaotong University Hope College	Collateralised	80	—
Shanghai Lujiazui Finance Trade Zone United Development Company	Guaranteed	67	—
Chengdu Mayflower Computer School	Guaranteed	50	50
Sichuan Minjiang Snow Salinization Co., Ltd.	Guaranteed	50	—
	Collateralised		8
	Pledged		148
HopeSenlan Science & Technology Co., Ltd.	Guaranteed	30	—
Jinan Qilipu Market Co., Ltd.	Guaranteed	18	18
Sichuan Hope West Construction Co., Ltd.	Guaranteed	10	—
Chengdu Minjiang Snow Chemical Industry Co., Ltd.	Guaranteed	—	50
Individuals	Collateralised	153	95
Total		<u>7,434</u>	<u>3,982</u>
Ratio to similar transactions (%)		<u>0.42</u>	<u>0.26</u>
Amount of transactions:			
		<u>2014</u>	<u>2013</u>
Interest income from loans		<u>315</u>	<u>238</u>
Ratio to similar transactions (%)		<u>0.16</u>	<u>0.13</u>

As at 31 December 2014, none of the above loans are found to be impaired individually (2013: nil).

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions (continued)

(iii) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	2014		2013	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Balances with banks and other financial institutions	—	—	3,860	4.34
Financial assets at fair value through the profit or loss	89	0.33	—	—
Placements with banks and other financial institutions	—	—	287	0.27
Precious metals	986	3.85	—	—
Financial assets held under resale agreements	310	0.05	—	—
Investment securities:				
— available-for-sale securities	20	0.01	254	0.23
— held-to-maturity securities	50	0.03	80	0.06
— loans and receivables	125	0.05	—	—
Finance lease receivables	330	0.37	498	0.60
Other assets	64	0.08	30	0.05
Deposits from customers	47,828	1.97	36,348	1.69
Deposits and placements from banks and other financial institutions	348	0.04	420	0.07
Other liabilities	1,054	1.46	1,057	1.87

The Group's interest income arising from the above related-party transactions for the current year is RMB33 million (2013: RMB74 million), accounting for 0.02% (2013: 0.04%) of that of similar transactions, and the interest expense is RMB1,669 million (2013: RMB1,663 million), accounting for 1.56% (2013: 1.68%) of that of similar transactions. Other related-party transactions have no material impact on the Group's income statement.

Balances of items off the statement of financial position outstanding as at the end of the reporting period:

	2014		2013	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Guarantees	2,143	1.04	700	0.66
Bank acceptances	2,203	0.37	48	0.01
Operating lease commitments	—	—	110	0.65
Letters of credit	102	0.06	—	—

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:

	2014		2013	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	4,159	0.23	1,698	0.11
Discounted bills under resale agreements, issued by related parties	392	0.07	249	0.06
Discounted bills issued by related parties	—	—	10	0.03

None of the above related party transactions have a material impact on the Group's profit or loss for the years ended 31 December 2014 and 31 December 2013, and the Group's financial position as at 31 December 2014 and 31 December 2013.

(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 2014 and 31 December 2013.

(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 RMB85 million as at 31 December 2014 (2013: RMB65 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB113 million for the year ended 31 December 2014 (2013: RMB166 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 RMB58 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2013: RMB83 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 2014 and 31 December 2013.

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 2014 financial statements.

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:

	<u>2014</u>	<u>2013</u>
Balances with banks and other financial institutions	392	52
Other assets	378	301
Deposits and placements from banks and other financial institutions	4,715	6,468
Other liabilities	<u>29</u>	<u>10</u>

Amount of transactions for the reporting period:

	<u>2014</u>	<u>2013</u>
Interest income	58	11
Interest expense	136	149
Fee and commission income	79	80
Operating expenses	271	139
Other operating expenses	<u>—</u>	<u>2</u>

For the year ended 31 December 2014, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 31 December 2014, the balance of the above transactions was RMB250 million (2013: RMB140 million).

The balances and amount with the subsidiary and inter-subsidiaries have been offset in the consolidated financial statements.

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 measurement date. This level includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange-traded derivatives like futures (e.g. Nasdaq, S&P 500).

Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters.

Level 3: unobservable inputs for assets or liabilities. This level includes equity investments and debt instruments with one or more than one significant unobservable component. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2014, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

(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 2014			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
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
Liabilities				
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)

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

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
Debt securities	—	19,845	—	19,845
Financial assets designated at fair value through profit or loss				
Debt securities	—	2,417	—	2,417
Derivative financial assets				
Interest rate contracts	—	719	—	719
Exchange rate contracts	—	1,267	—	1,267
Available-for-sale financial assets				
Debt securities	129	110,852	117	111,098
Equity investments	—	289	—	289
Total	<u>129</u>	<u>135,389</u>	<u>117</u>	<u>135,635</u>
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	—	(621)	—	(621)
Exchange rate contracts	—	(1,261)	—	(1,261)
Others	—	(1)	—	(1)
Total	<u>—</u>	<u>(1,883)</u>	<u>—</u>	<u>(1,883)</u>

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 2014			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
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
Total	—	188,545	52	188,597
Liabilities				
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)
Total	—	(2,558)	—	(2,558)

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 2013			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
Debt securities	—	19,845	—	19,845
Financial assets designated at fair value through profit or loss				
Debt securities	—	2,417	—	2,417
Derivative financial assets				
Interest rate contracts	—	719	—	719
Exchange rate contracts	—	1,267	—	1,267
Available-for-sale financial assets				
Debt securities	129	110,852	117	111,098
Equity investments	—	289	—	289
Total	<u>129</u>	<u>135,389</u>	<u>117</u>	<u>135,635</u>
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Interest rate contracts	—	(621)	—	(621)
Exchange rate contracts	—	(1,261)	—	(1,261)
Others	—	(1)	—	(1)
Total	<u>—</u>	<u>(1,883)</u>	<u>—</u>	<u>(1,883)</u>

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 and Bank

	2014		
	Available-for-sale securities		
	Debt securities	Equity securities	Total assets
At 1 January	117	—	117
— in profit or loss	(1)	—	(1)
Settlements	(64)	—	(64)
At 31 December	<u>52</u>	<u>—</u>	<u>52</u>
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	<u>2</u>	<u>—</u>	<u>2</u>

Group

	2013		
	Available-for-sale securities		
	Debt securities	Equity securities	Total assets
At 1 January	133	—	133
— in profit or loss	9	—	9
— in other comprehensive income	8	—	8
Settlements	(33)	—	(33)
At 31 December	<u>117</u>	<u>—</u>	<u>117</u>
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	<u>22</u>	<u>—</u>	<u>22</u>

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

	2013		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	103	—	103
— in profit or loss	9	—	9
— in other comprehensive income	8	—	8
Settlements	(3)	—	(3)
At 31 December	<u>117</u>	<u>—</u>	<u>117</u>
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	<u>22</u>	<u>—</u>	<u>22</u>

(3) Transfers between levels

During the year, the transfers among level 1, level 2 and level 3 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(4) Fair value of financial assets and liabilities not carried at fair value

a Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, finance lease receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair value.

b Loans and advances to customers, and investment securities — loans and receivables

Loans and advances to customers, and investment securities — loans and receivables are recorded net of allowance for impairment losses. Their estimated fair value represents the amount of estimated future cash flows expected to be received, discounted at current market rates.

c Held-to-maturity securities and available-for-sale equity investments which measured in cost

The fair value for held-to-maturity assets and available-for-sale equity investments which measured in cost are based on “bid” market prices or brokers’/dealers’ price quotations. If relevant market information is not available, the fair value is based on quote price of security products with similar characteristics such as credit risk, materiality and yield.

d Deposits from customers

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices are estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(4) Fair value of financial assets and liabilities not carried at fair value (continued)

e Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, loans and receivables, loans and advances to customers, financial bonds, subordinated bonds, hybrid capital bonds, convertible corporate bonds and deposits from customers:

Group

	31 December 2014					31 December 2013	
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value amount
Financial assets							
Available-for-sale equity investments	147	147	—	147	—	145	145
Loans and receivables	234,393	234,324	—	234,324	—	37,818	37,402
Loans and advances to customers	1,774,159	1,861,912	—	1,861,912	—	1,539,447	1,574,603
Held-to-maturity investments	176,834	178,616	—	178,616	—	133,124	128,548
Total	2,185,533	2,274,999	—	2,274,999	—	1,710,534	1,740,698
Financial liabilities							
Deposits from customers	2,433,810	2,526,851	—	2,526,851	—	2,146,689	2,219,088
Financial bonds	49,965	49,780	—	49,780	—	49,949	47,675
Tier two capital bonds	19,973	21,107	—	21,107	—	—	—
Certificates of interbank deposit	17,371	17,197	—	17,197	—	—	—
Convertible corporate bonds	16,922	20,427	—	20,427	—	16,976	19,382
Subordinated bonds	15,764	15,706	—	15,706	—	15,762	15,316
Hybrid capital bonds	9,284	9,276	—	9,276	—	9,281	8,885
Total	2,563,089	2,660,344	—	2,660,344	—	2,238,657	2,310,346

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(4) Fair value of financial assets and liabilities not carried at fair value (continued)

Bank

	31 December 2014					31 December 2013	
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value amount
Financial assets							
Available-for-sale equity investments	125	125	—	125	—	125	125
Loans and receivables	228,946	228,877	—	228,877	—	37,818	37,402
Loans and advances to customers	1,759,094	1,774,159	—	1,774,159	—	1,524,803	1,559,602
Held-to-maturity investments	176,834	178,616	—	178,616	—	133,124	128,548
Total	2,164,999	2,181,777	—	2,181,777	—	1,695,870	1,725,677
Financial liabilities							
Deposits from customers	2,406,308	2,498,423	—	2,498,423	—	2,124,978	2,194,314
Financial bonds	49,965	49,780	—	49,780	—	49,949	47,675
Tier two capital bonds	19,973	21,107	—	21,107	—	—	—
Certificates of interbank deposit	17,371	17,197	—	17,197	—	—	—
Convertible corporate Bonds	16,922	20,427	—	20,427	—	16,976	19,382
Subordinated bonds	15,764	15,706	—	15,706	—	15,762	15,316
Hybrid capital bonds	9,284	9,276	—	9,276	—	9,281	8,885
Total	2,535,587	2,631,916	—	2,631,916	—	2,216,946	2,285,572

48 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.

49 COMPARATIVE FIGURES

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity ratios

	<u>2014</u>	<u>2013</u>
RMB current assets to RMB current liabilities	<u>34%</u>	<u>29%</u>
Foreign currency current assets to foreign currency current liabilities	<u>160%</u>	<u>96%</u>

Liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with ASBE released by the MOF.

2 Currency concentrations

	<u>2014</u>			
	<u>USD</u>	<u>HKD</u>	<u>Others</u>	<u>Total</u>
Spot assets	132,376	9,711	28,623	170,710
Spot liabilities	(129,303)	(22,177)	(15,676)	(167,156)
Forward purchases	162,733	18,298	15,806	196,837
Forward sales	(147,912)	(13,220)	(34,033)	(195,165)
Net long/(short) position*	<u>17,894</u>	<u>(7,388)</u>	<u>(5,280)</u>	<u>5,226</u>
	<u>2013</u>			
	<u>USD</u>	<u>HKD</u>	<u>Others</u>	<u>Total</u>
Spot assets	111,572	6,416	7,939	125,927
Spot liabilities	(77,688)	(11,210)	(7,891)	(96,789)
Forward purchases	96,953	11,362	1,739	110,054
Forward sales	(101,023)	(3,654)	(3,819)	(108,496)
Net long/(short) position*	<u>29,814</u>	<u>2,914</u>	<u>(2,032)</u>	<u>30,696</u>

* The net option position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reported periods.

3 Loans and advances to customers

(1) Impaired loans by geographical area

Group

	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
	2013				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	5,824	5,333	633	1,614	13,404
Allowance for impairment losses					
— Individual assessment	1,381	1,226	134	603	3,344
— Collective assessment	1,012	499	122	160	1,793

Bank

	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
	2013				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	5,824	5,214	632	1,594	13,264
Allowance for impairment losses					
— Individual assessment	1,380	1,202	134	595	3,311
— Collective assessment	1,012	477	122	158	1,769

3 Loans and advances to customers (continued)

(2) Loans overdue for more than 3 months by geographical area

Group

	2014				Total
	Northern China	Eastern China	Southern China	Other Locations	
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
	2013				Total
	Northern China	Eastern China	Southern China	Other Locations	
Overdue loans	4,916	3,937	578	1,017	10,448
Allowance for impairment losses					
— Individual assessment	1,114	723	121	115	2,073
— Collective assessment	1,292	933	159	252	2,636

Bank

	2014				Total
	Northern China	Eastern China	Southern China	Other Locations	
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
	2013				Total
	Northern China	Eastern China	Southern China	Other Locations	
Overdue loans	4,916	3,759	576	973	10,224
Allowance for impairment losses					
— Individual assessment	1,114	702	121	113	2,050
— Collective assessment	1,288	794	151	197	2,430

4 Cross-border claims

	2014				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	7,863	8,222	902	—	16,987
Public sector entities	1,183	170	—	—	1,353
Others	33,592	9,815	308	11,208	54,923
Total	42,638	18,207	1,210	11,208	73,263
	2013				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	6,666	5,971	1,416	—	14,053
Public sector entities	786	—	—	—	786
Others	20,823	10,124	118	9,367	40,432
Total	28,275	16,095	1,534	9,367	55,271

Chapter 14 Index of Documents for Inspection

- I. Financial statements bearing the signatures and seals of the legal representative, acting president and the principal accountant
- II. Original copy of the auditing report bearing the seal of the accounting firm and signatures and seals of the certified public accountants
- III. Original copy of the annual report duly signed by the Directors and Senior Management of the Company
- IV. All original copies of documents and announcements disclosed to the public by the Company during the reporting period in China Securities Journal, Shanghai Securities News and Securities Times
- V. Articles of Association of the Company

Definitions

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

“ACFIC”	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
“Bank” or “Company” or “China Minsheng Bank” or “Minsheng Bank”	China Minsheng Banking Corp., Ltd.
“Board”	the Board of Directors of the Company
“CBRC”	China Banking Regulatory Commission
“Chief Financial Officer”	the Chief Financial Officer of the Company
“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
“Dagong”	Dagong Global Credit Rating Co., Ltd.
“Director”	a director of the Company
“Group”	the Bank and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IT”	information technology
“Minsheng Royal Asset Management”	Minsheng Royal Asset Management Co., Ltd.
“Minsheng Royal Fund”	Minsheng Royal Fund Management Co., Ltd.
“Minsheng Financial Leasing”	Minsheng Financial Leasing 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
“NSOE(s)”	non-state-owned enterprise(s)
“Phoenix Plan” (鳳凰計劃)	A comprehensive customer-oriented plan for strategic transformation and restructuring of the Bank in response to the liberalisation of interest rate
“Senior Management”	Senior management of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SSE”	Shanghai Stock Exchange