



中国民生银行

CHINA MINSHENG BANKING CORP., LTD.

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

STOCK CODE : 01988



2013 INTERIM REPORT

Important Notice

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

This interim report was considered and approved on 28 August 2013 at the 11th meeting of the 6th session of the Board of the Company. Of the 18 Directors who were entitled to attend the meeting, 17 Directors attended the meeting in person (including six Directors attended by teleconference) and one Director entrusted other Director, in writing, to exercise his voting rights at the meeting.

According to the profit distribution plan for the first half of 2013 considered by the Board, on the basis of a total of 28,365,585,227 shares as at 30 June 2013, a cash dividend of RMB1.58 (tax inclusive) for every 10 shares will be distributed to the shareholders of the Company.

For the purpose of this interim 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 interim report are prepared in accordance with the International Financial Reporting Standards. Unless otherwise specified, all amounts are the consolidated data of the Group and stated in RMB.

The financial reports in this interim report were not audited.

Board of Directors
China Minsheng Banking Corp., Ltd.

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

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Definitions

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

“Bank” or “Company” or “China Minsheng Bank” or “Minsheng Bank”:	China Minsheng Banking Corp., Ltd.
“Group”:	the Company and its subsidiaries
“Board”:	board of directors of the Company
“Director”:	a director of the Board
“Supervisory Board”:	supervisory board of the Company
“Supervisor”:	a supervisor of the Supervisory Board
“CFO”:	chief financial officer of the Company
“Minsheng Leasing”:	Minsheng Financial Leasing Co., Ltd.
“Minsheng Fund”:	Minsheng Royal Fund Management Co., Ltd.
“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)
“ACFIC”:	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
“CBRC”:	China Banking Regulatory Commission
“CSRC”:	China Securities Regulatory Commission
“Hong Kong Stock Exchange”:	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”:	Rules Governing the Listing of Securities on The Hong Kong Stock Exchange
“SFO”:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Model Code”:	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules
“NSOE(s)”:	non state-owned enterprise(s)
“%”:	percent
“MSE(s)”:	micro and small enterprise(s)
“Convertible bonds” or “Minsheng Convertible Bonds” or “A Share Convertible Bonds”:	A Share convertible corporate bonds
“Dagong”:	Dagong Global Credit Rating Co., Ltd.
“PRC”:	the People’s Republic of China, but, for the purposes of this interim report only, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan, unless otherwise indicated
“RMB”:	Renminbi
“PBOC”:	People’s Bank of China
“SBU(s)”:	strategic business unit(s)
“SME(s)”:	small and medium enterprise(s)
“CBD”:	central business district
“Minsheng Asset Management”:	Minsheng Royal Asset Management Co., Ltd.
“EGM”:	extraordinary general meeting
“AGM”:	annual general meeting

Company Profile

- Registered Chinese Name: 中國民生銀行股份有限公司
(Abbreviation: 「中國民生銀行」)

Registered English Name: CHINA MINSHENG BANKING CORP., LTD.
(Abbreviation: “CMBC”)
- Legal Representative: Dong Wenbiao
- Authorized Representative: Qin Rongsheng
Soon Yuk Tai
- Board Secretary: Wan Qingyuan
Joint Company Secretaries: Wan Qingyuan
Soon Yuk Tai
Representative of Securities Affairs: He Qun
Wang Honggang
- Mailing Address: Building VIII, Beijing Friendship Hotel,
No. 1 Zhongguancun Nandajie, Beijing, China

Postal Code: 100873
Telephone: 86-10-68946790
Facsimile: 86-10-68466796
Email: cmbc@cmbc.com.cn
- Registered Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal Code: 100031
Website: www.cmbc.com.cn
Email: cmbc@cmbc.com.cn
- Branch Office and Place of Business in Hong Kong: 36/F, Bank of America Tower, 12 Harcourt Road,
Central, Hong Kong
- Newspapers selected by the Company for information disclosure: China Securities Journal, Shanghai Securities News and Securities Times

Website for publishing the A Share interim report designated by CSRC: www.sse.com.cn

Website for publishing the H Share interim report designated by the Hong Kong Stock Exchange: www.hkexnews.hk

Copies of this interim report are available at the office of the Board

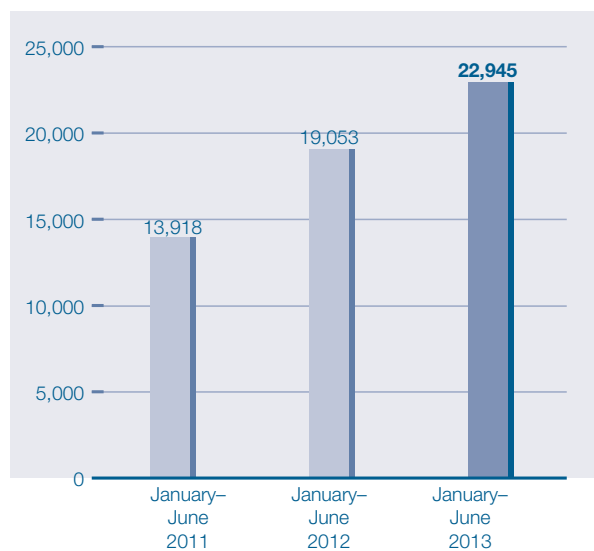
9. Legal Adviser as to PRC Law: Grandall Law Firm (Beijing)
 Legal Adviser as to Clifford Chance
 Hong Kong Law:
10. Domestic Auditor: KPMG Huazhen (Special General Partnership)
 Office Address: 8th Floor, Tower E2, Oriental Plaza,
 1 East Chang An Avenue, Beijing, China
 International Auditor: KPMG
 Office Address: 8th Floor, Prince's Building,
 10 Chater Road, Central, Hong Kong
11. A Share Registrar: China Securities Depository and Clearing Corporation Limited
 (Shanghai Branch)
 Office Address: 36/F, China Insurance Building, No. 166 Lujiazui East Road,
 Pudong New Area, Shanghai, China
 H Share Registrar: Computershare Hong Kong Investor Services Limited
 Office Address: 17M Floor, Hopewell Centre,
 183 Queen's Road East, Wan Chai, Hong Kong
12. Places of Listing, Stock Names
 and Stock Codes:
- | | | |
|--------------------------|---------------|-------------|
| A Share: | Stock Name: | Stock Code: |
| Shanghai Stock Exchange | MINSHENG BANK | 600016 |
| H Share: | Stock Name: | Stock Code: |
| Hong Kong Stock Exchange | MINSHENG BANK | 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

Financial Summary

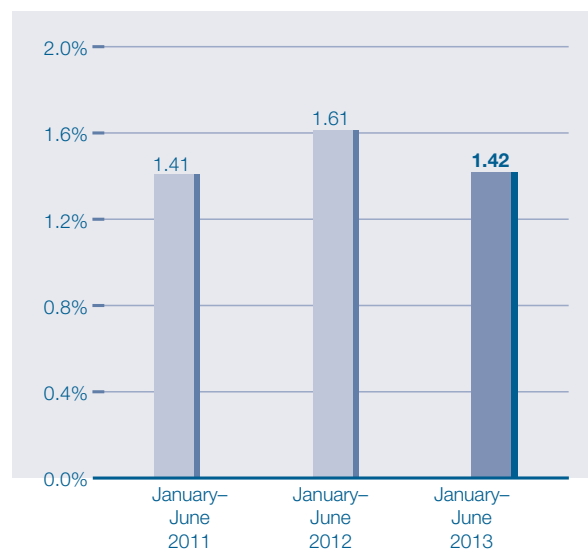
I. Major Financial Data and Indicators

	January– June 2013	January– June 2012	Changes of the reporting period over the corresponding period of the previous year (%)	January– June 2011
Operating results (RMB million)				
Net interest income	40,564	37,871	7.11	29,545
Net non-interest income	17,928	13,498	32.82	9,272
Operating income	58,492	51,369	13.87	38,817
Operating expenses	20,726	19,418	6.74	15,659
Impairment losses on assets	6,772	6,096	11.09	4,751
Profit before income tax	30,994	25,699	20.60	18,407
Net profit attributable to equity shareholders of the Bank	22,945	19,053	20.43	13,918
Data per share (RMB/share)				
Basic earnings per share	0.81	0.69	17.39	0.52
Diluted earnings per share	0.78	0.69	13.04	0.52
			Changes in percentage points	
Profitability indicators (%)				
Return on average assets (annualized)	1.42	1.61	-0.19	1.41
Return on average shareholders' equity	13.18	13.64	-0.46	12.69
Net interest spread	2.24	2.93	-0.69	2.85
Net interest margin	2.41	3.14	-0.73	3.00
Net fee and commission income to operating income ratio	27.73	19.53	8.20	20.40
Cost-to-income ratio	28.57	30.61	-2.04	33.04

Net profit attributable to equity shareholders of the Bank (RMB million)



Return on average assets (annualized, %)



			Changes from the end of the previous year to the end of the reporting period	
	30 June 2013	31 December 2012		31 December 2011
Scale indicators (RMB million)			(%)	
Total assets	3,410,093	3,212,001	6.17	2,229,064
Gross balance of loans and advances to customers	1,484,970	1,384,610	7.25	1,205,221
Total liabilities	3,218,886	3,043,457	5.76	2,094,954
Deposits from customers	2,174,975	1,926,194	12.92	1,644,738
Total equity attributable to equity shareholders of the Bank	185,116	163,077	13.51	129,597
Net assets per share attributable to equity shareholders of the Bank (RMB/share)	6.53	5.75	13.57	4.85
			Changes in percentage points	
Assets quality indicators (%)				
Impaired loan ratio	0.78	0.76	0.02	0.63
Allowance to impaired loan ratio	320.41	314.53	5.88	357.29
Allowance to total loan ratio	2.49	2.39	0.10	2.23
			Changes in percentage points	
Capital adequacy ratio indicators (%)				
Core tier-one capital adequacy ratio	7.86	N/A	N/A	N/A
Tier-one capital adequacy ratio	7.87	N/A	N/A	N/A
Capital adequacy ratio	9.92	10.75	N/A	10.86
Total equity to total assets ratio	5.61	5.25	0.36	6.02

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 as at the beginning and the end of the period.
- Net interest spread = Average return on interest-earning assets – average cost of interest-bearing liabilities.
- Net interest margin = Net interest income/average balance of interest-earning assets.
- Cost-to-income ratio = (Operating expenses and other operating expenses – business tax and surcharges)/operating income.
- Impaired loan ratio = Balance of impaired loans/gross balance of loans and advances to customers.
- Allowance to impaired loan ratio = Allowance for impairment losses on loans/balance of impaired loans.
- Allowance to total loan ratio = Allowance for impairment losses on loans/gross loans and advances to customers.
- The capital adequacy ratio and relevant indicators as at the end of the reporting period were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》)(Order of the CBRC 2012 No. 1) which became effective on 1 January 2013 and other relevant regulatory requirements. The capital adequacy ratios as at the end of other periods were calculated in accordance with the Regulation Governing Capital Adequacy of Commercial Banks (《商業銀行資本充足率管理辦法》).

Financial Summary

II. Supplementary Financial Data and Indicators

(Unit: %)

Major Indicators	Benchmark	As at	As at	As at	
		30 June 2013	31 December 2012	31 December 2011	
Liquidity ratio	Consolidated in RMB	≥25	41.80	36.01	40.90
Loan-to-deposit ratio	Consolidated in RMB	≤75	68.25	71.93	72.85
Inter-bank lending/ borrowing ratio	Bank borrowing ratio	≤4	0.42	2.16	0.99
	Bank lending ratio	≤8	4.46	4.22	2.29
Total loans to the single largest borrower to net capital		≤10	2.86	3.20	3.86
Total loans to the top ten borrowers to net capital		≤50	14.93	17.39	20.93

Notes:

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

Management Discussion and Analysis

I. Overview of Operations

During the reporting period, in view of the adjustments and changes in macro-economic environment and regulatory policies, the Company, under the proper leadership of the Board, continued to implement its strategy of becoming a “bank for NSOEs”, “bank for MSEs” and “bank for high-end retail customers” and adhered to its business goal of “distinctive” and “efficient” bank. The Company grasped the situation, deepened reforms, carried out comprehensive innovation, accelerated the transformation of operational management model, consistently adjusted and improved business structure, income structure and customer structure, promoted strategic business development, effectively controlled risks, and therefore further improved profitability.

(I) Higher profitability and steady return to shareholders

During the reporting period, net profit attributable to equity shareholders of the Bank amounted to RMB22,945 million, representing an increase of RMB3,892 million, or 20.43%, as compared with the corresponding period of the previous year. The return on average assets (annualized) and return on average shareholders’ equity were 1.42% and 13.18%, representing decreases of 0.19 percentage point and 0.46 percentage point as compared with the corresponding period of the previous year, respectively, as a result of the decrease in interest spread. Net assets per share attributable to equity shareholders of the Bank was RMB6.53 per share, representing an increase of 13.57% as compared with the end of the previous year. The basic earnings per share was RMB0.81, representing an increase of RMB0.12, or 17.39%, as compared with the corresponding period of the previous year.

(II) Steady growth of assets and liabilities business and continuous development of strategic businesses

As at the end of the reporting period, the total assets of the Group amounted to RMB3,410,093 million, representing an increase of RMB198,092 million, or 6.17%, as compared with the end of the previous year. The total liabilities amounted to RMB3,218,886 million, representing an increase of RMB175,429 million or 5.76%, as compared with the end of the previous year, showing a coordinated growth of assets and liabilities business. Gross balance of loans and advances to customers amounted to RMB1,484,970 million, representing an increase of RMB100,360 million, or 7.25%, as compared with the end of the previous year. Total deposits from customers increased to RMB2,174,975 million, representing an increase of RMB248,781 million, or 12.92%, as compared with the end of the previous year, and of which, balance of personal deposits was RMB492,945 million, representing an increase of RMB99,171 million, or 25.18%, as compared with the end of the previous year, and accounted for 22.66% of total deposits from customers, representing an increase of 2.22 percentage points as compared with the end of the previous year.

Management Discussion and Analysis

As the Company steadily enhanced its strategic business, loans to MSEs amounted to RMB386,025 million, representing an increase of RMB69,074 million, or 21.79%, as compared with the end of the previous year. The percentage of loans to MSEs to the total personal loans and advances was 70.49%, representing an increase of 1.71 percentage points as compared with the end of the previous year. The number of MSE customers was 1.4561 million, representing an increase of 46.74% as compared with the end of the previous year. The Company had 13,655 NSOE customers with outstanding loan balances, and the outstanding general loans amounted to RMB518,950 million, accounting for 84.27% and 59.66% of corporate banking segment, respectively. The Company had 12,334 private banking customers, representing an increase of 31.37% as compared with the end of the previous year. The private banking customers' financial assets under management of the Company reached RMB172,857 million, representing an increase of 34.87% as compared with the end of the previous year.

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

During the reporting period, the Group recorded operating income of RMB58,492 million, representing an increase of RMB7,123 million, or 13.87%, as compared with the corresponding period of the previous year. Among others, net interest income amounted to RMB40,564 million, representing an increase of RMB2,693 million, or 7.11%, as compared with the corresponding period of the previous year. Net non-interest income amounted to RMB17,928 million, representing an increase of RMB4,430 million, or 32.82%, as compared with the corresponding period of the previous year, and accounted for 30.65% of the operating income, representing an increase of 4.37 percentage points as compared with the corresponding period of the previous year. Meanwhile, with strengthened management of costs and expenses and further improved operation efficiency, the cost-to-income ratio was 28.57%, representing a decrease of 2.04 percentage points as compared with the corresponding period of the previous year.

(IV) Enhanced risk-bearing asset management and control and improved risk management capacity

As at the end of the reporting period, the impaired loan ratio of the Group was 0.78%, representing an increase of 0.02 percentage point as compared with the end of the previous year. Allowance to impaired loans ratio was 320.41%, representing an increase of 5.88 percentage points as compared with the end of the previous year. The allowance to total loans ratio was 2.49%, representing an increase of 0.10 percentage point as compared with the end of the previous year. The risk prevention capacity was further enhanced.

II. Analysis of Major Items of Statement of Profit or Loss

During the reporting period, the Group continued to improve its profitability and realized a net profit attributable to equity shareholders of the Bank of RMB22,945 million, representing an increase of 20.43% as compared with the corresponding period of the previous year. The increase was mainly attributable to the growth of operating income and effective cost control.

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

(Unit: RMB million)

Item	January– June 2013	January– June 2012	Increase (%)
Operating income	58,492	51,369	13.87
Of which: Net interest income	40,564	37,871	7.11
Net non-interest income	17,928	13,498	32.82
Operating expenses	20,726	19,418	6.74
Impairment losses on assets	6,772	6,096	11.09
Other operating expenses	—	156	income for this period
Profit before income tax	30,994	25,699	20.60
Less: Income tax expenses	7,500	6,291	19.22
Net profit	23,494	19,408	21.05
Of which: Net profit attributable to equity shareholders of the Bank	22,945	19,053	20.43
Net profit attributable to non-controlling interests	549	355	54.65

(I) Net interest income and net interest margin

During the reporting period, net interest income of the Group was RMB40,564 million, representing an increase of RMB2,693 million, or 7.11%, as compared with the corresponding period of previous year. The expansion in business scale contributed RMB8,918 million to the increase in net interest income and the change in interest rate caused a decrease of RMB6,225 million in net interest income.

During the reporting period, net interest margin of the Group was 2.41%, representing a decrease of 0.73 percentage point as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in interest spread and the increase in proportion of inter-bank business.

Management Discussion and Analysis

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

(Unit: RMB million)

Item	January–June 2013			January–June 2012		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Interest-earning assets						
Gross balance of loans and advances to customers	1,451,681	50,666	6.98	1,245,738	48,015	7.71
Of which: Corporate loans and advances	946,603	32,598	6.89	872,620	33,564	7.69
Personal loans and advances	505,078	18,068	7.15	373,118	14,451	7.75
Balances and placements with banks and other financial institutions (including financial assets held under resale agreements)	1,148,144	26,360	4.59	553,412	15,488	5.60
Securities and other investments	254,485	5,170	4.06	216,003	4,104	3.80
Finance lease receivables	80,004	3,506	8.76	56,799	2,400	8.45
Balances with central bank	427,176	3,316	1.55	338,321	2,574	1.52
Total	3,361,490	89,018	5.30	2,410,273	72,581	6.02
Item	January–June 2013			January–June 2012		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	2,052,250	23,548	2.29	1,653,340	19,679	2.38
Of which: Corporate deposits	1,616,229	18,719	2.32	1,356,443	16,355	2.41
Demand	610,593	2,006	0.66	574,699	2,171	0.76
Time	1,005,636	16,713	3.32	781,744	14,184	3.63
Personal deposits	436,021	4,829	2.22	296,897	3,324	2.24
Demand	111,353	210	0.38	80,405	188	0.47
Time	324,668	4,619	2.85	216,492	3,136	2.90
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	955,440	20,880	4.37	487,921	12,204	5.00
Borrowings from central bank and other financial institutions	79,305	2,025	5.11	46,161	1,427	6.18
Debt securities issued	83,633	2,001	4.79	58,976	1,400	4.75
Total	3,170,628	48,454	3.06	2,246,398	34,710	3.09
Net interest income		40,564			37,871	
Net interest spread			2.24			2.93
Net interest margin			2.41			3.14

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

Management Discussion and Analysis

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

(Unit: RMB million)

Item	Changes due to changes in scale from January–June 2012 to January–June 2013	Changes due to changes in interest rate from January–June 2012 to January–June 2013	Net changes
Changes in interest income:			
Gross balance of loans and advances to customers	7,938	-5,287	2,651
Balances and placements with banks and other financial institutions (including financial assets held under resale agreements)	16,644	-5,772	10,872
Securities and other investments	731	335	1,066
Finance lease receivables	981	125	1,106
Balances with central bank	676	66	742
Subtotal	26,970	-10,533	16,437
Changes in interest expenses:			
Deposits from customers	4,748	-879	3,869
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	11,694	-3,018	8,676
Borrowings from central bank and other financial institutions	1,025	-427	598
Debt securities issued	585	16	601
Subtotal	18,052	-4,308	13,744
Changes in net interest income	8,918	-6,225	2,693

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, the interest income of the Group was RMB89,018 million, representing an increase of RMB16,437 million, or 22.65%, as compared with the corresponding period of the previous year. The expansion in scale of interest-earning assets contributed RMB26,970 million to the increase in interest income therein. The decrease in return on interest-earning assets caused a decrease of RMB10,533 million in interest income. In respect of interest income structure, interest income from loans and advances to customers and balances and placements with banks and other financial institutions (including financial assets held under resale agreements) accounted for 56.92% and 29.61% of the total interest income, respectively.

Management Discussion and Analysis

(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 RMB50,666 million, representing an increase of RMB2,651 million, or 5.52%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances accounted for 35.66% of total loan interest income, representing an increase of 5.56 percentage points as compared with the corresponding period of the previous year, due to the significant growth of personal loans and advances business of the Group. During the reporting period, given the repricing effect resulting from the decreases in interest rates in the previous year, average return on loans and advances to customers decreased by 0.73 percentage point to 6.98% as compared with the corresponding period of the previous year.

(2) Interest income from balances and placements with banks and other financial institutions (including financial assets held under resale agreements)

During the reporting period, interest income from balances and placements with banks and other financial institutions (including financial assets held under resale agreements) of the Group was RMB26,360 million, representing an increase of RMB10,872 million, or 70.20%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase of inter-bank business's average balance.

(3) Interest income from securities and other investments

During the reporting period, interest income from securities and other investments of the Group was RMB5,170 million, representing an increase of RMB1,066 million, or 25.97%, as compared with the corresponding period of the previous year. The increase was mainly due to the adjustment of investment portfolio structure and the increase in investment.

(4) Interest income from finance lease receivables

During the reporting period, the interest income of the Group from finance lease receivables amounted to RMB3,506 million, representing an increase of RMB1,106 million, or 46.08%, as compared with the corresponding period of the previous year. The increase was mainly due to business expansion and improvement in bargaining power of Minsheng Leasing, a subsidiary of the Group.

(5) Interest income from balances with central bank

During the reporting period, interest income of the Group from balances with central bank amounted to RMB3,316 million, representing an increase of RMB742 million, or 28.83%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in balances with central bank.

2. Interest expenses

The interest expenses of the Group for the reporting period was RMB48,454 million, representing an increase of RMB13,744 million, or 39.60%, as compared with the corresponding period of the previous year. An increase of RMB18,052 million and a decrease of RMB4,308 million arose due to the expansion in scale of interest-bearing liabilities and the decrease in cost on interest-bearing liabilities, respectively. As to the components of interest expenses, the interest expenses on deposits from customers accounted for 48.60% of the total interest expenses while interest expenses on deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements) accounted for 43.09% 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 RMB23,548 million, representing an increase of RMB3,869 million, or 19.66%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion in the size of deposits from customers.

(2) Interest expenses on deposits and placements from banks and other financial institutions (including 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 (including financial assets sold under repurchase agreements) amounted to RMB20,880 million, representing an increase of RMB8,676 million, or 71.09%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth of deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements) of the Group in accordance with the arrangements for asset and liability businesses during the reporting period.

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

During the reporting period, interest expenses of the Group on borrowings from central bank and other financial institutions amounted to RMB2,025 million, representing an increase of RMB598 million, or 41.91%, as compared with the corresponding period of the previous year, which was mainly due to borrowings of the Group from central bank and increase in borrowings of Minsheng Leasing, a subsidiary of the Group.

(4) Interest expenses on debt securities issued

During the reporting period, interest expenses of the Group on debt securities issued amounted to RMB2,001 million, representing an increase of RMB601 million, or 42.93%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in debt securities issued and the issuance of convertible bonds of RMB20 billion during the reporting period.

Management Discussion and Analysis

(II) Net non-interest income

During the reporting period, net non-interest income of the Group amounted to RMB17,928 million, representing an increase of RMB4,430 million, or 32.82%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January– June 2013	January– June 2012	Increase (%)
Net fee and commission income	16,222	10,030	61.73
Other net non-interest income	1,706	3,468	-50.81
Total	17,928	13,498	32.82

1. Net fee and commission income

During the reporting period, net fee and commission income of the Group amounted to RMB16,222 million, representing an increase of RMB6,192 million, or 61.73%, as compared with the corresponding period of the previous year, which was mainly due to the increases in fee and commission income from trust and other fiduciary services, bank card services and agency services.

(Unit: RMB million)

Item	January– June 2013	January– June 2012	Increase (%)
Trust and other fiduciary services	5,688	3,115	82.60
Bank card services	3,402	2,271	49.80
Settlement services	2,376	1,693	40.34
Agency services	2,062	1,017	102.75
Credit commitments	2,090	1,367	52.89
Financial advisory services	1,393	1,092	27.56
Finance lease services	361	137	163.50
Others	45	16	181.25
Fee and commission income	17,417	10,708	62.65
Less: Fee and commission expense	1,195	678	76.25
Net fee and commission income	16,222	10,030	61.73

2. Other net non-interest income

During the reporting period, other net non-interest income of the Group was RMB1,706 million, representing a decrease of RMB1,762 million, or 50.81%, as compared with the corresponding period of the previous year, which was mainly due to the decrease in gain from disposals of bills as compared with the corresponding period of the previous year as a result of the fluctuation in market price.

Management Discussion and Analysis

(Unit: RMB million)

Item	January– June 2013	January– June 2012	Increase (%)
Net trading gain	340	597	-43.05
Of which: Gain on precious metals and other products	1,132	379	198.68
Gain on interest rate instruments	100	331	-69.79
Loss on exchange rate instruments	-892	-113	negative for the corresponding period of the previous year
Net gain arising from disposals of securities and discounted bills	997	2,871	-65.27
Of which: Net gain arising from disposals of discounted bills	750	2,731	-72.54
Net gain arising from disposals of securities	247	140	76.43
Other operating income	369	—	expenses for the corresponding period of the previous year
Total	1,706	3,468	-50.81

(III) Operating expenses

During the reporting period, operating expenses of the Group amounted to RMB20,726 million, representing an increase of 6.74% as compared with the corresponding period of the previous year. The increase was mainly due to the increases in expenses of daily operation, rental, business development, depreciation and amortization etc.. The cost-to-income ratio of the Group further improved to 28.57%, representing a decrease of 2.04 percentage points as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January– June 2013	January– June 2012	Increase (%)
Staff costs	9,098	9,522	-4.45
Business tax and surcharges	4,012	3,849	4.23
Daily operation expenses	2,077	1,469	41.39
Business development expenses	1,276	1,014	25.84
Rental expenses	1,217	825	47.52
Depreciation and amortization	973	742	31.13
Electronic equipment operating expenses	912	715	27.55
Others	1,161	1,282	-9.44
Total	20,726	19,418	6.74

Management Discussion and Analysis

(IV) Impairment losses on assets

During the reporting period, the Group recorded impairment losses on assets of RMB6,772 million, representing an increase of RMB676 million, or 11.09%, as compared with the corresponding period of the previous year. The increase was mainly due to the impairment allowances made in respect of new loans and downgraded existing loans of the Group.

(Unit: RMB million)

Item	January– June 2013	January– June 2012	Increase (%)
Loans and advances to customers	6,802	5,296	28.44
Finance lease receivables	211	40	427.50
Others	-241	760	negative for this period
Total	6,772	6,096	11.09

(V) Income tax expenses

During the reporting period, income tax expenses of the Group was RMB7,500 million, representing an increase of RMB1,209 million as compared with the corresponding period of the previous year, and the ratio of income tax expenses to profit before income tax was 24.20%.

III. Analysis of Major Items of Statement of Financial Position

(I) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB3,410,093 million, representing an increase of RMB198,092 million, or 6.17%, from the end of the previous year. The increase in total assets was mainly due to the expansion of business scale in accordance with the arrangements for asset and liability structure.

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

(Unit: RMB million)

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Gross balance of loans and advances to customers	1,484,970	43.55	1,384,610	43.11
Less: Allowance for impairment losses on loans	37,020	1.09	33,098	1.03
Net balance of loans and advances to customers	1,447,950	42.46	1,351,512	42.08
Balances and placements with banks and other financial institutions (including financial assets held under resale agreements)	1,064,743	31.22	1,048,905	32.66
Cash and balances with central bank	429,566	12.60	420,418	13.09
Securities and other investments	303,017	8.89	243,520	7.58
Property and equipment	15,233	0.45	13,631	0.42
Others	149,584	4.38	134,015	4.17
Total	3,410,093	100.00	3,212,001	100.00

Note: Securities and other investments include trading financial assets, positive fair value of derivatives and investment securities.

1. Loans and advances to customers

As at the end of the reporting period, gross balance of loans and advances to customers of the Group amounted to RMB1,484,970 million, representing an increase of RMB100,360 million, or 7.25%, as compared with the end of the previous year, and accounted for 43.55% of total assets, basically remained the same as compared with the end of the previous year.

Management Discussion and Analysis

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

(Unit: RMB million)

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances	931,027	62.70	919,034	66.37
Of which: Discounted bills	32,293	2.17	15,764	1.14
Personal loans and advances	553,943	37.30	465,576	33.63
Total	1,484,970	100.00	1,384,610	100.00

Breakdown of personal loans and advances is as follows:

(Unit: RMB million)

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Micro lending	392,010	70.77	317,470	68.19
Credit cards	84,753	15.30	66,305	14.24
Residential mortgage	66,116	11.93	71,518	15.36
Others	11,064	2.00	10,283	2.21
Total	553,943	100.00	465,576	100.00

2. Balances and placements with banks and other financial institutions (including 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 (including financial assets held under resale agreements) of the Group increased by 1.51% from the end of the previous year to RMB1,064,743 million.

3. Securities and other investments

As at the end of the reporting period, the balance of securities and other investments of the Group was RMB303,017 million, representing an increase of 24.43% as compared with the end of the previous year. The increase was mainly due to the increase in available-for-sale securities as well as loans and receivables.

(1) Compositions of securities and other investments

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

(Unit: RMB million)

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Trading financial assets	23,466	7.74	26,318	10.81
Positive fair value of derivatives	1,411	0.47	1,234	0.50
Available-for-sale securities	147,751	48.76	117,275	48.16
Held-to-maturity securities	87,658	28.93	83,653	34.35
Loans and receivables	42,731	14.10	15,040	6.18
Total	303,017	100.00	243,520	100.00

(2) Holdings of major government bonds

As at the end of the reporting period, the major government bonds held by the Group are listed below:

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date
2007 Book-entry T-bonds	1,693	3.90	23-8-2014
2008 Book-entry T-bonds	1,100	2.71	24-11-2015
2009 Book-entry T-bonds	2,779	2.26-2.29	2-4-2014 to 4-6-2014
2010 Book-entry T-bonds	7,180	2.33-3.67	19-7-2013 to 28-10-2020
2011 Book-entry T-bonds	7,859	2.82-3.60	10-3-2014 to 17-2-2016
2012 Book-entry T-bonds	1,220	3.14	16-2-2017
2013 Book-entry T-bonds	11,900	2.98-3.42	27-5-2015 to 18-4-2020
Total	33,731		

Management Discussion and Analysis

(3) Holdings of major financial bonds

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

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Impairment allowances
2010 Financial bonds	6,310	2.70–floating, 3.59 for the period	12-8-2013 to 25-2-2020	—
2011 Financial bonds	1,000	4.20	28-12-2016	—
2012 Financial bonds	16,480	3.15–4.20	24-5-2014 to 28-2-2017	—
2013 Financial bonds	9,380	3.679–floating, 5.31 for the period	8-4-2016 to 8-4-2020	—
Total	33,170			—

(4) Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	81,807	319	286
Foreign exchange forwards	18,555	158	251
Currency swaps	263,535	895	862
Precious metal derivatives	3,050	34	102
Credit derivatives	44,553	—	—
Extension options	8,300	—	—
Currency options	2,602	5	5
Total		1,411	1,506

(II) Liabilities

As at the end of the reporting period, the Group's total liabilities amounted to RMB3,218,886 million, representing an increase of 5.76% as compared with the end of the previous year. Total deposits from customers amounted to RMB2,174,975 million, representing an increase of 12.92% as compared with the end of the previous year, accounting for 67.57% of the total liabilities.

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

(Unit: RMB million)

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Deposits from customers	2,174,975	67.57	1,926,194	63.29
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	719,369	22.35	910,597	29.92
Borrowings from central bank and other financial institutions	161,333	5.01	72,135	2.37
Debt securities issued	91,589	2.85	74,969	2.46
Others	71,620	2.22	59,562	1.96
Total	3,218,886	100.00	3,043,457	100.00

1. Deposits from customers

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB2,174,975 million, representing an increase of RMB248,781 million, or 12.92%, as compared with the end of the previous year. In respect of customer structure, the proportion of corporate deposits, personal deposits, and other deposits in total deposits were 77.10%, 22.66% and 0.24%, respectively. In respect of maturity structure, the proportion of demand deposits, time deposits, and other deposits in total deposits were 34.79%, 64.97% and 0.24%, respectively.

(Unit: RMB million)

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Corporate deposits	1,676,932	77.10	1,528,562	79.36
Demand	630,024	28.97	621,592	32.27
Time	1,046,908	48.13	906,970	47.09
Personal deposits	492,945	22.66	393,774	20.44
Demand	126,671	5.82	107,861	5.60
Time	366,274	16.84	285,913	14.84
Outward remittance and remittance payables	5,098	0.24	3,230	0.17
Certificates of deposit	—	—	628	0.03
Total	2,174,975	100.00	1,926,194	100.00

Management Discussion and Analysis

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

As at the end of the reporting period, the total deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements) of the Group amounted to RMB719,369 million, representing a decrease of 21.00% as compared with the end of the previous year. The decrease was mainly due to the reduction in the business scale of inter-bank liabilities in accordance with the arrangements for liability businesses in view of the growth in deposits from customers, and the fact that certain inter-bank deposits will not be conducted at maturity under the influence of the money market.

(III) Shareholders' equity

As at the end of the reporting period, total shareholders' equity of the Group amounted to RMB191,207 million, representing an increase of RMB22,663 million, or 13.45%, as compared with the end of the previous year. Total equity attributable to the shareholders of the Bank amounted to RMB185,116 million, representing an increase of RMB22,039 million, or 13.51%, 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	30 June 2013	31 December 2012	Increase (%)
Share capital	28,366	28,366	—
Capital reserve	49,229	45,714	7.69
Surplus reserve	14,568	12,330	18.15
General reserve	42,397	39,480	7.39
Investment revaluation reserve	-590	-427	negative for the end of the previous year
Retained earnings	51,150	37,615	35.98
Exchange reserve	-4	-1	negative for the end of the previous year
Total equity attributable to equity shareholders of the Bank	185,116	163,077	13.51
Non-controlling interests	6,091	5,467	11.41
Total	191,207	168,544	13.45

(IV) Off-balance sheet items of statement of financial position

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

(Unit: RMB million)

Item	30 June 2013	31 December 2012	Increase (%)
Bank acceptances	609,277	586,654	3.86
Letters of credit	125,710	134,985	-6.87
Guarantees	86,466	68,488	26.25
Re-factoring	54,195	33,600	61.29
Unused credit card commitments	32,949	25,722	28.10
Irrevocable loan commitments	2,743	4,001	-31.44
Finance lease commitments	1,675	3,850	-56.49
Capital commitments	11,415	11,881	-3.92
Operating lease commitments	10,996	8,534	28.85

(V) Market share of major products and services

According to the Summary of Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) (《金融機構本外幣信貸收支月報表》) released by the PBOC, among nine national joint-stock commercial banks in China, the market share of total deposits and personal deposits of the Company were 12.95% and 13.59%, respectively, as at the end of the reporting period. The market share of total loans, loans excluding discounted bills and personal loans of the Company were 12.76%, 12.81% and 16.60%, 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.)

IV. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	213,074	14.35	208,160	15.03
Real estate	140,834	9.48	147,958	10.69
Wholesale and retail	140,493	9.46	123,031	8.89
Leasing and commercial services	94,230	6.35	98,453	7.11
Mining	82,368	5.55	81,405	5.88
Transportation, storage and postal service	60,337	4.06	63,936	4.62
Construction	40,394	2.72	39,411	2.85
Water, environment and public utilities management	34,152	2.30	31,551	2.28
Financial services	31,705	2.14	18,415	1.33
Public administration, social security and social organizations	30,916	2.08	30,014	2.17
Production and supply of electric power, heat, gas and water	19,373	1.30	20,132	1.45
Accommodation and catering	12,422	0.84	13,056	0.94
Agricultural, forest, animal husbandry and fishery	9,874	0.66	7,586	0.55
Others	20,855	1.41	35,926	2.58
Subtotal	931,027	62.70	919,034	66.37
Personal loans and advances	553,943	37.30	465,576	33.63
Total	1,484,970	100.00	1,384,610	100.00

(II) Geographical distribution of loans*(Unit: RMB million)*

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Northern China	437,343	29.45	399,760	28.87
Eastern China	494,398	33.29	476,551	34.42
Southern China	160,658	10.82	147,305	10.64
Other regions	392,571	26.44	360,994	26.07
Total	1,484,970	100.00	1,384,610	100.00

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

(III) Classification and percentage of loans by types of collateral*(Unit: RMB million)*

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Unsecured loans	242,102	16.30	195,313	14.11
Guaranteed loans	532,264	35.85	474,570	34.27
Loans secured by				
— tangible assets				
other than monetary				
assets	524,937	35.35	548,463	39.61
— monetary assets	185,667	12.50	166,264	12.01
Total	1,484,970	100.00	1,384,610	100.00

Management Discussion and Analysis

(IV) Top ten borrowers

As at the end of the reporting period, the aggregate outstanding loans to the top ten borrowers of the Group was RMB33,653 million, accounting for 2.27% of the total loans. The top ten borrowers of the Group were Chaoyang Branch of Beijing Centre for Land Consolidation Reserve (北京市土地整理儲備中心朝陽分中心), Beijing Centre for Land Consolidation Reserve (北京市土地整理儲備中心), Yunnan Zhonghao Real Estate Co., Ltd. (雲南中豪置業有限責任公司), Shanghai Lingang New City Land Reserve Centre (上海臨港新城土地儲備中心), Chengdu Investment Holding Group Co., Ltd. (成都投資控股集團有限公司), Ordos State-owned Asset Investment Holdings Group Co., Ltd. (鄂爾多斯國有資產投資控股集團有限公司), Shunyi District Branch of Beijing Centre for Land Consolidation Reserve (北京市土地整理儲備中心順義區分中心), Nanjing Xinyu Real Estate Development Co., Ltd. (南京新宇房產開發有限公司), Lanhai Caofeidian Company Limited (藍海曹妃甸有限公司) and Cangzhou Port Group Co., Ltd. (滄州港務集團有限公司).

(V) Five-category classification of credit assets

(Unit: RMB million)

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Performing loans	1,473,416	99.22	1,374,087	99.24
Of which: Pass	1,451,878	97.77	1,356,997	98.01
Special-mention	21,538	1.45	17,090	1.23
Non-performing loans	11,554	0.78	10,523	0.76
Of which: Substandard	7,878	0.53	6,444	0.47
Doubtful	2,668	0.18	2,676	0.19
Loss	1,008	0.07	1,403	0.10
Total	1,484,970	100.00	1,384,610	100.00

(VI) Migration ratio of loans

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

(Unit: %)

Item	30 June 2013	31 December 2012	31 December 2011
Pass	1.18	1.98	1.20
Special-mention	25.45	11.99	26.79
Substandard	22.07	8.78	17.50
Doubtful	14.10	19.29	2.96

(VII) Restructured loans and overdue loans*(Unit: RMB million)*

Item	30 June 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Restructured loans	1,186	0.08	1,227	0.09
Overdue loans	27,754	1.87	18,924	1.37

Notes:

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

(VIII) Changes in allowance for impairment losses on loans*(Unit: RMB million)*

Item	30 June 2013	31 December 2012
Balance as at the beginning of the period	33,098	26,936
Charge for the period	7,876	9,537
Release during the period	-1,074	-1,206
Transfer out	-389	-402
Write-offs	-2,622	-1,881
Recoveries	352	448
Unwinding of discount	-216	-334
Exchange gain or loss	-5	—
Balance as at the end of the period	37,020	33,098

Method for assessing allowances for impairment losses on loans:

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

Management Discussion and Analysis

(IX) Impaired loans and related measures

As at the end of the reporting period, the Group had impaired loans of RMB11,554 million. The impaired loan ratio was 0.78%, increased by 0.02 percentage point as compared with the end of the previous year.

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

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

V. Analysis of Capital Adequacy Ratio

The Group calculated its capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (the “New Measure”) promulgated by the CBRC in 2012 and other relevant regulatory provisions. The capital adequacy ratio covers the Company and financial institutions directly or indirectly invested by the Company in accordance with the requirements of the New Measure. As at the end of the reporting period, the capital adequacy ratio, core tier-one capital adequacy ratio and tier-one capital adequacy ratio of the Group satisfied the regulatory requirements of the New Measure of the CBRC for the transition period.

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

(Unit: RMB million)

Item	30 June 2013	
	The Group	The Company
Net core tier-one capital	189,960	178,292
Net tier-one capital	190,082	178,292
Net capital base	239,616	225,512
Core tier-one capital	190,759	182,730
Core tier-one capital deductions	-799	-4,438
Other tier-one capital	122	—
Other tier-one capital deductions	—	—
Tier-two capital	50,134	47,820
Tier-two capital deductions	-600	-600
Total risk-weighted assets	2,415,512	2,298,639
Of which: Credit risk-weighted assets	2,235,099	2,123,020
Market risk-weighted assets	30,637	30,637
Operational risk-weighted assets	149,776	144,982
Core tier-one capital adequacy ratio (%)	7.86	7.76
Tier-one capital adequacy ratio (%)	7.87	7.76
Capital adequacy ratio (%)	9.92	9.81

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

Item	30 June 2013	
	The Group	The Company
Core capital adequacy ratio (%)	8.20	8.16
Capital adequacy ratio (%)	11.66	11.64

VI. Segment Report

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

(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	1,949,872	26,504	14,687
Eastern China	1,015,255	13,873	6,693
Southern China	430,701	7,734	4,491
Other locations	795,669	10,381	5,123
Inter-segment elimination	-792,039	—	—
Total	3,399,458	58,492	30,994

Note: Inter-segment elimination refers to the consolidated 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	1,627,065	30,356	18,275
Personal banking business	552,145	14,418	3,801
Treasury business	1,108,248	11,511	7,327
Other business	112,000	2,207	1,591
Total	3,399,458	58,492	30,994

VII. 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 part of the 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 relevant departments to specific responsibilities for fair value management so as to continuously strengthen research into the valuation of its asset and liability businesses and improve internal valuation capabilities. The Company will also refine in stages its valuation models and systems to verify prices obtained externally. Moreover, the Company has implemented internal control measures over the process of fair value measurement, including double-checking on price enquiry and confirmation, and adopting a dual signature mode by person-in-charge and reviewer for the fair value measurement process to be effected. In the meantime, the Internal Audit Department plays an active role in the rectification of identified issues through monitoring and examination of fair value scoping, methodology and procedures, so as to improve internal control within the Company.

2. Items measured at fair value

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

Management Discussion and Analysis

(Unit: RMB million)

Item	Opening balance	Gain/Loss from fair value changes for the period	Accumulated fair value changes charged	Impairment allowance for the period	Closing balance
Financial assets					
Of which: Trading financial assets	26,318	6	—	—	23,466
Positive fair value					
of derivatives	1,234	177	—	—	1,411
Available-for-sale securities	117,150	—	-590	—	147,606
Total	144,702	183	-590	—	172,483
Financial liabilities					
Of which: Negative fair value					
of derivatives	1,335	171	—	—	1,506
Total	1,335	171	—	—	1,506

(II) Overdue and outstanding liabilities

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

VIII. Performance of Key Business Lines

(I) Corporate banking

In the reporting period, the Company took initiatives to respond to changes in operating and regulatory environments. Targeting on building itself into a distinctive and efficient bank in its operations, the Company focused on the implementation of strategies relating to NSOEs and promotion of the Financial Stewardship services. Aiming at expanding the financial asset base of corporate banking business, the Company continued to strengthen its customer base, business foundation and professional team building, and enhanced product and service innovation. It also continued to promote structural adjustment and growth method transformation along with its development.

1. Customer base of corporate banking

In the reporting period, the Company adopted the strategy of positioning itself as a “bank for NSOEs” and continued to expand its customer base with the following measures: (1) the Company took various means and measures to expand into new markets and develop new customers to further enhance the corporate customer base; and (2) leveraging the needs arising from the transformation of the national economy and its business, the Company sped up the development of strategic NSOE customers and continuously refined and popularized its Financial Stewardship services pattern. At the same time, to overcome the unfavourable factors of the downturn of the economy, the Company also exerted its efforts in optimizing the quality of customers and developing customers in a batch manner mainly through providing financial services to the industry chain and supply chain in order to increase the total number of customers, adjust its customer structure and improve risk prevention.

As at the end of the reporting period, the Company had 16,203 customers with outstanding general corporate loans, and 0.343 million customers with outstanding corporate deposits, representing increases of 0.73% and 19.18% as compared with the end of the previous year, respectively. Along with the expansion of customer base, the average balance of outstanding loans per corporate account was RMB54 million, and the loan concentration maintained at relatively low level. The customer structure continued to be optimized.

In the reporting period, the Company continued to cooperate with the ACFIC, chamber of commerce of the private sector and industry associations for implementing its NSOE strategy. With the goal of “professional team building, strategy recognition, integrated finance and value creation”, the Company selectively chose the strategic NSOE target clients, set up dedicated Financial Stewardship service team to plan and implement integrated financial service solutions, including industry chain financing, issuance of debt financing instruments, structured financing and cash management, for its customers, based on their demands for strategic development and financial services. The Company proactively cultivated and established the core NSOE customer base of long-term strategic partnership by implementing the Financial Stewardship service model. In the reporting period, the Company continued to assist the ACFIC in organising the “Press Conference on China’s Top 500 NSOEs” (中國民營企業500強發佈會) again and announced the top 500 NSOEs, top 500 manufacturers and top 100 service providers of service industry in China. The Company provided integrated financial service solutions, including industry chain financing, issuance of debt financing instruments, structured financing, and cash management to many of those customers.

Management Discussion and Analysis

As at the end of the reporting period, the Company had 13,655 NSOE customers with outstanding loan balances, and outstanding general loans of NSOEs amounted to RMB518,950 million. In corporate banking business, the number of NSOE customers with outstanding loans accounted for 84.27% and the relevant general loan amount accounted for 59.66%.

2. Corporate loans

In the reporting period, being committed to its mission of “developing distinctive businesses, restructuring, preventing risks and maintaining steady development”, the corporate loan business of the Company closely monitored the macro-economic environment and market changes in response to the risks associated with cyclical economic downturn, and enhanced the risk management of key businesses. The Company controlled the growth and extension of loans on a rational basis to boost its distinctive business development. It catered for the new demands from customers through direct financing instruments, and further enhanced the utilization of its existing assets to optimize its loan structure and accelerate the turnover of assets. The development of business capabilities was sound and the asset quality remained stable.

As at the end of the reporting period, outstanding corporate loans (including discounted bills) of the Company amounted to RMB923,909 million, representing an increase of RMB10,812 million, or 1.18%, as compared with the end of the previous year. Of which, outstanding general corporate loans amounted to RMB869,875 million, representing a decrease of RMB3,162 million, or 0.36%, as compared with the end of the previous year. Impaired corporate loan ratio of the Company was 0.90%.

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

- (1) According to the direction of the “12th Five-Year Plan” and the industrial and financial policies of China, the Company focused its attention on industries and business areas related to urbanization, industrial transformation and upgrade, and customer consumption upgrade. Via innovating business models, the Company further expanded the development of distinctive businesses such as stone materials, marine fishery and tea for advancing the business transformation.

- (2) The Company strictly restricted the extension of loans to industries with high pollution and energy consumption and excessive production capacity, overlapping construction projects with low quality and government financing platform business in accordance with the requirements of the government's macro-economic readjustment and control and regulatory policies to prevent credit risks effectively.
- (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 main business, excellent management, sound financial position, high operational efficiency and bright prospects in order to further optimize customer structure.
- (4) The Company enhanced the integration and innovation of credit products and promoted the development of self-liquidating credit business to mitigate its risks effectively through closed operation of funds and self-liquidating procedures. It also provided flexible credit product portfolios including commercial bills, transaction finance and trade finance as well as integrated credit facilities to meet the financing demand of customers. In these ways, the Company continued to optimize its credit structure and steadily increase the revenue from credit business.

In the reporting period, the Company reinforced the professional risk prevention and control platform. While constantly strengthening its prudent and standardized operation, the Company also exerted its efforts in the development of bill products, services and processes in order to satisfy the financial needs of industrial corporate customers. The Company pushed forward bill business innovations and promoted the “commercial bills for real economy” to boost the development of commercial bills in regionally distinctive industries, which further satisfied customers’ needs for diversified financial products and enhanced the financial service support to SMEs and MSEs. The Company also enhanced the establishment of the professional platform and service system of bill business and formed a professional team to improve the professional service capability such as the design of integrated bill solution. As a result, the overall financing cost of customers was effectively reduced and better service was provided to the customers of basic real economy. In the reporting period, the business volume of direct discounted bills amounted to RMB692,918 million, of which, the business volume of direct discounted commercial bills amounted to RMB134,849 million, representing increases of 54.10% and 57.63% respectively as compared with the corresponding period of the previous year.

Management Discussion and Analysis

3. Corporate deposits

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

As at the end of the reporting period, the balance of corporate deposits of the Company was RMB1,664,874 million, representing an increase of RMB146,920 million, or 9.68%, as compared with the end of the previous year. In the reporting period, 42,904 new corporate deposit customers of the Company brought a growth of RMB94,727 million in deposits, which accounted for 64.48% of the net increase in corporate deposits.

In the reporting period, the Company continued to strengthen its trading finance business. The Company formulated specific plans and introduced innovative models for the business development and restructuring. It proactively expanded the customer base in a batch based manner. Overall sales to large customers and SME and MSE customers were boosted by streamlining industry chains, which contributed to rapid growth of the business. The trading finance business has become a brand business of the Company in improving business structure, stabilizing growth of deposits and increasing integrated revenue. In the reporting period, the trading finance business volume of the Company amounted to RMB589,456 million, representing an increase of 13.12% as compared with the corresponding period of the previous year. As at the end of the reporting period, the Company had 12,469 existing customers with balance of deposits of RMB251,261 million, representing increases of 10.46% and 9.62%, as compared with the end of the previous year, respectively. The Company maintained its leading position among its peers with the balance of its trading finance business amounting to RMB275,678 million.

In the reporting period, the Company consistently sped up the development of cash management products and systems. It successfully developed and launched various new products such as Settlement Pass (結算通), Member Pass (會員通), Account Division Pass (分賬通), E-payment (E支付), Smart Account (智能賬戶) and Group Synergy Account (集團聯動賬戶). The Company emphasized the development of core customers in industry chains, commercial circles, customers in trading places and electronic settlement platforms, core customers in major trading and logistics industries and their upstream and downstream customers. As at the end of the reporting period, the number of customers using key cash management products of the Company was 165,532 and the daily average customer deposits amounted to RMB604,967 million.

4. Corporate non-interest income business

In the reporting period, subject to compliance requirements, the Company integrated the development of intermediary business with the expansion of financial asset base. The Company strengthened its service-oriented intermediary business and expanded the scale of trade settlement, custody and fund monitoring services so as to secure the stable growth of revenue on basic intermediary business. It also used the issuance of debt financing instruments, trust wealth management and led syndicated loans to boost the continuous growth of fee and commission income from its direct financing business. In addition, the Company actively developed its intelligence-based intermediary business by integrating financial instruments of direct and indirect financing and asset management. Through the business platform and channels of the Company and other non-banking financial institutions, the Company provided integrated financial services including fund financing, wealth management and wealth advisory to the customers. The combined effect of innovative products and services and the diversified business model boosted rapid increase in net fee and commission income of the corporate business segment in the reporting period. The aggregated amount of net fee and commission income was RMB8,618 million, representing an increase of 62.57% as compared with the corresponding period of the previous year.

In respect of the commercial bank's investment banking business, the Company offered customers, particularly strategic NSOEs, comprehensive financial services focusing on investment and financing. The Company continued to improve its product and service systems and make innovations, and expand the span of its products and services. It focused on broadening varieties of direct financing and asset management products in the capital market and enriching consultation and financial advisory services. It also enhanced its capacities of program integration and design and strengthened the integrated efficiency of professional platforms comprehensively. The Company established its professional teams, further standardized the business management and operation model, and exerted more effort in duplicating and promoting its successful business modes.

In respect of debt financing instruments, by grasping market opportunities, the Company targeted at medium-sized quality customers, particularly strategic NSOEs, exerted its efforts to develop collective bills, short-term financing bonds and medium-term bills for SMEs, and focused on product innovations such as urban distinctive bonds, asset-based bills, high yield bonds, convertible bonds and revolving bonds. In the reporting period, 101 short-term financing bonds, medium-term bills, super short-term financing bonds, targeted instruments and regional optimized bills, totaling RMB75,605 million, were issued. In particular, the first batch of bonds issued through agency service in the amount of RMB3.5 billion for supporting MSEs was highly recognized and welcomed by the industry.

Management Discussion and Analysis

In respect of the asset custody business, capitalizing on the opportunity arising from the market trend of large-scale asset custody, the Company focused on key products in industry chain and cash chain. It established platforms for cooperation between the Bank and funds, securities, insurance, other banks and trusts by integrating internal and external resources to continuously strengthen the business model of “custody and agency”. The Company consolidated its basic custody business such as securities investment fund and trust property custody, rapidly expanded the businesses of asset management and custody for funds and securities companies and insurance funds, and promoted equity investment fund and transaction fund custody. As such, the asset custody business of the Company achieved rapid growth. As at the end of the reporting period, the assets held by the Company as custodian (including safekeeping) amounted to RMB1.39 trillion, representing an increase of 40.44% as compared with the end of the previous year.

In respect of pension business, the Company put strategic emphasis on its development. Based on personal account management and pension asset custody, the Company continued its pension product innovation. It put more efforts into the integration of resources of the Company to build comprehensive financial service platform for pension service, so as to develop new business variety. As at the end of the reporting period, 128,594 corporate annuity accounts were managed by the Company, representing an increase of 6.00% as compared with the end of the previous year. The corporate annuity funds under custody amounted to RMB7,886 million, representing an increase of 13.75% as compared with the end of the previous year.

5. Operation of the SBUs

In the reporting period, the business segments in which the SBUs of the Company operate were subject to the influence of the macro-economic environment and the industry landscape. The SBUs responded prudently by strengthening overall risk prevention and avoiding unnecessary pursuit of growth in scale. The SBUs also strived to develop the Financial Stewardship service model with a focus on the expansion of financial assets and financial services in line with NSOE strategies. All lines of business at SBUs achieved positive growth and asset quality maintained a good level.

(1) Real Estate Finance SBU

In the reporting period, the Real Estate Finance SBU of the Company actively responded to the market condition in real estate industry under the government’s austerity measures. It strived to maintain proactive, stable and prudent operation, stepped up market monitoring and risk management, and strengthened the innovation of products and service models. By granting credit facilities for merger and acquisition and value-related loans, involving in property merger and acquisition funds, investing in combined property funds and engaging in agency sales of asset management plans, the Real Estate Finance SBU enhanced the level of professional services and consolidated its cooperation with core customers. Through optimizing its business, customer and revenue structure, its asset quality remained stable.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Real Estate Finance SBU amounted to RMB61,801 million and RMB101,062 million, representing an increase of 9.08% and a decrease of 9.33% as compared with the end of the previous year, respectively. The impaired loan ratio was 0.42% and the net non-interest income amounted to RMB430 million.

(2) Energy Finance SBU

In the reporting period, in the face of the downturn of the coal industry and the new conditions brought by the challenging market environment and intensifying peer competition, the Energy Finance SBU of the Company closely monitored market development and identified potential risks. While consolidating a customer structure emphasizing strategic NSOE customers, it actively explored new business opportunities. Efforts were made to develop key businesses such as credit facilities for merger and acquisition, bond financing, financial management and trade finance and transformation of its development model was carried out at the appropriate time. In the reporting period, the Energy Finance SBU approved RMB7,309 million loans for merger and acquisition in aggregate. It also issued 12 debt financing instruments for non-financial enterprises and 37 wealth management projects in the amount of RMB12,950 million and RMB13,800 million, respectively.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Energy Finance SBU amounted to RMB64,191 million and RMB100,074 million, representing decreases of 5.26% and 5.59% as compared with the end of the previous year, respectively. The impaired loan ratio was 0.52% and the net non-interest income amounted to RMB552 million.

(3) Transportation Finance SBU

In the reporting period, in light of the unfavourable conditions such as the declining prosperity index of shipping industry, the Transportation Finance SBU of the Company focused on the customer base of Financial Stewardship and further improved its business structure and profitability through effective measures including improving existing assets, refining customers categorization management and optimizing product portfolio while ensuring its asset quality. The Transportation Finance SBU implemented development strategies for the automobile industry that focused on supporting group distributors which engaged in high-end brand business and had steady performance growth. It strived to formulate a sustainable development model that covered the whole industry chain of automobile and accelerated the development of business models for port industry chain and railway transportation.

Management Discussion and Analysis

As at the end of the reporting period, the deposit balance and outstanding general loans of the Transportation Finance SBU amounted to RMB53,127 million and RMB51,474 million, representing increases of 12.12% and 7.28% as compared with the end of the previous year, respectively. The impaired loan ratio was 1.04% and the net non-interest income amounted to RMB539 million.

(4) Metallurgy Finance SBU

In the reporting period, in the face of unfavourable external conditions including the sluggish metallurgy industry, sharp shrinkage of profitability and increasing losses of operations, the Metallurgy Finance SBU optimized its business and management process and enhanced the ability of its professional team. It continued cultivating core customers, such as NSOEs, and explored new business model. By fully utilizing social resources, it also actively expanded wealth management and bond issuance business to further broaden financing channels for customers. Continuous efforts were made to carry out direct discounted commercial bills business and exploration of new profitability to achieve steady profit growth.

As at the end of the reporting period, the deposit balance and outstanding general loans of the Metallurgy Finance SBU amounted to RMB35,857 million and RMB31,642 million, representing decreases of 20.09% and 22.70% as compared with the end of the previous year, respectively. The impaired loan ratio was 0.72%, and the net non-interest income amounted to RMB390 million.

(5) Trade Finance SBU

In the reporting period, the Trade Finance SBU of the Company continued to develop with the concept of “becoming a professional service provider of distinctive trade finance”, the brand of “Trade Financier” (貿易金融家), and the principle of “emphasizing smart financing and gathering resources”. The Trade Finance SBU expanded room for its business development through distinctive operations and continuous innovation, established a consolidated customer base with global top 500 enterprises and leading domestic NSOEs as strategic customers and medium-sized NSOEs as foundation. As at the end of the reporting period, the Trade Finance SBU established 31 branches in 31 cities in China. Outstanding loans denominated in RMB and foreign currencies of the Trade Finance SBU amounted to RMB14,133 million and US\$5,356 million respectively. The net non-interest income amounted to RMB3,822 million.

In the reporting period, the Trade Finance SBU maintained rapid growth by conducting structured trade finance businesses including “going international” finance, long-term order financing, ship financing and bulk commodity financing. In regard to the “going international” business, the sectors and project types covered in the overseas investment business were expanding with diversified financing models. With the continuous expansion of privatization business scale, market development, risk control and financing structure became more mature. The Trade Finance SBU also made breakthroughs in foreign project contracting business in new energy industry and traditional power industry. Under the current market condition, it made more efforts to conduct research and development on marine engineering equipment market of ship financing business while developing the agency business of transportation equipment financing for its peers which effectively increased the deposits in domestic and foreign currencies. As for long-term order financing business, medical equipment import financing is expected to become a new growth point based on the result of special research on the market. Based on the philosophy of “Commercial Banking + Investment Banking”, it carried out bulk commodity financing business by capitalizing on domestic and overseas synergistic effects and joined hands with the Hong Kong Branch to launch a brand of CFM (Commodity Finance Manager) for structured business of bulk commodity, bringing successful results in structured prepayment financing business which boasted promising prospect.

In the reporting period, the factoring businesses of the Trade Finance SBU continued to take the leading position among domestic banks. The volume of factoring business amounted to RMB69,800 million, representing an increase of 8.24% as compared with the corresponding period of the previous year, and a total volume of 0.1022 million transactions were recorded, in which, the volume of international dual factoring business amounted to US\$731 million, ranking the second among domestic peers. A total of 0.0128 million transactions of international dual factoring business were recorded, ranking the first among domestic peers. Its innovative factoring businesses, such as forfeiting business and factoring asset securitization, are expected to become the major products in industry chain development.

In the reporting period, the Trade Finance SBU closely focused on industry chains and supply chains, and provided all-round and professional product services to the industry chain integration throughout the Bank with full range of financial service solutions such as supply chain capital management and investment and financing services. It also developed the industry chain financing targeting at customers of Hua Shan Club and the Financial Stewardship. Currently, Hua Shan Club has 34 enterprise members.

Management Discussion and Analysis

During the reporting period, the rapid and healthy development of the trade finance business attracted attention from domestic and international media of the financial industry. The Company was awarded “The Best Trade Finance Bank in China (中國最佳貿易金融銀行獎)” by The Asian Banker. The innovative financial product series, namely TSF and Integrated Pool (撮合池), were ranked among Top Ten Innovative Financial Products in Corporate Banking (對公業務十佳金融產品創新獎) by The Chinese Banker (《銀行家》).

(II) Retail business

In the reporting period, the Company continuously carried out the retail transformation of branches with an emphasis on MSE finance to boost the growth of traditional retail business. Through comprehensive branch transformation, especially the reform of MSE finance business model, the growth of retail banking business was accelerated. Its MSE finance business maintained the leading position in the industry with strong growth in financial assets and savings deposit.

As at the end of the reporting period, the financial assets of personal customers managed by the Company amounted to RMB791,252 million, of which, balance of savings deposit was RMB487,493 million. Outstanding personal loans amounted to RMB547,642 million, of which, outstanding MSE loans was RMB386,025 million. The growth rates of financial assets, savings deposit and MSE loans increased significantly as compared with the corresponding period of the previous year. As at the end of the reporting period, balance of savings deposit accounted for 22.60% of total deposits of the Company, representing an increase of 2.23 percentage points as compared with the end of the previous year. Personal loans accounted for 37.22% of total loans of the Company, representing an increase of 3.68 percentage points as compared with the end of the previous year. In the face of the rapid business growth and the complicated operation environment of MSEs, the Company improved its professional risk control level. In the reporting period, the asset quality of its MSE business remained stable.

1. MSE finance

During the reporting period, the Company sped up its MSE business process restructuring and promoted the new MSE business mode of centralized sales and marketing at branches. MSE finance achieved rapid development in the midst of transformation.

During the reporting period, the MSE finance business maintained a rapid growth. As at the end of the reporting period, MSE loans increased by RMB69,074 million, or 21.79%, as compared with the end of the previous year, representing 3.80 times of that of the corresponding period of the previous year, with an average monthly increase of over RMB10,000 million.

During the reporting period, the Company endeavored to enhance MSE settlement, increase the number of “loan-free” customers and raise the self-sufficiency ratio of capital for MSE finance. The installed capacity of “Happy Payment” (樂收銀) further increased to over 400,000 units in 0.3956 million merchants with stable transaction volume of above RMB250 billion per month and an activation rate of 62.89%. In the reporting period, the number of MSE customers increased by 0.4638 million to around 1.4561 million.

During the reporting period, as the Company promoted the MSE business mode of centralized sales and marketing at branches, MSE customer and team resources of branches were integrated rapidly and effectively with a clearer positioning of branches in regional markets, positioning of retail branches and positioning of construction of specialized branches. In addition to the rapid growth of MSE asset business, the customer structure was further optimized. The concentration of MSE loans reduced while the balance of MSE loans per account decreased at a rate of RMB10,000 to RMB20,000 per month. The percentage of customers with outstanding loans over RMB3 million decreased from 53.44% as at the end of the previous year to 49.78% as at the end of the reporting period. The percentage of customers with outstanding loans of RMB1 million (inclusive) to RMB3 million increased from 39.75% to 42.99%, while the percentage of customers with outstanding loans below RMB1 million increased from 6.81% to 7.23%.

During the reporting period, the Company implemented a new risk management system for MSE finance to move risk prevention to an earlier stage and enhance the role of MSE business planning in credit approval. The role of the head office changed from project approver to plan approver and it granted branches with full authority to implement the plans. Moreover, centralized assessment and operation platform was established in branches to standardize assessment criteria, formulate decision-making procedures for assessment and accelerate the restructuring of MSE business process. During the reporting period, in the face of rising operating pressure and increasing risk exposure of MSEs, the Company further improved its after-sale service and reinforced the establishment of back-office supervisory system. The Company also actively conducted risk warning and strengthened the disposal of non-performing assets to effectively restrain the increase in the impaired loan ratio. As at the end of the reporting period, the impaired loan ratio of MSE loans of the Company was maintained at a lower rate, 0.47%.

Management Discussion and Analysis

2. Traditional finance

During the reporting period, following the strategy of “targeting at MSEs and freeing up two wings” set out in the “Second Five-Year Outline” (二五綱要) of the Company, traditional retail business marked substantial improvement driven by MSE finance business with top growth rate among other similar joint-stock banks. During the reporting period, the Company’s balance of savings deposit increased by RMB98,255 million, or 25.24%, as compared with the end of the previous year, representing 2.09 times of the growth of the corresponding period of the previous year. Savings deposit became an important low-cost source of liabilities of the Company as its proportion to total deposits increased.

During the reporting period, on the one hand, the Company sped up the comprehensive improvement of MSE financial assets by taking the roles as a cash manager for MSEs, a wealth manager for families and groups of MSE owners and an expert of wealth management consultant for high-end retail customers. On the other hand, the Company propelled the rapid growth of wealth assets by developing asset management business and accelerated the improvement of wealth management platform. Emphasis was placed on the capabilities of customization and targeted sales of wealth management products. During the reporting period, financial assets of retail customers under the management of the Company increased rapidly with the growth of RMB138,872 million, or 21.29%, as compared with the end of the previous year, representing 1.63 times of that of the corresponding period of the previous year.

During the reporting period, the Company further strengthened its retail customer base and optimized the customer structure. As at the end of the reporting period, the Company had a total of 27.3755 million retail customers, representing an increase of 2.4699 million, or 9.92%, as compared with the end of previous year. In particular, the number of customers with personal financial assets of over RMB500,000 reached 0.2802 million, representing an increase of 0.0466 million, or 19.95%, as compared with the end of the previous year, which was 1.56 times of the growth of the corresponding period of the previous year.

During the reporting period, the Company continued to offer all-round financial management services covering wealth management, funds and insurance. The Company had a total of 34.7471 million debit cards in issue, including 2.8061 million cards issued during this period, representing 1.70 times of that of the corresponding period of the previous year. The number of funds offered under its agency services reached 1,199, a leading number among its peers in the industry. The Company also entered into cooperation agreements with 32 insurance companies to further expand its insurance agency selling platform.

3. Products and services

During the reporting period, the Company accelerated improvements on products and service upgrades with a focus on supporting the strategic transformation of retail business. Firstly, the Micro Loan 1.0 was launched to integrate internal and external resources and improve regular indicators. On-line score card was also introduced to support the frontline sales of sub-branches. Micro loan referred to the RMB credit loan of up to RMB500,000 granted to a natural person by the Company. Secondly, eight series of standard products have been launched for MSE credit business to support standardization and scaled development of MSE credit business, as well as integration of industry chains. Thirdly, innovation of MSE payment and settlement products was enhanced with the new product series of “Partner Pass, Logistics Pass and Distribution Pass” (夥伴通、物流通、經銷通) launched under the Happy Payment (樂收銀) platform. Fourthly, traditional debit card was further innovated with the launch of a single card which featured both deposit and lending functions and Buddhism themed card under the name of “Yuan Card” (緣卡). Fifthly, the Company successfully developed the mobile payment product of “Happy Touch” (樂碰) which featured three major services, namely, “Happy Collection” (樂收), “Happy Payment” (樂付) and “Happy Convenience” (樂惠), to enrich the mobile payment services of the Company.

4. Credit card business

As at the end of the reporting period, the aggregate number of credit cards of the Company in issue was 16.0174 million, of which, 1.3969 million were newly issued during the reporting period. Transaction volume of credit card business was RMB224,365 million, representing an increase of 83.06% as compared with the corresponding period of the previous year. Account receivables amounted to RMB84,753 million, representing an increase of 27.82% as compared with the end of previous year. The fee and commission income amounted to RMB3,188 million, representing an increase of 51.38% as compared with the corresponding period of the previous year.

During the reporting period, the Credit Card Centre adhered to the “customer-centric, market-oriented and innovation-driven” operation philosophy and identified potential opportunities in the market in accordance with market and customer needs. In respect of products, the Company actively promoted the Tongbao Wealth Management Card (通寶理財卡) to cater for the needs of MSE owners and the Minsheng Shangri-La Co-branded Credit Card to satisfy high-end business travellers. In respect of value-added services, the Company introduced brand-new Minsheng Hengjiang Health Management Centre (民生恆江健康管理中心), golf tournaments, value-added tennis service, skincare services and high-end salons to provide customers with comprehensive value-added services covering all aspects of life from clothing and food to accommodation and travelling. In respect of marketing, the Company successfully cooperated with the film industry in market promotion through the film “Finding Mr. Right”. A large-scale cross-industry and co-branded marketing activity “Taiwan Tour for 100 Thousand Minsheng Credit Card Users” (十萬民生

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信用卡客戶寶島游) was organized with a number of rewards and offers provided by the Company, travel agencies and international card issuers to the cardholders, which further improved the brand recognition of the credit card of the Company. During the reporting period, the Credit Card Centre received the “Risk Management Technology Achievement Award” (風險管理技術成就獎) under the award programme for financial service industry by The Asian Banker, which was the highest honour for the financial industry in the Asian-Pacific region.

(III) Private banking business

During the reporting period, the Company made new breakthroughs in products in respect of asset allocation, featured funds and industry funds by prioritizing customers’ needs and actively coordinating internal and external platforms in response to the policy changes. These efforts were made to continuously satisfy the long and short term investment needs of private banking customers. The Company further expanded financing channels by establishing matching business platforms, high-end credit channels and overseas trust business while securing the target group of wealthy family customers. The Company offered comprehensive stewardship services to wealthy family customers and their wealth by leveraging its unique and premium non-financial services so as to develop the Company as a top-notch domestic private banker service brand.

As at the end of the reporting period, the private banking financial assets under the management of the Company amounted to RMB172,857 million, representing an increase of RMB44,687 million, or 34.87%, as compared with the end of previous year. The number of private banking customers exceeded 12,000, representing an increase of 2,945, or 31.37%, as compared with the end of previous year. During the reporting period, the net fee and commission income of private banking business amounted to RMB660 million, representing an increase of RMB368 million, or 126.03%, as compared with the corresponding period of the previous year.

During the reporting period, the private banking brand of the Company had extensive influence on the society and was well-received by the public. In the award ceremony for “China Financial Innovation Awards” (中國金融創新獎) sponsored by The Chinese Banker (《銀行家》), the Company received the “Top Ten Financial Product Innovation Award” (十佳金融產品創新獎). It was honoured as the “Best Private Bank with Integrated Services” (最佳綜合服務私人銀行) by the 21st Century Business Herald (《21世紀經濟報道》) and the “Best Private Banking Service Award” (中國最優秀私人銀行業務) by The Asian Banker. In addition, the Company was also named as the private bank with the highest brand value.

(IV) Treasury business

1. Transactions

During the reporting period, the transaction volume of RMB denominated bonds of the Company amounted to RMB728,163 million, ranking the sixteenth in the market. Transaction volume of spot settlement and sales amounted to US\$66,514 million, representing a decrease of 45.07% as compared with the corresponding period of the previous year. Forward settlement and swap transaction volume reached US\$100,611 million, representing an increase of 69.86% as compared with corresponding period of the previous year.

2. Investments

As at the end of the reporting period, investments from the banking accounts of the Company amounted to RMB277,995 million, of which, loans and receivables under the asset management plans amounted to RMB27,209 million. The debt securities assets of the Company maintained steady growth. The Company increased the gain from price differences of RMB denominated debt securities investment through band operations based on accurate estimation of the domestic debt securities market trend.

3. Wealth management

During the reporting period, the wealth management business of the Company strictly complied with various requirements of regulatory policies of the Notice on Relevant Issues Concerning Regulating the Investment Operation of Wealth Management Business of Commercial Banks (《關於規範商業銀行理財業務投資運作有關問題的通知》) (Yin Jian Fa [2013] No. 8). It focused on the brand building 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. During the reporting period, the issuance size of wealth management products of the Company grew significantly. As at the end of the reporting period, the existing scale of wealth management products amounted to RMB300,453 million, representing a decrease of 4.45% as compared with the end of the previous year.

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4. Trading in gold and other precious metals

In the reporting period, the Company's trading volume of gold, including agency sales, in the precious metals market (the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 203.30 tons, and the trading volume of silver, including agency sales, amounted to 3,671.47 tons. In terms of on-floor trading value, the Company was the sixth largest dealer at the Shanghai Gold Exchange and also one of the most active proprietary dealers at the Shanghai Futures Exchange. During the reporting period, the Company leased 6.23 tons of gold to corporate customers, ranking the third in the market. The outlook of further progress in the market remained positive.

(V) E-banking services

During the reporting period, the e-banking business of the Company grew rapidly. The number of mobile banking customers grew significantly with increasingly frequent transactions by customers. The e-banking business and inter-bank fund integration business continued to grow, which further developed the advantages of e-banking channels. All indicators of customer services of the Company remained at a higher level than its peers. The Company continued to enrich functions of call-out services and improved service satisfactory level.

1. Mobile banking

The Company continuously strengthened its product innovations regarding mobile banking, introduced mobile banking system on Windows Phone OS, and made it compatible with major operating systems including iOS, Android and Windows Phone. The Company launched various featured applications, such as collection accounts with two-dimensional barcode, cardless cash withdrawal, self-service withdrawal/repayment services for MSE customers, train tickets purchase, worldwide Union Pay ATM inquiries, inter-bank auto-repayment of credit card balance and private banking, which maintained its leading position in the industry. In order to cater for "food, residence, travelling, shopping and entertainment", which closely related to daily demands of the public, the Company further expanded its mobile services to create a convenient living zone. With a focus on enriching its mobile commercial services for preferential merchants, handy services, gift redemption, high-end shopping, travel and holidays, entertainment, VIP services and investment and wealth management, the Company endeavoured to build a customer-preferred portal for convenient life. As at the end of the reporting period, the number of mobile banking customers reached 2.6831 million, representing an increase of 1.6873 million as compared with the end of the previous year. The number of transactions for the reporting period was 14.5638 million, representing 5.2 times of that of the previous year, while the transaction turnover for the reporting period amounted

to RMB242,889 million, representing 5.9 times of that of the previous year. The Company was honoured with the “Best Mobile Banking Award” (最佳手機銀行獎) at the 2013 Banking Industry Development Forum and the First Session of Comprehensive Bank Selection (2013年銀行業發展論壇暨首屆銀行綜合評選) by Sina and the “2013 Best Innovation Award for Leading Mobile Banks in China” (2013年領航中國電子銀行手機銀行最佳創新獎) at the 2013 E-banking Business Development Summit Forum (2013年電子銀行業務發展高峰論壇) held for the financial community.

2. Online banking

The Company introduced a new version of online banking which significantly improved and upgraded the system platform, products and services, customer experience, security and protection and channel coordination as compared with the former version. As at the end of the reporting period, the number of personal online banking customers was 5.8751 million. The number of transactions for the reporting period was 116.8922 million while the transaction turnover amounted to RMB4,536,851 million. The number of corporate online banking customers was 0.2881 million while the transaction volume in the reporting period was RMB9,992,119 million, of which the number of transactions for the reporting period was 13.0247 million. Online transaction replacement rate was 94.43%. The Company exerted efforts to promote sales of wealth management products via electronic channels, which amounted to RMB517,029 million in the reporting period. Of which, sales of personal wealth management products recorded RMB486,571 million, accounting for over 86% of the sales of the Company’s personal wealth management products. The Company exerted its efforts in developing inter-bank fund integration business, and had 0.3836 million customers as at the end of the reporting period, representing an increase of 0.1554 million customers during the reporting period and the aggregated integration amount was RMB189,016 million.

3. “95568” customer hotline service

The Company exerted its effort in establishing new customer service system and launched “95568” national hotline successfully. The Company also released SMS banking and SMS customer services, introduced multimedia channels, including video, WeChat and QQ, so as to provide a three-dimensional and professional electronic services system. The Company continued to apply six sigma management tools to carry out delicate analysis and management, in order to further enhance the efficiency and quality of services. During the reporting period, the total incoming-calls through hotlines amounted to 21.08 million, among which 5.0956 million calls were manually answered, representing an increase of 58.50% as compared with the corresponding period of the previous year. Customer satisfaction rate was 97.99%. The Company was elected as a standing member for the 2nd session of Joint Meeting of Customer Services Center of China Banking Association (中國銀行業協會客戶服務中心聯席會).

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In addition to improving call-in service, the Company also enriched its call-out service and called over 3.4 million customers during the reporting period. In order to provide better services to key customers such as MSE customers and mobile banking customers, the Company set up a standardized “95568” after-sales service system. The Company improved customer experience and satisfaction through caring customers, activating inactive customers, identifying risk information, exploring potential value and customer transfer. The Company interviewed 0.62 million customers and recorded customer satisfaction rate of 98.98%. The Company promoted improvement of “95568” customers, expanded customer coverage and conducted accurate data base marketing according to strategies specified for different target customers. During the reporting period, the Company contacted 1.73 million customers in aggregate and the daily average financial assets of customers increased by RMB28,398 million for a quarter.

(VI) Major equity investment

1. Major long-term equity investment

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

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

(1) Minsheng Leasing

Minsheng Leasing, 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 Leasing was held by the Company.

As at the end of the reporting period, the total assets and net assets of Minsheng Leasing amounted to RMB106,449 million and RMB9,448 million respectively. Net profit amounted to RMB956 million and return on average shareholders’ equity was 10.66%. Minsheng Leasing has strived for “distinctive and efficient” development mode focusing on major featured businesses such as aviation and shipping. At present, it has become the largest business jet leasing company in Asia and the largest ship leasing company in China. It boasts 189 various types of business jets, helicopters and aircrafts, and 147 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 Leasing implemented the “Blue Sky 51000 Plan” (藍天51000計劃) which focused on the leasing of business jets and the “Blue Sea 51000 Plan” (藍海51000計劃) which focused on marine fishery in aviation and shipping businesses, respectively. It also pushed forward the professional development of the SBU reform by establishing the aircraft leasing SBU and ship leasing SBU. In particular, Minsheng Leasing targeted at building a comprehensive and effective business jet service industry chain in the business jet market so as to provide customers with convenient, high quality, professional and comprehensive business jet services. Minsheng Leasing also gradually developed a sophisticated “eco circle for Minsheng business jet service” (民生公務機服務生態圈) by reorganising the operation and management of the companies as well as the operation base of the airport actively. Minsheng Leasing is committed to becoming a leading financial leasing company in Asia within 5 years.

The healthy and sustainable development of Minsheng Leasing received high recognition from the industry. The awards it obtained included the Golden Wheel Award of the 10th China Freight Industry Awards in 2013 (2013年第十屆中國貨運業大獎(金輪獎)) and the Best Financial Service Provider for the Freight Industry (最佳貨運金融服務商).

(2) Minsheng Fund

Minsheng 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 Fund was held by the Company.

As at the end of the reporting period, 16 products was managed under Minsheng Fund in total, with daily average amount of fund asset under its management of RMB18,748 million. Pursuant to the statistics of Fund Research Center of China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司基金研究中心), the net asset value of and shares in the public fund managed by Minsheng Fund amounted to RMB14,222 million and 14,596 million shares respectively, ranking 43rd among 81 fund companies in the market in terms of fund scale. In the reporting period, Minsheng Fund recorded a profit of RMB8.3922 million. Attributable to the outstanding performance, the Minsheng Royal Steady Growth Fund (民生加銀穩健成長基金) ranked around top 35% among all funds of the same category.

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Minsheng Asset Management obtained the approval from the CSRC on 24 January, 2013. Its 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. 40% equity interest of Minsheng Asset Management was held by Minsheng Fund. As at the end of the reporting period, assets managed by Minsheng Asset Management amounted to RMB31,598 million. It achieved satisfactory business interaction and mutual supplement with the operations of Minsheng Fund.

Aiming to achieve leaping growth, Minsheng Fund formulated a new strategic plan to focus on enhancing its asset management capability to become a leading professional and distinctive asset management company in China.

In the reporting period, the revenue-enhanced bond funds of Minsheng Fund obtained two awards, namely the Best Fund of the Aggressive Bond Funds in 2012 (2012年度積極型債券基金明星基金獎) by Securities Times (《證券時報》) and the Golden Ox Fund Award for 3-year-term Bond Funds (三年期債券型金牛基金獎) by China Securities Journal (《中國證券報》).

(3) Minsheng township banks

Minsheng township banks collectively refer to the township banks initiated and established by the Company as a major promoter. Based on the management requirements of township bank of the Company, Minsheng township banks actively explore MSE and rural financial service models with local characteristics. As an effective extension of the Company's business strategies for NSOEs and MSEs, they boost market shares of the Company in various counties, villages and towns. As at the end of the reporting period, the Company established a total of 27 Minsheng township banks with total assets amounting to RMB21,328 million, and balances of deposits and total loans were RMB17,544 million and RMB13,419 million, respectively. The business of Minsheng township banks maintained steady growth. In the National Outstanding Township Banks Award held by the China Township Banking Development Forum, three banks including Taicang Township Bank received the outstanding township banks awards, three banks including Meihekou Township Bank obtained the award of outstanding services to agriculture, rural area and farmers, while Songjiang Township Bank and Jiading Township Bank also ranked top in the general and individual rankings.

In the reporting period, the Company further improved the risk control model and business development model. As at the end of the reporting period, Minsheng township banks had an excellent asset quality in respect of risk control, while in terms of business development, Songjiang township bank had taken the lead to issue debit cards to customers.

(4) Management of consolidated financial statements

In the reporting period, to meet the requirement of consolidated financial statements of the Group, the Company conducted various tasks including regular appraisals and strengthening the establishment of information system. Management of consolidated financial statements continued to enhance.

The Company implemented various detail works in relation to the consolidated financial statements of the Group. The annual consolidated financial reports for 2012 of the Group were finalized and submitted to the Board, Supervisory Board and the regulatory departments. The annual work summary meeting of 2012 and training seminar was held to assign key tasks of the next year and provide business training. The Company also strengthened communication with the regulatory authorities and exchange with other banks, and held business discussions with certain consultancy firms.

The Company further promoted the regular appraisal mechanism. Specific appraisals of 2012 targeting at the consolidated financial statement management departments of the subsidiaries and the head office were completed, which has enhanced their working efficiency. The Company also conducted audits on 13 subsidiaries including Minsheng Leasing and Meihekou Township Bank. It plans to conduct specific audit on the consolidated statements of the Group in the second half of 2013.

The Company further promoted the establishment of the information system. Based on the results of the phase I of the consolidated statement management system of the Group, the Company began the system development of phase II to further broaden its coverage and enhance its working efficiency and automation level.

3. Use of proceeds

During the reporting period, the Company successfully issued a total of RMB20 billion A share convertible bonds at par value, which have been listed on the Shanghai Stock Exchange on 29 March (code of convertible bonds: 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 transaction costs. The net proceeds, together with other funds of the Company, have been used for the business development of the Company. Upon the conversion by the holders of A share convertible bonds, the entire amount of the convertible bonds converted will be used to replenish the core capital of the Bank.

IX. 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 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 credit policy and technical support platform 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. The risk management system covers the procedures of pre-approval investigation, approval review, post-loan management, collection and preservation of collaterals. Credit risks of on and off-statement items are also strictly controlled.

At the beginning of the year, the Company issued its 2013 General Guidelines of Risk Policy (《2013年風險政策總體導向》), which restated the basic principle of "restructuring, increasing income, maintaining quality and promoting development" in connection with the need of strategic transformation of the Company based on the comprehensive and systematic analysis and forecast of the economic and financial trend of the world and China in 2013 as well as major risks in the macro-economic and financial functioning and the impacts on the Company contained thereto. Based on the industry and regional ratings, such guidelines also set out the general objectives for the risk policies of the Company in respect of development scale, asset quality, restructuring, risk limit, risk returns and compensation, which established the policy direction covering industries, regions, customers, products and pricing, systematically set out the characteristics of economic development of each region and the key industries in every region, and requiring the Company to grasp the opportunities brought by the structural upgrade of industries and regional restructuring, and further expand into regional distinctive industries in order to strengthen the business restructuring and strictly prevent various operational risks.

During the reporting period, substantive progress was made in the establishment and application of credit risk internal rating system covering legal corporations, financial institutions and retail businesses. The rating and credit limit management system of non-retail customers had also fully complied with the requirement of “Rating before granting credit”. The rating results were applied in the entire risk management processes including formulation of risk policies, credit limit management, risk authorization, credit assessment, loan pricing and economic capital management. A retail business rating model and pool separation system covering MSEs, credit card and traditional retailing businesses were established. Its information technology development was also in good progress. The establishment and application of the above risk measurement tools further enhanced the level of 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 fund debt obligations despite its ability to settle the debt. The targets of the liquidity risk management of the Company for 2013 are to improve the management and measurement of liquidity risk and to strengthen the capacities of liquidity risk identification, pricing and refined control and management to achieve optimal balance between liquidity risk and returns pursuant to the development strategies of the Bank. At the beginning of 2013, the Company estimated that several periodic liquidity fluctuations would occur during the year under the generally loose environment. In the face of the regulatory requirements, increasingly complicated market environment, accelerated financial disintermediation and liberalization of interest rates, as well as its strategic transformation, the Company was under immense liquidity risk management pressure. At the beginning of the year, 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 of mismatch to a tolerable level for enhancing capital utilization efficiency.

During the reporting period, the liquidity risk management policies of the Company included the followings: Firstly, 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. In terms of business structure, the growth of inter-bank funds and bill business was under the control of the Company during the reporting period.

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Secondly, the Company refined liquidity risk indicator for accurate measurement of liquidity risk. The Company adjusted liquidity risk control indicators for the reporting period. In order to enhance the financing ability of branches for SME customers in local markets and lower the concentration of financing customers of the head office, the Company granted stronger borrowing and lending authority to its branches.

Thirdly, 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 requirements of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Guidelines of Market Risk Management of Commercial Banks (《商業銀行市場風險管理指引》), the Guidelines of Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Guidelines of Stress Tests of Commercial Banks (《商業銀行壓力測試指引》), and the Guidelines of Fair Value Supervision of Commercial Banks (《商業銀行公允價值監管指引》) promulgated by the CBRC and based on the rules of Basel II and Basel III. The Company also formulated and further improved the management system for market risk through formulating, calculating, monitoring and reporting measures on risk limit.

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

During the reporting period, the Company continued to enhance the preparation for reaching the standards of its internal model approach for market risk management, further improved the policies, systems and processes related to market risk management, and updated and formulated various regulations and rules, such as the Administrative Measures on Classification of Accounts (《賬戶分類管理辦法》), Administrative Measures on Interest Rates of Bank Accounts (《銀行賬戶利率管理辦法》) and Administrative Measures on Interest Rates of Transaction Accounts (《交易賬戶利率管理辦法》). The Company completed the preparatory works for the establishment of market risk system and gathering of market data and was well-prepared for the refinement of market risk management system and data management. The Company strengthened compliance management and conducted active risk management through investigation and self-examination of capital investment businesses. The Company strengthened market risk consolidation management and expanded the coverage of market risk calculation and supervision to overseas branches, Minsheng township banks and subsidiaries, such as Minsheng Leasing, laying a solid foundation for comprehensive risk management. In addition, the Company enhanced market risk culture by organizing trainings and discussions on market risk management.

(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 put great emphasis on the application of management tools for operational risks and further improved operational risk management system. The culture and concept of good operational risk management penetrated into all levels of the Company through trainings and promotions. During the reporting period, the Company formulated the Provisional Measures on Business Continuity Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行業務連續性管理辦法(試行)》), Provisional Measures on Evaluation of Operational Risk Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行操作風險管理評價辦法(試行)》) and Administrative Measures on Responding to Emergencies of Assets Risk of Credit and Financial Assets Services Business of China Minsheng Banking Corp., Ltd. (《中國民生銀行信用與金融資產服務業務資產風險突發事件應急管理辦法》). The Company organized all departments and all employees to identify, evaluate, supervise and report on operational risks they were exposed to in daily operation through information platform of operational risk management

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and operational risk management tools. Furthermore, the Company evaluated and assessed the operational risk management of its internal departments based on operational risk management evaluation indicator, and the awareness of the importance of operational risk management among all departments increased. In order to facilitate the implementation of business continuity management, the Company organized specific training in respect of business continuity management for all departments.

In terms of IT risk management, the new core system of the Company commenced full operation with stable operation and good performance. The establishment of business continuity has achieved satisfactory results. The construction for disaster recovery system, which mainly consisted of the relocation of engine room of Dr. Peng Telecom & Media Group, has commenced. The composition of the new technology team was formed, so as to better ensure the security of the system operation. Furthermore, the Risk Management Centre for the IT Development Department was established and the risk management system for technology was further improved.

(V) Country risk

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》) through internal rating and identification on country risks and formulation of risk limit for management purpose. On one hand, as the country risk faced by the Company mainly comprised the risk exposure relating to overseas counterparties, the Company integrated the management of country risk with the ratings and limit management of financial institutions and evaluated the country risks in the process of internal rating and limit management of overseas counterparties, and set clear requirements on the concentration and access criteria in the risk policy. On the other hand, as the business scale of overseas branch of the Company grew rapidly, institutions and scope of business involving country risks changed. As a result, the Company imposed more specific requirements on the country risk management of overseas branch.

(VI) Reputation risk

Reputation risk refers to the negative evaluation of commercial banks by relevant interested parties as a result of the operation, management and other actions of the commercial banks or external events. Currently, the reputation risk management of the Company aims to prevent reputation risk and deal with reputational events by establishing and formulating reputation risk management mechanisms, rules and measures as well as daily management of reputational risk and proper handling of incidents with reputational risk, so as to minimize the losses and negative impacts caused on the public and thereby achieving the objective of reputational 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 Provisional Administrative Measures on Management of Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險管理辦法(試行)》). It continued to carry out external promotion, establish and improve bank-wide reputation risk management mechanism by integrating with the establishment of risk linkage system, build public opinion monitoring system, strengthen the brand building and cope with and mitigate reputation risk in a timely manner.

(VII) Anti-money laundering

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

During the reporting period, in view of the stricter regulatory environments of anti-money laundering at home and abroad, the Company participated in the pilot projects of integrated regulation of large sums and suspicious transactions in order to explore effective anti-money laundering management and control systems. The Company improved its monitoring and management of anti-money laundering by strengthening system management, developing new monitoring systems for anti-money laundering, establishing an internal monitoring model and integrating management and data analysis effectively. In compliance with the regulatory requirements of the PBOC, the Company carried out self-assessment and refined the anti-money laundering system and formulated rectification plans in connection with the problems detected in the self-assessment. Identification of customer identities and due diligence investigation were conducted properly, and analysis of the reports of suspicious transactions and major suspicious transactions of the Company by category was enhanced. The Company also conducted money laundering risk assessments on its staff to prevent ethical risks. Specific researches on anti-money laundering were conducted and achieved satisfactory progress. The Company continued to organize promotion and training for anti-money laundering, which effectively improved risk prevention and management of anti-money laundering.

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

X. Prospects and Measures

(I) Industrial competition and development trend

With the ongoing economic development and reform, macro-economy of China is facing a new challenge of “stabilizing economic growth, restructuring and promoting reform”. According to the objective of “maintaining strict control and effective utilization of liquidity”, the financial banking industry will be full of development opportunities as well as challenges. While the general economy remains stable, the real economy needs to transform and upgrade due to the downward pressure, overcapacity in certain industries and lower operation efficiency. The economic transformation and upgrade also bring development opportunities and challenges to the banking industry. The acceleration of the elimination of outdated capacity, the upgrade of traditional industries and development of emerging industries, development of modern service industry and urbanization, and the increase of private investment will bring new development space as well as new difficulties to the banking industry for serving the real economy. The government continues to support NSOEs, SMEs and MSEs. The economic transformation and the industrial integration will facilitate the implementation of financial strategies of NSOEs and MSEs. As the liberalization of interest rate progresses, the asset securitization and bond market will face new development which requires rational adjustment of business structure, income structure and customer structure in order to achieve balanced and sustainable development.

(II) Development strategies

In the second half of 2013, the Company will fully implement the second Five-Year Development Outline (《五年發展綱要》) of the Board by restructuring, planning for transformation, strengthening management and achieving upgrades, targeting at MSEs, freeing up two wings, further promoting the SBU reform and improving the SBU management.

Firstly, the Company will focus on promoting MSE finance and implementing industry chain and supply chain services. The Company will upgrade the MSE Finance Version 2.0, accelerate the establishment of special MSE teams in branches, improve the planning, design, sales and service abilities of branches, and strengthen innovation of micro lending. The Company will also rationalize the collaboration system of businesses, promote regional distinctive businesses and facilitate the transition of batch credit extension reform, and create a customer-based industry chain and supply chain financial service model.

Secondly, the Company will focus on the key points and optimize the structure of major business rationally. The Company will proactively adjust the positioning of corporate customers, strengthen the innovation of business model, and advance the development of regional distinctive businesses. The Company will facilitate the transformation of branches for retail business, accelerate process optimization and system innovation and further develop mobile banking. The Company will improve the system of private banking products and services to push forward business growth. It will also cope with market changes to promote the sustainable and steady development of intermediary business.

Thirdly, the Company will strengthen the overall risk management with effective control on major areas. The Company will enhance early risk prevention by strictly control the approval of business and strengthening the establishment of compliance and internal control system. The Company will further enhance risk control and early-warning, adopt effective measures to prevent existing risks. The Company will also strengthen the disposal of non-performing assets and adopt various measures to broaden recovery and collection channels.

Fourthly, the Company will deepen the SBU reform. In accordance with the principle of “quasi-corporation nature, professionalism, stewardship team and financial integration”, the Company will establish clear policy direction, optimize the SBU system and enhance the operating efficiency and effectiveness of SBUs.

Fifthly, the Company will proceed with the construction of the follow-up system for the newly launched core system, and ensure seamless connection and stable operation of different systems.

Sixthly, the Company will enhance the product innovation, improve the marketing planning and strengthen the business guidance for business entities.

Seventhly, the Company will steadily establish direct sales banking, transaction banking and e-banking, as well as promoting other key programs as set out in the strategies of the Board.

Eighthly, on top of the strategic transformation, the Company will strengthen the support for human resources and the establishment of corporate culture, enhance brand building and continue to establish new institutions.

Changes in Share Capital and Information on Shareholders

I. Changes in Shares

(Unit: Shares)

	31 December 2012		Changes over the reporting period (+,-)		30 June 2013	
	Number of shares	Percentage (%)	Profit distribution	Release of restriction on sales	Number of shares	Percentage (%)
I. Shares subject to restriction on sales					—	—
1. State-owned shares					—	—
2. State-owned legal person shares					—	—
3. Other domestic shares					—	—
Of which:						
Held by domestic legal person					—	—
Held by domestic natural person					—	—
4. Foreign investor shares					—	—
Of which:						
Held by overseas legal person					—	—
Held by overseas natural person					—	—
II. Shares not subject to restriction on sales	28,365,585,227	100	—	—	28,365,585,227	100
1. Ordinary shares in RMB	22,587,602,387	79.63	—	—	22,587,602,387	79.63
2. Domestic listed foreign invested shares	—	—	—	—	—	—
3. Overseas listed foreign invested shares	5,777,982,840	20.37	—	—	5,777,982,840	20.37
4. Others	—	—	—	—	—	—
III. Total number of shares	28,365,585,227	100	—	—	28,365,585,227	100

Since the listing of our Shares and as at the end of the reporting period, the Company had maintained sufficient public float as stipulated under the Hong Kong Listing Rules.

Changes in Share Capital and Information on Shareholders

II. Top Ten Shareholders of the Company and Their Shareholdings:

(Unit: shares)

Total number of shareholders				632,639
Particulars of shareholdings of the top ten shareholders				
Name of shareholders	Type of shareholder	Percentage of shareholdings	Total number of shares held	Shares subject to restriction on sales
HKSCC Nominees Limited	/	20.24%	5,741,792,024	—
Anbang Insurance Inc.				
— Traditional Products	Domestic legal person	4.89%	1,386,978,191	—
New Hope Investment Co., Ltd.	Domestic legal person	4.70%	1,333,586,825	—
China Life Insurance Co., Ltd.				
— Traditional-Common Insurance Products				
— 005L — CT001, SH	Domestic legal person	4.06%	1,151,307,314	—
China Shipowners Mutual Assurance Association	Domestic legal person	3.19%	905,764,505	—
Orient Group Incorporation	Domestic legal person	3.13%	888,970,224	—
Shanghai Giant Lifetech Co., Ltd.	Domestic legal person	2.90%	822,421,278	—
China Oceanwide Holdings Group Co., Ltd.	Domestic legal person	2.46%	698,939,116	—
China SME Investment Co., Ltd.	Domestic legal person	2.21%	627,955,031	—
South Hope Industrial Co., Ltd.	Domestic legal person	1.97%	558,306,938	—

Changes in Share Capital and Information on Shareholders

Shareholdings of top ten holders of shares not subject to restriction on sales		
Name of shareholders	Shares not subject to restriction on sales	Classes of shares
HKSCC Nominees Limited	5,741,792,024	Overseas listed foreign invested shares (H shares)
Anbang Insurance Inc. — Traditional Products	1,386,978,191	Ordinary shares dominated in RMB
New Hope Investment Co., Ltd.	1,333,586,825	Ordinary shares dominated in RMB
China Life Insurance Co., Ltd. — Traditional-Common Insurance Products — 005L — CT001, SH	1,151,307,314	Ordinary shares dominated in RMB
China Shipowners Mutual Assurance Association	905,764,505	Ordinary shares dominated in RMB
Orient Group Incorporation	888,970,224	Ordinary shares dominated in RMB
Shanghai Giant Lifetech Co., Ltd.	822,421,278	Ordinary shares dominated in RMB
China Oceanwide Holdings Group Co., Ltd.	698,939,116	Ordinary shares dominated in RMB
China SME Investment Co., Ltd.	627,955,031	Ordinary shares dominated in RMB
South Hope Industrial Co., Ltd.	558,306,938	Ordinary shares dominated in RMB
Statement on the related relationship or concert actions among the aforesaid shareholders	Both of New Hope Investment Co., Ltd. and South Hope Industrial Co., Ltd. are controlled by New Hope Group Co., Ltd.. The Company is not aware of any other related relationship among the shareholders.	

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

Changes in Share Capital and Information on Shareholders

III. 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 30 June 2013, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the interests of 5% or above in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware:

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,987,804,875*	1 & 4	8.80	7.01
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,416,691,092*	1	6.27	4.99
New Hope Investment Co., Ltd.	A	Long	Beneficial Owner	1,416,691,092*	1	6.27	4.99
Li Wei	A	Long	Interest held by the corporation controlled by the spouse of this substantial shareholder	1,987,804,875*	2 & 4	8.80	7.01
Liu Chang	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,987,804,875*	3 & 4	8.80	7.01
Morgan Stanley	H	Long	Interest held by the corporation controlled by this substantial shareholder	414,679,611	5	7.17	1.46
		Short	Held by the corporation controlled by this substantial shareholder	388,896,092	5	6.73	1.37
BlackRock, Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	400,010,983	6	6.92	1.41
		Short	Held by the corporation controlled by this substantial shareholder	3,308,800	6	0.05	0.01

Changes in Share Capital and Information on Shareholders

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)	
UBS AG	H	Long	Beneficial Owner	364,823,978				
		Long	Person having a security interest	17,188,500				
		Long	Interest held by the corporation controlled by this substantial shareholder	6,041,080				
					<hr/>			
					388,053,558	7	6.72	1.37
		Short	Beneficial Owner	82,677,086				
JPMorgan Chase & Co.	H	Short	Held by the corporation controlled by this substantial shareholder	2,135,500				
					<hr/>			
					84,812,586	7	1.47	0.30
		Long	Beneficial Owner	85,227,246				
		Long	Investment Manager	400,531,589				
		Long	Custodian	189,457,128				
Citigroup Inc.	H				<hr/>			
					675,215,963	8	11.69	2.38
		Short	Beneficial Owner	67,911,852	8	1.18	0.24	
		Long	Interest held by the corporation controlled by this substantial shareholder	196,382,230				
		Long	Custodian	126,923,946				
		Long	Person having a security interest	71,337,500				
Union Sky Holding Group Limited	H				<hr/>			
					394,643,676	9	6.83	1.39
		Short	Held by the corporation controlled by this substantial shareholder	209,263,205	9	3.62	0.74	
Fosun International Limited	H	Long	Beneficial Owner	586,100,000	10	10.14	2.07	
		Long	Interest held by the corporation controlled by this substantial shareholder	314,316,500				
				<hr/>				
				104,015,500				
				<hr/>				
				418,332,000	11 & 12	7.24	1.47	

Changes in Share Capital and Information on Shareholders

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)		
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation controlled by this substantial shareholder	418,332,000	11 & 12	7.24	1.47		
Waddell & Reed Financial, Inc.	H	Long	Investment Manager	335,887,240	13	5.81	1.18		
Deutsche Bank Aktiengesellschaft	H	Long	Beneficial Owner	215,060,344					
			Person having a security interest	129,937,546					
			Interest held by the corporation controlled by this substantial shareholder	1,406,500					
			Custodian	2,959,500					
			349,363,890	14	6.05	1.23			
	H	Short	Beneficial Owner	194,464,221					
			Person having a security interest	13,680,326					
			208,144,547	14				3.60	0.73
			347,769,500	15				6.02	1.23
Ge Weidong	H	Long	Beneficial Owner	217,583,500					
			Interest held by the corporation controlled by this substantial shareholder	130,186,000					
The Goldman Sachs Group, Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	302,573,513	16	5.24	1.07		
		Short	Held by the corporation controlled by this substantial shareholder	348,791,829	16	6.04	1.23		

* 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 30 June 2013. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Changes in Share Capital and Information on Shareholders

Notes:

1. The 1,987,804,875 A shares comprised 571,113,783 A shares directly held by South Hope Industrial Co., Ltd. and 1,416,691,092 A shares directly held by New Hope Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 21.89% and 23.24% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively. Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd. (Mr. Liu Yonghao's interests in shares are disclosed in this interim 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")

According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 571,113,783 A shares held by South Hope Industrial Co., Ltd. and in the 1,416,691,092 A shares held by New Hope Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,416,691,092 A shares held by New Hope Investment Co., Ltd.

2. Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,987,804,875 A shares of the Company in which Mr. Liu Yonghao had interests.
3. Ms. Liu Chang held 37.66% of the issued share capital of New Hope Group Co., Ltd. (see note (1) above). According to the SFO, Ms. Liu was deemed to have interests in the 1,987,804,875 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).
4. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 1,987,804,875 A shares, as set out in the above table, were from the same block of shares.
5. Morgan Stanley had a long position in 414,679,611 H shares and a short position in 388,896,092 H shares of the Company by virtue of its control over the following corporations:
 - 5.1 Morgan Stanley & Co. International plc had a long position in 257,711,457 H shares and a short position in 223,836,771 H shares of the Company. Morgan Stanley & Co. International plc was owned as to 10%, 10%, 10% and 69.99% by Morgan Stanley Finance Limited, Morgan Stanley Strategic Funding Limited, Morgan Stanley Services (UK) Limited and Morgan Stanley UK Group respectively. Morgan Stanley Finance Limited, Morgan Stanley Strategic Funding Limited, Morgan Stanley Services (UK) Limited and Morgan Stanley UK Group were indirect wholly-owned subsidiaries of Morgan Stanley.
 - 5.2 Morgan Stanley & Co. LLC, an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 68,157,958 H shares and a short position in 112,128,323 H shares of the Company.
 - 5.3 Morgan Stanley Capital Services LLC, an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 51,501,353 H shares and a short position in 13,577,500 H shares of the Company.
 - 5.4 Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. had a long position in 24,900,000 H shares and a short position in 24,900,000 H shares of the Company. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. was owned as to 40% by MM Partnership, which was indirectly owned as to 40% by Morgan Stanley.
 - 5.5 MS Equity Financing Services (Luxembourg) S.a.r.l., an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 12,175,623 H shares and a short position in 12,134,678 H shares of the Company.
 - 5.6 Morgan Stanley Capital (Luxembourg) S.A. had a long position in 229,500 H shares of the Company. Morgan Stanley Capital (Luxembourg) S.A. was owned as to 99.99% and 0.01% by Morgan Stanley International Holdings Inc. and Morgan Stanley Latin America Incorporated respectively. Morgan Stanley International Holdings Inc. and Morgan Stanley Latin America Incorporated were indirect wholly-owned subsidiaries of Morgan Stanley.
 - 5.7 Morgan Stanley Smith Barney LLC, an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 3,720 H shares of the Company.
 - 5.8 Morgan Stanley B.V. had a short position in 2,318,820 H shares of the Company. Morgan Stanley B.V. was owned as to 33.33%, 33.33% and 33.33% by Morgan Stanley International Holding Inc., Morgan Stanley International Limited and Archimedes Investments Cooperatieve U.A. respectively. Morgan Stanley International Holding Inc., Morgan Stanley International Limited and Archimedes Investments Cooperatieve U.A. were indirect wholly-owned subsidiaries of Morgan Stanley.

Changes in Share Capital and Information on Shareholders

Besides, 170,640,520 H shares (Long position) and 13,936,500 H shares (Short position) were held through derivatives as follows:

3,720 H shares (Long position)	– through physically settled derivatives (on exchange)
229,500 H shares (Short position)	– through physically settled derivatives (off exchange)
170,636,800 H shares (Long position) and 13,707,000 H shares (Short position)	– through cash settled derivatives (off exchange)

6. BlackRock, Inc. had a long position in 400,010,983 H shares (in which 862,500 H shares were held through cash settled derivatives (on exchange)) and a short position in 3,308,800 H shares of the Company through a number of wholly-owned subsidiaries.

7. UBS AG had a long position in 388,053,558 H shares and a short position in 84,812,586 H shares of the Company held by itself and through a number of wholly-owned subsidiaries. Besides, 75,063,925 H shares (Long position) and 82,677,086 H shares (Short position) were held through derivatives as follows:

30,835 H shares (Long position)	– through physically settled derivatives (on exchange)
10,500 H shares (Long position) and 39,138,000 H shares (Short position)	– through cash settled derivatives (on exchange)
18,500,000 H shares (Long position) and 30,270,238 H shares (Short position)	– through physically settled derivatives (off exchange)
56,522,590 H shares (Long position) and 13,268,848 H shares (Short position)	– through cash settled derivatives (off exchange)

8. JPMorgan Chase & Co. had a long position in 675,215,963 H shares and a short position in 67,911,852 H shares of the Company held by itself and by virtue of its control over the following corporations:

8.1 JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 212,501,628 H shares and a short position in 10,000,000 H shares of the Company.

8.2 JF Asset Management Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 153,322,000 H shares of the Company.

8.3 JF International Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 5,811,500 H shares of the Company.

8.4 JPMorgan Asset Management (Singapore) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 5,596,000 H shares of the Company.

8.5 JPMorgan Asset Management (Taiwan) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 18,025,500 H shares of the Company.

8.6 JPMorgan Asset Management (UK) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 90,924,689 H shares of the Company.

8.7 China International Fund Management Co Ltd had a long position in 20,252,000 H shares of the Company. China International Fund Management Co Ltd was owned as to 49% by JPMorgan Asset Management (UK) Limited (see note (8.6) above).

8.8 J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 93,555,400 H shares of the Company.

8.9 J.P. Morgan Whitefriars Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 54,008,936 H shares and a short position in 35,320,222 H shares of the Company.

8.10 J.P. Morgan Securities plc had a long position in 12,830,000 H shares and a short position in 12,775,000 H shares of the Company. J.P. Morgan Securities plc was owned as to 98.95% by J.P. Morgan Chase International Holdings. J.P. Morgan Chase International Holdings was an indirect wholly-owned subsidiary of JPMorgan Chase & Co.

8.11 J.P. Morgan Clearing Corp, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 8,388,310 H shares and a short position in 7,546,000 H shares of the Company.

8.12 J.P. Morgan Whitefriars (UK) had a short position in 2,270,630 H shares of the Company. J.P. Morgan Whitefriars (UK) was owned as to 99.99% by J.P. Morgan Whitefriars Inc. (see note (8.9) above).

The entire interest and short position of JPMorgan Chase & Co. in the Company included a lending pool of 189,457,128 H shares. Besides, 40,315,400 H shares (Long position) and 37,590,852 H shares (Short position) were held through derivatives as follows:

1,551,000 H shares (Long position) and 24,940,000 H shares (Short position)	– through cash settled derivatives (on exchange)
4,000,000 H shares (Long position) and 4,270,630 H shares (Short position)	– through physically settled derivatives (off exchange)
34,764,400 H shares (Long position) and 8,380,222 H shares (Short position)	– through cash settled derivatives (off exchange)

Changes in Share Capital and Information on Shareholders

9. Citigroup Inc. had a long position in 394,643,676 H shares and a short position in 209,263,205 H shares of the Company by virtue of its control over the following corporations:
 - 9.1 Citigroup Global Markets Hong Kong Limited, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 59,710,952 H shares and a short position in 92,026,586 H shares of the Company.
 - 9.2 Citigroup Global Markets Limited, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 143,239,939 H shares and a short position in 69,037,500 H shares of the Company.
 - 9.3 Citigroup Global Markets Inc., an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 55,899,975 H shares and a short position in 48,199,119 H shares of the Company.
 - 9.4 Morgan Stanley Smith Barney Holdings LLC had a long position in 3,720 H shares of the Company. Morgan Stanley Smith Barney Holdings LLC was owned as to 49% by Citigroup Global Markets Inc. (see note (9.3) above).
 - 9.5 Citibank N.A., an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 126,923,946 H shares of the Company.
 - 9.6 Citigroup Global Markets Asia Limited, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 8,865,144 H shares of the Company.

The entire interest and short position of Citigroup Inc. in the Company included a lending pool of 126,923,946 H shares. Besides, 3,720 H shares (Long position) and 743,999 H shares (Short position) were held through physically settled derivatives (off exchange).

10. Union Sky Holding Group Limited, wholly-owned by Mr. Shi Yuzhu (a Non-executive Director of the Company), had a long position in 586,100,000 H shares (all held through cash settled derivatives (off exchange)) of the Company. According to the SFO, Mr. Shi Yuzhu was deemed to have interests in the 586,100,000 H shares of the Company in which Union Sky Holding Group Limited had interests. Mr. Shi Yuzhu's interests in shares are disclosed in this interim 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".
11. The 418,332,000 H shares (Long position) (in which 60,000,000 H shares were held through cash settled derivatives (off exchange)) held by Fosun International Limited comprised 314,316,500 H shares directly held by itself, 29,660,500 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 74,355,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 79.08% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang (a Non-executive Director of the Company) held 58% of the issued share capital of Fosun International Holdings Ltd.

According to the SFO, Fosun International Limited was deemed to have interests in the 29,660,500 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 74,355,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 418,332,000 H shares held by Fosun International Limited. Mr. Guo Guangchang's interests in shares are disclosed in this interim 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".
12. The interests that Fosun International Limited and Fosun International Holdings Ltd. had in the 418,332,000 H shares, as set out in the above table, were from the same block of shares.
13. Waddell & Reed Financial, Inc. had a long position in 335,887,240 H shares of the Company through two wholly-owned subsidiaries.
14. Deutsche Bank Aktiengesellschaft had a long position in 349,363,890 H shares and a short position in 208,144,547 H shares, including a lending pool of 2,959,500 H shares, of the Company held by itself and through two of its indirectly owned subsidiaries. Besides, 85,468,300 H shares (Long position) and 19,461,500 H shares (Short position) were held through cash settled derivatives (off exchange).
15. The 347,769,500 H shares (Long position) comprised 217,583,500 H shares directly held by Mr. Ge Weidong and 130,186,000 H shares directly held by Chaos Investment Co., Ltd., which was a wholly-owned subsidiary of Mr. Ge.
16. The Goldman Sachs Group, Inc. had a long position in 302,573,513 H shares and a short position in 348,791,829 H shares of the Company by virtue of its control over the following corporations:
 - 16.1 Goldman, Sachs & Co. had a long position in 245 H shares and a short position in 3,838,672 H shares of the Company.
 - 16.2 Goldman Sachs International had a long position in 266,391,387 H shares and a short position in 247,182,117 H shares of the Company. Goldman Sachs International was owned as to 99% by Goldman Sachs Holdings (U.K.), which was an indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc.

Changes in Share Capital and Information on Shareholders

- 16.3 Goldman Sachs (Asia) Finance had a long position in 35,636,481 H shares and a short position in 97,771,040 H shares of the Company.
- 16.4 Goldman Sachs Asset Management International had a long position in 72,500 H shares of the Company. Goldman Sachs Asset Management International was owned as to 98.99% by Goldman Sachs Holdings (U.K.), which was an indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc.
- 16.5 Goldman Sachs Asset Management L.P. had a long position in 472,900 H shares of the Company. Goldman Sachs Asset Management L.P. was owned as to 99% by The Goldman Sachs Group, Inc.

Besides, 252,579,317 H shares (Long position) and 94,381,000 H shares (Short position) were held through derivatives as follows:

27,777,000 H shares (Short position)	– through cash settled derivatives (on exchange)
6,934,000 H shares (Long position) and 65,987,000 H shares (Short position)	– through physically settled derivatives (off exchange)
245,645,317 H shares (Long position) and 617,000 H shares (Short position)	– through cash settled derivatives (off exchange)

Save as disclosed above and the section headed “Interests of the Directors, Supervisors and Chief Executives in the Securities and Debentures of the Company or its Associated Corporations under Hong Kong Laws and Regulations”, the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 30 June 2013 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

IV. Issuance of Shares and Bonds during the Reporting Period

1. Issuance and listing of convertible bonds

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

On 22 February 2012, 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 Authorization Period of the Board and its Delegates for Handling Related Matters was approved at the 9th extraordinary meeting of the 5th session of the Board, pursuant to which the original validity period of the A Share convertible bonds was extended by 12 months. The relevant resolution was considered and approved by the second EGM in 2012, the first A share class meeting in 2012 and the first H share class meeting in 2012 on 3 May 2012.

In accordance with an approval of CSRC (Zheng Jian Xu Ke [2012] No. 1573), the Company issued a total of RMB20 billion A share convertible corporate bonds on 15 March 2013. The A share convertible bonds was listed on the Shanghai Stock Exchange 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. A share convertible bonds bear an interest at a 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

Changes in Share Capital and Information on Shareholders

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 RMB10.23 per A share. After deducting all expenses relating to the issuance, 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.

V. Convertible Bonds

1. Shareholdings of the top ten holders of A share convertible bonds

(Unit: RMB)

Name of holders	Nominal value of bonds held
China Life Insurance Co., Ltd. — Traditional-Common Insurance Products — 005L — CT001, SH	1,018,907,000
New Hope Investment Co., Ltd.	837,691,000
Shanghai Giant Lifetech Co., Ltd.	716,496,000
China Oceanwide Holdings Group Co., Ltd.	618,561,000
Orient Group Incorporation	493,984,000
Good First Group Co., Limited	486,884,000
Anbang Insurance Inc. — Traditional Products	471,048,000
National Social Security Fund 117	462,689,000
Huaxia Life Insurance Co., Limited — Universal Insurance Products	369,052,000
Agricultural Bank of China — Dacheng Innovation Growth Mixed Securities Investment Fund	325,542,000

Note: Pursuant to relevant requirements of Shanghai Stock Exchange stipulated in the Notice on Participation of Convertible Corporate Bonds in Collateralized 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 collateralized 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 collateralized 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 plan for the second half of 2012 was implemented by the Company on 26 June 2013 (i.e. record date). According to the requirements stated in the Prospectus in relation to the Public Issuance of A share Convertible Bonds of China Minsheng Banking Corp., Ltd. (《中

Changes in Share Capital and Information on Shareholders

《中國民生銀行股份有限公司可轉換公司債券募集說明書》), after the issuance of convertible bonds of the Company, the Company shall adjust the conversion price based on the specified formula upon subsequent distribution of cash dividends. The initial conversion price of the convertible bonds of the Company was adjusted from RMB10.23 per share to RMB10.08 per share from 27 June 2013. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times published on 20 June 2013.

4. Conversion of convertible bonds

The conversion period of the convertible bonds of the Company shall commence on the first trading day after the expiry of 6 months from the issuance date and end on the maturity date of convertible bonds (i.e. 16 September 2013 to 15 March 2019). For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times published on 27 March 2013.

5. Crediting rating of convertible bonds

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

VI. Share Pledge and Lock-up in Respect of Shares Held by Shareholders with 5% or More Equity in the Company

As at 30 June 2013, no shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited).

VII. Controlling Shareholder/Ultimate Controller

As at 30 June 2013, the Company did not have any controlling shareholder or ultimate controller.

VIII. Shareholders with 5% or More Equity in the Company

As at 30 June 2013, no shareholder held 5% or more equity in the Company (other than HKSCC Nominee Limited).

Directors, Supervisors, Senior Management and Employees

I. Directors, Supervisors and Senior Management

(I) Basic Information

Name	Gender	Year of Birth	Position	Term of office	Shares held at beginning of the period (share)	Shares held at end of the period (share)
DONG Wenbiao	M	1957	Chairman & Executive Director	2012.4.10–2015.4.10	0	0
HONG Qi	M	1957	Vice Chairman, Executive Director & President of the Bank	2012.4.10–2015.4.10	0	0
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	2012.4.10–2015.4.10	0	0
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	2012.4.10–2015.4.10	0	0
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	2012.4.10–2015.4.10	0	0
LIANG Yutang	M	1958	Vice Chairman & Executive Director	2012.4.10–2015.4.10	0	0
WANG Yugui	M	1951	Non-executive Director	2012.4.10–2015.4.10	0	0
SHI Yuzhu	M	1962	Non-executive Director	2012.4.10–2015.4.10	0	0
WANG Hang	M	1971	Non-executive Director	2012.4.10–2015.4.10	0	0
WANG Junhui	M	1971	Non-executive Director	2012.4.10–2015.4.10	0	0
WU Di	M	1965	Non-executive Director	2012.6.15–2015.4.10	0	0
GUO Guangchang	M	1967	Non-executive Director	2012.12.17–2015.4.10	0	0
QIN Rongsheng	M	1962	Independent Non-executive Director	2012.4.10–2015.4.10	0	0
WANG Lihua	M	1963	Independent Non-executive Director	2012.4.10–2015.4.10	0	0
HAN Jianmin	M	1969	Independent Non-executive Director	2012.4.10–2015.4.10	0	0
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	2012.6.15–2015.4.10	0	0
BA Shusong	M	1969	Independent Non-executive Director	2012.6.15–2015.4.10	0	0
YOU Lantian	F	1951	Independent Non-executive Director	2012.12.17–2015.4.10	0	0
DUAN Qingshan	M	1957	Chairman of the Supervisory Board & Employee Supervisor	2012.4.10–2015.4.10	0	0
LI Huaizhen	M	1957	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10–2015.4.10	0	0
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10–2015.4.10	633,100	633,100
ZHANG Ke	M	1953	External Supervisor	2012.4.10–2015.4.10	0	0
LI Yuan	M	1954	Supervisor	2012.4.10–2015.4.10	0	0
ZHANG Disheng	M	1955	Supervisor	2012.4.10–2015.4.10	0	0
LU Zhongnan	M	1955	Supervisor	2012.4.10–2015.4.10	0	0

Directors, Supervisors, Senior Management and Employees

Name	Gender	Year of Birth	Position	Term of office	Shares held at beginning of the period (share)	Shares held at end of the period (share)
WANG Liang	M	1942	External Supervisor	2012.4.10–2015.4.10	0	0
HU Ying	F	1963	Employee Supervisor	2012.4.10–2013.6.18	0	0
XING Benxiu	M	1963	Vice President of the Bank	2012.4.10–2015.4.10	0	0
ZHAO Pinzhang	M	1956	Vice President of the Bank	2012.4.10–2015.4.10	0	0
MAO Xiaofeng	M	1972	Vice President of the Bank	2012.4.10–2015.4.10	0	0
WAN Qingyuan	M	1965	Board Secretary	2012.4.10–2015.4.10	0	0
BAI Dan	F	1963	Chief Financial Officer	2012.4.10–2015.4.10	0	0
SHI Jie	M	1965	Assistant to President	2012.8.7–2015.4.10	0	0
LI Bin	F	1967	Assistant to President	2012.8.7–2015.4.10	0	0
LIN Yunshan	M	1970	Assistant to President	2012.8.7–2015.4.10	0	0

Notes:

1. Mr. Zhang Hongwei, a Non-executive Director of the Company, no longer served as a member of the CPPCC.
2. Mr. Liu Yonghao, a Non-executive Director of the Company, no longer served as the chairman of the board but just acted as the director of New Hope Liuhe Co., Ltd. (listed on Shenzhen Stock Exchange (stock code: 000876)). Mr. Liu Yonghao no longer served as a member of the CPPCC and a vice chairman of Committee for Economic Affairs of the CPPCC.
3. Mr. Wang Yugui, a Non-executive Director of the Company, no longer served as the managing director of China Shipowners Mutual Assurance Association, an executive member of China Maritime Law Association and the China Association of Trade in Services.
4. Mr. Shi Yuzhu, a Non-executive Director of the Company, became the council vice chairman of China Non-governmental Science & Technology Entrepreneurs Association. Mr. Shi Yuzhu no longer served as the chief executive officer of Giant Interactive Group Inc. (listed on New York Stock Exchange (NYSE: GA)).
5. Mr. Wang Hang, a Non-executive Director of the Company, changed his position from director and vice president to vice chairman in New Hope Group Co., Ltd.,
6. Mr. Guo Guangchang, a Non-executive Director of the Company, became a member of the 12th session of the CPPCC and a member of the standing committee of the 12th ACFIC. Mr. Guo Guangchang no longer served as a member of the National People's Congress of the PRC.
7. Mr. Wang Lihua, an Independent Non-executive Director of the Company, became a member of the non-standing committee of the 3rd Committee of Administrative Review of the People's Government of Beijing Municipality.
8. Mr. Cheng Hoi-chuen, an Independent Non-executive Director of the Company, became an independent non-executive director of Wing Tai Properties Limited (listed on the Hong Kong Stock Exchange (stock code: 00369)). Mr. Cheng Hoi-chuen no longer served as a member of the CPPCC.
9. Mr. Ba Shusong, an Independent Non-executive Director of the Company, became an independent non-executive director of Hengli Commercial Properties (Group) Limited (listed on the Hong Kong Stock Exchange (stock code: 00169)). Mr. Ba Shusong no longer served as an independent non-executive director of China Chengtong Development Group Limited (listed on the Hong Kong Stock Exchange (stock code: 00217)).
10. Ms. You Lantian, an Independent Non-executive Director of the Company, became a member of the 12th National Committee of CPPCC. Ms. You Lantian no longer served as the deputy director of the Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese of the National Committee of CPPCC.
11. Mr. Zhang Ke, an External Supervisor of the Company, no long served as an independent non-executive director of China Coal Energy Company Limited (listed on the Hong Kong Stock Exchange (stock code: 01898) and listed on the Shanghai Stock Exchange (SSE: 601898)).
12. Due to work commitments, Ms. Hu Ying has resigned as an Employee Supervisor on 18 June 2013 with immediate effect. Ms. Hu has confirmed that there is no disagreement between her and the Board and the Supervisory Board during her term of office and there is no matter relating to her resignation that needs to be brought to the attention of the shareholders.

Directors, Supervisors, Senior Management and Employees

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

II. Employees

As at the end of the reporting period, the Group had 50,695 employees, of which, 49,083 were employees of the Company and 1,612 were employees of its subsidiaries. Divided by professional specialties, 4,792 were categorized as management team, 23,602 as marketing team, and 20,689 as technical team. The Group had 44,916 employees with degrees of diploma and above, accounting for 92% of the total. In addition, the Company had 94 retired employees.

III. Business Network

As at the end of the reporting period, the Company had set up 34 branches in 34 cities across China, with 754 banking entities in total.

During the reporting period, Guiyang Branch of the Company has commenced its operation.

Directors, Supervisors, Senior Management and Employees

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

Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Head Office	1	15,854	1,036,441	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	54	2,878	531,731	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	61	2,641	326,440	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	39	1,817	151,250	Guangzhou Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	40	1,290	114,722	CMBC Building, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	33	1,475	90,122	CMBC Building, No. 396 Xinhua Road, Jiangnan District, Wuhan
Taiyuan Branch	31	1,314	108,650	No. 2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	45	1,879	126,863	No. 10 Xidajie, Shijiazhuang
Dalian Branch	22	874	80,296	No. 28 Yan'an Road, Zhongshan District, Dalian
Nanjing Branch	43	2,019	166,535	No. 20 Hongwu Bei Road, Nanjing
Hangzhou Branch	32	1,515	145,402	Yuanyang Building, No. 25 Qingchun Road, Hangzhou
Chongqing Branch	21	952	125,708	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	19	910	76,499	CMBC Building, No. 78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	22	752	41,878	Minsheng Bank Building, No. 280 Hudong Road, Gulou District, Fuzhou
Jinan Branch	33	1,542	84,859	No. 229 Leyuan Street, Jinan
Ningbo Branch	18	762	39,768	No. 348 Min'an Road, Jiangdong District, Ningbo
Chengdu Branch	27	1,150	89,598	No. 6 Building, No. 966, North Section of Tianfu Avenue, Gaoxin District, Chengdu
Tianjin Branch	22	715	42,961	13/F, Xinda Square, No. 188, Jiefang North Road, Heping District, Tianjin
Kunming Branch	18	712	67,005	Chun Tian Yin Xiang Building, No. 331 Huancheng Nan Road, Kunming
Quanzhou Branch	12	498	43,649	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	16	1,004	74,201	CMBC Financial Building, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	21	914	52,435	No. 18 Fuzhou Nan Road, Shi Nan District, Qingdao
Wenzhou Branch	10	575	42,798	Development Building, No. 335 Xincheng Avenue, Lucheng District, Wenzhou
Xiamen Branch	12	526	41,253	Lixin Plaza, No. 90 Hubin Nan Road, Xiamen

Directors, Supervisors, Senior Management and Employees

Name of entity	Number of		Total assets (RMB million) (excluding deferred income tax assets)	Address
	outlets	Headcount		
Zhengzhou Branch	26	931	73,734	CMBC Building, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	16	723	42,575	No. 669 Furong Zhong Road 1 Duan, Changsha
Changchun Branch	12	501	48,294	No. 500 Changchun Street, Changchun
Hefei Branch	11	486	36,250	Tian Qing Building, No. 135 Bozhou Road, Hefei
Nanchang Branch	11	481	36,526	No. 237 Xiangshan Bei Road, Dong Hu District, Nanchang
Shantou Branch	8	342	11,662	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	6	372	25,502	Guangxi Development Tower, No. 111-1 Minzu Avenue, Nanning
Hohhot Branch	5	250	45,171	D Tower and 1-3/F of A Tower of Caifu Mansion, Xinhua East Street, Saihan District, Hohhot
Shenyang Branch	4	231	23,184	A Tower, Royal Wanxin International Mansion, No. 390, Qingnian Street, Heping District, Shenyang
Hong Kong Branch	1	123	27,437	36/F, Bank of American Tower, 12 Harcourt Road, Central, Hong Kong
Guiyang Branch	2	75	198	No. 28 Yangguang Avenue, Guanshanhu District, Guiyang
Inter-region adjustment			(792,038)	
Total	754	49,083	3,279,559	

Notes:

1. The number of entities takes into account all types of banking establishments, including the head office, tier-one branches, business departments of branches, tier-two branches, sub-branches and specific sub-branches for small-micro enterprises.
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 Center and the Financial Market SBU.
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

1. Corporate Governance Overview

During the reporting period, the Company strived to establish and develop an efficient and transparent corporate governance system and structure. The Company further refined its system construction, enhanced risk management, improved internal control system, conducted performance appraisals of the Directors and Senior Management, and fully strengthened the roles of the Supervisory Board in supervising strategy, discharge of duties and operation. Details are as follows:

1. During the reporting period, the Company had organized, prepared and convened a total of 34 meetings, including 1 Shareholders' General Meeting, 4 Board meetings, 22 meetings of the special committees of the Board, 3 meetings of the Supervisory Board and 4 meetings of the special committees of the Supervisory Board. Over 109 resolutions, such as the Company's annual report, working reports of the Board and the Supervisory Board, working report of the President, financial budgets and final accounts, profit distribution proposals, major related party transactions and the write-off of significant bad debts were approved at these meetings.
2. In accordance with the domestic and overseas regulatory requirements, the Company has formulated and amended the Articles of Association of China Minsheng Banking Corp., Ltd., Terms of Reference of the Supervisory Board of China Minsheng Banking Corp., Ltd., the Management Rules on Market Risk of China Minsheng Bank (《中國民生銀行市場風險管理制度》), the Capital Management Measures of China Minsheng Bank (revised) (《中國民生銀行資本管理辦法》(修訂稿)), the Administrative Measures on Fund Raising of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司募集資金管理辦法》), Basic Accounting Rules of China Minsheng Bank (《中國民生銀行基本財務規則》), Basic Accounting Principles of China Minsheng Bank (《中國民生銀行基本會計規則》), Inside Information Management and Disclosure Policy of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司內募消息管理及披露政策》), Three-year Comprehensive Risk Management Plan (2012-2014) of China Minsheng Bank (《中國民生銀行全面風險管理三年規劃(2012年-2014年)》) and Liquidity Contingency Plans of Minsheng Township Banks (《民生村鎮銀行流動性危機應急處置預案》), which further improved the corporate governance system of the Company.
3. Pursuant to the Provisional Measures on Performance Appraisal of Senior Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司高級管理人員盡職考評試行辦法》), the Company evaluated the performance of the senior management appointed and engaged by the Board, and determined their remunerations and appointments in accordance with the results to improve their capabilities in fulfilling duties, and to optimize the systematic, standardized and regular performance evaluation system for the senior management.

Corporate Governance

Pursuant to the Provisional Measures on Performance Appraisal of Directors of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事履職評價試行辦法》), the Company completed the annual appraisal of Directors' performance commenced at the beginning of the year under the guidance of the Compensation and Remuneration Committee under the Board to promote due diligence and self-discipline of the Directors.

4. The Board of the Company organized meetings of the Directors to receive the annual working report of senior management in order to develop comprehensive and accurate understanding of the operation of the Company and the annual performance of senior management for the purposes of providing a basis for annual performance appraisal, appointments and removals of senior management.
5. During the reporting period, in compliance with the Company Law of the PRC, the Articles of Association and the requirements of regulatory authorities and according to the key strategies of the Company, the Supervisory Board of the Company held 7 meetings to consider 15 resolutions in relation to, among others, the annual report of the Company and the working report of the Supervisory Board, attended the meetings of the Board and important business meetings of the senior management, evaluated the transformation and development of SBUs to enhance the supervision on the implementation of strategies, supervised and advised on major issues including legal operation, financial reporting and internal control, continued to improve the mechanism of the Supervisory Board, formulated and amended over ten sets of rules and regulations, carried out the supervision and evaluations on the performance of Directors, Supervisors and senior management, and conducted specific assessment on major issues of the wealth management business of the Company in accordance with the major regulatory concerns. With the above supervisory measures in order, the performance efficiency and supervision functions of the Supervisory Board were further improved, effectively promoting the rationalized operation and steady development of the Company.
6. During the reporting period, the Board of the Company duly performed the duties of risk guidance and management by implementing various measures regarding the annual risk guidelines, approval of business beyond risk limits, risk research, risk management system, risk assessment and risk report, which enhanced the overall control and management of operation risks and strengthened the comprehensive risk management. By formulating the Risk Management Guidelines of the Board in 2012 (《董事會2012年度風險管理指導意見》), the Board effectively instructed the head office to put forward specific and practical annual risk management policies and plans to define the objectives and responsibilities of risk management. The risk appetite and principles of the Board were promoted through implementing the approval of business beyond risk limits and amending the standards of business beyond risk limits.

Risk management system and culture were cultivated in township banks by formulating the Guidelines of the Board of China Minsheng Bank on Risk Management of Minsheng Township Banks (2013 version) (《中國民生銀行董事會關於民生村鎮銀行風險管理的指導意見(2013版)》) in order to develop the new “four-in-one” risk control system for township banks. The Board strengthened its risk supervision by closely monitoring the risks of the Company through conducting semi-annual risk assessment. It has also conducted various research and study on different types of risks to provide references for the decision making for risks.

7. During the reporting period, the Company further enhanced its internal control management by adopting various management measures including reforms, education and training, conducting specific risk monitoring and warning measures, and technical measures including improving the internal control system, evaluation standards and tools to prevent risks on a timely basis, enhance the compliance awareness of all staff and strengthen the internal control of the Company. The Company adopted standardized credit approval for related parties and enhanced the management of intra-group transactions in order to maintain the compliance of operations, which effectively improved the management of connected transactions.
8. During the reporting period, the Supervisory Board of the Company evaluated the progress of the reforms of finance SBUs of the Company in accordance with the working plan. It conducted off-site inspection, on-site assessment, site inspection, investigation and visits to collect numerous firsthand data and information as well as various and multi-dimensional opinions and suggestions from SBUs, branches, customers and regulatory authorities. The evaluation lasted for four months while the on-site investigation and evaluation lasted for more than one month, including 86 interviews with SBUs, 28 interviews with branches, 14 interviews with regulatory authorities and 17 interviews with departments of the head office with a total of 811 interviewees. 39 customers were visited. On-site evaluation was conducted at approximately 50% of the branches, covering 71% of the total loans. The evaluation provided useful opinions and suggestions for further deepening the reform of SBUs, and enhanced the supervision of and facilitated the effective implementation of the strategic missions and achievement of strategic goals of the Company.
9. A total of 4 issues of Newsletter of the Board of Directors (《董事會工作通訊》), 3 issues of Newsletter of the Supervisory Board (《監事會通訊》) and 22 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, the Supervisory Board and the senior management, and among the Directors and Supervisors.

Corporate Governance

10. During the reporting period, the Company has disclosed all material information in a timely, accurate, true and complete manner and continued to enhance the transparency of the Company, ensuring all shareholders have equal opportunity to access the information of the Company. During the reporting period, the Company published 2 regular reports and 28 interim announcements on the Shanghai Stock Exchange, and 50 announcements on the Hong Kong Stock Exchange. The Company organized a number of activities for investors to strengthen the communication and interaction between the Company and investors effectively, and consolidate the position and influence of the Company in the capital market. During the reporting period, 1,470 investors attended the results presentation and teleconferences with analysts, while 655 investors attended the regular on-site meetings, teleconferences and strategy conferences of the Company.

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

2. Shareholders' General Meeting

On 17 June 2013, the 2012 AGM of the Company was held in Beijing with on-site and online voting. The resolutions on the Annual Report for 2012 of the Company, the Final Accounts Report for 2012 of the Company, the Annual Budgets for 2013 of the Company, the Work Report of the Board of Directors of the Company for 2012, the Work Report of the Supervisory Board of the Company for 2012, the Proposed Profit Distribution Plan for the Second Half of 2012 and Interim Profit Distribution Policy for 2013 of the Company, the Re-appointment and Remuneration of the Auditing Firm for 2013, the Amendments to the Terms of Reference of the Supervisory Board of China Minsheng Banking Corp., Ltd., the Amendments to the Administrative Measures of Connected Transactions of China Minsheng Banking Corp., Ltd., Proposed Issuance Plans of Eligible Tier-2 Capital Instruments of China Minsheng Banking Corp., Ltd. for 2013–2014, and the Amendments to the Articles of Association of China Minsheng Banking Corp., Ltd were considered and adopted at the meeting. Please refer to the announcement published in China Securities Journal, Shanghai Securities News and Securities Times on 18 June 2013.

3. Meetings of the Board and its Special Committees

During the reporting period, 4 Board meetings were convened by the Board.

During the reporting period, 22 meetings of the special committees under the Board of the Company were convened, including 2 meetings of the Strategic Development and Investment Management Committee, 10 meetings of the Risk Management Committee, 3 meetings of the Audit Committee, 3 meetings of the Related Party Transactions Supervision Committee, 2 meetings of the Compensation and Remuneration Committee and 2 meetings of the Nomination Committee.

During the reporting period, the Strategic Development and Investment Management Committee under the Board discussed on 12 designated issues, and received and considered 2 special work reports. The Risk Management Committee discussed 9 designated issues, received and considered 8 special work reports, and handled 77 businesses beyond risk limits totalling approximately RMB110 billion. The Audit Committee discussed 10 designated issues, and received and considered 1 special work report. The Related Party Transactions Supervision Committee discussed 9 designated issues, and received and considered 1 special work report. The Compensation and Remuneration Committee discussed 6 designated issues, and the Nomination Committee discussed on 3 designated issues.

4. Meetings of the Supervisory Board and its Special Committees

During the reporting period, 3 Supervisory Board meetings were convened by the Supervisory Board and 4 meetings of the special committees under the Supervisory Board of the Company were convened, including 2 meetings of the Nomination and Appraisal Committee and 2 meetings of the Supervisory Committee.

5. Internal Control and Internal Audit

(1) Internal control evaluation

The Company has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Supervisory Board and the management team and maintained effective internal control management system. In compliance with the Commercial Bank Law of the PRC (《中華人民共和國商業銀行法》), Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and other laws and regulations and regulatory rules, the Company has formed a set of rational and comprehensive internal control policies and formulated internal control mechanisms for risk prevention, control, subsequent supervision and rectification.

Corporate Governance

During the reporting period, the Company duly performed the supervisory and evaluation functions of its internal audit, constantly improved the supervisory system of internal control evaluation and conducted internal control evaluations. The Company formulated the Evaluation Measures on Internal Control (《中國民生銀行內部控制評價辦法》) to improve the internal control evaluation system, and enriched its internal control evaluation techniques by conducting off-site audits. The Company optimized and adjusted the scope and methods of evaluation for business units in line with its development strategies with focus on the strategy implementation. According to the principles of internal control evaluation and annual audit plan, the Company conducted internal control evaluations on subsidiaries including 17 branches, certain township banks and Minsheng Leasing, which effectively covered major businesses and risks. The Company rectified the risks of internal control by various measures including regular monitoring and subsequent audits, and adopted audit accountability and disciplinary measures on major risks. Through constant internal control evaluation, the Company was able to improve the internal control and management standard.

(2) Internal audit

The Company has an internal audit organization — Internal Audit Department. Under the leadership of the Audit Committee of the Board, the Company adopts an independent internal audit model with a vertical management structure topped by the head office. Currently, the Company has five regional audit centers in Northern China, Eastern China, Southern China, Central China and Northeast China. The Internal Audit Department set up the product-oriented SBU audit center, industry finance SBU audit center, on-site audit center and off-site audit centers according to the specialized operating characteristics of the Company. Business management center, evaluation and accountability center and supervision and coordination center were also established. The Internal Audit Department is responsible for performing 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 of the Board. The Company has set up and improved the standardized internal audit system, and an integrated audit examination system comprising on-site audit and off-site audit. Off-site audit system covers all assets and liability businesses of the Company. Risk-oriented audit on internal control covers all business lines and internal management procedures including corporate banking, retail business, financial market, trade finance, credit card, financial accounting and risk management. 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 comprehensive audits, special audits, off-site audits and departure audits. During the reporting period, the Audit Department continued to innovate its internal audit measures and strengthen the execution capability and risk prevention in order to enhance the level of professional audit for the achievement of the “three positionings” and the development of professional and distinctive operations. It focused on risk and internal control, strengthened the division of responsibilities and sharing of audit results and conducted effective audits for the first half of the year. During the reporting period, the Audit Department performed 33 on-site audits, 12 off-site special audits and departure audits for 134 persons. It issued 184 audit reports and research reports and performed its supervision, evaluation and consultation duties effectively. The examinations covered various businesses of the Company, including corporate banking, retail business, operation management, financial management, trade finance, bills, e-banking, credit card and income from intermediary business. The problems identified in the audit were tracked and urged to be rectified, and the persons responsible for the problems were held accountable. Collaborations among head office, branches and business management departments in resolving problem were also strengthened. In addition to conducting examination on overall business and process risks, the Bank has notably improved its internal control system and management level.

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

For Code A.6.7 of the Corporate Governance Code, a Non-executive Director did not attend the 2012 AGM held on 17 June 2013 due to other work arrangement.

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

Report of the Board of Directors

I. Profit Appropriation in the Second Half of 2012

The Board of the Company has distributed dividend to the shareholders according to the Profit Appropriation Plan for the Second Half of 2012 which was passed at the 2012 AGM. On the basis of a total share capital of the Company of 28,365,585,227 shares as at 26 June 2013, the Company distributed cash dividend of RMB1.50 (tax inclusive) for every 10 shares, approximately RMB4,255 million in total, to shareholders registered as at the record date. The cash dividend was denominated and declared in Renminbi and paid to the holders of A Shares in Renminbi whereas the holders of H Shares were paid in Hong Kong dollars. The Company accomplished the cash dividend distribution to the holders of A Shares and H Shares on 4 July 2013 and 8 August 2013, respectively.

II. Profit Appropriation in the First Half of 2013

The reviewed profit after tax of the Company for the first half of 2013 is RMB22,384 million. According to relevant provisions, the Company has proposed its profit distribution plan for the first half of 2013 as follows: appropriation of 10% of the interim net profit of 2013, being RMB2,238 million to the statutory surplus reserve; and appropriation of RMB2,900 million for the general risk provision. The profit distributable to shareholders as at the end of June 2013 is RMB49,758 million. The Company plans to distribute cash dividend of RMB1.58 (tax inclusive) for every 10 shares on the basis of total share capital of A shares and H shares as at 30 June 2013, being 28,365,585,227 shares, to holders of A Shares and H Shares registered in the Company's register of members on the record date. The cash dividend will be denominated and declared in RMB and the holders of A Shares will be paid in RMB whereas the holders of H Shares will be paid in Hong Kong dollars. The actual amount of dividend to be paid in Hong Kong dollars will be determined based on the benchmark exchange rate of RMB against Hong Kong dollars as announced by the PBOC as at the date of the board meeting.

III. Equity Interests of the Company in Other Listed Companies and Financial Enterprises

1. Listed companies in which the Company holds equity interests

Nil.

2. Equity interests of the Company in non-listed financial enterprises

	Registered capital (in RMB million)	Shareholding of the Company	Nature and scope of business	Place of registration
Minsheng Financial Leasing Co., Ltd.	5,095	51.03%	Leasing	Tianjin
Minsheng Royal Fund Management Co., Ltd.	300	63.33%	Fund management	Guangdong
Pengzhou Minsheng Township Bank Co., Ltd.	55	36.36%	Commercial banking	Sichuan
Cixi Minsheng Township Bank Co., Ltd.	100	35%	Commercial banking	Zhejiang
Shanghai Songjiang Minsheng Township Bank Co., Ltd.	150	35%	Commercial banking	Shanghai
Qijiang Minsheng Township Bank Co., Ltd.	60	50%	Commercial banking	Chongqing
Tongnan Minsheng Township Bank Co., Ltd.	50	50%	Commercial banking	Chongqing
Ziyang Minsheng Township Bank Co., Ltd.	80	51%	Commercial banking	Sichuan
Meihokou Minsheng Township Bank Co., Ltd.	50	51%	Commercial banking	Jilin
Wuhan Jiangxia Minsheng Township Bank Co., Ltd.	80	51%	Commercial banking	Hubei
Changyuan Minsheng Township Bank Co., Ltd.	50	51%	Commercial banking	Henan
Yidu Minsheng Township Bank Co., Ltd.	50	51%	Commercial banking	Hubei
Shanghai Jiading Minsheng Township Bank Co., Ltd.	200	51%	Commercial banking	Shanghai
Zhongxiang Minsheng Township Bank Co., Ltd.	70	51%	Commercial banking	Hubei
Penglai Minsheng Township Bank Co., Ltd.	100	51%	Commercial banking	Shandong
Anxi Minsheng Township Bank Co., Ltd.	100	51%	Commercial banking	Fujian
Funing Minsheng Township Bank Co., Ltd.	60	51%	Commercial banking	Jiangsu
Taicang Minsheng Township Bank Co., Ltd.	100	51%	Commercial banking	Jiangsu
Ningjin Minsheng Township Bank Co., Ltd.	40	51%	Commercial banking	Hebei
Zhangpu Minsheng Township Bank Co., Ltd.	50	51%	Commercial banking	Fujian
Jinghong Minsheng Township Bank Co., Ltd.	30	51%	Commercial banking	Yunnan
Zhidan Minsheng Township Bank Co., Ltd.	15	51%	Commercial banking	Shaanxi
Puer Minsheng Township Bank Co., Ltd.	30	51%	Commercial banking	Yunnan
Yulin Yuyang Minsheng Township Bank Co., Ltd.	50	51%	Commercial banking	Shaanxi
Ningguo Minsheng Township Bank Co., Ltd.	40	51%	Commercial banking	Anhui
Chizhou Guichi Minsheng Township Bank Co., Ltd.	50	51%	Commercial banking	Anhui
Tiantai Minsheng Township Bank Co., Ltd.	60	51%	Commercial banking	Zhejiang
Tianchang Minsheng Township Bank Co., Ltd.	40	51%	Commercial banking	Anhui
Tengchong Minsheng Township Bank Co., Ltd.	40	51%	Commercial banking	Yunnan

Report of the Board of Directors

IV. Securities Transactions by Directors, Supervisors and Relevant Employees

The Company has adopted its own code of conduct regarding Directors' and Supervisors' dealings in the securities on terms no less exacting than the Model Code. The Company has made specific enquiries to all Directors and Supervisors to confirm that they have complied with the abovementioned Code during the reporting period up to 30 June 2013. The Company also formulated guidelines on dealings in securities of the Company by relevant employees, which are no less strict than the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

V. 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 30 June 2013, the following Directors/Supervisor of the Company had the following interests in the shares/debentures of the Company:

Name	Position	Interests in shares				No. of shares	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued shares (%)	Interests in debentures		
		Class shares	Long/short position	Capacity	Class of debentures				Capacity	Amount of debentures (RMB)	
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporations	1,987,804,875 (note 1)	8.80	7.01	A share convertible bonds	Interest held by his controlled corporations	966,784,000 (note 2)	
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporations	981,974,210 (note 3)	4.35	3.46	A share convertible bonds	Interest held by his controlled corporations	731,984,000 (note 4)	
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporations	760,304,295 (note 5)	3.37	2.68	A share convertible bonds	Interest held by his controlled corporations	618,561,000 (note 6)	
		H	Long position	Interest held by his controlled corporations	5,720,500 (note 5)	0.10	0.02	bonds	corporations		
Shi Yuzhu	Non-executive Director	A	Long position	Interest held by his controlled corporations	896,991,119 (note 7)	3.97	3.16	A share convertible bonds	Interest held by his controlled corporations	751,664,000 (note 8)	
		H	Long position	Interest held by his controlled corporations	638,829,500 (note 7)	11.06	2.25	bonds	corporations		
Guo Guangchang	Non-executive Director	A	Long position	Interest held by his controlled corporations	308,037,298 (note 9)	1.36	1.09				
		H	Long position	Interest held by his controlled corporations	418,332,000 (note 10)	7.24	1.47				
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	633,100	0.003	0.002				

Notes:

1. The 1,987,804,875 A shares comprised 571,113,783 A shares directly held by South Hope Industrial Co., Ltd. and 1,416,691,092 A shares directly held by New Hope Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 21.89% and 23.24% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 571,113,783 A shares held by South Hope Industrial Co., Ltd. and the 1,416,691,092 A shares held by New Hope Investment Co., Ltd.

As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,987,804,875 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 interim report, were the same block of shares.

2. The debentures of RMB966,784,000 comprised debentures of RMB129,093,000 directly held by South Hope Industrial Co., Ltd. (see note 1 above) and debentures of RMB837,691,000 directly held by New Hope Investment Co., Ltd. (see note 1 above).
3. The 981,974,210 A shares comprised 961,587,686 A shares directly held by Orient Group Incorporation and 20,386,524 A shares directly held by Orient Group Industrial Co., Ltd. 27.98% of the issued share capital of Orient Group Incorporation was held by Orient Group Industrial Co., Ltd., of which 32.58% of the issued share capital was held directly by Mr. Zhang Hongwei.
4. The debentures of RMB731,984,000 were directly held by Orient Group Incorporation (see note 3 above).
5. The 760,304,295 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 96.7% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly owned by Oceanwide Holdings Co., Ltd. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Oceanwide Holdings Co., Ltd.

The 5,720,500 H shares were held by Oceanwide International Resources Investment Co., Ltd., which was wholly-owned by China Oceanwide Holdings Group Co., Ltd.. 96.7% of the issued share capital of China Oceanwide Holdings Group Co., Ltd. was held by Oceanwide Group Co., Ltd., which was wholly owned by Oceanwide Holdings Co., Ltd.. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Oceanwide Holdings Co., Ltd.

6. The debentures of RMB618,561,000 were held by China Oceanwide Holdings Group Co., Ltd. (see note 5 above).
7. The 896,991,119 A shares were held by Shanghai Giant Lifetech Co., Ltd.. 95.14% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Mr. Shi Yuzhu.

The 638,829,500 H shares comprised 586,100,000 H shares held directly by Union Sky Holding Group Limited and 52,729,500 H shares held directly by Vogel Holding Group Limited. Union Sky Holding Group Limited was wholly-owned by Mr. Shi Yuzhu. Vogel Holding Group Limited was wholly-owned by Ms. Shi Jing, daughter of Mr. Shi Yuzhu. Mr. Shi Yuzhu is the de facto controller of Vogel Holding Group Limited and was therefore deemed to have interests in the 52,729,500 H shares held by Vogel Holding Group Limited. Besides, 505,700,000 H shares were held through cash settled options.

Report of the Board of Directors

8. The debentures of RMB751,664,000 comprised the debentures of RMB716,496,000 directly held by Shanghai Giant Lifetech Co., Ltd. (see note 7 above) and the debentures of RMB35,168,000 directly held by Shanghai Giant Network Science Technologies Co., Ltd. 75% of the issued share capital of Shanghai Giant Network Science Technologies Co., Ltd. was held by Shanghai Lanlin Bio-Technology Co., Ltd., of which 90% of the issued share capital was held by Giant Investment Co., Ltd. Mr. Shi Yuzhu held 95.14% of the issued share capital of Giant Investment Co., Ltd.
9. Mr. Guo Guangchang had 308,037,298 A shares by virtue of his control over the following corporations:
 - 9.1 Nanjing Iron & Steel Industry Development Co., Ltd., a wholly-owned subsidiary of Nanjing Iron & Steel United Co., Ltd., held 5,105,200 A shares of the Company.
 - 9.2 Nanjing Iron & Steel Co., Ltd. held 173,880,823 A shares of the Company. Nanjing Iron & Steel Co., Ltd. was owned as to 56.53% by Nanjing Nangang Iron & Steel United Co., Ltd.
 - 9.3 Nanjing Iron & Steel United Co., Ltd., a wholly-owned subsidiary of Nanjing Nangang Iron & Steel United Co., Ltd., held 15,690,060 A shares of the Company. Meanwhile it was deemed to have interest in a total of 20,795,260 A shares of the Company by virtue of its control over Nanjing Iron & Steel Industry Development Co., Ltd. (see note (9.1) above)
 - 9.4 Shanghai Fosun Industrial Technology Development Co., Ltd., a wholly-owned subsidiary of Shanghai Fosun Industrial Investment Co., Ltd., held 98,500,000 A shares of the Company. Shanghai Fosun Industrial Investment Co., Ltd. is a wholly-owned subsidiary of Shanghai Fosun High Technology (Group) Co., Ltd.
 - 9.5 Shanghai Fosun High Technology (Group) Company Limited, a wholly-owned subsidiary of Fosun International Limited, was deemed to have interest in a total of 293,176,083 A shares of the Company by virtue of its control over Nanjing Iron & Steel Industry Development Co., Ltd. (see note (9.1) above), Nanjing Iron & Steel Co., Ltd. (see note (9.2) above), Nanjing Iron & Steel United Co., Ltd. (see note (9.3) above) and Shanghai Fosun Industrial Technology Development Co., Ltd. (see note (9.4) above). 79.08% of the issued share capital of Fosun International Limited was held by Fosun Holdings Limited, which was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang held 58% of the issued share capital of Fosun International Holdings Ltd.
 - 9.6 Tebon Securities Co., Ltd. held 14,861,215 A shares of the Company. Tebon Securities Co., Ltd. was owned as to 91.86% by Shanghai Xingye Investment Development Co., Ltd.. 90% of the issued share capital of Shanghai Xingye Investment Development Co., Ltd. was held by Yadong Guangxin Technology Development Co., Ltd., of which 58% of the issued share capital was held by Mr. Guo Guangchang.
10. The 418,332,000 H shares (in which 60,000,000 H shares were held through other category of derivatives) comprised 314,316,500 H shares directly held by Fosun International Limited, 29,660,500 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 74,355,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 79.08% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang held 58% of the issued share capital of Fosun International Holdings Ltd.

According to the SFO, Fosun International Limited was deemed to have interests in the 29,660,500 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 74,355,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 314,316,500 H shares held by Fosun International Limited.

(II) As at 30 June 2013, the following Director of the Company had the following interests in Pengzhou Minsheng Township Bank Co., Ltd., a subsidiary of the Company:

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

Note:

New Hope Group Co., Ltd. is interested in RMB2,000,000 of the registered capital of Pengzhou Minsheng Township Bank Co., Ltd. As Mr. Liu Yonghao held 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 Township Bank Co., Ltd. according to the SFO.

(III) As at 30 June 2013, the following Director of the Company had the following interests in Shanghai Songjiang Minsheng Township Bank Co., Ltd., a subsidiary of the Company:

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

Notes:

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

Report of the Board of Directors

Save as disclosed above, as at 30 June 2013, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

VI. 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).

I. Material Litigation and Arbitration

In the reporting period, the Company had no litigation or arbitration which has significant impact on its operations. As at 30 June 2013, there were 1,344 outstanding litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB9,989.6385 million and 51 outstanding litigations involving the Company as defendant for approximately RMB237.6503 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

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

III. Material Contracts and Their Performances

The Company participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East 3rd Ring Road, Chaoyang District, Beijing. Currently, the 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. Currently, the construction of pile foundation is in progress.

The execution of contracts and progress of the construction of Shunyi Headquarter Base in Beijing have been satisfactory. The construction has been substantially completed and is currently under debugging.

IV. Major Guarantees

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

V. Commitments by the Company

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

Major Events

VI. Repurchase, Sale or Redemption of Securities

During the six months ended 30 June 2013, the Group has neither sold any securities of the Company nor repurchased or redeemed any securities of the Company.

VII. Audit Committee

An Audit Committee has been established in accordance with the requirements of Appendix 14 of the Hong Kong Listing Rules and its members are Mr. Qin Rongsheng (Chairman), Mr. Cheng Hoi-chuen, Ms. You Lantian, Mr. Han Jianmin, Mr. Shi Yuzhu and Mr. Wu Di. The main responsibilities of the Audit Committee include reviewing and providing supervision over the financial reporting procedures and internal control system of the Company and providing advices to the Board. The Audit Committee of the Company has reviewed and confirmed the interim results announcement for the six months ended 30 June 2013 and the interim report for the first half of 2013.

VIII. Appointment and Removal of Accounting Firms

The 2012 AGM of the Company resolved to engage KPMG Huazhen (Special General Partnership) and KPMG as the domestic and international auditors of the Company in 2013, respectively.

IX. Major Connected Transactions

In the reporting period, there was no major connected transaction of the Company. For details of connected transactions under relevant accounting standards as at the end of the reporting period, please refer to Note 41 to the Consolidated Financial Statements — Related Parties.

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

In the reporting period, none of the Company and Directors, Supervisors and senior management of the Company was subject to any disciplinary measures or penalties.

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

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

XIII. Other Major Events

1. Pursuant to the Reply on Approving the Establishment of a Subsidiary by Minsheng Royal Fund Management Co., Ltd. (Zheng Jian Xu Ke [2013] No. 48) (《關於核准民生加銀基金管理有限
公司設立子公司的批覆》) received by Minsheng Fund which is owned by the Company, from the CSRC, it was approved to establish a wholly-owned subsidiary. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 25 January 2013.
2. Pursuant to the Reply on Approving the Commencement of Business Operation of Guiyang Branch of China Minsheng Banking Corp., Ltd. (Qian Yin Jian Fu [2013] No. 148) (《關於中國民生銀行股份有限公司貴陽分行開業的批覆》) received by the Company from Guizhou Branch of the CBRC, the commencement of business operation of Guiyang Branch of the Company was approved. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 18 June 2013.

Financial Reports

- I. Independent Review Report

- II. Financial Statements (Condensed Consolidated Statement of Profit or Loss, Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows)

- III. Notes to the Unaudited Interim Financial Information

- IV. Unaudited Supplementary Financial Information

Please refer to appendices for details.

Report on the Review of Interim Financial Information



Independent review report to the shareholders of China Minsheng Banking Corp., Ltd.

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

Introduction

We have reviewed the interim financial information of China Minsheng Banking Corp., Ltd. (the “Bank”) and its subsidiaries (collectively the “Group”) set out on pages 101 to 205, which comprises the condensed consolidated statement of financial position as at 30 June 2013, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on this interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on the Review of Interim Financial Information (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standards 34 “Interim Financial Reporting”.

The image shows the handwritten signature of KPMG in blue ink. The letters are stylized and cursive, with a horizontal line underlining the 'K' and 'M'.

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

28 August 2013

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited)
Interest income		89,018	72,581
Interest expense		(48,454)	(34,710)
Net interest income	5	40,564	37,871
Fee and commission income		17,417	10,708
Fee and commission expense		(1,195)	(678)
Net fee and commission income	6	16,222	10,030
Net trading gain	7	340	597
Net gain arising from disposals of securities and discounted bills	8	997	2,871
Impairment losses on assets	9	(6,772)	(6,096)
Operating expenses	10	(20,726)	(19,418)
Other operating income/(expenses)		369	(156)
Profit before income tax		30,994	25,699
Income tax expense	11	(7,500)	(6,291)
Net profit		23,494	19,408
Net profit attributable to:			
Equity shareholders of the Bank		22,945	19,053
Non-controlling interests		549	355
		23,494	19,408
Earnings per share (expressed in RMB)	12		
Basic earnings per share		0.81	0.69
Diluted earnings per share		0.78	0.69

The notes on pages 109 to 205 form part of these financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited)
Net profit		23,494	19,408
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale securities	37	(217)	824
Income tax relating to available-for-sale securities	37	54	(206)
Exchange difference on translating foreign operations		(3)	—
		(166)	618
Other comprehensive (loss)/income, net of tax		(166)	618
Total comprehensive income		23,328	20,026
Total comprehensive income attributable to:			
Equity shareholders of the Bank		22,779	19,671
Non-controlling interests		549	355
		23,328	20,026

The notes on pages 109 to 205 form part of these financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2013 (unaudited)	31 December 2012 (audited)
ASSETS			
Cash and balances with central bank	13	429,566	420,418
Balances with banks and other financial institutions	14	126,000	236,161
Precious metals		1,123	3,723
Trading financial assets	15	23,466	26,318
Positive fair value of derivatives	16	1,411	1,234
Placements with banks and other financial institutions	17	96,024	80,082
Financial assets held under resale agreements	18	842,719	732,662
Loans and advances to customers	19	1,447,950	1,351,512
Investment securities:			
– available-for-sale securities	20	147,751	117,275
– held-to-maturity securities	20	87,658	83,653
– loans and receivables	20	42,731	15,040
Finance lease receivables	21	82,097	74,809
Property and equipment	22	15,233	13,631
Deferred income tax assets	23	10,635	8,817
Other assets	25	55,729	46,666
Total assets		3,410,093	3,212,001
LIABILITIES			
Borrowings from central bank		80,417	331
Deposits from customers	27	2,174,975	1,926,194
Deposits and placements from banks and other financial institutions	28	645,015	777,262
Financial assets sold under repurchase agreements	29	74,354	133,335
Borrowings from banks and other financial institutions	30	80,916	71,804
Negative fair value of derivatives	16	1,506	1,335
Provisions		2,652	3,173
Debt securities issued	31	91,589	74,969
Current income tax liabilities		2,855	3,263
Other liabilities	32	64,607	51,791
Total liabilities		3,218,886	3,043,457

The notes on pages 109 to 205 form part of these financial statements.

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2013

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2013 (unaudited)	31 December 2012 (audited)
EQUITY			
Share capital	33	28,366	28,366
Capital reserve	33	49,229	45,714
Surplus reserve	34	14,568	12,330
General reserve	34	42,397	39,480
Investment revaluation reserve	37	(590)	(427)
Retained earnings	34	51,150	37,615
Exchange reserve		(4)	(1)
Total equity attributable to equity shareholders of the Bank		185,116	163,077
Non-controlling interests	35	6,091	5,467
Total equity		191,207	168,544
Total liabilities and equity		3,410,093	3,212,001

Approved and authorised for issue by the Board of Directors on 28 August 2013.



Dong Wenbiao
Chairman



Hong Qi
Director and president



Qin Rongsheng
Director



The notes on pages 109 to 205 form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013
(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Attributable to equity shareholders of the Bank									
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve	Non-controlling interests	Total equity
At 1 January 2013		28,366	45,714	12,330	39,480	(427)	37,615	(1)	5,467	168,544
Total comprehensive income										
Net profit		–	–	–	–	–	22,945	–	549	23,494
Total other comprehensive income		–	–	–	–	(163)	–	(3)	–	(166)
Total comprehensive income		–	–	–	–	(163)	22,945	(3)	549	23,328
Capital injection by shareholders		–	–	–	–	–	–	–	75	75
Issue of convertible corporate bonds		–	3,515	–	–	–	–	–	–	3,515
Appropriation to surplus reserve	34	–	–	2,238	–	–	(2,238)	–	–	–
Appropriation to general reserve	34	–	–	–	2,917	–	(2,917)	–	–	–
Cash dividends for the second half of 2012	36	–	–	–	–	–	(4,255)	–	–	(4,255)
At 30 June 2013		28,366	49,229	14,568	42,397	(590)	51,150	(4)	6,091	191,207

The notes on pages 109 to 205 form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2012

(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Attributable to equity shareholders of the Bank									Total equity
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve	Non-controlling interests	
At 1 January 2012		26,715	38,360	8,647	16,740	(110)	39,245	—	4,513	134,110
Total comprehensive income										
Net profit		—	—	—	—	—	19,053	—	355	19,408
Total other comprehensive income		—	—	—	—	618	—	—	—	618
Total comprehensive income		—	—	—	—	618	19,053	—	355	20,026
Capital injection by shareholders		1,651	7,354	—	—	—	—	—	81	9,086
Appropriation to surplus reserve	34	—	—	1,871	—	—	(1,871)	—	—	—
Appropriation to general reserve	34	—	—	—	3,103	—	(3,103)	—	—	—
Cash dividends of 2011	36	—	—	—	—	—	(8,510)	—	—	(8,510)
At 30 June 2012		28,366	45,714	10,518	19,843	508	44,814	—	4,949	154,712
At 1 July 2012		28,366	45,714	10,518	19,843	508	44,814	—	4,949	154,712
Total comprehensive income										
Net profit		—	—	—	—	—	18,510	—	390	18,900
Total other comprehensive income		—	—	—	—	(935)	—	(1)	—	(936)
Total comprehensive income		—	—	—	—	(935)	18,510	(1)	390	17,964
Capital injection by shareholders		—	—	—	—	—	—	—	123	123
Equity dilution of non-controlling interests		—	—	—	—	—	(5)	—	5	—
Appropriation to surplus reserve	34	—	—	1,812	—	—	(1,812)	—	—	—
Appropriation to general reserve	34	—	—	—	19,637	—	(19,637)	—	—	—
Cash dividends for the first half of 2012	36	—	—	—	—	—	(4,255)	—	—	(4,255)
At 31 December 2012		28,366	45,714	12,330	39,480	(427)	37,615	(1)	5,467	168,544

The notes on pages 109 to 205 form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013
(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Cash flows from operating activities:		
Profit before income tax	30,994	25,699
<i>Adjustments for:</i>		
– Impairment losses on assets	6,772	6,096
– Depreciation and amortisation	1,083	811
– Changes in provisions	(521)	686
– Losses on disposal of property and equipment and other long-term assets	–	2
– Gains from changes in fair value	(12)	(366)
– Net gains on disposal of available-for-sale securities	(215)	(125)
– Interest expense on debt securities issued and other financing activities	2,001	1,400
– Interest income from investment securities	(4,811)	(4,104)
	35,291	30,099
<i>Changes in operating assets:</i>		
Net decrease/(increase) in balances with central bank, banks and other financial institutions	13,487	(75,129)
Net increase in placements with banks and other financial institutions	(4,582)	(12,412)
Net increase in financial assets held under resale agreements	(109,360)	(174,500)
Net increase in loans and advances to customers	(103,877)	(98,606)
Net increase in other operating assets	(32,231)	(38,239)
	(236,563)	(398,886)
<i>Changes in operating liabilities:</i>		
Net increase in deposits from customers	248,781	166,225
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(132,247)	111,089
Net decrease in financial assets sold under repurchase agreements	(59,562)	(3,900)
Income tax paid	(9,672)	(11,113)
Net increase in borrowings from central bank	80,086	–
Net increase in other operating liabilities	41,792	39,532
	169,178	301,833
Net cash from operating activities	(32,094)	(66,954)

The notes on pages 109 to 205 form part of these financial statements.

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2013
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited)
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		75,901	89,858
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		67	1
Cash payment for purchase of investment securities		(134,326)	(95,335)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(2,071)	(2,060)
Net cash from investing activities		(60,429)	(7,536)
Cash flows from financing activities:			
Capital contribution from non-controlling interests to subsidiaries		75	81
Proceeds from shares issuance		—	9,005
Proceeds from issue of debt securities		19,912	49,919
Repayments of debt securities issued		—	(6,000)
Interest paid on debt securities issued		(3,273)	(1,338)
Dividends paid		—	(6,777)
Net cash from financing activities		16,714	44,890
Net decrease in cash and cash equivalents		(75,809)	(29,600)
Cash and cash equivalents at 1 January		258,568	268,262
Effect of foreign exchange rate changes		(327)	94
Cash and cash equivalents at 30 June	38	182,432	238,756

The notes on pages 109 to 205 form part of these financial statements.

Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

1 General information

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

The Bank publicly offered 350,000,000 ordinary shares (A shares) on the Shanghai Stock Exchange in 2000. On 26 November and 23 December 2009, the Bank offered 3,439,275,500 ordinary shares (H shares) on the Stock Exchange of Hong Kong Limited, and the total issued share capital increased to RMB22,262 million.

Pursuant to the resolutions of the 2009 Annual Shareholders’ General Meeting dated on 18 June 2010 of the Bank, the Bank issued bonus shares to the shareholders whose names appeared on the register of members of the Bank at the close of business on the respective record dates for the A shareholders and the H shareholders on the basis of 2 Bonus Shares for every 10 existing Shares held by them on such record dates. 4,452,455,498 Bonus Shares were issued and the total shares increased to 26,714,732,987 share. On 2 April 2012, the Bank offered 1,650,852,240 ordinary shares (H shares) on the Stock Exchange of Hong Kong Limited, and the total issued share capital increased to RMB28,366 million.

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

For the purpose of these financial statements, mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the “Group”) mainly provide corporate and personal banking, treasury business, finance leasing, assets management and other financial services in the PRC.

As at 30 June 2013, the Bank has 34 tier-one branches and 29 subsidiaries in the PRC.

These financial statements were authorised for issue by the Board of Directors on 28 August 2013.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies

This unaudited interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 28 August 2013.

The unaudited interim financial information has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out below.

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Bank. Of these, the following developments are relevant to the Group’s financial statements:

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (Continued)

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

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

IFRS 10, Consolidated financial statements

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

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

IFRS 12, Disclosure of interests in other entities

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

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (Continued)

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and nonfinancial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial information. The Group has provided those disclosures in Note 3(5). The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to IFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in Note 4.

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

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

The adoption of the amendments does not have an impact on the Group's interim financial information because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (Continued)

Preparing the unaudited interim financial information 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 expense. Actual results may differ from these estimates.

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Auditing and Assurance Standards Board.

The financial information relating to the financial year ended 31 December 2012 that is included in the unaudited interim financial information as being previously reported information does not constitute the Bank's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Bank's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2013.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management

(1) Credit risk

(i) Maximum credit risk exposure

The following table presents the Group'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.

	30 June 2013	31 December 2012
Balances with central bank	421,861	413,928
Balances with banks and other financial institutions	126,000	236,161
Placements with banks and other financial institutions	96,024	80,082
Trading financial assets	23,466	26,318
Positive fair value of derivatives	1,411	1,234
Financial assets held under resale agreements	842,719	732,662
Loans and advances to customers		
– Corporate loans and advances	909,697	897,523
– Personal loans and advances	538,253	453,989
Investment securities		
– Debt securities	277,951	215,829
Finance lease receivables	82,097	74,809
Other financial assets	43,475	36,247
Total	3,362,954	3,168,782
Off-balance sheet credit commitments	913,015	857,300
Maximum credit risk exposure	4,275,969	4,026,082

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(1) Credit risk (Continued)

(ii) Loans and advances to customers

	30 June 2013	31 December 2012
Gross balance of loans and advances to customers		
Neither past due nor impaired	1,457,079	1,364,909
Past due but not impaired	16,337	9,178
Impaired	11,554	10,523
	1,484,970	1,384,610
Less: allowance for impairment loss		
Neither past due nor impaired	(29,918)	(26,559)
Past due but not impaired	(2,199)	(1,396)
Impaired	(4,903)	(5,143)
	(37,020)	(33,098)
Net balance		
Neither past due nor impaired	1,427,161	1,338,350
Past due but not impaired	14,138	7,782
Impaired	6,651	5,380
	1,447,950	1,351,512

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(1) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

a Neither past due nor impaired

Credit risk of loans and advances to customers neither past due nor impaired was analysed as follows:

	30 June 2013	31 December 2012
Corporate loans and advances	913,961	907,307
Personal loans and advances	543,118	457,602
Total	1,457,079	1,364,909

Loans and advances to customers neither past due nor impaired were analysed by types of collateral as follows:

	30 June 2013	31 December 2012
Unsecured loans	237,117	191,438
Guaranteed loans	522,944	469,430
Loans secured by		
– tangible assets other than monetary assets	514,509	539,385
– monetary assets	182,509	164,656
Total	1,457,079	1,364,909

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(1) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

b Past due but not impaired

In general, loans that are past due for less than 90 days are not identified as impaired loans unless there is evidence of impairment.

At the inception of loan drawdown, the Group requires independent asset valuation agencies to perform valuation assessments of the corresponding collateral. When there is evidence that indicates the collateral is impaired, the Group will review whether the collateral is sufficient to cover the credit risk of the corresponding loans.

The following table presents the ageing analysis of each type of loans and advances to customers of the Group which were past due but not impaired as at the end of the reporting period.

	30 June 2013				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	6,828	964	558	337	8,687
Personal loans and advances	3,610	1,728	1,559	753	7,650
Total	10,438	2,692	2,117	1,090	16,337

	31 December 2012				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	2,456	499	482	30	3,467
Personal loans and advances	2,298	1,435	1,336	642	5,711
Total	4,754	1,934	1,818	672	9,178

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(1) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

c Impaired loans

	30 June 2013	31 December 2012
Corporate loans and advances	8,379	8,260
Personal loans and advances	3,175	2,263
Total	11,554	10,523
% of total loans and advances	0.78%	0.76%
Allowance for impairment losses		
— Corporate loans and advances	(3,219)	(3,855)
— Personal loans and advances	(1,684)	(1,288)
Total	(4,903)	(5,143)

All of the secured personal loans past due for more than 90 days as well as unsecured personal loans and guaranteed personal loans (excluding credit card and micro lending) past due for more than 30 days are identified as impaired loans. All of the secured micro lending past due for more than 180 days, guaranteed micro lending past due for more than 90 days, and unsecured micro lending past due for more than 30 days are identified as impaired loans. All the credit card past due for more than 90 days are identified as impaired loans by the Group.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(1) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

c Impaired loans (Continued)

Impaired loans and advances by type of collateral:

	30 June 2013	31 December 2012
Unsecured loans	1,150	852
Guaranteed loans	4,229	3,564
Loans secured by		
— tangible assets other than monetary assets	5,426	5,560
— monetary assets	749	547
Total	11,554	10,523
Fair value of collateral held against impaired loans	5,615	5,363

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Market risk

(i) Currency risk

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of financial assets and liabilities denominated in foreign currencies have been converted into RMB.

	30 June 2013				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	427,175	1,878	305	208	429,566
Balances with banks and other financial institutions	108,881	14,321	1,155	1,643	126,000
Placements with banks and other financial institutions	91,482	3,243	681	618	96,024
Financial assets held under resale agreements	842,719	—	—	—	842,719
Loans and advances to customers	1,395,976	48,485	2,504	985	1,447,950
Investment securities	276,745	999	396	—	278,140
Finance lease receivables	81,824	273	—	—	82,097
Other assets	92,219	1,792	11,751	1,835	107,597
Total assets	3,317,021	70,991	16,792	5,289	3,410,093
Liabilities:					
Borrowings from central bank	80,417	—	—	—	80,417
Deposits from customers	2,118,100	46,723	7,307	2,845	2,174,975
Deposits and placements from banks and other financial institutions	640,268	2,199	190	2,358	645,015
Financial assets sold under repurchase agreements	73,844	510	—	—	74,354
Borrowings from banks and other financial institutions	73,575	7,341	—	—	80,916
Debt securities issued	91,589	—	—	—	91,589
Other liabilities	67,876	3,247	363	134	71,620
Total liabilities	3,145,669	60,020	7,860	5,337	3,218,886
Net position	171,352	10,971	8,932	(48)	191,207
Foreign currency derivatives	6,680	(15,084)	9,548	(1,167)	(23)
Off-balance sheet credit commitments	866,472	42,818	1,961	1,764	913,015

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Market risk (Continued)

(i) Currency risk (Continued)

	31 December 2012				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	417,994	2,059	142	223	420,418
Balances with banks and other financial institutions	227,885	6,909	135	1,232	236,161
Placements with banks and other financial institutions	74,493	3,380	1,533	676	80,082
Financial assets held under resale agreements	732,662	—	—	—	732,662
Loans and advances to customers	1,311,155	36,674	2,307	1,376	1,351,512
Investment securities	214,268	1,092	608	—	215,968
Finance lease receivables	74,527	282	—	—	74,809
Other assets	83,219	4,322	9,003	3,845	100,389
Total assets	3,136,203	54,718	13,728	7,352	3,212,001
Liabilities:					
Borrowings from central bank	331	—	—	—	331
Deposits from customers	1,879,884	38,617	4,303	3,390	1,926,194
Deposits and placements from banks and other financial institutions	765,534	10,391	8	1,329	777,262
Financial assets sold under repurchase agreements	132,804	531	—	—	133,335
Borrowings from banks and other financial institutions	65,850	5,954	—	—	71,804
Debt securities issued	74,969	—	—	—	74,969
Other liabilities	53,563	2,786	540	2,673	59,562
Total liabilities	2,972,935	58,279	4,851	7,392	3,043,457
Net position	163,268	(3,561)	8,877	(40)	168,544
Foreign currency derivatives	(7,153)	2,453	2,221	2,273	(206)
Off-balance sheet credit commitments	810,160	44,152	393	2,595	857,300

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Market risk (Continued)

(ii) Interest rate risk

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of financial instruments based on their contractual repricing dates (or maturity dates whichever are earlier).

	Note	30 June 2013					Total
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:							
Cash and balances with central bank		421,861	–	–	–	7,705	429,566
Balances with banks and other financial institutions		109,778	13,870	2,352	–	–	126,000
Placements with banks and other financial institutions		53,872	38,762	3,390	–	–	96,024
Financial assets held under resale agreements		630,208	145,338	67,173	–	–	842,719
Loans and advances to customers	(i)	1,071,992	359,978	14,699	1,281	–	1,447,950
Investment securities		24,665	69,824	138,876	44,586	189	278,140
Finance lease receivables		82,097	–	–	–	–	82,097
Other assets		25,891	3,127	15,019	3,901	59,659	107,597
Total assets		2,420,364	630,899	241,509	49,768	67,553	3,410,093
Liabilities:							
Borrowings from central bank		80,099	318	–	–	–	80,417
Deposits from customers		1,435,061	528,456	209,458	2,000	–	2,174,975
Deposits and placements from banks and other financial institutions		438,693	200,452	5,870	–	–	645,015
Financial assets sold under repurchase agreements		58,933	13,656	1,539	226	–	74,354
Borrowings from banks and other financial institutions		22,351	55,535	2,867	163	–	80,916
Debt securities issued		–	2,669	81,611	7,309	–	91,589
Other liabilities		26,744	–	–	–	44,876	71,620
Total liabilities		2,061,881	801,086	301,345	9,698	44,876	3,218,886
Total interest sensitivity gap		358,483	(170,187)	(59,836)	40,070	22,677	191,207

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(2) Market risk (Continued)

(ii) Interest rate risk (Continued)

	Note	31 December 2012				Non-interest bearing	Total
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years		
Assets:							
Cash and balances with central bank		413,928	—	—	—	6,490	420,418
Balances with banks and other financial institutions		222,738	10,973	2,450	—	—	236,161
Placements with banks and other financial institutions		35,667	42,583	1,832	—	—	80,082
Financial assets held under resale agreements		551,456	172,016	9,190	—	—	732,662
Loans and advances to customers	(i)	1,047,644	293,399	9,371	1,098	—	1,351,512
Investment securities		25,369	77,190	90,325	22,945	139	215,968
Finance lease receivables		74,809	—	—	—	—	74,809
Other assets		27,657	9,888	7,767	1,995	53,082	100,389
Total assets		2,399,268	606,049	120,935	26,038	59,711	3,212,001
Liabilities:							
Borrowings from central bank		—	331	—	—	—	331
Deposits from customers		1,264,054	469,631	185,669	6,840	—	1,926,194
Deposits and placements from banks and other financial institutions		504,709	263,433	9,120	—	—	777,262
Financial assets sold under repurchase agreements		107,880	22,365	1,961	1,129	—	133,335
Borrowings from banks and other financial institutions		15,795	46,585	7,097	2,327	—	71,804
Debt securities issued		1,675	1,000	64,987	7,307	—	74,969
Other liabilities		22,649	3	—	—	36,910	59,562
Total liabilities		1,916,762	803,348	268,834	17,603	36,910	3,043,457
Total interest sensitivity gap		482,506	(197,299)	(147,899)	8,435	22,801	168,544

(i) For loans and advances to customers of the Group, the "less than 3 months" category includes overdue amounts (net of allowances for impairment losses) of RMB20,686 million as at 30 June 2013 (31 December 2012: RMB11,504 million).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk

(i) Maturity analysis

The following tables analyse the Group's assets and liabilities based on remaining periods to repayment as at the end of the reporting period.

Note	30 June 2013							Total
	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	376,051	53,515	–	–	–	–	–	429,566
Balances with banks and other financial institutions	23	37,763	49,214	22,778	13,870	2,352	–	126,000
Placements with banks and other financial institutions	–	–	30,083	23,789	38,762	3,390	–	96,024
Financial assets held under resale agreements	–	–	277,135	353,073	145,338	67,173	–	842,719
Loans and advances to customers Investment securities	(ii) 11,420	9,369	150,283	175,406	707,834	273,223	120,415	1,447,950
– available-for-sale securities	238	–	3,832	10,812	35,821	78,829	18,219	147,751
– held-to-maturity securities	–	–	4,178	3,648	17,019	40,469	22,344	87,658
– loans and receivables	–	–	874	990	17,045	19,848	3,974	42,731
Finance lease receivables	269	–	2,399	3,526	18,217	50,052	7,634	82,097
Other assets	32,617	1,228	13,185	18,252	14,432	23,483	4,400	107,597
Total assets	420,618	101,875	531,183	612,274	1,008,338	558,819	176,986	3,410,093
Liabilities:								
Borrowings from central bank	–	–	80,030	69	318	–	–	80,417
Deposits from customers	–	964,592	177,620	292,849	528,456	209,458	2,000	2,174,975
Deposits and placements from banks and other financial institutions	–	31,821	253,606	153,266	200,452	5,870	–	645,015
Financial assets sold under repurchase agreements	–	–	22,135	36,798	13,656	1,539	226	74,354
Borrowings from banks and other financial institutions	–	–	–	15,979	57,992	4,488	2,457	80,916
Debt securities issued	–	–	–	–	–	66,000	25,589	91,589
Other liabilities	2,682	22,911	12,439	15,561	12,907	4,422	698	71,620
Total liabilities	2,682	1,019,324	545,830	514,522	813,781	291,777	30,970	3,218,886
Net position	417,936	(917,449)	(14,647)	97,752	194,557	267,042	146,016	191,207
Notional amount of derivatives	–	–	83,375	189,295	101,029	40,403	8,300	422,402

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	Note	31 December 2012						Total
		Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	
Assets:								
Cash and balances with central bank		339,594	80,824	–	–	–	–	420,418
Balances with banks and other financial institutions	17	28,405	148,612	45,654	11,023	2,450	–	236,161
Placements with banks and other financial institutions	–	–	11,583	24,084	42,583	1,832	–	80,082
Financial assets held under resale agreements	–	–	223,314	328,142	172,016	9,190	–	732,662
Loans and advances to customers	(ii)	8,983	4,179	118,185	133,960	692,539	265,809	1,351,512
Investment securities								
– available-for-sale securities	172	–	1,730	5,915	36,155	59,338	13,965	117,275
– held-to-maturity securities	–	–	821	4,778	22,533	39,501	16,020	83,653
– loans and receivables	–	–	100	630	4,499	4,746	5,065	15,040
Finance lease receivables	–	–	2,610	4,183	18,943	45,012	4,061	74,809
Other assets		30,594	3,867	9,440	8,497	27,283	16,067	100,389
Total assets		379,360	117,275	516,395	555,843	1,027,574	443,945	3,212,001
Liabilities:								
Borrowings from central bank	–	–	–	–	331	–	–	331
Deposits from customers	–	728,316	272,080	263,765	469,631	185,669	6,733	1,926,194
Deposits and placements from banks and other financial institutions	–	44,330	363,423	96,956	263,433	9,120	–	777,262
Financial assets sold under repurchase agreements	–	–	54,337	53,543	22,365	1,961	1,129	133,335
Borrowings from banks and other financial institutions	–	–	5,039	10,756	46,585	7,097	2,327	71,804
Debt securities issued	–	–	–	–	–	65,987	8,982	74,969
Other liabilities	3,170	14,380	7,183	8,827	14,437	10,215	1,350	59,562
Total liabilities		3,170	787,026	702,062	433,847	816,782	20,521	3,043,457
Net position		376,190	(669,751)	(185,667)	121,996	210,792	163,896	168,544
Notional amount of derivatives	–	–	63,514	90,121	83,216	96,564	16,350	349,765

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

- (i) For cash and balances with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBC. For investments, the indefinite period amounts represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

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

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities

The following tables analyse the Group'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.

	30 June 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	53,516	—	—	—	376,068	429,584
Balances with banks and other financial institutions	87,110	23,145	14,419	2,549	23	127,246
Placements with banks and other financial institutions	30,147	24,328	39,484	3,537	—	97,496
Financial assets held under resale agreements	279,228	357,641	149,777	73,501	—	860,147
Loans and advances to customers	176,548	189,016	748,267	337,493	171,744	1,623,068
Investment securities	9,198	16,414	74,449	147,904	48,297	296,262
Finance lease receivables	2,878	4,292	22,295	59,177	9,009	97,651
Other financial assets	9,081	12,261	8,606	23,777	7,128	60,853
Total financial assets (expected maturity date)	647,706	627,097	1,057,297	647,938	612,269	3,592,307
Financial liabilities:						
Borrowings from central bank	80,482	71	328	—	—	80,881
Deposits from customers	1,163,064	322,489	583,928	243,565	2,570	2,315,616
Deposits and placements from banks and other financial institutions	288,719	156,717	207,998	6,308	—	659,742
Financial assets sold under repurchase agreements	22,226	37,430	14,146	1,602	236	75,640
Borrowings from banks and other financial institutions	374	16,819	60,524	5,569	2,635	85,921
Debt securities issued	—	—	3,608	77,099	30,278	110,985
Other financial liabilities	7,770	9,489	3,309	2,110	669	23,347
Total financial liabilities (contractual maturity date)	1,562,635	543,015	873,841	336,253	36,388	3,352,132

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities (Continued)

	31 December 2012					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	80,825	—	—	—	339,609	420,434
Balances with banks and other financial institutions	177,619	46,187	11,432	2,673	17	237,928
Placements with banks and other financial institutions	11,692	24,532	44,079	1,899	—	82,202
Financial assets held under resale agreements	225,434	332,848	176,729	10,693	—	745,704
Loans and advances to customers	138,176	148,633	732,640	335,002	194,817	1,549,268
Investment securities	2,963	13,223	69,155	119,122	39,953	244,416
Finance lease receivables	3,295	5,183	23,109	52,591	4,931	89,109
Other financial assets	10,120	6,743	20,964	14,888	7,670	60,385
Total financial assets (expected maturity date)	650,124	577,349	1,078,108	536,868	586,997	3,429,446
Financial liabilities:						
Borrowings from central bank	—	—	331	—	—	331
Deposits from customers	1,006,623	271,023	501,271	203,774	6,819	1,989,510
Deposits and placements from banks and other financial institutions	409,358	98,441	271,336	9,226	—	788,361
Financial assets sold under repurchase agreements	54,654	54,298	22,828	2,335	1,591	135,706
Borrowings from banks and other financial institutions	5,056	10,886	48,169	7,810	3,482	75,403
Debt securities issued	905	2,134	1,346	78,862	10,181	93,428
Other financial liabilities	1,573	2,879	3,733	5,767	1,298	15,250
Total financial liabilities (contractual maturity date)	1,478,169	439,661	849,014	307,774	23,371	3,097,989

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk (Continued)

(iii) 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 contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

	30 June 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	6	8	37	116	—	167
Credit derivatives	—	—	—	—	—	—
Total	6	8	37	116	—	167

	31 December 2012					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	4	4	3	20	8	39
Credit derivatives	—	—	—	—	—	—
Total	4	4	3	20	8	39

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

b Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: foreign exchange forwards, currency swaps and currency options;
- Precious metal derivatives: precious metal forwards & swaps.

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a gross basis as at the end of the reporting period.

	30 June 2013					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
— Cash outflow	(54,365)	(78,973)	(60,733)	(499)	—	(194,570)
— Cash inflow	54,433	78,922	60,700	499	—	194,554
Precious metal derivatives						
— Cash outflow	(3,227)	—	(1,052)	—	—	(4,279)
— Cash inflow	3,217	—	1,056	—	—	4,273
Total cash outflow	(57,592)	(78,973)	(61,785)	(499)	—	(198,849)
Total cash inflow	57,650	78,922	61,756	499	—	198,827

	31 December 2012					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
— Cash outflow	(48,348)	(61,271)	(49,648)	—	—	(159,267)
— Cash inflow	48,221	61,088	49,637	—	—	158,946
Precious metal derivatives						
— Cash outflow	(4,225)	(2,630)	(757)	—	—	(7,612)
— Cash inflow	4,210	2,757	760	—	—	7,727
Total cash outflow	(52,573)	(63,901)	(50,405)	—	—	(166,879)
Total cash inflow	52,431	63,845	50,397	—	—	166,673

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk (Continued)

(iv) 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.

	30 June 2013			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	609,277	—	—	609,277
Letters of credit	125,495	215	—	125,710
Guarantees	42,505	34,768	9,193	86,466
Re-factoring	54,195	—	—	54,195
Unused credit card commitments	32,949	—	—	32,949
Capital commitments	1,070	10,285	60	11,415
Operating lease commitments	1,787	6,294	2,915	10,996
Irrevocable loan commitments	641	1,041	1,061	2,743
Finance lease commitments	1,411	264	—	1,675
Total	869,330	52,867	13,229	935,426

	31 December 2012			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	586,654	—	—	586,654
Letters of credit	133,708	1,277	—	134,985
Guarantees	32,107	17,665	18,716	68,488
Re-factoring	33,600	—	—	33,600
Unused credit card commitments	25,722	—	—	25,722
Capital commitments	4,012	7,869	—	11,881
Operating lease commitments	1,648	4,855	2,031	8,534
Irrevocable loan commitments	769	2,278	954	4,001
Finance lease commitments	3,334	516	—	3,850
Total	821,554	34,460	21,701	877,715

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(4) Operational risk

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

The Bank devoted to promoting the implementation of the three major operational risk management tools in the Bank and the establishment of operational risk management information system, according to the regulatory requirements of operational risk. The Bank has carried out Risk Control Self Assessment (RCSA), established key risk indicator monitoring system and internal loss issue management system regarding operational risk, and improved its efforts on the investigation of the risks in the key business areas in order to reduce potential risk. Besides, the Bank enhanced the outsourcing risk management, and promoted the establishment of business continuity management system by setting up rules and regulations, establishing management structures, organizing and delivering trainings throughout the Bank to improve the management skills; furthermore, the Bank also carried out pilot implementation of business continuity management among key departments, and try to build up linkage mechanism for front office, middle office and back office for sudden incidents gradually.

(5) Fair value of financial assets and financial liabilities

(i) Financial instruments measured at fair value

The table below analyses recurring fair value measurements for financial asset and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Fair value of financial assets and financial liabilities (Continued)

(i) Financial instruments measured at fair value (Continued)

Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. This level includes a majority of over-the-counter (“OTC”) derivative contracts, traded loans and issued structured debts. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters.

Level 3: unobservable inputs for assets or liabilities. This level includes equity investments and debt instruments with one or more than one significant unobservable component.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Fair value of financial assets and financial liabilities (Continued)

(i) Financial instruments measured at fair value (Continued)

The following financial assets and financial liabilities measured at fair value are presented based on the fair value hierarchy:

	30 June 2013			
	Level 1	Level 2	Level 3	Total
Trading financial assets				
– Debt securities	11	23,455	–	23,466
Positive fair value of derivatives	–	1,411	–	1,411
Available-for-sale securities				
– Debt securities	1,013	146,435	114	147,562
– Equity instruments	14	175	–	189
Total	1,038	171,476	114	172,628
Negative fair value of derivatives	–	(1,506)	–	(1,506)
Total	–	(1,506)	–	(1,506)

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Trading financial assets				
– Debt securities	12	26,306	–	26,318
Positive fair value of derivatives	–	1,234	–	1,234
Available-for-sale securities				
– Debt securities	713	116,290	133	117,136
– Equity instruments	14	125	–	139
Total	739	143,955	133	144,827
Negative fair value of derivatives	–	(1,335)	–	(1,335)
Total	–	(1,335)	–	(1,335)

There were no significant transfers between Level 1 and Level 2 during the period ended 30 June 2013 and the year ended 31 December 2012.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Fair value of financial assets and financial liabilities (Continued)

(i) Financial instruments measured at fair value (Continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	30 June 2013		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	133	—	133
— In profit or loss	7	—	7
— In other comprehensive income	7	—	7
Settlements	(33)	—	(33)
At 30 June	114	—	114
Total gains for the period included in profit or loss for assets and liabilities held at the end of the reporting period	17	—	17

	31 December 2012		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	135	—	135
— In profit or loss	1	—	1
— In other comprehensive income	16	—	16
Settlements	(19)	—	(19)
At 31 December	133	—	133
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	9	—	9

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Fair value of financial assets and financial liabilities (Continued)

(ii) Financial instruments not measured at fair value

The following tables show the carrying values and fair values of financial assets and liabilities which are not measured at fair value:

	Carrying value	
	30 June 2013	31 December 2012
Financial assets:		
Loans and advances to customers	1,447,950	1,351,512
Investment securities		
– Held-to-maturity securities	87,658	83,653
– Loans and receivables	42,731	15,040
Financial liabilities:		
Deposits from customers	2,174,975	1,926,194
Debt securities issued	91,589	74,969

	Fair value	
	30 June 2013	31 December 2012
Financial assets:		
Loans and advances to customers	1,479,483	1,392,774
Investment securities		
– Held-to-maturity securities	87,422	83,461
– Loans and receivables	42,541	15,007
Financial liabilities:		
Deposits from customers	2,246,400	1,931,416
Debt securities issued	95,492	73,856

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Fair value of financial assets and financial liabilities (Continued)

(ii) Financial instruments not measured at fair value (Continued)

- a Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, finance lease receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, and financial assets held under resale agreements and sold under repurchase agreements*

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair value.

- b Loans and advances to customers, and investment securities — loans and receivables*

Loans and advances to customers, and investment securities — loans and receivables are recorded net of allowance for impairment losses. Their estimated fair value represents the amount of estimated future cash flows expected to be received, discounted at current market rates.

- c Held-to-maturity securities*

The fair value for held-to-maturity assets is based on “bid” market prices or brokers’/dealers’ price quotations. If relevant market information is not available, the fair value is based on quote price of security products with similar characteristics such as credit risk, materiality and yield.

- d Deposits from customers*

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices are estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Fair value of financial assets and financial liabilities (Continued)

(ii) Financial instruments not measured at fair value (Continued)

e Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

(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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Capital management (Continued)

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 2012, 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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Capital management (Continued)

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.

	Note	30 June 2013
Core tier-one capital adequacy ratio		7.86%
Tier-one capital adequacy ratio		7.87%
Capital adequacy ratio		9.92%
Components of capital base		
Core tier-one capital:		
Share capital		28,366
Valid portion of capital reserve		48,639
Surplus reserve		14,568
General reserve		42,397
Retained earnings		51,150
Valid portion of non-controlling interests		5,643
Others	(1)	(4)
Total core tier-one capital		190,759

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Capital management (Continued)

	Note	30 June 2013
Total core tier-one capital		190,759
Core tier-one capital deductions		(799)
Net core tier-one capital		189,960
Other tier-one capital	(2)	122
Net tier-one capital		190,082
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium		22,547
Surplus provision for loan impairment		26,848
Valid portion of non-controlling interests		739
Tier-two capital deductions		(600)
Net tier-two capital		49,534
Net capital base		239,616
Credit risk-weighted assets		2,235,099
Market risk-weighted assets		30,637
Operational risk-weighted assets		149,776

(1) Pursuant to the Capital Rules for Commercial Banks (Provisional) issued by the CBRC, others are exchange reserve.

(2) As at 30 June 2013, the Group's other tier-one capital is the valid portion of non-controlling interests.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(6) Capital management (Continued)

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

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

4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior management, which is responsible for allocating resources to the reportable segments and assessing their performance.

The Group manages its businesses from the perspectives of geography and business lines. The geographical segment can be divided into four regions, including Northern China, Eastern China, Southern China and others. The business segment can be divided into four business lines including corporate banking, personal banking, treasury and others. The Group primarily provides financial services through these four business lines.

Segment assets, liabilities, revenues, operating results and capital expenditures are measured in accordance with the Group's accounting policies. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria. As part of the management of assets and liabilities, the Group's capital resources and uses are allocated to various business segments through the treasury business. The Group's internal transfer pricing mechanism uses deposit and loan interest rates and market interest rates as the benchmark, and determines transfer prices with reference to different products and their maturity. The impact of internal trading has been offset when preparing the consolidated statements.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

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 Township Bank Co., Ltd. (“Ningjin Township Bank”), Headquarters and the branches in Beijing, Taiyuan, Shijiazhuang and Tianjin.
- (2) Eastern China: including Cixi Minsheng Township Bank Co., Ltd. (“Cixi Township Bank”), Shanghai Songjiang Minsheng Township Bank Co., Ltd. (“Songjiang Township Bank”), Shanghai Jiading Minsheng Township Bank Co., Ltd. (“Jiading Township Bank”), Penglai Minsheng Township Bank Co., Ltd. (“Penglai Township Bank”), Funing Minsheng Township Bank Co., Ltd. (“Funing Township Bank”), Taicang Minsheng Township Bank Co., Ltd. (“Taicang Township Bank”), Ningguo Minsheng Township Bank Co., Ltd. (“Ningguo Township Bank”), Guichi Minsheng Township Bank Co., Ltd. (“Guichi Township Bank”), Tiantai Minsheng Township Bank Co., Ltd. (“Tiantai Township Bank”), Tianchang Minsheng Township Bank Co., Ltd. (“Tianchang Township Bank”) and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang.
- (3) Southern China: including Minsheng Royal Fund Management Co., Ltd. (“Minsheng Fund”), Anxi Minsheng Township Bank Co., Ltd. (“Anxi Township Bank”), Zhangpu Minsheng Township Bank Co., Ltd. (“Zhangpu Township Bank”) and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen and Nanning.
- (4) Others: including Pengzhou Minsheng Township Bank Co., Ltd. (“Pengzhou Township Bank”), Qijiang Minsheng Township Bank Co., Ltd. (“Qijiang Township Bank”), Tongnan Minsheng Township Bank Co., Ltd. (“Tongnan Township Bank”), Meihekou Minsheng Township Bank Co., Ltd. (“Meihekou Township Bank”), Ziyang Minsheng Township Bank Co., Ltd. (“Ziyang Township Bank”), Wuhan Jiangxia Minsheng Township Bank Co., Ltd. (“Jiangxia Township Bank”), Changyuan Minsheng Township Bank Co., Ltd. (“Changyuan Township Bank”), Yidu Minsheng Township Bank Co., Ltd. (“Yidu Township Bank”), Zhongxiang Minsheng Township Bank Co., Ltd. (“Zhongxiang Township Bank”), Puer Minsheng Township Bank Co., Ltd. (“Puer Township Bank”), Jinghong Minsheng Township Bank Co., Ltd. (“Jinghong Township Bank”), Zhidan Minsheng Township Bank Co., Ltd. (“Zhidan Township Bank”), Yulin Yuyang Minsheng Township Bank Co., Ltd. (“Yuyang Township Bank”), Tengchong Minsheng Township Bank Co., Ltd. (“Tengchong Township Bank”) and the branches in Xi’an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang, Hong Kong and Gui Yang.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Geographical segments: (Continued)

	Six months ended 30 June 2013					Total
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	
External net interest income	14,414	11,342	2,118	12,690	—	40,564
Inter-segment net interest income/ (expense)	1,396	(235)	2,122	(3,283)	—	—
Net interest income	15,810	11,107	4,240	9,407	—	40,564
Fee and commission income	12,957	1,866	1,082	1,512	—	17,417
Fee and commission expense	(316)	(343)	(317)	(219)	—	(1,195)
Net fee and commission income	12,641	1,523	765	1,293	—	16,222
Operating expenses	(9,237)	(5,256)	(2,391)	(3,842)	—	(20,726)
Impairment losses on assets	(2,580)	(1,924)	(852)	(1,416)	—	(6,772)
Net other income	(1,947)	1,243	2,729	(319)	—	1,706
Profit before income tax	14,687	6,693	4,491	5,123	—	30,994
Depreciation and amortisation	551	190	124	218	—	1,083
Capital expenditure	1,651	222	176	118	—	2,167
	As at 30 June 2013					
Segment assets	1,949,872	1,015,255	430,701	795,669	(792,039)	3,399,458
Deferred income tax assets						10,635
Total assets						<u>3,410,093</u>
Segment liabilities/total liabilities	(1,805,418)	(1,001,348)	(424,207)	(779,952)	792,039	<u>(3,218,886)</u>
Credit commitments	248,304	331,611	98,354	234,746	—	913,015

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Geographical segments: (Continued)

	Six months ended 30 June 2012					Total
	Northern China	Eastern China	Southern China	Other locations	Inter- segment elimination	
External net interest income	11,556	11,524	4,594	10,197	—	37,871
Inter-segment net interest (expense)/ income	(1,017)	780	185	52	—	—
Net interest income	10,539	12,304	4,779	10,249	—	37,871
Fee and commission income	6,443	1,938	915	1,412	—	10,708
Fee and commission expense	(265)	(206)	(100)	(107)	—	(678)
Net fee and commission income	6,178	1,732	815	1,305	—	10,030
Operating expenses	(9,545)	(4,775)	(1,988)	(3,110)	—	(19,418)
Impairment losses on assets	(1,163)	(2,652)	(596)	(1,685)	—	(6,096)
Net other income	1,374	773	654	511	—	3,312
Profit before income tax	7,383	7,382	3,664	7,270	—	25,699
Depreciation and amortisation	474	148	75	114	—	811
Capital expenditure	1,200	152	74	119	—	1,545
	As at 31 December 2012					
Segment assets	1,673,286	1,058,803	420,792	766,756	(716,453)	3,203,184
Deferred income tax assets						8,817
Total assets						3,212,001
Segment liabilities/total liabilities	(1,559,206)	(1,041,391)	(412,758)	(746,555)	716,453	(3,043,457)
Credit commitments	229,516	312,471	89,876	225,437	—	857,300

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Business segments: (Continued)

Internal transfer pricing is adjusted based on the nature of each transaction. Revenues from external customers are allocated to each business segment on a reasonable basis.

The Group's management report is based on a measure of operating profit comprising net interest income, loan impairment losses, net fee and commission income, other income and non-interest expenses. Non-recurring gains and losses are excluded in the measure of operating profit. Non-recurring gains and losses should be allocated to other business lines.

Segment assets include all tangible and intangible assets, other long-term assets, receivables and other assets with the exception of deferred income tax assets. Segment liabilities include all the liabilities attributable to the segments.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Business segments: (Continued)

The segment information by business type provided to senior management is as follows:

	Six months ended 30 June 2013				
	Corporate banking business	Retail banking business	Treasury business	Other business	Total
Net interest income	20,597	10,033	8,570	1,364	40,564
Include: inter-segment net interest (expense)/income	(5,329)	(3,754)	9,088	(5)	—
Net fee and commission income	8,719	4,385	2,456	662	16,222
Include: inter-segment net fee and commission income/(expense)	—	—	—	—	—
Operating expenses	(11,054)	(5,094)	(4,184)	(394)	(20,726)
Impairment losses on assets	(1,027)	(5,523)	—	(222)	(6,772)
Net other income	1,040	—	485	181	1,706
Profit before income tax	18,275	3,801	7,327	1,591	30,994
Depreciation and amortisation	379	185	148	371	1,083
Capital expenditure	919	449	358	441	2,167
	As at 30 June 2013				
Segment assets	1,627,065	552,145	1,108,248	112,000	3,399,458
Deferred income tax assets					10,635
Total assets					3,410,093
Segment liabilities/total liabilities	(1,636,958)	(526,673)	(947,204)	(108,051)	(3,218,886)
Credit commitments	878,391	32,949	—	1,675	913,015

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Business segments: (Continued)

	Six months ended 30 June 2012				Total
	Corporate banking business	Retail banking business	Treasury business	Other business	
Net interest income	14,733	11,123	11,215	800	37,871
Include: inter-segment net interest (expense)/income	(42)	(2,880)	2,918	4	—
Net fee and commission income	5,317	2,500	2,097	116	10,030
Include: inter-segment net fee and commission income/(expense)	—	—	—	—	—
Operating expenses	(8,099)	(5,706)	(5,536)	(77)	(19,418)
Impairment losses on assets	(1,959)	(4,027)	—	(110)	(6,096)
Net other income	2,708	(1)	727	(122)	3,312
Profit before income tax	12,700	3,889	8,503	607	25,699
Depreciation and amortisation	228	191	188	204	811
Capital expenditure	959	193	190	203	1,545
	As at 31 December 2012				
Segment assets	1,530,106	460,749	1,110,420	101,909	3,203,184
Deferred income tax assets					8,817
Total assets					3,212,001
Segment liabilities/total liabilities	(1,564,377)	(419,773)	(964,080)	(95,227)	(3,043,457)
Credit commitments	827,728	25,722	—	3,850	857,300

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Net interest income

	Six months ended 30 June	
	2013	2012
Interest income arising from:		
– Loans and advances to customers		
– corporate loans and advances	30,057	31,882
– personal loans and advances	18,068	14,451
– discounted bills	2,541	1,682
– Financial assets held under resale agreements	18,663	7,397
– Balances with banks and other financial institutions	5,648	6,956
– Investment securities	5,170	4,104
– Balances with central bank	3,316	2,574
– Finance lease receivables	3,506	2,400
– Placements with banks and other financial institutions	2,049	1,135
Subtotal	89,018	72,581
Interest expense arising from:		
– Deposits from customers	(23,548)	(19,679)
– Borrowings from central bank	(84)	(2)
– Deposits and placements from banks and other financial institutions	(18,964)	(10,562)
– Financial assets sold under repurchase agreements	(1,916)	(1,642)
– Borrowings from banks and other financial institutions	(1,941)	(1,425)
– Debt securities issued	(2,001)	(1,400)
Subtotal	(48,454)	(34,710)
Net interest income	40,564	37,871
Of which:		
Interest income from impaired financial assets identified	216	150

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

6 Net fee and commission income

	Six months ended 30 June	
	2013	2012
Fee and commission income		
– Trust and other fiduciary services	5,688	3,115
– Bank card services	3,402	2,271
– Settlement services	2,376	1,693
– Agency services	2,062	1,017
– Credit commitments	2,090	1,367
– Financial advisory services	1,393	1,092
– Finance lease services	361	137
– Others	45	16
Subtotal	17,417	10,708
Fee and commission expense	(1,195)	(678)
Net fee and commission income	16,222	10,030

7 Net trading gain

	Six months ended 30 June	
	2013	2012
Loss on exchange rate instruments	(892)	(113)
Gain on precious metals and other products	1,132	379
Gain on interest rate instruments	100	331
Total	340	597

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

8 Net gain arising from disposals of securities and discounted bills

	Six months ended 30 June	
	2013	2012
Net gain arising from disposals of discounted bills	750	2,731
Net gain arising from disposals of securities	247	140
Total	997	2,871

Disposal gain or loss of discounted bills represents the difference between the discounted interest income unamortised and rediscounted interest cost.

9 Impairment losses on assets

	Six months ended 30 June	
	2013	2012
Loans and advances to customers	6,802	5,296
Finance lease receivables	211	40
Others	(241)	760
Total	6,772	6,096

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

10 Operating expenses

	Six months ended 30 June	
	2013	2012
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances	6,716	7,540
– Social insurance	1,312	1,068
– Other benefits	1,070	914
Business tax and surcharges	4,012	3,849
Business development expenses	1,276	1,014
Office expenses	1,310	832
Rental expenses	1,217	825
Electronic equipment operating expenses	912	715
Depreciation and amortisation	973	742
Automobile expenses	237	234
Mailing and telegraph expenses	271	176
Travelling expenses	153	120
Conference expenses	106	107
CBRC supervisory charges	94	69
Others	1,067	1,213
Total	20,726	19,418

Auditors' remuneration included in the operating expenses of the Group for the period ended 30 June 2013 was RMB3 million (for the six months ended 30 June 2012: RMB3 million).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

11 Income tax expense

	Six months ended 30 June	
	2013	2012
Current tax for the period	9,351	8,075
Adjustment for prior periods	(87)	7
Subtotal	9,264	8,082
Changes in deferred tax (Note 23)	(1,764)	(1,791)
Total	7,500	6,291

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

	Note	Six months ended 30 June	
		2013	2012
Profit before income tax		30,994	25,699
Income tax at the tax rate of 25%		7,749	6,425
Effect of non-taxable income	(i)	(279)	(287)
Effect of non-deductible expenses	(ii)	128	127
Tax rate differential of Hong Kong branch		—	(8)
Others		(98)	34
Income tax expense		7,500	6,291

(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 period ended 30 June 2013 (for the six months ended 30 June 2012: 25%). The applicable income tax rate for Hong Kong branch is 16.5% (for the six months ended 30 June 2012: 16.5%).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

12 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 period.

	Six months ended 30 June	
	2013	2012
Net profit attributable to equity shareholders of the Bank	22,945	19,053
Weighted average number of ordinary shares in issue (in millions)	28,366	27,522
Basic earnings per share (in RMB)	0.81	0.69

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.

	Six months ended 30 June	
	2013	2012
Net profit attributable to equity shareholders of the Bank	22,945	19,053
Add: interest expense on convertible corporate bonds, net of tax, outstanding as at 30 June	247	—
Net profit used to determine diluted earnings per share	23,192	19,053
Weighted average number of ordinary shares in issue (in millions)	28,366	27,522
Add: weighted average number of ordinary shares for diluted earnings per share (in millions)	1,183	—
Weighted average number of ordinary shares for diluted earnings per share (in millions)	29,549	27,522
Diluted earnings per share (in RMB)	0.78	0.69

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

13 Cash and balances with central bank

	30 June 2013	31 December 2012
Cash	7,705	6,490
Balances with central bank		
– Statutory deposit reserves	374,643	338,365
– Surplus deposit reserves	45,810	74,334
– Fiscal deposit reserves	1,408	1,229
Total	429,566	420,418

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 30 June 2013, the statutory deposit reserve rate applicable to the Bank for RMB deposits is 18% and the reserve rate for foreign currency deposits is 5% (31 December 2012: 18% of RMB deposits and 5% of foreign currency deposits).

The 27 township banking subsidiaries of the Bank are required to place statutory RMB deposit reserve at rates determined by the PBC.

Surplus deposit reserves maintained with the PBC is for the purposes of clearing interbank transactions.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

14 Balances with banks and other financial institutions

	30 June 2013	31 December 2012
Mainland China		
– Banks	116,648	227,785
– Other financial institutions	2,338	1,827
Overseas		
– Banks	7,014	6,549
Total	126,000	236,161

15 Trading financial assets

	30 June 2013	31 December 2012
Held for trading purpose		
Government and quasi-government bonds		
– Listed outside Hong Kong	2,325	4,998
Financial institution bonds		
– listed in Hong Kong	–	12
– listed outside Hong Kong	299	100
Corporate bonds		
– Listed outside Hong Kong	18,843	19,229
Designated at fair value through profit or loss		
Corporate bonds		
– Unlisted	1,999	1,979
Total	23,466	26,318

The financial statements classified debt securities traded on China Domestic Interbank Bond Market as listed bonds.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

16 Derivatives

The notional amount of derivatives provides a basis for comparison with fair value recognised on the statement of financial position but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the derivatives and, therefore, does not indicate the Group's exposure to credit or market risks. The valuation of the derivatives becomes favourable (assets) or unfavourable (liabilities) to the Group as a result of fluctuations in market interest rates or foreign exchange rates or equity/commodity prices relative to their terms. The valuation of derivatives can fluctuate significantly from time to time.

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	30 June 2013		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	81,807	319	(286)
Foreign exchange forwards	18,555	158	(251)
Currency swaps	263,535	895	(862)
Precious metal derivatives	3,050	34	(102)
Credit derivatives	44,553	—	—
Extension options	8,300	—	—
Currency options	2,602	5	(5)
Total		1,411	(1,506)

	31 December 2012		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	94,231	324	(297)
Foreign exchange forwards	12,940	69	(75)
Currency swaps	146,872	716	(895)
Precious metal derivatives	6,320	125	(68)
Credit derivatives	81,102	—	—
Extension options	8,300	—	—
Total		1,234	(1,335)

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

17 Placements with banks and other financial institutions

	30 June 2013	31 December 2012
Mainland China		
– Banks	35,901	41,228
– Other financial institutions	56,310	34,246
Overseas		
– Banks	3,813	4,608
Total	96,024	80,082

18 Financial assets held under resale agreements

	30 June 2013	31 December 2012
Discounted bills	700,292	616,805
Government and quasi-government bonds	4,887	19,086
Others*	137,540	96,771
Total	842,719	732,662

* Others are financial assets held under resale agreements of which the underlying assets were the beneficiary rights of trusts or specific asset management schemes.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers

	30 June 2013	31 December 2012
Corporate loans and advances		
– Corporate loans	876,145	878,843
– Discounted bills	32,293	15,764
– Others	22,589	24,427
Subtotal	931,027	919,034
Personal loans and advances		
– Micro lending*	392,010	317,470
– Residential mortgage	66,116	71,518
– Credit cards	84,753	66,305
– Others	11,064	10,283
Subtotal	553,943	465,576
Gross balance	1,484,970	1,384,610
Less: allowance for impairment losses		
– Individual assessment	(3,219)	(3,855)
– Collective assessment	(33,801)	(29,243)
Subtotal	(37,020)	(33,098)
Net balance	1,447,950	1,351,512

* Micro lending is a loan product offered to the small micro enterprise owners and proprietors.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers (Continued)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses

	30 June 2013				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	922,648	–	8,379	8,379	931,027
– Personal loans and advances	550,768	3,175	–	3,175	553,943
Allowance for impairment losses	(32,117)	(1,684)	(3,219)	(4,903)	(37,020)
Net balance of loans and advances to customers	1,441,299	1,491	5,160	6,651	1,447,950

	31 December 2012				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	910,774	–	8,260	8,260	919,034
– Personal loans and advances	463,313	2,263	–	2,263	465,576
Allowance for impairment losses	(27,955)	(1,288)	(3,855)	(5,143)	(33,098)
Net balance of loans and advances to customers	1,346,132	975	4,405	5,380	1,351,512

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers (Continued)

(1) Loans and advances to customers analysed by methods for assessing allowances for impairment losses (Continued)

- (i) Loans and advances for which allowance is collectively assessed include those graded pass or special mention.
- (ii) Impaired loans and advances include those with objective evidence of impairment and are assessed:
 - individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
 - collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).
- (iii) According to the CBRC Guidelines for Risk Classification of Loans (the “Guidelines”), the definitions of the loan classifications are as follows:

Pass: The borrower can fulfill contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

Special-mention: The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.

Substandard: The borrower’s repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.

Doubtful: The borrower can’t repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.

Loss: After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 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 30 June 2013, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB8,379 million (31 December 2012: RMB8,260 million). The covered portion and uncovered portion of these loans and advances were RMB5,009 million (31 December 2012: RMB5,081 million) and RMB3,370 million (31 December 2012: RMB3,179 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB3,476 million (31 December 2012: RMB3,161 million). As at 30 June 2013, the individual impairment allowances made for these loans and advances were RMB3,219 million (31 December 2012: RMB3,855 million).

(2) Loans and advances to customers analysed by industries

	30 June 2013		31 December 2012	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Manufacturing	213,074	14.35	208,160	15.03
Real estate	140,834	9.48	147,958	10.69
Wholesale and retail	140,493	9.46	123,031	8.89
Leasing and commercial services	94,230	6.35	98,453	7.11
Mining	82,368	5.55	81,405	5.88
Transportation, storage and postal service	60,337	4.06	63,936	4.62
Construction	40,394	2.72	39,411	2.85
Water, environment and public utilities management	34,152	2.30	31,551	2.28
Financial services	31,705	2.14	18,415	1.33
Public administration, social security and social organisations	30,916	2.08	30,014	2.17
Production and supply of electric power, heat, gas and water	19,373	1.30	20,132	1.45
Accommodation and catering	12,422	0.84	13,056	0.94
Agricultural, forest, animal husbandry and fishery	9,874	0.66	7,586	0.55
Others	20,855	1.41	35,926	2.58
Subtotal	931,027	62.70	919,034	66.37
Personal loans and advances	553,943	37.30	465,576	33.63
Total	1,484,970	100.00	1,384,610	100.00

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers (Continued)

(3) Loans and advances to customers analysed by types of collateral

	30 June 2013		31 December 2012	
	Amount	(%)	Amount	(%)
Unsecured loans	242,102	16.30	195,313	14.11
Guaranteed loans	532,264	35.85	474,570	34.27
Loans secured by				
– tangible assets other than monetary assets	524,937	35.35	548,463	39.61
– monetary assets	185,667	12.50	166,264	12.01
Total	1,484,970	100.00	1,384,610	100.00

(4) Overdue loans analysed by overdue period

	30 June 2013				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	3,666	1,229	89	–	4,984
Guaranteed loans	5,711	2,554	720	254	9,239
Loans secured by					
– tangible assets other than monetary assets	6,194	3,354	784	41	10,373
– monetary assets	2,609	467	69	13	3,158
Total	18,180	7,604	1,662	308	27,754
% of total loans and advances	1.23%	0.51%	0.11%	0.02%	1.87%

	31 December 2012				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	3,009	836	27	2	3,874
Guaranteed loans	1,820	1,871	893	460	5,044
Loans secured by					
– tangible assets other than monetary assets	3,107	3,483	1,239	569	8,398
– monetary assets	1,073	510	–	25	1,608
Total	9,009	6,700	2,159	1,056	18,924
% of total loans and advances	0.65%	0.48%	0.16%	0.08%	1.37%

Overdue loans represent loans of which the whole or part of the principal or interest are overdue for 1 day or more.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers (Continued)

(5) Changes in allowance for impairment losses:

	Six months ended 30 June 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 period	1,342	889	5,645	7,876
Release during the period	(1,074)	—	—	(1,074)
Reclassification	430	(430)	—	—
Transfer out	(370)	—	(19)	(389)
Write-offs	(963)	—	(1,659)	(2,622)
Recoveries	163	—	189	352
Unwinding of discount	(163)	—	(53)	(216)
Exchange gain or loss	(1)	(4)	—	(5)
At 30 June	3,219	18,111	15,690	37,020

	Year ended 31 December 2012			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,283	16,487	7,166	26,936
Charge for the year	2,737	1,291	5,509	9,537
Release during the year	(1,206)	—	—	(1,206)
Reclassification	118	(118)	—	—
Transfer out	(400)	—	(2)	(402)
Write-offs	(650)	(4)	(1,227)	(1,881)
Recoveries	255	—	193	448
Unwinding of discount	(282)	—	(52)	(334)
At 31 December	3,855	17,656	11,587	33,098

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

20 Investment securities

	Note	30 June 2013	31 December 2012
Available-for-sale securities	(1)	147,751	117,275
Held-to-maturity securities	(2)	87,658	83,653
Loans and receivables	(3)	42,731	15,040
Total		278,140	215,968
Analysed as follows:			
– Listed in Hong Kong		982	681
– Listed outside Hong Kong		233,870	198,811
– Unlisted		43,288	16,476
Total		278,140	215,968

(1) Available-for-sale securities

	30 June 2013	31 December 2012
Debt securities at fair value		
Government and quasi-government bonds		
– listed in Hong Kong	982	617
– listed outside Hong Kong	63,103	65,942
Financial institution bonds		
– listed outside Hong Kong	9,490	7,505
– unlisted	114	836
Corporate bonds		
– listed in Hong Kong	–	64
– listed outside Hong Kong	73,873	42,172
Subtotal	147,562	117,136
Equity investment		
Corporate securities		
– listed outside Hong Kong	14	14
Financial institution securities		
– unlisted	175	125
Total	147,751	117,275

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

20 Investment securities (Continued)

(1) Available-for-sale securities (Continued)

The book value of the Group's impaired available-for-sale financial assets amounted to RMB905 million as at 30 June 2013 (31 December 2012: RMB896 million) and the provision amounted to RMB856 million (31 December 2012: RMB863 million).

The Group did not reclassify any investment securities in and out from available-for-sale category for the period ended 30 June 2013 and for the year ended 31 December 2012.

(2) Held-to-maturity securities

	30 June 2013	31 December 2012
Government and quasi-government bonds		
— listed outside Hong Kong	73,086	68,423
Financial institution bonds		
— listed outside Hong Kong	2,823	324
— unlisted	268	475
Corporate bonds		
— listed outside Hong Kong	11,481	14,431
Total	87,658	83,653
Fair value of listed securities	87,422	83,461

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

20 Investment securities (Continued)

(3) Loans and receivables

	30 June 2013	31 December 2012
Government and quasi-government bonds	1,203	965
Financial institution bonds	4,385	5,685
Corporate bonds	2,700	350
Trust beneficiary rights	7,234	8,040
Asset management plan	27,209	—
Total	42,731	15,040

All of the above receivables are unlisted.

21 Finance lease receivables

	30 June 2013	31 December 2012
Finance lease receivables	97,650	89,110
Less: unearned finance lease income	(13,779)	(12,703)
Present value of minimum finance lease receivables	83,871	76,407
Less: allowance for impairment losses		
— Collective assessment	(1,157)	(1,519)
— Individual assessment	(617)	(79)
Net balance	82,097	74,809

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Finance lease receivables (Continued)

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	30 June 2013			31 December 2012		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	29,464	(4,794)	24,670	31,588	(5,302)	26,286
1 year to 2 years	24,166	(3,539)	20,627	24,024	(3,265)	20,759
2 years to 3 years	18,240	(2,184)	16,056	15,569	(1,817)	13,752
3 years to 5 years	16,771	(2,052)	14,719	12,998	(1,535)	11,463
More than 5 years	9,009	(1,210)	7,799	4,931	(784)	4,147
	97,650	(13,779)	83,871	89,110	(12,703)	76,407

22 Property and equipment

(1) Original cost and accumulated depreciation of property and equipment is listed as follows:

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Operating		Total
					lease fixed assets	Construction in progress	
30 June 2013							
Original cost	7,461	3,960	4,738	397	2,071	3,229	21,856
Accumulated depreciation	(1,422)	(2,359)	(2,535)	(234)	(73)	–	(6,623)
Net value	6,039	1,601	2,203	163	1,998	3,229	15,233
31 December 2012							
Original cost	7,413	3,316	4,230	383	1,077	2,817	19,236
Accumulated depreciation	(1,303)	(1,846)	(2,213)	(213)	(30)	–	(5,605)
Net value	6,110	1,470	2,017	170	1,047	2,817	13,631

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Property and equipment (Continued)

(2) Movements in property and equipment:

	At 1 January 2013	Increase	Decrease	At 30 June 2013
Original cost				
Buildings	7,413	48	—	7,461
Leasehold improvements	3,316	644	—	3,960
Office equipment	4,230	509	(1)	4,738
Motor vehicles	383	16	(2)	397
Operating lease fixed assets	1,077	994	—	2,071
Construction in progress	2,817	415	(3)	3,229
Total	19,236	2,626	(6)	21,856
Accumulated depreciation				
Buildings	(1,303)	(119)	—	(1,422)
Leasehold improvements	(1,846)	(513)	—	(2,359)
Office equipment	(2,213)	(323)	1	(2,535)
Motor vehicles	(213)	(22)	1	(234)
Operating lease fixed assets	(30)	(43)	—	(73)
Total	(5,605)	(1,020)	2	(6,623)
Net value				
Buildings	6,110	(71)	—	6,039
Leasehold improvements	1,470	131	—	1,601
Office equipment	2,017	186	—	2,203
Motor vehicles	170	(6)	(1)	163
Operating lease fixed assets	1,047	951	—	1,998
Construction in progress	2,817	415	(3)	3,229
Total	13,631	1,606	(4)	15,233

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Property and equipment (Continued)

(2) Movements in property and equipment: (Continued)

	At 1 January 2012	Increase	Decrease	At 31 December 2012
Original cost				
Buildings	7,238	176	(1)	7,413
Leasehold improvements	2,641	678	(3)	3,316
Office equipment	3,756	775	(301)	4,230
Motor vehicles	299	89	(5)	383
Operating lease fixed assets	282	877	(82)	1,077
Construction in progress	511	2,367	(61)	2,817
Total	14,727	4,962	(453)	19,236
Accumulated depreciation				
Buildings	(1,064)	(239)	—	(1,303)
Leasehold improvements	(1,493)	(355)	2	(1,846)
Office equipment	(2,018)	(447)	252	(2,213)
Motor vehicles	(177)	(39)	3	(213)
Operating lease fixed assets	(4)	(27)	1	(30)
Total	(4,756)	(1,107)	258	(5,605)
Net value				
Buildings	6,174	(63)	(1)	6,110
Leasehold improvements	1,148	323	(1)	1,470
Office equipment	1,738	328	(49)	2,017
Motor vehicles	122	50	(2)	170
Operating lease fixed assets	278	850	(81)	1,047
Construction in progress	511	2,367	(61)	2,817
Total	9,971	3,855	(195)	13,631

As at 30 June 2013 and 31 December 2012, the Group did not have any property and equipment which were acquired by means of finance leasing or temporarily idle or held for sale.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Property and equipment (Continued)

The carrying value of buildings and leasehold improvements is analysed by the remaining terms of the leases as follows:

	30 June 2013	31 December 2012
Held in mainland China		
on long-term lease (over 50 years)	1,607	1,470
on medium-term lease (10–50 years)	5,882	5,957
on short-term lease (less than 10 years)	151	153
Total	7,640	7,580

As at 30 June 2013, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB406 million (31 December 2012: RMB228 million) was still in progress. Management is of the view that the aforesaid matter would not affect the Group's rights to these assets nor have any significant impact on the Group's operations.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

23 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:

	30 June 2013		31 December 2012	
	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	8,125	32,500	6,995	27,980
Employee benefits payable	2,181	8,724	1,537	6,147
Fair value losses of				
— derivatives	376	1,506	327	1,308
— available-for-sale securities	279	1,118	227	909
— trading financial assets	27	108	26	105
Others	90	358	97	387
Subtotal	11,078	44,314	9,209	36,836
Deferred income tax liabilities				
Fair value gains of				
— derivatives	(353)	(1,411)	(302)	(1,210)
— available-for-sale securities	(80)	(319)	(82)	(327)
— trading financial assets	(10)	(43)	(8)	(31)
Subtotal	(443)	(1,773)	(392)	(1,568)
Deferred income tax assets, net	10,635	42,541	8,817	35,268

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

23 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:

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Fair value gains	Gross deferred income tax liabilities
At 1 January 2013	6,995	580	1,634	9,209	(392)	(392)
Recognised in profit or loss	1,130	50	637	1,817	(53)	(53)
Recognised in other comprehensive income	—	52	—	52	2	2
At 30 June 2013	8,125	682	2,271	11,078	(443)	(443)
At 1 January 2012	5,754	322	1,140	7,216	(234)	(234)
Recognised in profit or loss	1,241	147	494	1,882	(153)	(153)
Recognised in other comprehensive income	—	111	—	111	(5)	(5)
At 31 December 2012	6,995	580	1,634	9,209	(392)	(392)

- (3) Offsetting of balances within the same tax jurisdiction of deferred income tax assets and liabilities are as follows:

	30 June 2013	31 December 2012
Deferred income tax assets	—	—
Deferred income tax liabilities	(443)	(392)

- (4) Deferred income tax assets and liabilities taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	30 June 2013		31 December 2012	
	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting
Deferred income tax assets	10,635	42,541	8,817	35,268
Deferred income tax liabilities	—	—	—	—

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Investment in subsidiaries

	30 June 2013	31 December 2012
Minsheng Leasing	2,600	2,600
Minsheng Fund	190	190
Pengzhou Township Bank	20	20
Cixi Township Bank	35	35
Songjiang Township Bank	70	70
Qijiang Township Bank	30	30
Tongnan Township Bank	25	25
Meihekou Township Bank	26	26
Ziyang Township Bank	41	41
Jiangxia Township Bank	41	41
Changyuan Township Bank	26	26
Yidu Township Bank	26	26
Jiading Township Bank	102	102
Zhongxiang Township Bank	36	36
Penglai Township Bank	51	51
Anxi Township Bank	51	51
Funing Township Bank	31	31
Taicang Township Bank	51	51
Ningjin Township Bank	20	20
Zhangpu Township Bank	25	25
Puer Township Bank	15	15
Jinghong Township Bank	15	15
Zhidan Township Bank	7	7
Ningguo Township Bank	20	20
Yuyang Township Bank	25	25
Guichi Township Bank	26	26
Tiantai Township Bank	31	31
Tianchang Township Bank	20	20
Tengchong Township Bank	20	20
Total	3,676	3,676

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 Investment in subsidiaries (Continued)

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Leasing	Tianjin China	Leasing	5,095	Limited company	51.03	51.03
Minsheng Fund	Guangdong China	Fund management	300	Limited company	63.33	63.33
Pengzhou Township Bank	Sichuan China	Commercial bank	55	Limited company	36.36*	36.36*
Cixi Township Bank	Zhejiang China	Commercial bank	100	Limited company	35*	35*
Songjiang Township Bank	Shanghai China	Commercial bank	150	Limited company	35*	35*
Qijiang Township Bank	Chongqing China	Commercial bank	60	Limited company	50*	50*
Tongnan Township Bank	Chongqing China	Commercial bank	50	Limited company	50*	50*
Meihekou Township Bank	Jilin China	Commercial bank	50	Limited company	51	51
Ziyang Township Bank	Sichuan China	Commercial bank	80	Limited company	51	51
Jiangxia Township Bank	Hubei China	Commercial bank	80	Limited company	51	51
Changyuan Township Bank	Henan China	Commercial bank	50	Limited company	51	51
Yidu Township Bank	Hubei China	Commercial bank	50	Limited company	51	51
Jiading Township Bank	Shanghai China	Commercial bank	200	Limited company	51	51
Zhongxiang Township Bank	Hubei China	Commercial bank	70	Limited company	51	51
Penglai Township Bank	Shandong China	Commercial bank	100	Limited company	51	51
Anxi Township Bank	Fujian China	Commercial bank	100	Limited company	51	51
Funing Township Bank	Jiangsu China	Commercial bank	60	Limited company	51	51
Taicang Township Bank	Jiangsu China	Commercial bank	100	Limited company	51	51
Ningjin Township Bank	Hebei China	Commercial bank	40	Limited company	51	51
Zhangpu Township Bank	Fujian China	Commercial bank	50	Limited company	51	51

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

24 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
Puer Township Bank	Yunnan China	Commercial bank	30	Limited company	51	51
Jinghong Township Bank	Yunnan China	Commercial bank	30	Limited company	51	51
Zhidan Township Bank	Shaanxi China	Commercial bank	15	Limited company	51	51
Ningguo Township Bank	Anhui China	Commercial bank	40	Limited company	51	51
Yuyang Township Bank	Shaanxi China	Commercial bank	50	Limited company	51	51
Guichi Township Bank	Anhui China	Commercial bank	50	Limited company	51	51
Tiantai Township Bank	Zhejiang China	Commercial bank	60	Limited company	51	51
Tianchang Township Bank	Anhui China	Commercial bank	40	Limited company	51	51
Tengchong Township Bank	Yunnan China	Commercial bank	40	Limited company	51	51

All interests in subsidiaries are directly held by the Bank.

- * Although the Bank holds half or less than half of the rights in five township banks mentioned above, it has the majority of the seats in their boards of directors, which enables it to have power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. These township banks are treated as the Bank's subsidiaries and have been consolidated in these financial statements.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Other assets

	Note	30 June 2013			31 December 2012		
		Gross balance	Allowance for impairment losses (Note 26)	Carrying amount	Gross balance	Allowance for impairment losses (Note 26)	Carrying amount
Items in the process of clearance and settlement		13,776	—	13,776	7,468	—	7,468
Prepayments for leased assets	(1)	13,808	(194)	13,614	13,283	(181)	13,102
Interest receivable	(2)	10,727	—	10,727	9,638	—	9,638
Intangible assets	(3)	4,978	—	4,978	4,961	—	4,961
Repossessed assets	(4)	3,703	(57)	3,646	2,456	(90)	2,366
Investment properties		3,562	—	3,562	2,981	—	2,981
Prepayment of decoration		2,055	—	2,055	1,195	—	1,195
Accrued fee and commission income		1,321	—	1,321	1,118	—	1,118
Prepayment of properties		735	—	735	1,654	(27)	1,627
Prepayment of rent and deposits		348	—	348	138	—	138
Prepayment of equipment		242	—	242	524	—	524
Claims and legal fees recoverable		248	(14)	234	118	(45)	73
Long-term deferred expenses		68	—	68	111	—	111
Prepayment of land use rights		2	—	2	163	—	163
Others		495	(74)	421	1,221	(20)	1,201
Total		56,068	(339)	55,729	47,029	(363)	46,666

(1) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

(2) Interest receivable

	30 June 2013	31 December 2012
Loans and advances to customers	4,128	4,130
Debt securities	4,514	3,631
Others	2,085	1,877
Total	10,727	9,638

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Other assets (Continued)

(3) Intangible assets

	At 1 January 2013	Increase	Decrease	At 30 June 2013
Cost				
Land use right	4,431	66	—	4,497
Others	1,445	156	—	1,601
Total	5,876	222	—	6,098
Less: Accumulated amortisation				
Land use right	(242)	(56)	—	(298)
Others	(673)	(149)	—	(822)
Total	(915)	(205)	—	(1,120)
Net value				
Land use right	4,189	10	—	4,199
Others	772	7	—	779
Total	4,961	17	—	4,978

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Other assets (Continued)

(3) Intangible assets (Continued)

	At 1 January 2012	Increase	Decrease	At 31 December 2012
Cost				
Land use right	4,431	—	—	4,431
Others	907	538	—	1,445
Total	5,338	538	—	5,876
Less: Accumulated amortisation				
Land use right	(132)	(110)	—	(242)
Others	(436)	(237)	—	(673)
Total	(568)	(347)	—	(915)
Net value				
Land use right	4,299	(110)	—	4,189
Others	471	301	—	772
Total	4,770	191	—	4,961

(4) Repossessed assets

Repossessed assets include buildings, machinery and equipment. The disposal of repossessed assets made by the Group during the period ended 30 June 2013 amounted to RMB36 million at cost (2012: RMB34 million). Repossessed assets are sold as soon as practicable after balance sheet date.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

26 Movements in allowances for impairment losses

		Six months ended 30 June 2013				
		At 1 January	Charge	Transfer out	Write-offs	At 30 June
Loans and advances to customers	19	33,098	6,802	(258)	(2,622)	37,020
Available-for-sale securities	20	863	—	(7)	—	856
Finance lease receivables	21	1,598	211	(35)	—	1,774
Other assets	25	363	10	(33)	(1)	339
Total		35,922	7,023	(333)	(2,623)	39,989

		Year ended 31 December 2012				
		At 1 January	Charge	Transfer out	Write-offs	At 31 December
Loans and advances to customers	19	26,936	8,331	(288)	(1,881)	33,098
Available-for-sale securities	20	864	—	(1)	—	863
Finance lease receivables	21	824	774	—	—	1,598
Other assets	25	279	92	—	(8)	363
Total		28,903	9,197	(289)	(1,889)	35,922

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Deposits from customers

	30 June 2013	31 December 2012
Demand deposits		
— Corporate deposits	630,024	621,592
— Personal deposits	126,671	107,861
Time deposits (including call and notice deposits)		
— Corporate deposits	1,046,908	906,970
— Personal deposits	366,274	285,913
Outward remittance and remittance payables	5,098	3,230
Certificates of deposit	—	628
Total	2,174,975	1,926,194

The pledged deposits included in deposits from customers are analysed as follows:

	30 June 2013	31 December 2012
Pledged deposits for bank acceptances	326,640	279,918
Pledged deposits for letters of credit and guarantees	43,066	29,790
Other pledged deposits	52,860	51,406
Total	422,566	361,114

28 Deposits and placements from banks and other financial institutions

	30 June 2013	31 December 2012
Mainland China		
— Banks	487,220	565,199
— Other financial institutions	152,758	209,117
Overseas		
— Banks	5,037	2,946
Total	645,015	777,262

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

29 Financial assets sold under repurchase agreements

	30 June 2013	31 December 2012
Discounted bills	13,885	100,635
Investment securities	55,745	27,021
Finance lease receivables	4,724	5,679
Total	74,354	133,335

As at 30 June 2013, the balances under repurchase agreements include bills transactions with the PBC amounting to RMB8,307 million (31 December 2012: RMB2,027 million).

30 Borrowings from banks and other financial institutions

	30 June 2013	31 December 2012
Credit borrowings	76,423	67,870
Secured borrowings		
— by monetary assets	1,075	1,491
— by tangible assets other than monetary assets	3,418	2,443
Total	80,916	71,804

As at 30 June 2013, the secured borrowings by monetary assets of RMB1,075 million (31 December 2012: RMB1,491 million) were secured by the finance lease receivables of RMB754 million (31 December 2012: RMB1,612 million) and other assets of RMB1,416 million (31 December 2012: nil). The secured borrowings of RMB3,418 million (31 December 2012: RMB2,443 million) were secured by the assets under financial lease of RMB2,649 million (31 December 2012: RMB1,014 million) and other assets of RMB962 million (31 December 2012: RMB1,325 million), with no property and equipment as collateral (31 December 2012: RMB459 million). There was no remaining credit limit under such secured borrowings (31 December 2012: nil).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued

	Note	30 June 2013	31 December 2012
Financial bonds	(1)	49,940	49,917
Subordinated bonds	(2)	15,760	15,767
Hybrid capital bonds	(3)	9,280	9,285
Convertible corporate bonds	(4)	16,609	—
Total		91,589	74,969

(1) Financial bonds

	Note	30 June 2013	31 December 2012
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	29,962	29,946
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	19,978	19,971
Total		49,940	49,917

(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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued (Continued)

(2) Subordinated bonds

	Note	30 June 2013	31 December 2012
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(i)	5,988	5,999
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(ii)	3,992	3,991
RMB5.8 billion — 10-year subordinated fixed rate bonds 2010	(iii)	5,780	5,777
Total		15,760	15,767

- (i) RMB6.0 billion worth of fixed-rate subordinated bonds were issued in 2011, with a term of 10 years and a fixed coupon rate of 5.50% per annum. According to the terms, the Bank has the option to redeem all or part of the subordinated bonds at face value in the period from the last day of the fifth year to the maturity date.
- (iii) RMB4.0 billion worth of fixed-rate subordinated bonds were issued in 2011, with a term of 15 years and a fixed coupon rate of 5.70% per annum. According to the terms, the Bank has the option to redeem all or part of the subordinated bonds at face value in the period from the last day of the tenth year to the maturity date.
- (iii) RMB5.8 billion worth of fixed-rate subordinated bonds were issued in 2010, with a term of 10 years and a fixed rate of 4.29% per annum. According to the terms, the Bank has the option to redeem all or part of the subordinated bonds at face value in the period from the last day of the fifth year to the maturity date.

According to the issuance terms, these bonds are subordinated to all other claims on the Bank's assets, except those of the hybrid capital bond holders and shareholders.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued (Continued)

(3) Hybrid capital bonds

	Note	30 June 2013	31 December 2012
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	3,317	3,316
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	1,671	1,675
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(iii)	3,294	3,294
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(iv)	998	1,000
		9,280	9,285

- (i) RMB3.325 billion worth of fixed-rate hybrid capital bonds were issued in 2009, with a term of 15 years and fixed coupon rates of 5.70% per annum for the first 10 years and 8.70% per annum for the last five years.
- (ii) RMB1.675 billion worth of floating-rate hybrid capital bonds were issued in 2009, with a term of 15 years. The floating rate is based on the one-year time deposit rate published by the PBC plus a spread of 3.00% per annum for the first 10 years. From the 11th year onward, the spread will increase to 6.00% per annum.
- (iii) RMB3.3 billion worth of fixed-rate hybrid capital bonds were issued in 2006, with a term of 15 years and fixed coupon rates of 5.05% per annum for the first 10 years and 8.05% per annum for the last five years.
- (iv) RMB1.0 billion worth of floating-rate hybrid capital bonds were issued in 2006, with a term of 15 years. The floating rate is based on the one-year time deposit rate published by the PBC plus a spread of 2.00% per annum for the first 10 years. From the 11th year onward, the spread will increase to 3.00% per annum.

According to the issuance terms, the Bank has the option to redeem all or part of the above bonds at face value from the last day of the tenth year to the maturity date.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued (Continued)

(3) Hybrid capital bonds (Continued)

The holders of the hybrid capital bonds are subordinated to holders of subordinated bonds, but have priority over shareholders. All holders of hybrid capital bonds enjoy the same priority of claim. According to the issuance terms, the Bank has the option to defer interest payment if the core capital adequacy ratio calculated based on its latest audited financial reports is below 4%. If the sum of surplus reserve plus retained earnings shown on the latest audited statement of financial position is negative and no cash dividends have been paid to ordinary equity shareholders in the last 12 months, the Bank must defer interest payment.

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(4) Convertible corporate bonds

	30 June 2013	31 December 2012
RMB20 Billion — 6-year fixed rate convertible corporate bonds 2013	16,609	—

Pursuant to the approval by China Securities Regulatory Commission (“CSRC”), on 15 March 2013, the Bank issued A-share convertible corporate bonds with total par value of RMB20 billion on the Shanghai Stock Exchange. The convertible corporate bonds have a term of six years (from 15 March 2013 to 15 March 2019) and bear a fixed interest rate of 0.60% for the first three years, and 1.5% from the fourth year to the sixth year. The convertible bond holders may exercise their rights to convert the convertible corporate bonds into the Bank’s A shares at the stipulated conversion price during the period (“conversion period”) beginning from six months after the issuance date until the maturity date (from 16 September 2013 to 15 March 2019). Within 5 trading days after maturity, the Bank shall redeem the outstanding convertible corporate bonds at 106% of par value, including interest for the sixth year.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued (Continued)

(4) Convertible corporate bonds (Continued)

During the conversion period, if the closing price of the Bank's A shares is not lower than or equal to 130% of the prevailing conversion price in at least 15 trading days out of any 30 consecutive trading days, the Bank has the right to redeem all or part of the outstanding convertible corporate bonds at par value plus accrued interest. The exercise of the conditional redemption rights should be approved by the CBRC as a prerequisite.

During the term of the convertible corporate bonds, if the closing price of the Bank's A shares in 15 trading days out of any 30 consecutive trading days is lower than 80% of the prevailing conversion price of the convertible corporate bonds, the Bank may also propose downward adjustments to the conversion price for the approval of the shareholder's meeting within ten working days as of knowing the above conditions.

The initial conversion price was RMB10.23 per share. The conversion price of the convertible corporate bonds will be adjusted for the dilutive effects of distribution of stock dividends, specified increases in share capital, new share issuance, offering, and cash dividends.

During the period from the issuance date to 30 June 2013, the conversion price was adjusted from RMB10.23 per share to RMB10.08 per share, as a result of paying cash dividends of A share and H share.

The convertible corporate bonds issued have been split into the liability and equity components as follows:

	Liability component	Equity component	Total
Nominal value of convertible corporate bonds	16,469	3,531	20,000
Less: direct transaction costs	(72)	(16)	(88)
Balance as at the issuance date	16,397	3,515	19,912
Amortisation	212	—	212
Balance as at 30 June 2013	16,609	3,515	20,124

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Other liabilities

	Note	30 June 2013	31 December 2012
Interest payable	(1)	26,739	22,639
Employee benefits payable	(2)	8,963	7,711
Receipt in advance		8,089	7,893
Items in the process of clearance and settlement		5,479	2,640
Dividend payable		4,309	54
Other tax payable	(3)	2,576	3,046
Suspense balance of wealth management products		2,234	2,129
Guarantee deposits for finance lease		1,860	1,133
Deferred fee and commission income		1,784	1,902
Accrued expenses		1,198	1,243
Payable of equipment purchase		442	444
Withholding tax payable		20	169
Others		914	788
Total		64,607	51,791

(1) Interest payable

	30 June 2013	31 December 2012
Deposits from customers	19,037	15,630
Deposits from banks and other financial institutions	5,907	3,804
Debt securities issued	1,012	2,507
Borrowings from banks and other financial institutions	557	395
Borrowings from central bank	78	—
Others	148	303
Total	26,739	22,639

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Other liabilities (Continued)

(2) Employee benefits payable

	At 1 January 2013	Increase	Decrease	At 30 June 2013
Salaries, bonuses and allowances	6,572	6,716	(5,684)	7,604
Staff welfare fees	—	533	(533)	—
Social insurance	1,051	1,312	(1,222)	1,141
Housing fund	63	362	(258)	167
Labour union fee, staff and workers' education fee	25	175	(149)	51
Total	7,711	9,098	(7,846)	8,963

	At 1 January 2012	Increase	Decrease	At 31 December 2012
Salaries, bonuses and allowances	4,841	13,859	(12,128)	6,572
Staff welfare fees	—	1,491	(1,491)	—
Social insurance	392	2,383	(1,724)	1,051
Housing fund	63	687	(687)	63
Labour union fee, staff and workers' education fee	39	431	(445)	25
Total	5,335	18,851	(16,475)	7,711

(3) Other tax payable

	30 June 2013	31 December 2012
Business tax payable	2,147	2,757
Others	429	289
Total	2,576	3,046

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Share capital and capital reserve

	30 June 2013	31 December 2012
Common shares listed in Mainland China (A share)	22,588	22,588
Common shares listed in Hong Kong (H share)	5,778	5,778
Total shares	28,366	28,366

All A shares and H shares are with no selling restrictions and rank pari passu with the same rights and benefits.

The Group's capital reserve is RMB49,229 million as at 30 June 2013 (31 December 2012: RMB45,714 million), which mainly comprises capital premium.

34 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under PRC laws, the Bank is required to appropriate 10% of its net profit, as determined under ASBE, to a statutory surplus reserve until the balance reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Bank appropriated 10% of its net profit under ASBE to the statutory surplus reserve, which amounts to RMB2,238 million for the period ended 30 June 2013 (2012: RMB3,683 million). The Bank did not appropriate discretionary surplus reserve during the period ended 30 June 2013 and the year ended 31 December 2012.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

34 Surplus reserve, general reserve and retained earnings (Continued)

(2) General reserve

As at 30 June 2013, pursuant to the *Measures for Managing the Appropriation of Provisions of Financial Enterprises* (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

In accordance with the resolution of the 11th meeting of the 6th session of the Board of Directors held on 28 August 2013, the Bank appropriated RMB2,900 million of profits recorded to the general reserve during the period ended 30 June 2013 (2012: RMB22,100 million).

In addition, 27 township banking subsidiaries and Minsheng Leasing of the Group also appropriated 1.5% of the balance of risk-bearing assets as at 30 June 2013 to the general reserve following the same requirement as above. Minsheng Fund appropriated 10% of its monthly income of fund management fees to general reserve in accordance with the *Decision on Amending the "Notice of Relevant Issues Regarding Drawing of Risk Reserves by Fund Management Companies"* (CSRC Announcement [2008] No. 46) issued by the CSRC.

In total, the subsidiaries appropriated RMB40 million (2012: RMB1,264 million) to the general reserve for the period ended 30 June 2013, including RMB17 million (2012: RMB640 million) attributable to the Bank.

(3) Retained earnings

As at 30 June 2013, the retained earnings included the statutory surplus reserve of RMB151 million contributed by the subsidiaries and attributable to the Bank (31 December 2012: RMB151 million). There was no appropriation made by the subsidiaries for the period ended 30 June 2013 (for the year ended 31 December 2012: RMB66 million). The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

35 Non-controlling interests

The non-controlling interests of the subsidiaries are as follows:

	30 June 2013	31 December 2012
Tianjin Fortune Real Estate Co., Ltd.	1,113	1,000
Beijing Dayixingye Real Estate Development Corp., Ltd.	834	750
Shanghai Guozhijie Investment Development Corp., Ltd.	742	667
Jiangsu Sunshine Group Corp., Ltd.	556	500
Shanghai Guozheng Investment Management Corp., Ltd.	556	500
Guangzhou Ziquan Real Estate Development Corp., Ltd.	371	333
China Century Investment Corp., Ltd.	371	333
Shengjiinda Investment Corp., Ltd.	83	75
Royal Bank of Canada	48	45
Shanghai Sheshan National Holiday Resort Development Corp., Ltd.	40	38
Shanghai Zhongliang Industry Corp., Ltd.	40	38
Shanghai Songjiang Merchant Development Corp., Ltd.	40	38
Shanghai Songjiang Water Company	40	38
Shanghai Songjiang Economic Development and Construction Corporation	40	38
Shanghai Jiading Guangwo Asset Operation Corp., Ltd	24	23
Shanghai Zhongke High Technology Industrial Park Development Corp., Ltd.	24	23
Shanghai Giant Lifetech Co., Ltd.	24	23
Cixi Supply & Marketing Cooperatives Association	20	20
Cixi Financial Investment Management Corporation	18	18
Others	1,107	967
Total	6,091	5,467

36 Dividends

The Board of Directors approved the cash dividend distribution plan for the first half of 2013 during the 11th meeting of the 6th session of the Board of Directors held on 28 August 2013. The cash dividends declared was RMB1.58 (before tax) for every 10 shares of the Bank's total equity stock as at 30 June 2013, totalling RMB4,482 million.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

36 Dividends (Continued)

The shareholders approved the cash dividend distribution plan for the second half of 2012 during the Annual General Meeting held on 17 June 2013. The cash dividends declared was RMB1.50 (before tax) for every 10 shares of the Bank's total equity stock as at 26 June 2013, totalling RMB4,255 million.

The Board of Directors approved the cash dividend distribution plan for the first half of 2012 during the 4th meeting of the 6th session of the Board of Directors held on 23 August 2012. The cash dividends declared was RMB1.50 (before tax) for every 10 shares of the Bank's total equity stock as at 30 June 2012, totalling RMB4,255 million.

The shareholders approved the 2011 cash dividend distribution plan during the Annual General Meeting held on 15 June 2012. The cash dividends declared was RMB3.00 (before tax) for every 10 shares of the Bank's total equity stock as at 25 June 2012, totalling RMB8,510 million.

37 Investment revaluation reserve

	Six months ended 30 June 2013	Year ended 31 December 2012
At 1 January	(427)	(110)
Changes in fair value of available-for-sale securities	(556)	(675)
Less: deferred income tax	139	169
Transfer to profit or loss upon disposal	208	141
Less: deferred income tax	(52)	(35)
Transfer to profit or loss due to amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	131	111
Less: deferred income tax	(33)	(28)
At 30 June/31 December	(590)	(427)

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

38 Cash and cash equivalents

Cash and cash equivalents in the condensed consolidated statement of cash flows consist of the following:

	30 June 2013	30 June 2012
Cash (Note 13)	7,705	5,385
Surplus deposit reserve with central bank (Note 13)	45,810	54,068
Original maturity within 3 months:		
– Balances with banks and other financial institutions	106,114	179,303
– Placements with banks and other financial institutions	22,703	—
– PBC bills	100	—
Total	182,432	238,756

39 Contingent liabilities and commitments

(1) Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

39 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.

	30 June 2013	31 December 2012
Bank acceptances	609,277	586,654
Letters of credit	125,710	134,985
Guarantees	86,466	68,488
Re-factoring	54,195	33,600
Unused credit card commitments	32,949	25,722
Irrevocable loan commitments		
— original maturity date within 1 year	641	769
— original maturity date over 1 year (inclusive)	2,102	3,232
Finance lease commitments	1,675	3,850
Total	913,015	857,300

(2) Capital commitments

	30 June 2013	31 December 2012
Contracted but not paid for	11,293	11,780
Authorised but not contracted for	122	101
Total	11,415	11,881

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

39 Contingent liabilities and commitments (Continued)

(3) Operating lease commitments

The future minimum lease payments under non-cancellable operating lease of the Group are summarised as follows:

	30 June 2013	31 December 2012
Within 1 year	1,787	1,648
After 1 year but within 5 years	6,294	4,855
After 5 years	2,915	2,031
Total	10,996	8,534

(4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments as at 31 December 2012, in material respects, as specified in the contracts.

(5) Assets pledged

	30 June 2013	31 December 2012
Investment securities	57,550	28,251
Discounted bills	13,897	100,519
Finance lease receivables	8,336	8,555
Property and equipment	—	459
Other assets	2,378	1,325
Total	82,161	139,109

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 13). These deposits are not available for the Group's daily operations.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

39 Contingent liabilities and commitments (Continued)

(5) Assets pledged (Continued)

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 RMB700,292 million as at 30 June 2013 (31 December 2012: RMB616,805 million). As at 30 June 2013, the Group sold or repledged RMB10,672 million of pledged assets which it has an obligation to repurchase on due dates (31 December 2012: RMB100,169 million).

(6) Underwriting of securities

	30 June 2013	31 December 2012
Medium- and short-term finance bills	56,070	48,408

(7) Redemption commitments

As an underwriting agent of certificated PRC government bonds, the Bank has the obligation to buy back those bonds sold by it should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2013 was RMB3,000 million (31 December 2012: RMB2,674 million). The original maturities of the bonds vary from one to five years.

(8) Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 30 June 2013. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

40 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 RMB48,315 million as at 30 June 2013 (31 December 2012: RMB63,740 million). The Group's balances of corporate annuity funds custodian operations were RMB7,886 million as at 30 June 2013 (31 December 2012: RMB6,933 million). The Group's balances of credit assets entrusted management were RMB6,085 million as at 30 June 2013 (31 December 2012: RMB2,524 million). And the Group's balances of entrusted loans were RMB127,243 million as at 30 June 2013 (31 December 2012: RMB92,258 million).

41 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 24.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Related party transactions (Continued)

(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.

(ii) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	30 June 2013	31 December 2012
Sinopharm Group Co., Ltd. and its subsidiaries	Unsecured	480	620
	Guaranteed	255	101
	Pledged	10	19
Legend Holdings Ltd.	Guaranteed	440	1,640
Orient Group Incorporation	Guaranteed	400	400
Wuxi Giant Pharmaceutical Co., Ltd.	Pledged	400	400
Shanghai Goldpartner Biotech Co., Ltd.	Guaranteed	300	—
Good First Group Co., Limited	Collateralised	250	453
	Pledged	199	—
Shanghai Xingye Investment Development Co., Ltd.	Guaranteed	150	150
Wuxi Giant Bioengineering Co., Ltd.	Guaranteed	100	100
CSPC Weisheng Pharmaceutical (Shijiazhuang) Co., Ltd.	Guaranteed	75	—
Chengdu Minjiang Snow Chemical Industry Co., Ltd.	Collateralised	50	—
Sichuan Minjiang Snow Salinization Co., Ltd.	Pledged	48	—
	Collateralised	30	30
Jinan Qilipu Market Co., Ltd.	Guaranteed	15	15
Chongqing YaoPharm Co., Ltd.	Unsecured	5	5
CSPC Group Ltd.	Guaranteed	—	460
Orient Group Industrial Co., Ltd.	Pledged	—	200
Fosun Group Co., Ltd.	Guaranteed	—	100

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Related party transactions (Continued)

(2) Related party transactions (Continued)

(ii) Loans to related parties (Continued)

Balances outstanding as at the end of the reporting period: (Continued)

	Types of collateral	30 June 2013	31 December 2012
Chongqing Langfu Properties Limited	Collateralised	—	50
Sichuan Hope West Construction Co., Ltd.	Guaranteed	—	30
Chengdu Mayflower Computer School	Guaranteed	—	20
Sichuan Tequ Investment Co., Ltd.	Guaranteed	—	15
Guangdong 21st Century Media Co., Ltd.	Unsecured	—	10
Sichuan Xiwang Shenlan Energy Chemical Industry Co., Ltd.	Guaranteed	—	10
Individuals	Collateralised	62	41
Total		3,269	4,869
Ratio to similar transactions (%)		0.23	0.36

Amount of transactions:

	Six months ended 30 June	
	2013	2012
Interest income from loans	95	122
Ratio to similar transactions (%)	0.11	0.17

As at 30 June 2013, none of the above loans are found to be impaired individually (31 December 2012: nil).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 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:

	30 June 2013		31 December 2012	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Balances with banks and other financial institutions	4,701	3.73	7,748	3.28
Trading financial assets	—	—	2,281	8.67
Placements with banks and other financial institutions	67	0.07	200	0.25
Investment securities:				
— available-for-sale securities	748	0.51	595	0.51
— loans and receivables	300	0.70	100	0.66
Finance lease receivables	693	0.84	430	0.57
Other assets	34	0.06	340	0.73
Deposits from customers	43,426	2.00	35,332	1.83
Deposits and placements from banks and other financial institutions	5,303	0.82	6,961	0.90
Other liabilities	836	1.29	762	1.47

The Group's interest income arising from the above related-party transactions for the period ended 30 June 2013 is RMB28 million (for the six months ended 30 June 2012: RMB76 million), accounting for 0.03% (for the six months ended 30 June 2012: 0.10%) of that of similar transactions, and the interest expense is RMB844 million (for the six months ended 30 June 2012: RMB724 million), accounting for 1.74% (for the six months ended 30 June 2012: 2.09%) of that of similar transactions. Other related-party transactions have no material impact on the Group's income statement.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Related party transactions (Continued)

(2) Related party transactions (Continued)

(iii) Other transactions with related parties (Continued)

Balances of items off the statement of financial position outstanding as at the end of the reporting period:

	30 June 2013		31 December 2012	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Guarantees	1,052	1.22	1,148	1.68
Bank acceptances	937	0.15	1,112	0.19
Re-factoring	146	0.27	102	0.30
Operating lease commitments	99	0.90	109	1.28
Letters of credit	37	0.03	38	0.03

Balances of other items outstanding as at the end of the reporting period:

	30 June 2013		31 December 2012	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	1,995	0.14	1,710	0.13
Discounted bills under resale agreements, issued by related parties	638	0.09	359	0.06
Discounted bills issued by related parties	36	0.11	7	0.04

None of the above related party transactions have a material impact on the Group's profit or loss for the period ended 30 June 2013 and 30 June 2012, and the Group's financial position as at 30 June 2013 and 30 June 2012.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Related party transactions (Continued)

(2) Related party transactions (Continued)

(iv) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the period ended 30 June 2013 and 30 June 2012.

(v) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Group enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management amounted to RMB34 million as at 30 June 2013 (31 December 2012: RMB21 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB38 million for the six months ended 30 June 2013 (for the six months ended 30 June 2012: RMB34 million). No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel for the six months ended 30 June 2013 and 30 June 2012.

(vi) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	30 June 2013	31 December 2012
Balances with banks and other financial institutions	167	22
Other assets	19	16
Deposits and placements from banks and other financial institutions	3,939	4,578
Other liabilities	5	16

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Related party transactions (Continued)

(2) Related party transactions (Continued)

(vi) Transactions between the Bank and its subsidiaries (Continued)

Amount of transactions for the reporting period:

	Six months ended 30 June	
	2013	2012
Interest income	4	2
Interest expense	64	39
Fee and commission income	29	1
Operating expenses	53	54

For the period ended 30 June 2013, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 30 June 2013, the balance of the above transactions was RMB50 million (31 December 2012: RMB60 million).

The balances and amount with the subsidiary and inter-subsidiaries have been offset in the condensed consolidated financial statements.

42 Subsequent events

Up to the date of this report, other than the dividends, the Group had no material subsequent events for disclosure. Details on dividend distribution are reported under Note 36.

43 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

	30 June 2013	31 December 2012
RMB current assets to RMB current liabilities	41%	35%
Foreign currency current assets to foreign currency current liabilities	105%	142%

Liquidity ratios are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with ASBE released by the MOF.

2 Currency concentrations

	30 June 2013			
	USD	HKD	Others	Total
Spot assets	72,206	16,858	5,354	94,418
Spot liabilities	(61,342)	(7,924)	(5,402)	(74,668)
Forward purchases	84,208	11,342	4,068	99,618
Forward sales	(99,292)	(1,794)	(5,235)	(106,321)
Net long/(short) position*	(4,220)	18,482	(1,215)	13,047

	31 December 2012			
	USD	HKD	Others	Total
Spot assets	55,767	13,756	7,426	76,949
Spot liabilities	(59,246)	(4,879)	(7,466)	(71,591)
Forward purchases	83,434	3,339	6,259	93,032
Forward sales	(80,981)	(1,118)	(3,986)	(86,085)
Net long/(short) position*	(1,026)	11,098	2,233	12,305

* The net option position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reported periods.

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers

(1) Impaired loans by geographical area

	30 June 2013				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	4,594	5,463	811	686	11,554
Allowance for impairment losses					
— Individual assessment	1,694	1,216	200	109	3,219
— Collective assessment	691	693	139	161	1,684

	31 December 2012				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	5,103	4,399	462	559	10,523
Allowance for impairment losses					
— Individual assessment	2,385	1,215	97	158	3,855
— Collective assessment	531	496	125	136	1,288

(2) Loans overdue for more than 3 months by geographical area

	30 June 2013				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	3,980	4,398	657	539	9,574
Allowance for impairment losses					
— Individual assessment	1,456	770	142	32	2,400
— Collective assessment	711	848	150	176	1,885

	31 December 2012				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	5,102	3,744	463	606	9,915
Allowance for impairment losses					
— Individual assessment	2,372	897	86	133	3,488
— Collective assessment	530	620	137	157	1,444

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Cross-border claims

	30 June 2013				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	5,511	4,039	1,672	—	11,222
Public sector entities	396	11	—	—	407
Others	14,156	6,454	—	2,380	22,990
Total	20,063	10,504	1,672	2,380	34,619

	31 December 2012				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	6,106	3,954	1,699	—	11,759
Public sector entities	405	—	—	—	405
Others	13,285	—	100	376	13,761
Total	19,796	3,954	1,799	376	25,925



Add.: No. 2, Fuxingmennei Avenue, Xicheng District,
Beijing, China

Tel. : (+86-10) 58560666

Fax. : (+86-10) 58560690

Zip Code: 100031

Website: www.cmbc.com.cn



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