



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



2014 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 2014 at the 18th meeting of the sixth session of the Board of the Company. Of the 17 Directors who were entitled to attend the meeting, 16 Directors attended the meeting in person (including two Directors attended by teleconference) and one Director was represented by proxy.

According to the profit distribution plan for the first half of 2014 considered by the Board, on the basis of a total share capital of the Company as at the record date for the purpose of profit distribution, a cash dividend of RMB0.75 (before tax) for every 10 shares will be distributed to shareholders of the Company. The above profit distribution plan needs to be approved by the general meeting 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 are stated in RMB.

The financial statements in this interim report were not audited.

Board of Directors
China Minsheng Banking Corp., Ltd.

Hong Qi (Chairman), Mao Xiaofeng (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 report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“ACFIC”	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
“AGM”	annual general meeting
“Bank” or “Company” or “China Minsheng Bank” or “Minsheng Bank”	China Minsheng Banking Corp., Ltd.
“Board”	board of directors of the Company
“CBRC”	China Banking Regulatory Commission
“Convertible Bond(s)” or “Minsheng Convertible Bond(s) or “A Share Convertible Bond(s)”	A Share convertible bonds
“CSRC”	China Securities Regulatory Commission
“Dagong”	Dagong Global Credit Rating Co., Ltd.
“Director”	a director of the Board
“EGM”	extraordinary general meeting
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Minsheng Financial Leasing”	Minsheng Financial Leasing Co., Ltd.
“Minsheng Royal Asset Management”	Minsheng Royal Asset Management Co., Ltd.
“Minsheng Royal Fund”	Minsheng Royal Fund Management Co., Ltd.
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules
“NSOE(s)”	non state-owned enterprise(s)
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China, but, for the purposes of this interim report only, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan, unless otherwise indicated
“Reporting Period”	the period from 1 January 2014 to 30 June 2014
“RMB”	Renminbi
“SBU(s)”	strategic business unit(s)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SSE”	Shanghai Stock Exchange
“Supervisor”	a supervisor of the Supervisory Board
“Supervisory Board”	supervisory board of the Company
“%”	percent

Bank Profile

- Registered Chinese Name of the Company: 中國民生銀行股份有限公司
Registered English Name of the Company: CHINA MINSHENG BANKING CORP., LTD.
(Abbreviation: “CMBC”)
- Legal Representative of the Company: Hong Qi
- Authorised Representatives: Qin Rongsheng
Soon Yuk Tai
- Board Secretary: Wan Qingyuan
Joint Company Secretaries: Wan Qingyuan
Soon Yuk Tai
Representatives of Securities Affairs: He Qun
Wang Honggang
- Mailing Address: Building VIII, 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 the CSRC: www.sse.com.cn
Website for Publishing the H Share Interim Report Designated by the Hong Kong Stock Exchange: www.hkexnews.hk

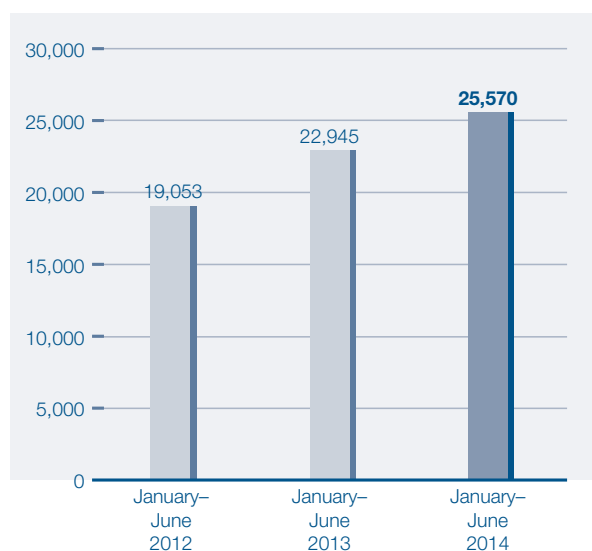
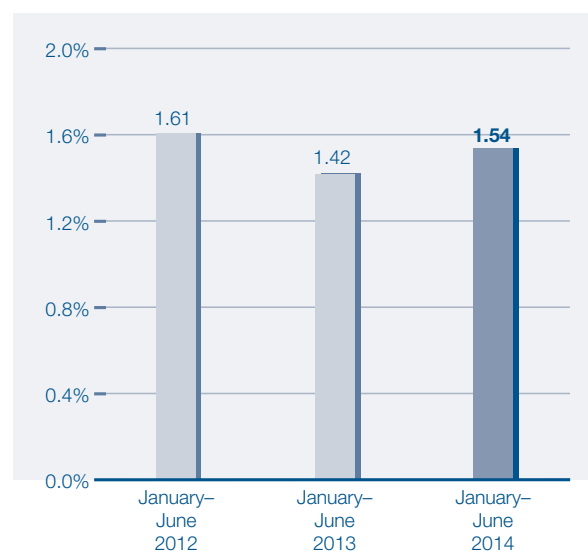
Copies of this interim report are available at the office of the Board.

9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office
 Legal Adviser as to Clifford Chance
 Hong Kong Law:
10. Domestic Accounting Firm: KPMG Huazhen Certified Public Accountants
 (Special General Partnership)
 Office Address: 8th Floor, Tower E2, Oriental Plaza,
 No. 1 East Chang An Avenue, Beijing, China
 International Accounting Firm: KPMG Certified Public Accountants
 Office Address: 8th Floor, Prince's Building,
 10 Chater Road, Central, Hong Kong
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: |
| SSE | 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 20 November 2007
 Subsequent Change:
 Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Registration Number of 100000000018983
 Corporate Business License:
16. Registration Number of Jing Guo Shui Dong Zi 110101100018988
 Tax Certificate: Di Shui Jing Zi 110101100018988000

Summary of Financial Data and Indicators

I. Major Accounting Data and Financial Indicators

	January– June 2014	January– June 2013	Changes of the Reporting Period over the corresponding period of the previous year	January– June 2012
Operating results (RMB million)			Increase/ decrease (%)	
Net interest income	43,600	40,564	7.48	37,871
Net non-interest income	21,352	17,928	19.10	13,498
Operating income	64,952	58,492	11.04	51,369
Operating expenses	23,337	20,726	12.60	19,418
Impairment losses on loans and advances	6,805	6,802	0.04	5,296
Profit before income tax	34,397	30,994	10.98	25,699
Net profit attributable to equity shareholders of the parent company	25,570	22,945	11.44	19,053
			Negative for the corresponding period of the previous year	
Net cash flow from operating activities	104,544	-32,094		-66,954
Data per share (RMB/share)				
Basic earnings per share	0.75	0.67	11.94	0.58
Diluted earnings per share	0.71	0.65	9.23	0.58
			Negative for the corresponding period of the previous year	
Net cash flow per share from operating activities	3.07	-0.94		-1.97
			Changes in percentage points	
Profitability indicators (%)				
Return on average assets (annualized)	1.54	1.42	0.12	1.61
Return on average shareholders' equity	12.18	13.18	-1.00	13.64
Cost-to-income ratio	29.20	28.57	0.63	30.61
Net fee and commission income to operating income ratio	28.39	27.73	0.66	19.53
Net interest spread	2.42	2.24	0.18	2.93
Net interest margin	2.62	2.41	0.21	3.14

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

Return on average assets (annualized, %)


	30 June 2014	31 December 2013	Changes from the end of the previous year to the end of the Reporting Period	31 December 2012
Scale indicators (RMB million)			Increase/decrease (%)	
Total assets	3,571,451	3,226,210	10.70	3,212,001
Gross balance of loans and advances to customers	1,696,283	1,574,263	7.75	1,384,610
Total liabilities	3,342,152	3,021,923	10.60	3,043,457
Deposits from customers	2,420,577	2,146,689	12.76	1,926,194
Share capital	34,040	28,366	20.00	28,366
Total equity attributable to equity shareholders of the parent company	222,199	197,712	12.39	163,077
Net assets per share attributable to equity shareholders of the parent company (RMB/share)	6.53	5.81	12.39	4.79
			Changes in percentage points	
Assets quality indicators (%)				
Impaired loans ratio	0.93	0.85	0.08	0.76
Provision coverage ratio	215.87	259.74	-43.87	314.53
Provision for total loans ratio	2.01	2.21	-0.20	2.39
			Changes in percentage points	
Capital adequacy ratio indicators (%)				
Core tier-one capital adequacy ratio	8.76	8.72	0.04	N/A
Tier-one capital adequacy ratio	8.77	8.72	0.05	N/A
Capital adequacy ratio	11.05	10.69	0.36	10.75
Total equity to total assets ratio	6.42	6.33	0.09	5.25

Summary of Financial Data and Indicators

Notes:

1. Return on average assets = Net profit/average balance of total assets at the beginning and the end of the period.
2. Return on average shareholders' equity = Net profit attributable to equity shareholders of the parent company/average balance of equity attributable to equity shareholders of the parent company at the beginning and the end of the period.
3. Cost-to-income ratio = (Operating expenses and other operating expenses – business tax and surcharges)/operating income.
4. Net interest spread = Average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.
5. Net interest margin = Net interest income/average balance of interest-earning assets.
6. Impaired loans ratio = Balance of impaired loans/gross balance of loans and advances to customers.
7. Provision coverage ratio = Allowance for impairment losses on loans/balance of impaired loans.
8. Provision for total loans ratio = Allowance for impairment losses on loans/gross balance of loans and advances to customers.
9. The capital adequacy ratio and relevant indicators for the period after 1 January 2013 listed in the above chart were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (Decree of the CBRC 2012 No. 1) and other relevant regulatory requirements. The capital adequacy ratios for 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》).
10. The earnings per share, net cash flow per share from operating activities and net assets per share attributable to shareholders of the parent company for the Reporting Period were calculated based on the number of shares in issue after profit distribution for the second half of 2013, and those for the comparative periods were recalculated.

II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicators	Benchmark	30 June	31 December	31 December	
		2014	2013	2012	
Liquidity ratios	Consolidated in RMB	≥25	42.96	29.31	36.01
Loan-to-deposit ratio	Consolidated in RMB	≤75	70.17	73.39	71.93

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

Management Discussion and Analysis

I. Review of Economic and Financial Conditions and Government Policies

In the first half of 2014, the global economy recovered at a faster pace while the Chinese economy remained steady in general. China orderly introduced various measures to secure stable economic growth through restructuring and reformation. The monetary policies of China are to strengthen the economic structure and to drive the growth of real economy, to facilitate structural adjustment and to promote transformation through targeted Required Reserve Ratio (RRR) cuts and other fine-tuning activities. On the other hand, the fiscal policies are relatively aggressive. While pushing forward the liberalization of exchange rates and interest rates and strengthened regulation of the capital market, the central government tightened its supervision on asset management and interbank market of commercial banks. The management and control of major risks have been further improved. In response to changes in the economic and financial environment, regulatory policies and market competition, the Company has taken the following measures:

Firstly, the Company revised the “Second Five-Year Outline” in response to the macro-economic environment, development of financial market and the reformation of the Company. Secondly, the Company strengthened the corporate governance and streamlined the corporate governance system through the standardization of corporate governance procedures under a standardized, operational and systematic approach. Thirdly, the Company further explored the market of “small business finance and community finance” and proactively restructured its customer base, product portfolio and business structure. Fourthly, the Company optimized its revenue structure and explored business opportunities with major customers to improve profitability and the development of investment banking as well as cross-selling between corporate and private banking. Fifthly, the Company continued to promote financial innovation of internet and mobile banking services. The customer base and transaction value of mobile banking maintained rapid growth as a result of the successful launch of “Direct Bank” (直銷銀行). Sixthly, the Company strived to launch key reforms. The “SBU reform version 2.0” and a new version 2.0 for small and micro enterprises were completely implemented. The plan for reforms of middle and back offices of the Company has been completed. The head office also commenced the program for improving our capability in response to the liberalization of interest rates. Seventhly, the Company further improved its systems by upgrading the customer relationship management system and pushing forward the development of platforms for cloud computing and big data to ensure the steady operation of the new core system. Eighthly, the Company further improved the risk management by promoting risk education practice activity and the “Tie Ji Action” (鐵騎行動) to maintain the overall quality of assets.

II. Overview of Operations

During the Reporting Period, under the proper leadership of the Board, the Company further implemented its strategy of becoming a “bank for NSOEs”, “bank for small and micro enterprises” and “bank for high-end retail customers” and adhered to its business goal of being a “distinctive” and “efficient” bank to proactively respond to the adjustments and changes in macro-economic environment and regulatory policies. In pursuit of the planning to “secure stable growth, adjust structure, grasp opportunities, prevent risks, build platform and improve efficiency” proposed at the beginning of the year, the Company focused on strategic reformation and enhanced risk control so as to improve profitability.

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

During the Reporting Period, net profit attributable to equity shareholders of the parent company of the Group amounted to RMB25,570 million, representing an increase of RMB2,625 million, or 11.44%, as compared with the corresponding period of the previous year. Operating income amounted to RMB64,952 million, representing an increase of RMB6,460 million, or 11.04%, as compared with the corresponding period of the previous year. Net interest margin and net interest spread were 2.62% and 2.42%, respectively, representing an increase of 0.21 and 0.18 percentage point, respectively, as compared with the corresponding period of the previous year. Basic earnings per share was RMB0.75, representing an increase of RMB0.08, or 11.94%, as compared with the corresponding period of the previous year. Net assets per share attributable to equity shareholders of the parent company was RMB6.53, representing an increase of RMB0.72, or 12.39%, as compared with the end of the previous year.

(II) Further expansion of assets and liabilities and steady development of strategic business

As at the end of the Reporting Period, total assets of the Group amounted to RMB3,571,451 million, representing an increase of RMB345,241 million, or 10.70%, as compared with the end of the previous year. Total balance of loans and advances to customers amounted to RMB1,696,283 million, representing an increase of RMB122,020 million, or 7.75%, as compared with the end of the previous year. Total deposits from customers amounted to RMB2,420,577 million, representing an increase of RMB273,888 million, or 12.76%, as compared with the end of the previous year.

Besides the steady organic growth in scale, the Company continued to develop its strategic business. For “small business finance and community finance”, the Company has basically completed the development of small business finance (version 2.0) of the business process for official launch and adjusted the structures of customers, products and industries. As at the end of the Reporting Period, outstanding loans to small and micro enterprises amounted to RMB404,782 million and the number of small and micro enterprise customers totaled 2,358.9 thousand. The Company also promoted the development of community sub-branches. As at the end of the Reporting Period, the community sub-branches (including multi-functional self-service banks) in operation amounted to 4,261. For NSOE strategy, the Company had 12,027 NSOE customers with outstanding loan balances, and the outstanding general loans to NSOEs amounted to RMB619,882 million, accounting for 82.15% and 61.66% of corporate banking segment, respectively. In respect of high-end customer strategy, the Company had 14,342 private banking customers, representing an increase of 11.18% as compared with the end of the previous year. The scale of financial assets of private banking customers under management of the Company reached RMB222,985 million, representing an increase of 16.17% as compared with the end of the previous year.

(III) Further optimization of operation structure and enhancement of management and cost control

The Group continued to adjust and optimize its business structure, income structure and customer structure. As at the end of the Reporting Period, the balance of personal deposits of the Group amounted to RMB596,148 million, representing an increase of RMB85,204 million, or 16.68%, as compared with the end of the previous year, and the balance of personal deposits accounted for 24.63% of total deposits, representing an increase of 0.83 percentage point as compared with the end of the previous year. The net non-interest income of the Group amounted to RMB21,352 million, representing an increase of RMB3,424 million, or 19.10%, as compared with the corresponding period of the previous year, and accounted for 32.87% of the operating income, representing an increase of 2.22 percentage points as compared with the corresponding period of the previous year. The Company had 496.4 thousand corporate deposit accounts with outstanding balance, representing an increase of 106.0 thousand as compared with the end of the previous year, and 16,830.8 thousand customers with outstanding balance, representing an increase of 2,934.2 thousand as compared with the end of the previous year. The number of mobile banking customers was 8,956.6 thousand, representing an increase of 3,411.4 thousand as compared with the end of the previous year. While further optimized the operation structure, the Group also strengthened its management and cost control. In the Reporting Period, the cost-to-income ratio was 29.20%, representing a slight increase of 0.63 percentage point as compared with the corresponding period of the previous year.

Management Discussion and Analysis

(IV) Enhanced risk management to maintain asset quality

The Group enhanced its risk management and strived to carry out risk alert and collection and settlement of assets. As at the end of the Reporting Period, the impaired loans ratio of the Group was 0.93%, representing a slight increase of 0.08 percentage point as compared with the end of the previous year. Allowance to impaired loan ratio and allowance to total loans ratio were 215.87% and 2.01%, respectively.

III. Analysis of Major Items of Income Statement

During the Reporting Period, the Group continued to improve its profitability and realized a net profit attributable to equity shareholders of the parent company of RMB25,570 million, representing an increase of 11.44% as compared with the corresponding period of the previous year. The increase was mainly attributable to the growth of net interest margin and the sustaining increase of net non-interest income.

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

(Unit: RMB million)

Item	January– June 2014	January– June 2013	Increase (%)
Operating income	64,952	58,492	11.04
Of which: Net interest income	43,600	40,564	7.48
Net non-interest income	21,352	17,928	19.10
Operating expenses	23,337	20,726	12.60
Impairment losses on assets	7,218	6,772	6.59
Profit before income tax	34,397	30,994	10.98
Less: Income tax expenses	8,306	7,500	10.75
Net profit	26,091	23,494	11.05
Of which: Net profit attributable to equity shareholders of the parent company	25,570	22,945	11.44
Net profit attributable to non-controlling interests	521	549	-5.10

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

(Unit: RMB million)

Item	January–June 2014		January–June 2013		Increase (%)
	Amount	% of total	Amount	% of total	
Net interest income	43,600	67.13	40,564	69.35	7.48
Of which: Interest income from loans and advances to customers	56,489	86.98	50,666	86.62	11.49
Interest income from financial assets held under resale agreements	16,858	25.95	18,663	31.91	-9.67
Interest income from securities and other investments	8,164	12.57	5,170	8.84	57.91
Interest income from finance lease receivables	3,446	5.31	3,506	5.99	-1.71
Interest income from balances with central bank	3,244	4.99	3,316	5.67	-2.17
Interest income from balances with banks and other financial institutions	3,209	4.94	5,648	9.66	-43.18
Interest income from placements with banks and other financial institutions	2,768	4.26	2,049	3.50	35.09
Interest expenses	-50,578	-77.87	-48,454	-82.84	4.38
Net non-interest income	21,352	32.87	17,928	30.65	19.10
Net fee and commission income	18,438	28.38	16,222	27.73	13.66
Other net non-interest income	2,914	4.49	1,706	2.92	70.81
Total	64,952	100.00	58,492	100.00	11.04

(I) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group was RMB43,600 million, representing an increase of RMB3,036 million, or 7.48%, as compared with the corresponding period of previous year. The expansion in business scale contributed an increase of RMB3,718 million in net interest income and the change in interest rate caused a decrease of RMB682 million in net interest income.

During the Reporting Period, net interest margin of the Group was 2.62%, representing an increase of 0.21 percentage point as compared with the corresponding period of the previous year. The increase was mainly due to the optimization of interest-earning asset structure and adjustment of the pricing strategy.

Management Discussion and Analysis

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

(Unit: RMB million)

Item	January–June 2014			January–June 2013		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Interest-earning assets						
Gross balance of loans and advances to customers	1,632,819	56,489	6.92	1,451,681	50,666	6.98
Of which: Corporate loans and advances	1,024,628	34,714	6.78	946,603	32,598	6.89
Personal loans and advances	608,191	21,775	7.16	505,078	18,068	7.15
Securities and other investments	363,511	8,164	4.49	254,485	5,170	4.06
Balances with central bank	429,409	3,244	1.51	427,176	3,316	1.55
Balances with banks and other financial institutions	143,618	3,209	4.47	287,870	5,648	3.92
Placements with banks and other financial institutions	106,352	2,768	5.21	92,853	2,049	4.41
Financial assets held under resale agreements	571,077	16,858	5.90	767,421	18,663	4.86
Finance lease receivables	84,703	3,446	8.14	80,004	3,506	8.76
Total	3,331,489	94,178	5.65	3,361,490	89,018	5.30
Item	January–June 2014			January–June 2013		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	2,188,898	25,855	2.36	2,052,250	23,548	2.29
Of which: Corporate deposits	1,668,050	19,865	2.38	1,616,229	18,719	2.32
Demand	625,943	2,349	0.75	610,593	2,006	0.66
Time	1,042,107	17,516	3.36	1,005,636	16,713	3.32
Personal deposits	520,848	5,990	2.30	436,021	4,829	2.22
Demand	129,844	250	0.39	111,353	210	0.38
Time	391,004	5,740	2.94	324,668	4,619	2.85
Deposits from banks and other financial institutions	665,202	17,865	5.37	851,354	18,522	4.35
Placements with banks and other financial institutions	32,675	614	3.76	26,499	442	3.34
Financial assets sold under repurchase agreements	54,774	1,287	4.70	77,587	1,916	4.94
Debt securities issued	103,534	2,579	4.98	83,633	2,001	4.79
Borrowings from central bank and other financial institutions	87,170	2,378	5.46	79,305	2,025	5.11
Total	3,132,253	50,578	3.23	3,170,628	48,454	3.06
Net interest income		43,600			40,564	
Net interest spread			2.42			2.24
Net interest margin			2.62			2.41

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 2013 to January–June 2014	Changes due to changes in interest rate from January–June 2013 to January–June 2014	Net changes
Changes in interest income:			
Gross balance of loans and advances to customers	6,322	-499	5,823
Securities and other investments	2,215	779	2,994
Balances with central bank	17	-89	-72
Balances with banks and other financial institutions	-2,830	391	-2,439
Placements with banks and other financial institutions	298	421	719
Financial assets held under resale agreements	-4,775	2,970	-1,805
Finance lease receivables	206	-266	-60
Subtotal	1,453	3,707	5,160
Changes in interest expenses:			
Deposits from customers	1,568	739	2,307
Deposits from banks and other financial institutions	-4,050	3,393	-657
Placements from banks and other financial institutions	103	69	172
Financial assets sold under repurchase agreements	-563	-66	-629
Debt securities issued	476	102	578
Borrowings from central bank and other financial institutions	201	152	353
Subtotal	-2,265	4,389	2,124
Changes in net interest income	3,718	-682	3,036

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

Management Discussion and Analysis

1. Interest income

During the Reporting Period, the interest income of the Group was RMB94,178 million, representing an increase of RMB5,160 million, or 5.80%, as compared with the corresponding period of the previous year. The increased yield and expansion in scale of interest-earning assets contributed RMB3,707 million and RMB1,453 million to the increase in interest income therein, respectively. In respect of interest income structure, interest income from loans and advances to customers and interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements accounted for 59.98% and 24.25% of the interest income, respectively.

(1) Interest income from loans and advances to customers

During the Reporting Period, interest income from loans and advances to customers of the Group amounted to RMB56,489 million, representing an increase of RMB5,823 million, or 11.49%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances accounted for 38.55% of total interest income from loans and advances to customers, representing an increase of 2.89 percentage points as compared with the corresponding period of the previous year, due to the expansion in scale and increased yield of personal loans and advances business of the Group.

(2) Interest income from securities and other investments

During the Reporting Period, interest income from securities and other investments of the Group was RMB8,164 million, representing an increase of RMB2,994 million, or 57.91%, as compared with the corresponding period of the previous year. The increase was mainly due to the adjustment of investment scale and structure and the growth of yield.

(3) Interest income from balances with central bank

During the Reporting Period, interest income of the Group from balances with central bank amounted to RMB3,244 million, representing a slight decrease of RMB72 million, or 2.17%, as compared with the corresponding period of the previous year.

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

During the Reporting Period, interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group was RMB22,835 million, representing a decrease of RMB3,525 million, or 13.37%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease of interbank business's average balance.

(5) Interest income from finance lease receivables

During the Reporting Period, the interest income of the Group from finance lease receivables amounted to RMB3,446 million, basically remained the same as compared with the corresponding period of the previous year.

2. Interest expenses

The interest expenses of the Group for the Reporting Period was RMB50,578 million, representing an increase of RMB2,124 million, or 4.38%, as compared with the corresponding period of the previous year. Interest expenses decreased by RMB2,265 million due to the contraction in scale of interest-bearing liabilities, while increased by RMB4,389 million due to the increase in cost ratio to interest-bearing liabilities. As to the components of interest expenses, the interest expenses on deposits from customers accounted for 51.12% of the total interest expenses while interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements accounted for 39.08% 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 RMB25,855 million, representing an increase of RMB2,307 million, or 9.80%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion in the size of deposits from customers and the increase of cost ratio.

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

During the Reporting Period, interest expenses of the Group on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB19,766 million, representing a decrease of RMB1,114 million, or 5.34%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease of business scale of interbank liabilities.

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses of the Group on debt securities issued amounted to RMB2,579 million, representing an increase of RMB578 million, or 28.89%, as compared with the corresponding period of the previous year, which was mainly due to the expansion in the scale of debt securities issued.

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(4) 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 RMB2,378 million, representing an increase of RMB353 million, or 17.43%, as compared with the corresponding period of the previous year, which was mainly due to increases in interbank borrowings and cost ratio of the Group.

(II) Net non-interest income

During the Reporting Period, net non-interest income of the Group amounted to RMB21,352 million, representing an increase of RMB3,424 million, or 19.10%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January– June 2014	January– June 2013	Increase (%)
Net fee and commission income	18,438	16,222	13.66
Other net non-interest income	2,914	1,706	70.81
Total	21,352	17,928	19.10

1. Net fee and commission income

During the Reporting Period, net fee and commission income of the Group amounted to RMB18,438 million, representing an increase of RMB2,216 million, or 13.66%, as compared with the corresponding period of the previous year, which was mainly due to the increases in fee and commission income from bank card services and agency services.

(Unit: RMB million)

Item	January– June 2014	January– June 2013	Increase (%)
Fee from bank cards services	5,601	3,402	64.64
Fee from agency services	4,606	2,062	123.38
Commission from trust and other fiduciary services	4,410	5,688	-22.47
Fee and commission from credit commitments	2,575	2,090	23.21
Fee from settlement services	1,507	2,376	-36.57
Fee from financial advisory services	977	1,393	-29.86
Fee from finance lease services	489	361	35.46
Others	114	45	153.33
Fee and commission income	20,279	17,417	16.43
Less: Fee and commission expense	1,841	1,195	54.06
Net fee and commission income	18,438	16,222	13.66

2. Other net non-interest income

During the Reporting Period, other net non-interest income of the Group was RMB2,914 million, representing an increase of RMB1,208 million, or 70.81%, as compared with the corresponding period of the previous year, which was mainly due to the increase in net trading gain and net gain arising from disposals of securities and discounted bills as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January– June 2014	January– June 2013	Increase (%)
Net trading gain	1,062	340	212.35
Net gain arising from disposals of securities and discounted bills	1,508	997	51.25
Other operating income	344	369	-6.78
Total	2,914	1,706	70.81

(III) Operating expenses

During the Reporting Period, operating expenses of the Group amounted to RMB23,337 million, representing an increase of RMB2,611 million, or 12.60%, as compared with the corresponding period of the previous year. The increase was mainly due to the increases in expenses of branches and outlets, IT system and establishment of channels. The cost-to-income ratio of the Group was 29.20%, representing a slight increase as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January– June 2014	January– June 2013	Increase (%)
Staff costs (including Director's emoluments)	10,179	9,098	11.88
Business tax and surcharges	4,371	4,012	8.95
Rental expenses and property management fees	1,888	1,217	55.14
Office expenses	1,452	1,310	10.84
Depreciation and amortization expenses	1,357	973	39.47
Supervisory charges	29	94	-69.15
Business expenses and others	4,061	4,022	0.97
Total	23,337	20,726	12.60

Management Discussion and Analysis

(IV) Impairment losses on assets

During the Reporting Period, the Group recorded impairment losses on assets of RMB7,218 million, representing an increase of RMB446 million, or 6.59%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January– June 2014	January– June 2013	Increase (%)
Loans and advances to customers	6,805	6,802	0.04
Finance lease receivables	312	211	47.87
Others	101	-241	Negative for the corresponding period of the previous year
Total	7,218	6,772	6.59

(V) Income tax expenses

During the Reporting Period, income tax expenses of the Group was RMB8,306 million, representing an increase of RMB806 million as compared with the corresponding period of the previous year, and the ratio of income tax expenses to profit before income tax was 24.15%.

IV. Analysis of Major Items of Balance Sheet

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB3,571,451 million, representing an increase of RMB345,241 million, or 10.70%, from the end of the previous year. Scale of assets of the Group grew steadily.

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

(Unit: RMB million)

Item	30 June 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Gross balance of loans and advances to customers	1,696,283	47.50	1,574,263	48.80	1,384,610	43.11
Less: Allowance for impairment losses on loans	34,146	0.96	34,816	1.08	33,098	1.03
Net balance of loans and advances to customers	1,662,137	46.54	1,539,447	47.72	1,351,512	42.08
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	837,988	23.46	767,335	23.78	1,048,905	32.66
Cash and balances with central bank	442,434	12.39	433,802	13.45	420,418	13.09
Securities and other investments	419,545	11.75	306,722	9.51	243,520	7.58
Finance lease receivables	86,814	2.43	82,543	2.56	74,809	2.33
Property and equipment	30,718	0.86	24,102	0.75	13,631	0.42
Others	91,815	2.57	72,259	2.23	59,206	1.84
Total	3,571,451	100.00	3,226,210	100.00	3,212,001	100.00

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

1. Loans and advances to customers

As at the end of the Reporting Period, gross balance of loans and advances to customers of the Group amounted to RMB1,696,283 million, representing an increase of RMB122,020 million, or 7.75%, as compared with the end of the previous year, and accounted for 47.50% of total assets, representing a decrease of 1.30 percentage points as compared with the end of the previous year.

Management Discussion and Analysis

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

(Unit: RMB million)

Item	30 June 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	1,080,597	63.70	968,734	61.54	919,034	66.37
Of which: Discounted bills	40,443	2.38	33,364	2.12	15,764	1.14
Personal loans and advances	615,686	36.30	605,529	38.46	465,576	33.63
Total	1,696,283	100.00	1,574,263	100.00	1,384,610	100.00

Breakdown of personal loans and advances is as follows:

(Unit: RMB million)

Item	30 June 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	409,611	66.53	408,891	67.53	317,470	68.19
Credit card overdrafts	123,889	20.12	113,298	18.71	66,305	14.24
Residential mortgage	59,475	9.66	62,096	10.25	71,518	15.36
Others	22,711	3.69	21,244	3.51	10,283	2.21
Total	615,686	100.00	605,529	100.00	465,576	100.00

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

As at the end of the Reporting Period, the total balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB837,988 million, representing an increase of RMB70,653 million, or 9.21%, as compared with the previous year, and accounted for 23.46% of the total assets, representing a slight decrease of 0.32 percentage point as compared with the end of the previous year.

3. Securities and other investments

As at the end of the Reporting Period, the net value of securities and other investments of the Group was RMB419,545 million, representing an increase of RMB112,823 million, or 36.78%, as compared with the end of the previous year, mainly due to the expansion of the scales of loans and receivables and available-for-sale securities.

(1) Composition of securities and other investments

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

(Unit: RMB million)

Item	30 June 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Financial assets at fair value				
through the profit or loss	27,396	6.53	22,262	7.26
Positive fair value of derivatives	1,998	0.48	1,986	0.65
Available-for-sale securities	138,383	32.98	111,532	36.36
Held-to-maturity securities	151,799	36.18	133,124	43.40
Loans and receivables	99,969	23.83	37,818	12.33
Total	419,545	100.00	306,722	100.00

(2) Holdings of financial bonds

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

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Impairment allowances
2014 Financial bonds	5,370	5.70%	2017-01-14	—
2014 Financial bonds	5,090	5.01%	2015-01-20	—
2012 Financial bonds	4,200	4.20%	2017-02-28	—
2013 Financial bonds	4,200	3.68%	2016-04-11	—
2014 Financial bonds	3,550	4.83%	2015-03-24	—
2013 Financial bonds	3,430	3.98%	2016-07-18	—
2012 Financial bonds	3,360	3.93%	2015-04-23	—
2012 Financial bonds	3,200	3.39%	2015-07-09	—
2013 Financial bonds	3,000	4.37%	2018-07-29	—
2013 Financial bonds	2,910	4.55%	2014-10-24	—
Total	38,310			

Management Discussion and Analysis

(3) Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	170,203	483	449
Foreign exchange forwards	39,748	209	318
Currency swaps	280,125	1,217	1,489
Precious metal derivatives	5,879	33	49
Credit derivatives	55,916	—	—
Extension options	8,300	—	—
Currency options	5,297	56	3
Total		1,998	2,308

(II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB3,342,152 million, representing an increase of RMB320,229 million, or 10.60%, as compared with the end of the previous year.

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

(Unit: RMB million)

Item	30 June 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	2,420,577	72.43	2,146,689	71.04	1,926,194	63.29
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	637,712	19.08	638,244	21.12	910,597	29.92
Borrowings from the central bank and other financial institutions	90,768	2.72	81,835	2.71	72,135	2.37
Debt securities issued	117,078	3.50	91,968	3.04	74,969	2.46
Others	76,017	2.27	63,187	2.09	59,562	1.96
Total	3,342,152	100.00	3,021,923	100.00	3,043,457	100.00

1. Deposits from customers

As at the end of the Reporting Period, total balance of deposits from customers of the Group amounted to RMB2,420,577 million, representing an increase of RMB273,888 million, or 12.76%, as compared with the end of the previous year, accounting for 72.43% of the total liabilities. In respect of customer structure, the proportion of corporate deposits, personal deposits and other deposits in total deposits were 74.86%, 24.63% and 0.51%, respectively. In respect of maturity structure, the proportion of demand deposits, time deposits and other deposits in total deposits were 34.16%, 65.33% and 0.51%, respectively.

(Unit: RMB million)

Item	30 June 2014		31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	1,812,133	74.86	1,629,503	75.91	1,528,562	79.36
Demand	674,096	27.85	677,725	31.57	621,592	32.27
Time	1,138,037	47.01	951,778	44.34	906,970	47.09
Personal deposits	596,148	24.63	510,944	23.80	393,774	20.44
Demand	152,653	6.31	132,703	6.18	107,861	5.60
Time	443,495	18.32	378,241	17.62	285,913	14.84
Outward remittance and remittance payables	5,995	0.25	4,258	0.20	3,230	0.17
Certificates of deposit	6,301	0.26	1,984	0.09	628	0.03
Total	2,420,577	100.00	2,146,689	100.00	1,926,194	100.00

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

As at the end of the Reporting Period, total deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB637,712 million, representing a slightly decrease of RMB532 million, or 0.08%, as compared with the end of the previous year.

3. Debt securities issued

As at the end of the Reporting Period, debt securities issued by the Group amounted to RMB117,078 million, representing an increase of RMB25,110 million, or 27.30%, as compared with the end of the previous year.

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(III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB229,299 million, representing an increase of RMB25,012 million, or 12.24%, as compared with the end of the previous year. Total equity attributable to the equity shareholders of the parent company amounted to RMB222,199 million, representing an increase of RMB24,487 million, or 12.39%, 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 2014	31 December 2013	Increase (%)
Share capital	34,040	28,366	20.00
Capital reserve	49,235	49,234	—
Surplus reserve	17,020	16,456	3.43
General reserve	42,554	42,487	0.16
Investment revaluation reserve	-1,106	-2,842	Negative for both periods
Retained earnings	80,451	64,023	25.66
Exchange reserve	5	-12	Negative for the previous year
Total equity attributable to equity shareholders of the parent company	222,199	197,712	12.39
Non-controlling interests	7,100	6,575	7.98
Total	229,299	204,287	12.24

(IV) Off-balance sheet items

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

(Unit: RMB million)

Item	30 June 2014	31 December 2013	Increase (%)
Bank acceptances	607,106	522,849	16.11
Letters of credit	188,900	126,934	48.82
Guarantees	157,437	105,711	48.93
Re-factoring	342	22,433	-98.48
Unused credit card commitments	45,466	40,377	12.60
Irrevocable loan commitments	2,958	4,343	-31.89
Finance lease commitments	2,877	2,109	36.42
Capital commitments	7,941	8,564	-7.27
Operating lease commitments	18,287	16,881	8.33

(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 of the Company was 12.35%, of which the market share of personal deposits was 13.94% as at the end of the Reporting Period. The market share of total loans, loans excluding discounted bills and loans excluding personal loans of the Company were 12.75%, 12.71% and 15.37%, respectively, as at the end of the Reporting Period. (Note: Nine national joint-stock commercial banks in China referred to China Merchants Bank, CITIC Bank, Industrial Bank, China Everbright Bank, Shanghai Pudong Development Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank and the Company. The above data was based on the information of the domestic institutions of the Company.)

V. Qualitative Analysis of Loans**(I) Industry concentration of loans***(Unit: RMB million)*

Item	30 June 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	244,483	14.41	222,573	14.14
Real estate	188,547	11.12	165,570	10.52
Wholesale and retail	154,761	9.12	145,202	9.22
Leasing and commercial services	105,409	6.21	92,611	5.88
Mining	91,222	5.38	80,941	5.14
Transportation, storage and postal service	63,867	3.77	61,454	3.90
Construction	53,332	3.14	44,916	2.85
Water, environment and public utilities management	39,802	2.35	32,188	2.04
Financial services	32,254	1.90	27,480	1.75
Public administration, social security and social organizations	27,728	1.63	31,502	2.00
Production and supply of electric power, heat, gas and water	25,572	1.51	19,965	1.27
Agriculture, forestry, animal husbandry and fishery	12,521	0.74	12,015	0.76
Accommodation and catering	11,233	0.66	15,503	0.98
Others	29,866	1.76	16,814	1.09
Subtotal	1,080,597	63.70	968,734	61.54
Personal loans and advances	615,686	36.30	605,529	38.46
Total	1,696,283	100.00	1,574,263	100.00

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(II) Geographical distribution of loans

(Unit: RMB million)

Item	30 June 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Northern China	514,465	30.33	475,995	30.24
Eastern China	528,535	31.16	506,901	32.20
Southern China	182,551	10.76	169,256	10.75
Other regions	470,732	27.75	422,111	26.81
Total	1,696,283	100.00	1,574,263	100.00

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

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

(Unit: RMB million)

Item	30 June 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Unsecured loans	303,902	17.92	272,459	17.31
Guaranteed loans	595,339	35.10	565,010	35.89
Loans secured by				
– tangible assets other than monetary assets	562,420	33.15	529,564	33.64
– monetary assets	234,622	13.83	207,230	13.16
Total	1,696,283	100.00	1,574,263	100.00

(IV) Top ten borrowers

As at the end of the Reporting Period, the aggregate outstanding loans to the top ten borrowers of the Group were RMB38,323 million, accounting for 2.26% of the total loans. The top ten borrowers of the Group were as follows:

(Unit: RMB million)

Top ten borrowers	Outstanding loans	Percentage of total loans (%)
A	6,445	0.38
B	4,855	0.28
C	4,574	0.27
D	4,516	0.27
E	3,200	0.19
F	3,166	0.19
G	3,000	0.18
H	2,983	0.17
I	2,844	0.17
J	2,740	0.16

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

(Unit: %)

Major Indicators	Benchmark	30 June 2014	31 December 2013	31 December 2012
Total loans to the single largest borrower to net capital	≤10	2.25	2.59	2.97
Total loans to the top ten borrowers to net capital	≤50	13.36	14.44	16.10

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

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

Management Discussion and Analysis

(V) Five-category classification of credit assets

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

(Unit: RMB million)

Item	30 June 2014		31 December 2013		
	Amount	% of total	Amount	% of total	Increase (%)
Performing loans	1,680,465	99.07	1,560,859	99.15	7.66
Of which: Pass	1,653,925	97.50	1,540,486	97.86	7.36
Special-mentioned	26,540	1.57	20,373	1.29	30.27
Impaired loans	15,818	0.93	13,404	0.85	18.01
Of which: Substandard	12,207	0.72	9,221	0.58	32.38
Doubtful	2,473	0.15	3,102	0.20	-20.28
Loss	1,138	0.06	1,081	0.07	5.27
Total	1,696,283	100.00	1,574,263	100.00	7.75

(VI) Migration ratio of loans

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

(Unit: %)

Item	30 June	31 December	31 December
	2014	2013	2012
Pass	1.66	2.40	1.98
Special-mentioned	28.71	23.71	11.99
Substandard	11.64	19.60	8.78
Doubtful	28.31	11.79	19.29

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, restructured loans of the Group amounted to RMB336 million, representing a decrease of RMB276 million, or 45.10%, as compared with the end of the previous year. Overdue loans amounted to RMB45,697 million, representing an increase of RMB18,376 million as compared with the end of the previous year. Percentage of overdue loans was 2.69%, representing an increase of 0.95 percentage point as compared with the end of the previous year.

(Unit: RMB million)

Item	30 June 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Restructured loans	336	0.02	612	0.04
Overdue loans	45,697	2.69	27,321	1.74

Notes: 1. Restructured loans (full name: loans after reschedule) are loans of which the terms of repayment under the loan agreement have been amended by the Bank as a result of 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	Six months ended	Year ended
	30 June 2014	31 December 2013
Balance as at the beginning of the period	34,816	33,098
Charge for the period	10,331	15,091
Release during the period	-3,526	-2,144
Transfer out	-4,645	-7,303
Write-offs	-3,178	-4,049
Recoveries	653	596
Unwinding of discount	-301	-470
Exchange gain or loss	-4	-3
Balance as at the end of the period	34,146	34,816

Method for assessing allowances for impairment losses on loans:

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

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(IX) Impaired loans and related measures

As at the end of the Reporting Period, the Group had impaired loans of RMB15,818 million. The impaired loan ratio was 0.93%, increased by 0.08 percentage point as compared with the end of the previous year.

1. Industry concentration of impaired loans

(Unit: RMB million)

Item	30 June 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	6,486	41.00	3,985	29.74
Real estate	304	1.92	423	3.16
Wholesale and retail	3,418	21.61	3,430	25.59
Leasing and commercial services	75	0.48	241	1.80
Mining	94	0.60	6	0.04
Transportation, storage and postal service	35	0.22	1,393	10.39
Construction	190	1.20	55	0.41
Water, environment and public utilities management	94	0.59	194	1.45
Financial services	31	0.20	36	0.27
Public administration, social security and social organizations	—	—	—	—
Production and supply of electric power, heat, gas and water	—	—	—	—
Agriculture, forestry, animal husbandry and fishery	63	0.40	73	0.54
Accommodation and catering	48	0.30	42	0.31
Others	89	0.56	54	0.40
Subtotal	10,927	69.08	9,932	74.10
Personal loans and advances	4,891	30.92	3,472	25.90
Total	15,818	100.00	13,404	100.00

2. Geographical distribution of impaired loans

(Unit: RMB million)

Item	30 June 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Northern China	7,688	48.60	5,824	43.45
Eastern China	5,847	36.97	5,333	39.79
Southern China	1,068	6.75	633	4.72
Other regions	1,215	7.68	1,614	12.04
Total	15,818	100.00	13,404	100.00

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

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

- (1) Enhancing credit planning, proactively adjusting loan distribution, and continuously optimizing asset structure in line with the changing economic environment and requirements of macro-economic policies;
- (2) Continuing to improve the risk management policies and imposing multidimensional risk limit management for various industries and regions;
- (3) Continuously improving post-credit management system, strengthening risk monitoring and early-warning, conducting focused stress test, risk identification and special examination and closely monitoring loans with potential risk factors and hidden problems in order to formulate and enforce collection and disposal plans in an early and timely manner so as to strictly control overdue loans and effectively control new impaired loans;
- (4) Further enhancing collection and disposal of impaired loans by strengthening the quality management of credit assets, promoting the development of key businesses and implementation of major projects, developing innovative recovery measures, comprehensively utilizing all available recovery and disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off, improving the handling of regional risk and abnormal and contingent loans, conducting specific recovery and disposal activities so as to reinforce the accountability mechanism for non-performing assets and to improve the efficiency and effectiveness of recovery;

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- (5) Accelerating the development of monitoring and management system to effectively improve the ability of assets monitoring and management, and strengthening training programs to improve the professional skills and the comprehensive qualities of the risk management team and foster the operating philosophy of complying with applicable laws and regulations.

VI. Analysis of Capital Adequacy Ratio

The Group calculated its capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (the “New Rules”) promulgated by the CBRC and other relevant regulatory provisions. The calculation of capital adequacy ratio covers the Company and the financial institutions directly or indirectly invested by the Company in accordance with the requirements of the New Rules. 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 Rules of the CBRC.

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

(Unit: RMB million)

Item	30 June 2014	
	The Group	The Company
Net core tier-one capital	227,381	214,227
Net tier-one capital	227,656	214,227
Net capital base	286,944	272,400
Core tier-one capital	228,335	218,880
Core tier-one capital deductions	-954	-4,653
Other tier-one capital	275	—
Other tier-one capital deductions	—	—
Tier-two capital	59,288	58,173
Tier-two capital deductions	—	—
Total risk-weighted assets	2,595,742	2,460,722
Of which: Credit risk-weighted assets	2,388,765	2,260,365
Market risk-weighted assets	19,482	19,551
Operational risk-weighted assets	187,495	180,806
Core tier-one capital adequacy ratio (%)	8.76	8.71
Tier-one capital adequacy ratio (%)	8.77	8.71
Capital adequacy ratio (%)	11.05	11.07

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 2014	
	The Group	The Company
Core capital adequacy ratio (%)	8.93	8.94
Capital adequacy ratio (%)	12.56	12.63

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

VII. Segment Report

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

(I) Segment operating results by geographical region

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Northern China	2,271,979	33,272	20,993
Eastern China	1,008,797	13,475	5,472
Southern China	478,560	5,781	2,011
Other regions	801,530	12,424	5,921
Inter-segment elimination	-999,586	—	—
Total	3,561,280	64,952	34,397

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

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(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	1,494,969	35,271	21,012
Personal banking business	617,174	18,228	6,434
Treasury business	1,320,683	9,576	5,812
Other businesses	128,454	1,877	1,139
Total	3,561,280	64,952	34,397

VIII. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk management and protect the legitimate interests of investors and all relevant parties, the Company has formulated the Administrative Measures regarding Fair Value (《公允價值管理辦法》) based on the Accounting Standards for Business Enterprises (《企業會計準則》), which expanded the scope of fair value measurement to cover the initial measurement of assets and liabilities, including 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: financial assets at fair value through profit or loss, derivative financial instrument and securities available for sale. In particular, the valuation methods of financial assets at fair value through profit or loss and the bond investment of the securities available for sale were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply; for bonds denominated in foreign currencies, market value was determined through a combination of BLOOMBERG quotes, DATASCOPE quotes and enquiries; and the fair value of most derivative financial instruments was obtained directly from quotes of market prices, while the fair value of certain derivative financial instruments in which customers are interested was obtained from market enquiries. Derivative financial instruments mainly consisted of interest rate swap contracts to which customers are parties and proprietary interest rate swap contracts, the market risks of which had been hedged. The changes in fair value had little impact on the profit of the Company. Changes in fair value of available-for-sale securities were considered when calculating shareholders' equity.

(Unit: RMB million)

Item	Opening balance	Gain/loss from fair value changes for the period	Accumulated fair value changes charged to equity	Impairment allowance for the period	Closing balance
Financial assets					
Of which:					
Financial assets at fair value through profit or loss	22,262	639	—	—	27,396
Positive fair value of derivatives	1,986	12	—	—	1,998
Available-for-sale securities	111,532	—	-455	-5	138,383
Total	135,780	651	-455	-5	167,777
Financial liabilities					
Of which:					
Negative fair value of derivatives	1,883	425	—	—	2,308
Total	1,883	425	—	—	2,308

(II) Overdue and outstanding liabilities

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

IX. Performance of Key Business Lines

(I) Corporate banking

In the Reporting Period, in response to the complicated external environment and market conditions, the Company enlarged its financial assets base and strengthened the corporate banking business with an aim to enhance the capital return level. The Company further promoted the “SBU reform version 2.0” and the transformation of the corporate banking business of branches. Moreover, the Company expanded the base of valued customers, strengthened the cross-sales between SBU and branches and pushed forward product integration so as to facilitate the transformation and development of the corporate banking business by way of acquiring quality assets and expanding the channel of liability business.

1. Customer base of corporate banking

In the Reporting Period, the Company focused on the NSOE strategy and the “two chains” financial service and formulated practicable development strategies in order to continuously expand the customer base. Firstly, the Company rolled out more innovative cash management products and further enhanced its settlement services to expand the customer base of net liability customers. Secondly, the Company promoted the business with distinctive regional features and explored customer groups of asset business with trade financing products and innovative business mode. Thirdly, the Company strengthened the categorized customer management and expanded the customer base by improving the marketing and management systems for strategic customers and key customers, providing customized financial products and services catering for the financial demand of customers and facilitating the transformation and upgrading the Financial Stewardship service model.

As at the end of the Reporting Period, along with the expansion of customer base with corporate pure deposit balances, the Company had 496.4 thousand customers with outstanding corporate deposit balances, representing a sharp increase of more than 100 thousand customers. The Company had 14,641 customers with outstanding general corporate loans, representing a slight decrease as compared with the end of the previous year.

As at the end of the Reporting Period, the Company had 12,027 NSOE customers with outstanding loan balances, and outstanding general loans of NSOEs amounted to RMB619,882 million. In the corporate banking business segment, the number of NSOE customers with outstanding loan balances and general loan balances accounted for 82.15% and 61.66%, respectively.

2. Corporate loans

During the Reporting Period, according to the general strategic plan of the Company and the guiding principles of “liquidizing remnant assets, utilizing the increment, pushing forward the strategic goals and adopting stringent risk control”, the Company upgraded and transformed its corporate asset business effectively.

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

- (1) The Company emphasized the forming of strategic plans, adopted batch business development mode and differentiated approval procedures. According to the analysis on the segment markets, the Company formulated competitive financial service solution and developed a distinctive, professional and efficient channel to explore customers through batch business development targeting the industry chains, industrial groups, professional platforms, professional markets, industrial parks and group customers.
- (2) The Company continuously optimized the loan distribution structure by increasing the loans to new industries and businesses such as mid-high technology intensive and advanced manufacturing industry, modern service industry and strategic emerging industry, while reducing the loans to financing platform and industries with high pollution and energy consumption and excess production capacity.
- (3) The Company targeted on four major customer groups, namely industry-concentrated customers, related customers of core enterprises, customers engaging in resources industries and customers with weak cycles, and focused on developing customers with outstanding operating results for major business, excellent management, sound financial position, high operational efficiency and bright prospects in order to further optimize customer structure.
- (4) The Company enhanced the integration and innovation of credit products, and provided integrated financial services to meet the financing demand of customers. The Company continued to optimize its credit business structure and enhance the cost efficiency of resources.

As at the end of the Reporting Period, outstanding corporate loans (including discounted bills) of the Company amounted to RMB1,073,395 million, representing an increase of RMB112,113 million, or 11.66%, as compared with the end of the previous year. Outstanding general corporate loans amounted to RMB1,005,330 million, representing an increase of RMB103,695 million, or 11.50%, as compared with the end of the previous year. Impaired corporate loan ratio was 1.00%.

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In the Reporting Period, the Company's bill business aimed to serve the real economy based on the concept of professional operation with innovation and high value. The Company launched various innovative financial products and services for bills, and designed and introduced relevant bill products such as "Guarantee Pass" (保證通) in response to market demand in order to facilitate transaction financing business, optimize the corporate financial management target and enhance the services of bill products. In addition, the Company further strengthened the professional platform of bill business by building a professional team. While strengthening the standardised operation and stringent risk control, the Company improved the design capability of integrated bill solutions and provided customers with diversified financial services. The Company strived to better fulfill diversified demand of customers and effectively serve the real economy with professional operation and diversified services.

3. Corporate deposits

In the Reporting Period, in order to cope with the impacts and challenges brought by the liberalisation of interest rate and internet finance to the corporate deposit business of commercial banks, the Company enhanced the establishment of settlement platform and the online platform of transaction financing. The Company provided chained, comprehensive, integrated and intelligent services for customers in order to broaden sustainable deposit sources with lower costs and cultivate the customer base for corporate deposits.

As at the end of the Reporting Period, the balance of corporate deposits of the Company was RMB1,798,514 million, representing an increase of RMB184,060 million, or 11.40%, as compared with the end of the previous year.

In the Reporting Period, the Company further broadened the application and upgraded the functions of cash management products, and completed the development of version 3.0 of Settlement Pass (結算通). As at the end of the Reporting Period, the Company had 334.9 thousand customers of Settlement Pass, representing an increase of 76.7 thousand customers as compared with the end of the previous year. The daily average customer deposits of Settlement Pass amounted to RMB679,149 million per year, representing an increase of RMB81,226 million as compared with the same period of the previous year.

In the Reporting Period, in the face of the changing market, our transaction financing business further expanded the base of core customers in industry chain by optimizing the business structure and improving services in order to carry out centralized sales for customer groups of different scales in the industry chain. In addition, the Company developed financial services for industries with weak cycles, strengthened the differentiated management of institutions and teams and enhance the cooperation with third-party institutions in order to further refine the business and

customer structures. In respect of services, to capture the development trend of electronic and online business, the Company accelerated the establishment of system platform in order to launch first phase of online financing platform for exchanges, thereby establishing an advanced transaction financing service model.

As at the end of the Reporting Period, the business volume of transaction financing of the Company was RMB567,606 million. The number of regular customers was 12,090 and the balance of derivative deposits amounted to RMB234,611 million.

4. Corporate non-interest income business

In the Reporting Period, with the adherence to the guiding principle of expanding the financial assets base, the Company adopted stronger policy support to the intermediary business and products of capital restraint to facilitate the development of customer base comprising large, medium and small-sized customers according to the financial strategy of the “two chains”. The revenue from trade financing, transaction financing and basic settlement business grew rapidly attributable to the product innovation and the batch business development mode. Moreover, the Company promoted the integrated financial services model of “Financial Stewardship” in order to enhance the major contribution of investment banking business of commercial banks to the revenue of the intelligence based intermediary business. It also accelerated the development and innovation of investment banking model to improve the professional level and value-creating capability of the intermediary business services. In the Reporting Period, net fee and commission income of the Company in the corporate banking segment grew rapidly with an aggregated amount of RMB9,567 million, representing an increase of 11.01% as compared with the corresponding period of the previous year.

In respect of the commercial bank’s investment banking business, in order to overcome the challenges brought by the liberalization of interest rate, the Company enhanced the professional operation management of investment banking business in order to build the core competitive advantages for the sound and rapid development of investment banking business. In the first half of the year, the Company adjusted the operation management model of investment banking business and established investment banking unit responsible for the direct marketing and promoting operation of investment banking business. As at the end of the Reporting Period, the establishment of new department and business adjustment were basically completed and other preparation works were in smooth progress. Based on the new system and mechanism, the Company effectively implemented its development strategy formed in the beginning of the year, consisting of focusing on two major businesses and promoting the two channels of its investment banking business to achieve steady growth formed in the beginning of the year. Supported by the growth of both asset and treasury businesses and the circulation of funds and assets through our wealth management platform, the profitability model for virtuous cycle and sustainable development

Management Discussion and Analysis

of investment banking business was formed with a good growth momentum. The Company also boosted the development of investment banking business and improved the overall profitability significantly by analyzing and developing the SBUs and regional featured industries of branches. Meanwhile, taking proprietary business as a breakthrough, the Company developed high-end and new investment banking business with clear profitability model and grasped investment banking business opportunities in different aspects including industrial integration, capital market, reform of state-owned assets, new urbanization, integration of regional resources, integration of cross-border resources of merger & acquisition, fixed return and wealth management and disposal of distressed assets. The Company also developed business for investment in merger & acquisition and restructuring with resource integration and established a core product portfolio which consisted of structural financing, private equity fund, convertible bonds and financing of shares and bonds for such business in order to facilitate the transformation of the general investment banking business. Moreover, progressing along with its four businesses, namely consultation, financing, pre-investment and investment, the Company provided more precise and tailor-made investment banking services to the customers, acting as the integrator of integrated financial service for the customers and leading to a win-win situation for both the bank and the corporations.

In respect of investment banking's debt financing instruments and bond issuing and underwriting, the Company capitalized on the market opportunities and targeted at high-end customers of large and medium scale to satisfy their financing needs while controlling the risks. Moreover, the Company supported the development of urbanization by launching new businesses and initiating the innovative work on products such as revolving bonds and asset-backed bills. The progress was satisfactory. In the Reporting Period, 97 bonds including short-term financing bills, mid-term notes, super short-term financing bills, targeted instruments and integrated credit enhancement bonds for small and micro enterprises were issued with an aggregated amount of RMB66,056 million. Of which, the integrated credit enhancement bonds for small and micro enterprises of RMB600 million were issued. With the issuance of bonds, loyalty of corporate customers was further enhanced, and net non-interest income and deposits grew steadily.

In respect of asset custody business, in the first half of the year, the Company sought opportunities from the challenges and changed the operation model to develop new business cooperation. The Company strengthened its management foundation, further improved resource allocation and promoted system integration to enhance the operation efficiency and risk control. Development of the asset custody business was remarkable. As at the end of the Reporting Period, the assets held by the Company as custodian (including safekeeping) amounted to RMB2,355,141 million, representing an increase of 20.36% as compared with the end of the previous year. The corporate annuity funds under custody amounted to RMB12,240 million, representing an increase of 33.44% as compared with the end of the previous year.

5. Operation of the SBUs

During the Reporting Period, in order to further enhance the driving force of growth, innovation and operational efficiency of SBUs, the Company accelerated the implementation of the SBU reform version 2.0. Based on the four major principles of “quasi corporation nature, professionalism, financial resources integration and financial stewardship team”, the structures and internal operation procedures of SBUs were further refined and adjusted. An operation mechanism with quasi corporation nature was formed to strengthen the capability of professional teams and the transformation of stewardship model and accelerated the transformation to a professional investment bank. During the Reporting Period, the SBUs overcame the impacts brought by economic downturn and industry adjustment and all business lines achieved stable development.

(1) Real Estate Finance SBU

During the Reporting Period, the Real Estate Finance SBU actively responded to the adverse impacts arising from the slow growth of the general economy and the real estate market and the situation changes in the financial industry. The Real Estate Finance SBU deepened the SBU reform version 2.0 according to the general plans of the headquarters. The Real Estate SBU strengthened the quasi corporation mechanism and further streamlined the management mechanism and structure to establish an effective and down-to-earth investment banking operation model and approval procedure so as to refine and enhance the risk management. With the establishment of a unified and all-rounded asset management system, the Real Estate Finance launched an all-in-one and integrated financial stewardship service system of “commercial banking + investment banking”.

As at the end of the Reporting Period, the deposit balance and outstanding general loans of the Real Estate Finance SBU amounted to RMB54,061 million and RMB110,960 million, respectively. The impaired loan ratio was 0.27%. Both of the outstanding balance and ratio of non-performing loans decreased. The net non-interest income amounted to RMB632 million.

(2) Energy Finance SBU

During the Reporting Period, the Energy Finance SBU dealt with adverse effects brought by macro-economic downturn and excessive production capacity of coal industry effectively by refining the resources structure, strengthening industrial research, implementing regional construction, developing risk culture and steadily promoting the SBU reforms based on the strategic plans formulated by the headquarters. The Company aimed to promote the development of the diversification of its products and services to expand the investment banking business while developing traditional banking business steadily. The Company also offered innovative wealth management, bonds and trade finance products. In the first half of 2014, the Company offered 57 wealth management products with an aggregate amount of RMB14,746 million and completed 11 bonds financing projects with an aggregate amount of RMB10,150 million. The trade finance products had net non-interest income amounted to RMB400 million.

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As at the end of the Reporting Period, the deposit balance and outstanding general loans of the Energy Finance SBU amounted to RMB62,591 million and RMB110,132 million, respectively. The impaired loan ratio was 0.26% and the net non-interest income amounted to RMB1,068 million.

(3) Transportation Finance SBU

During the Reporting Period, in response to such adverse impacts as the slowdown of macro-economic growth, excessive production capacity of shipping industry, declining profitability and increasing risk exposures, the Transportation Finance SBU focused on establishing an integrated resources platform and enhanced the financial stewardship services and specialized operation to better serve the customers. The Company introduced new investment banking business model and financial products, so as to transform and upgrade from traditional banking to investment banking. The Company also exerted effort in developing automobile industrial chain, supported the reformation of investment and financing of rail industry and promoted the transformation and upgrade of port industry. The Company upgraded its customer value and social value and also refined the structure and enhanced efficiency.

As at the end of the Reporting Period, the deposit balance and outstanding general loans of the Transportation Finance SBU amounted to RMB47,345 million and RMB53,434 million, respectively. The impaired loan ratio was 0.61% and the net non-interest income amounted to RMB470 million.

(4) Metallurgy Finance SBU

During the Reporting Period, in response to the most difficult time of the steel industry and certain common non-ferrous metal industries in recent years, the Metallurgy Finance SBU coped with the challenges actively in accordance with the requirements of “SBU reform version 2.0”. The professional teams of the Metallurgy Finance SBU developed an integrated business model of “commercial banking + investment banking”, which consolidated and improved the remnant assets and traditional finance business as a commercial bank and launched high-yield projects in low-yield industries as an investment bank. Firstly, based on the cycle of the metallurgy industry, the Metallurgy Finance SBU expanded the metallurgy non-steel business by broadening and refining its business network. For segment markets, the Metallurgy Finance SBU focused on developing the non-ferrous metal, rare metal and noble metal markets. For the industry chain, the Metallurgy Finance SBU focused on exploring the upstream metal mining, metallurgy mining equipment industry, metallurgy energy conservation and environmental protection industry as well as the downstream metal deep processing industry. Secondly, the Metallurgy Finance SBU strictly controlled risks by strengthening the risk management system and further improving its ability to predict industry and enterprise risks. Thirdly, the Metallurgy Finance SBU improve its management significantly by developing a scientific management system covering the whole process of business planning, product support, marketing and risk management, in order to improve the operating efficiency of the SBU.

As at the end of the Reporting Period, the deposit balance and outstanding general loans of the Metallurgy Finance SBU amounted to RMB42,426 million and RMB37,009 million, respectively. The impaired loan ratio was 6.76%, and the net non-interest income amounted to RMB675 million.

(5) Trade Finance SBU

In the Reporting Period, the Trade Finance SBU continued to implement the operating concept of “becoming a professional service provider of distinctive trade finance”. It adopted the business model of “commercial banking + investment banking”, and integrated capital financing with intelligence and resource. The Trade Finance SBU expanded its business development through distinctive operations and product innovation, and strengthened the stable customer base consisting of the global top 500 enterprises and leading domestic NSOEs as strategic customers and medium-sized NSOEs as regular customers. As at the end of the Reporting Period, the Trade Finance SBU had established 32 branches, 14 marketing departments and 18 long-distance business centers (secondary institutions). The net non-interest income and off-balance sheet assets denominated in RMB and foreign currencies amounted to RMB4,079 million and RMB346,908 million, respectively. During the Reporting Period, the rapid and healthy development of the trade finance business attracted extensive attention from domestic and international media of the financial industry. The Company was awarded “The Innovative Trade Finance Services in Asia” (亞洲貿易金融創新服務) by Financial Time, a British magazine, and Boao Review, and “The Best Trade Finance Bank for Small and Medium-Sized Enterprises in China” (中國最佳中小企業貿易金融銀行獎) by The Asian Banker.

The Trade Finance SBU has been devoting itself in building its distinctive trade financing services brand, so as to form a comprehensive product portfolio covering international settlement, international trade financing and domestic trade financing. It has set up a correspondent bank network and smooth settlement channels worldwide and built up correspondent banking relationships with 1,482 banks in 112 countries and regions across the world. Targeting to become a provider of financial solutions and an integrator of financial services and resources, it put great efforts in providing customers with a series of innovative products and solutions, including factoring and structured trade financing, cross-border RMB transaction and synergy of domestic and overseas finance, so as to satisfy customers’ needs in integrated domestic and overseas trade financing services that cover all segments and processes.

Major distinctive businesses, including the factoring business and structured trade financing business, continued to maintain the leading position among domestic banks. In the first half of 2014, the volume of factoring business amounted to RMB69,351 million with a total of 92.5 thousand transactions. The total volume of international dual factoring business amounted to US\$527 million, ranking the fourth among domestic peers. A total of 8,781 transactions of international dual factoring business were recorded, ranking the first among domestic peers.

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The structured trade financing business, which primarily consists of “going international” financing, long-term order financing, ship financing and bulk commodity trade financing, maintained rapid growth. Targeting to position itself as a major bank supporting the NSOEs to “go international”, the Company developed distinctive investment and financing businesses including overseas resources, traditional and new energies, privatization and investment in factories. In respect of ship financing business, high-end ships, which were mainly dry bulk carriers and marine engineering equipment, became a new growth momentum. Long-term order financing business expanded from domestic trading to international trading and from goods trading to services and technology trading.

The Trade Finance SBU further improved the organizational structure and operating mechanism of Hua Shan Club (華山俱樂部) to provide enterprises with diversified and exclusive services with an aim to foster the future corporate leaders. Currently, the Club, consisting of 31 core NSOE customers of trade finance business, fully demonstrates the strategy of the Company being a “bank for NSOEs” and the advantages of the “Financial Stewardship” service model of the Company.

(6) Modern Agriculture Finance SBU

During the Reporting Period, in accordance with the requirement of “SBU reform version 2.0”, the Modern Agriculture Finance SBU of the Company launched proprietary businesses to increase profits. Capturing the significant strategic opportunities of the agricultural modernization in China, the Modern Agriculture Finance SBU prioritized market planning and conducted sales to target customers with a focus on the three major specialized industries including marine fishery, forestry and livestock, and targeted value customers of investment banking in markets in target regions. It developed an innovative commercial model by establishing a “five in one” collaboration platform for business development covering the front, back and middle offices of planning, risks, channels, products and marketing. In addition, a set of operating procedure was specially designed for the positioning, development, retention and improvement of target customers in the modern agricultural industry. While satisfying customers’ demand, the SBU also promoted business transformation and industry integration of investment banking to provide enterprises with comprehensive service solutions covering “commercial banking + investment banking” financial products.

As at the end of the Reporting Period, the Modern Agriculture Finance SBU of the Company granted credit to 60 customers. The financial assets under its management amounted to RMB3,447 million with an operating income of RMB77 million. Net non-interest income was RMB46 million, accounting for 59.74% of the operating income.

(7) Culture Industry Finance SBU

During the Reporting Period, leveraging on the opportunities brought by the prosperous and fast-growing cultural industry, the Culture Industry Finance SBU of the Company adhered to the operating philosophy of a quasi-investment bank and promoted the development of customer base and exploration of commercial model with a focus on the seven major industries supported by the 12th Five-Year Plan of the PRC, including film and television, cultural tourism, artwork, art performance, publication traditional culture (such as intangible cultural heritage and China Time-honored Brand) and cultural creativity (such as anime, game, advertisement and convention and exhibition). Business models such as the film investment fund and cultural tourism fund were included to the “Typical Cases of Cultural-Financial Cooperation”, and we were the first bank in the industry to adopt the business model of “crowd funding”. When providing customers with financing services, the SBU offered more comprehensive services to increase loyalty of customers. The SBU was also awarded the “Excellent Innovation Achievement of Cultural-Financial Cooperation” (優秀文化金融合作創新成果獎) by the Ministry of Culture. The Company has gained high brand reputation and market influence in the fields of film and television, cultural tourism and artwork.

As at the end of the Reporting Period, the financial assets of the Culture Industry Finance SBU amounted to RMB6,016 million, representing an increase of 65.23% as compared with the end of last year. The average daily deposits amounted to RMB3,581 million, representing an increase of 109.05% as compared to last year.

(8) Stone Material Industry Finance SBU

During the Reporting Period, aiming to become the largest provider of stone material industry finance in China, the Stone Material Industry Finance SBU of the Company launched its “commercial banking + investment banking” business for stone material industry chain and provided comprehensive financial and non-financial services for the whole industry chain, such as stone mining, business matching, stone professional market and import and export. The investment banking services of the Company was improving. The Company continued to enrich its business approaches and has been developing a domestic leading electronic business platform for stone material trading with bank credit. The business matching services matched business of both upstream and downstream enterprises. Aiming to promote the transformation and upgrade of stone material industry in China, the Company has become the vice chairman of China Stone Material Association and the vice chairman of ACFIC Chamber of Commerce for Stone Industry, and is responsible for discussing and formulating industry regulations with the industrial associations to enhance the competitive edge of the industry. Moreover, the influence of our professional brand was extending. The Company was invited to visit industrial centers in different provinces and regions by local governments, such as Guangdong, Guangxi, Hubei, Jiangsu, Jilin and Xinjiang, and became the only financial institution to exhibit at the 14th session of China Xiamen International Stone Fair for 2014, one of the top two exhibitions in the world in terms of scale. The Company established the “New Stone Age” (新石代) club specially for young entrepreneurs in the stone material industry so as to establish a platform for the exchange of resources and promote the overall development of the stone material industry.

Management Discussion and Analysis

As at the end of the Reporting Period, the balances of deposits, financial assets and loans of the Stone Material Industry Finance SBU amounted to RMB3,628 million, RMB8,148 million and RMB4,962 million, respectively. The Stone Material Industry Finance SBU had net non-interest income of RMB45 million.

(II) Retail banking business

During the Reporting Period, the Company adhered to its “small business finance and community finance” strategy and enhanced resources integration and refined internal coordination mechanism. Through promoting cross-selling and establishing social circles surrounding the outlets, the competitive edge of retail banking business was enhanced.

In the Reporting Period, the financial assets of personal customers managed by the Company were over RMB1,000,000 million and reached RMB1,029,196 million, stepping to a new development stage. The Company persisted in its strategies of small business finance and exerted a great effort in improving its version 2.0 for small and micro enterprises. In spite of economic downturn and increasing regional risk in certain regions, the small business finance maintained steady growth. As at the end of the Reporting Period, the outstanding loans to small and micro enterprises amounted to RMB404,782 million and the number of small and micro enterprises customers reached 2,358.9 thousand. In response to challenges brought by emerging internet finance and the speed up of interest rate liberalization, the Company focused on fulfilling customers' needs by introducing new products and applying new technologies. The customer base expanded rapidly and the personal deposits increased steadily. In the Reporting Period, the personal deposits reached RMB588,950 million, representing an increase of RMB84,396 million as compared to the end of last year. The number of non-retail customers reached 16,830.8 thousand, representing an increase of 2,934.2 thousand or 21.11% as compared to the end of last year.

1. Small business finance

During the Reporting Period, the Company devoted itself to supporting the development of real economy and granted loans to small and micro enterprises of RMB215,490 million in aggregate in the first half of the year. The Company implemented effective risk control strategies by withdrawing businesses from steel trade and coal industry and formulated specific exit strategies for each of the raw materials, construction and engineering equipment industries. The industry structure was further consolidated and optimized and the customer and product structures were reorganized. During the Reporting Period, the Company continued to improve its settlement services for small and micro enterprises to increase the capital adequacy ratio of small business finance. The installation of “Happy Payment” increased to over 530 thousand units in 525.5 thousand merchants. The deposits of small and micro enterprises increased steadily to RMB250,000 million, representing an increase of 16.79% as compared to the end of the previous year.

During the Reporting Period, the Company refined its management system for credit granting and extended the coverage of its risk management. The Company implemented quantitative credit risk management by establishing internal risk evaluation model and technology. A customer information platform and decision-making system were formed to enhance the technology level of our risk management. The Company also expanded its credit management team, and appointed evaluation teams to all frontline offices. Furthermore, in view of increasing concentration of regional risks and the operation pressures of small and micro enterprises, the Company enhanced its risk supervision, issued risk warning on a voluntary basis, strengthened the disposal of non-performing assets and refined post-disbursement management system, so as to minimize risk of small business finance. As at the end of the Reporting Period, the non-performing loan ratio was under control at a low level of 0.69%.

During the Reporting Period, the Company launched a new after-sales services system featuring five upgraded functions, including pre-loan and after-sales services, customers' feedback, post-disbursement management, information management and expansion of customer base, forming a comprehensive and all-rounded after-sales services system for small business finance. In order to enhance customers' experience, the Company exerted its effort in establishing an integrated product and service system comprising financing, wealth management, investment and internet finance for small and micro enterprises.

2. Traditional retail business and community finance

During the Reporting Period, the Company enhanced its internal management platform to strengthen the synergies. Firstly, the Company refined its customer management system and adjusted the marketing management procedures, so as to strengthen its product marketing. In the first half of the year, the Company sold retail wealth management products of RMB838,647 million in aggregate, representing an increase of over RMB200,000 million as compared with the same period of the previous year. The Company also promoted its retail banking services and credit cards, so as to achieve cross selling between different business lines, attract new customers and retain existing customers.

During the Reporting Period, the Company implemented its strategy on the development of community finance. The number of community outlets of the Company with comprehensive self-services banking functions increased to 4,261. The Company strived to establish an open market platform comprising various types of service providers through the community outlets. Such platform integrated all special merchants of the Bank and strengthened the cooperation between real estate and logistics enterprises, so as to establish O2O model community with the distinguished features of the Company.

Management Discussion and Analysis

3. Product innovation

Firstly, the Company innovated and launched products, such as Lifestyle APP (生活圈APP), “Kuai Le Shou” (快樂收), a service for payment and settlement, and “Zhi Jia Xin” (智家信), a guarantee service for consumption, through the daily life platform of community finance. Secondly, the Company launched numerous new consumer credit products, including consumer loan auto payment, consumer micro-loan and multi-loans products. Thirdly, the headquarters cooperated with the branches to expand the application of IC cards. The batch development of campus cards, citizen cards and social cards in regional markets, such as Wuhan and Nanjing, achieved significant progress. Fourthly, the Company officially launched Shanglong Card (商隆卡) to provide customers with corporate and retail integrated settlement services.

4. Credit card business

As at the end of the Reporting Period, the aggregate number of issued credit cards of the Company was 18,742.5 thousand, of which, 1,340.9 thousand were newly issued during the Reporting Period. Transaction volume of credit card business was RMB392,999 million, representing an increase of 75.16% as compared with the corresponding period of the previous year. Account receivables amounted to RMB123,889 million, representing an increase of 9.35% as compared with the end of previous year. Fee and commission income amounted to RMB5,332 million, representing an increase of 67.25% as compared with the corresponding period of the previous year.

During the Reporting Period, the Credit Card Center of the Company continuously adhered to the “customer-centric, market-oriented and innovation-driven” operation philosophy in accordance with market and customer needs. The Company continued to optimize the loan structure and enhanced the quality of its products and services. In respect of products, the Credit Card Center launched Minsheng Che Che UnionPay Credit Card (民生車車信用卡), which was the first bank “one-stop automobile butler” (一站式車務管家) service in the banking industry. Cardholders are entitled to eight special offers and services, including rebate offer for refueling oil, car wash services, automobile insurance fee rebate and designated driving services for drunken cardholders. American Express Multi-currency Platinum Credit Card, the first international credit card bearing only one bankcard brand launched by the Credit Card Center, initiated to provide privilege services for cardholders before, during and after their overseas study. In respect of services, the Company comprehensively upgraded its value-added platform and customers can earn reward points for value-added services based on the types of their cards. Customers can also easily make appointment for currency exchange services through Minsheng Credit Card Mobile Banking or VIP hotline. To promote the use of credit card, the Company aimed to explore new merchants and refine customer structure and entered into contracts with around 38,000 special merchants in 80 cities in China, providing cardholders with excellent experience for using their credit cards. To celebrate the ninth anniversary of the credit card, the Company held two activities, namely “Spending Privileges – Every Day, Minsheng Day” (「吃喝玩樂購」天天尊享活動 – 「天天民生日」) and in cards “999 rewards points” (in卡「999積分」) based on the consuming habits of cardholders, so as to fulfill different needs of cardholders.

During the Reporting Period, the Credit Card Center of the Company was rewarded the “Outstanding Marketing in China for 2013” (2013年度中國卓越市場營銷獎) by VISA. The refinement project of card issuing of back office was rewarded the Quality and Technology Award in China for 2013 for Outstanding Six Sigma Project Award by China Association for Quality (2013年度中國質量協會質量技術獎優秀六西格瑪項目) . The Credit Card Center was named as the “Model for Female Worker” (女職工文明示範崗) by National Committee of China Financial Labor Union (中國金融工會全國委員會) .

(III) Private banking business

As at the end of the Reporting Period, the private banking financial assets under the management of the Company amounted to RMB222,985 million, representing an increase of RMB31,044 million, or 16.17%, as compared with the end of previous year. The number of private banking customers reached 14,342, representing an increase of 1,442, or 11.18%, as compared with the end of previous year. During the Reporting Period, the net non-interest income of private banking business amounted to RMB1,053 million, representing an increase of 393 million or 59.55% as compared with the corresponding period of previous year.

During the Reporting Period, in view of the economic downturn and the changes in policies, the Company continued to cater for various needs of customers by actively launching new products to enrich its product portfolio, in order to fulfill the short- and long-term investment needs of private banking customers. Through constructing and matching business platform, personal high-end credit granting channel, overseas trust business, and entrusted asset management service business, the Company further expanded the financing channel for customers and targeted at wealthy family customer groups. Meanwhile, capitalizing on the distinctive high-end non-financial services, the Company conducted a trial on family office service and provided comprehensive stewardship services to wealthy families and their wealth.

During the Reporting Period, with its excellent results, comprehensive services and continuous product innovation, the private banking business of the Company received various awards. In particular, we were awarded the “Best Domestic Private Banking Performance” (國內私人銀行最佳表現) for 2013 by the Hurun Rich List (胡潤百富), the “Outstanding Equity and Venture Capital Award in China for 2013” (2013年中國優秀股權和創業投資獎) by The Investment Association of China, the “Gold Medal Services for the Year” (年度金牌服務力) of Golden Pixiu Award for 2013 (2013金貔貅獎) by Financial Money and the “Best Innovation in China Market for 2013” (2013年度中國市場最具創新獎) by U-jet.

Management Discussion and Analysis

(IV) Treasury business

1. Investments and Transactions

As at the end of June 2014, the investment balance of the bank accounts and transaction accounts of the Company amounted to RMB389,981 million and RMB27,371 million, respectively.

In the first half of 2014, the high yield in bond market and the bull market provide a favorable market condition for the portfolio and trading of bond investments. The Company increased the investment in asset management plans, such as the bonds with mid- and long-term interest rates in held-to-maturity accounts and loans and receivables accounts. Therefore, the interest income of banking accounts increased. For the trading accounts, taking advantage of the bull market, bond transactions were active with satisfactory trading earnings.

During the Reporting Period, the total transaction volume of RMB denominated domestic bonds of the Company amounted to RMB1,332,075 million, ranking the top in terms of spot transaction volume of bonds in this year.

During the Reporting Period, the transaction volume of domestic forward settlement and RMB exchange swap of the Company amounted to US\$134,832 million, representing an increase of 34.01% as compared with the corresponding period of the previous year. The transaction volume of spot settlement and sales amounted to US\$55,369 million, representing a decrease of 16.76% as compared with corresponding period of the previous year.

2. Wealth management business

During the Reporting Period, the wealth management business of the Company strictly complied with various regulatory requirements and coped with the difficulties brought by the macro-economic downturn, speeding up of interest rate liberalization, financial disintermediation and intense market competition. The Company also strengthened the concept of asset management and conducted comprehensive study on the market to divide customers into more specific categories. Moreover, the Company also exerted its efforts in the innovation of wealth management products and expansion of sales channels, so as to promote the steady growth of wealth management business. As at the end of the Reporting Period, the existing scale of wealth management products amounted to RMB419,999 million, representing an increase of 26.66% as compared with the end of the previous year.

3. Trading in gold and other precious metals

During the Reporting Period, the on-floor trading volume of gold, including agency sales, of the Company in the precious metals market (the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 176.73 tons. The trading volume of silver, including agency sales, amounted to 2,635.32 tons. The total trading value amounted to RMB56,347 million. In terms of on-floor trading value, the Company was the fifth largest dealer at the Shanghai Gold Exchange, one of the most active proprietary dealers at the Shanghai Futures Exchange and one of the important large-volume gold importers in the PRC.

During the Reporting Period, the Company leased 30 tons of gold to corporate customers, ranking the eighth in the market. It sold 598.65 kg of proprietary physical gold to individual customers. The Company effectively satisfied the needs of customer with various products. The outlook of further progress in the market remained positive.

(V) Overseas business

On 30 March 2012, the Company successfully opened its first overseas branch in Hong Kong, marking a significant milestone in the course of its operation for international development and advancement into the international financial market.

The Hong Kong branch of the Company was committed to developing three major business segments, including the wholesale banking (i.e. corporate banking), capital transaction and retail banking. The wholesale banking includes “5+1” businesses. “1” refers to trade financing business and “5” refers to overseas operation, ship-owner financing, bulk commodity and frozen food, alternative financing as well as small business finance services. The capital transaction business segment provides risk-hedging operations such as foreign exchange and bulk commodities trading and derivative products, in addition to its basic functions of cash and liquidity management. The retail banking segment was operated under the principles of being a major force of liability business among branches and a wholesaler of inter-bank products so as to become a leader in the markets of high-yield special financial products and non-financial services. It preserves and grows the wealth of customers and their families by providing unique financial and non-financial services through our comprehensive investment management, family wealth management consultancy as well as wealth planning and preservation services.

Management Discussion and Analysis

The Hong Kong branch has developed into an important overseas platform of the Company for the past two years and has played a vital role in driving the growth of our cross-border collective trade financing business. During the Reporting Period, the Hong Kong branch optimized its pricing mechanism, asset allocation and internal evaluation system to facilitate the rapid development of its collective business. The synergy effect of cross-border collective business was remarkable. In the first half of the year, the cross-border collective trade finance business contributed HK\$327 million to its net fee and commission income, representing an increase of 168.03% as compared with the corresponding period of previous year. The collective deposits amounted to HK\$30.140 billion, up 31.44% over the end of 2013, which directly generated mainland deposits of RMB8,315 million and net fee and commission income of RMB124 million. In addition, the business channel and mode were diversified by entering into bulk commodity Memorandum of Understanding with the Hong Kong Stock Exchanges and Clearing Limited, establishing the Minsheng ship-owners league, introducing the financial products manager business, organizing bank consortium for private enterprises and the first global offering of bonds, with a view to consolidating and promoting our position in the international market, expanding our services for major customers at home and abroad, and facilitating the globalization of the Company.

As of 30 June 2014, the deposit balance of our Hong Kong branch amounted to HK\$58,839 million, representing an increase of 25.94% as compared with the end of previous year. The outstanding loans amounted to HK\$59,809 million, representing an increase of 41.14% as compared with the end of previous year. Net non-interest income and net interest income amounted to HK\$520 million and HK\$445 million, respectively. Moreover, our Hong Kong branch was granted various honors. It was granted the “Best Loan of the Year” by IFR Asia, which is the most authoritative financial media in Asia, and the “Best Leveraged Loan” by Finance Asia.

(VI) E-banking services

During the Reporting Period, the Company endeavoured to cope with the challenges brought about by the interest rate liberalization and internet finance. In addition to strengthening the team cooperation and expertise, the Company further developed its e-banking and internet finance with focus on the development of mobile banking and direct bank, with an aim to improve the customer’s loyalty and value. As a result, the customer base and the transaction volume achieved rapid growth with the number of active customers showing a steady upward trend.

1. E-banking

(1) Mobile banking

The Company strengthened the development of mobile banking to meet customers' needs. During the Reporting Period, various new mobile banking functions were introduced, such as self-serviced limited payment by registered customers, loan contract for small and micro customers and online approval for credit card applications. Localized services such as Guangzhou Charitable Donation, Nanjing Youth Volunteer Card and Xi'an Reserve Fund Enquiry were also launched to satisfy the different personal needs of local customers. In addition, the products, services and customer experience of the Company were further improved to stand out from its peers through the introduction of various value-added services, including online taxi call and traffic penalty payment. As at the end of the Reporting Period, the total number of mobile banking customers reached 8,956.6 thousand, representing an increase of 3,411.4 thousand as compared with the end of the previous year. The number of transactions for the Reporting Period was 67,469.4 thousand, representing 4.63 times of that of the previous year, while the transaction turnover for the Reporting Period amounted to RMB1,218,367 million, representing 5.02 times of that of the previous year. The number and turnover of transaction during the Reporting Period were all over those of previous year in total.

(2) Online banking

As at the end of the Reporting Period, the number of personal online banking customers was 9,603.5 thousand, representing an increase of 2,171.2 thousand as compared with the end of the previous year. The number of transactions for the Reporting Period was 178,258.3 thousand while the transaction turnover amounted to RMB4.91 trillion. The number of customers under inter-bank fund integration business was 938.1 thousand, representing an increase of 469.4 thousand as compared with the end of previous year, and the aggregated integration amount was RMB208,808 million. As at the end of the Reporting Period, the number of corporate online banking customers was 404.2 thousand, representing an increase of 67.4 thousand as compared with the end of last year. The number of transactions was 32,326.0 thousand and the transaction turnover amounted to RMB17.85 trillion. The Company exerted more efforts to promote sales of wealth management products via electronic channels, which amounted to RMB825,485 million in the Reporting Period. Of which, sales of personal wealth management products recorded RMB762,085 million, accounting for 90.87% of the total sales of the Company's personal wealth management products.

Management Discussion and Analysis

(3) “95568” customer hotline service

The Company endeavoured to diversify the multi-media communication channels such as WeChat to establish a multifaceted and professional service system, and to improve its service quality and standard. During the Reporting Period, a total of 21,009.7 thousand incoming-calls were received through the hotlines, of which 5,659.3 thousand calls were manually answered. Customer satisfaction rate was 97.79% and the average punctual complaint handling rate was 96.60%. The “95568” mobile wealth management consultancy service was available at 28 branches which provided comprehensive one-to-one banking services to over nine million customers through efficient electronic channels such as telephone conversation, messages and WeChat, so as to enable the customers to enjoy the convenient and modern financial services with optimized asset allocation.

2. Direct bank

On 28 February 2014, the Company officially introduced the direct bank service to capture opportunities of internet finance and to accelerate its strategic transformation. Innovative products and services were developed to better serve the online customers with busy, trendy and delicate lifestyle. Various channels such as designated website, mobile apps and WeChat banking were launched to provide online banking services for customers. Two flagships products, namely “Ru Yi Bao” and “Sui Xin Cun” were initially introduced. Furthermore, the Company released wealth management services jointly with third parties to expand customer base. As a result, the number of customers and transactions saw rapid increase. As at the end of the Reporting Period, the number of customer was 674.6 thousand and total application for “Ru Yi Bao” was RMB64,583 million.

(VII) 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 Financial Leasing

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

As at the end of the Reporting Period, the total assets and net assets of Minsheng Financial Leasing amounted to RMB120,960 million and RMB10,903 million respectively. In the Reporting Period, net profit amounted to RMB770 million and return on average shareholders' equity was 7.33%. Minsheng Financial Leasing has strived for “distinctive and efficient” development mode focusing on major featured businesses such as aircrafts 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 291 various types of business jets, helicopters and aircrafts, and 248 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, pursuant to the strategies under the “Second Five-Year Outline” of the Company, Minsheng Financial Leasing further strengthened its featured business, especially the development of aircraft and ship leasing. In respect of aircraft leasing, Minsheng maintained its leading position in Asia-Pacific business jet leasing market with stronger bargaining power. Minsheng established the “Minsheng Business Jet Club” (民生公務機俱樂部) in cooperation with Minsheng International Jet Co. Ltd. to facilitate the development of business jet service chain. Moreover, it successfully established a foothold in the international commercial aircraft leasing industry. In respect of ship leasing, Minsheng Financial Leasing exerted great effort in globalization. Minsheng Financial Leasing has named and delivered “Norshore Atlantic”, the world's most advanced multi-functional drilling vessel, which promoted the professional image of “Minsheng Ship Leasing” in the international vessel financing market.

The healthy and sustainable development of Minsheng Financial Leasing received high recognition from the industry. During the Reporting Period, Minsheng Financial Leasing was granted various honours, including the “China Best Trading Award of the Year” (中國年度交易大獎) granted at the International Annual Airfinance Conference held by Airfinance Journal and “Top 100 Enterprises in Airport Economic Zone of Tianjin Port Bonded Area” (天津港保稅區空港經濟區百強企業) granted by Tianjin Port Bonded Area.

(2) Minsheng Royal Fund

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

Management Discussion and Analysis

During the Reporting Period, net profit of Minsheng Royal Fund amounted to RMB109,636.7 thousand. As at the end of the Reporting Period, a total of 20 products were managed under Minsheng Royal Fund, covering major fund types with high, medium and low risks such as stock funds, hybrid funds, index funds, bond funds and money market funds with net value of RMB27,843 million, representing an increase of RMB12,511 million as compared with the end of last year. According to the Fund Research Centre of Galaxy Securities (銀河證券基金研究中心), Minsheng Royal Fund ranked 32nd among 86 fund companies in China, representing an advancement of 11 places as compared with the end of last year. The account management business of Minsheng Royal Fund continued to expand rapidly, and 65 account-based products were issued with assets under its management amounting to RMB39,228 million as at the end of the Reporting Period.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and held 40% equity interest of it. Minsheng Royal Asset Management's registered capital was RMB125 million and the scope of business included asset management for specific customers, other businesses approved by the CSRC and investment consultancy. The investment ranged from traditional securities investment in the secondary market, to specific wealth management of equity, bonds and other property rights which have not been transferred through stock exchanges and investment consultation business. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB330,000 million. It achieved satisfactory business interaction and mutual complement with Minsheng Royal Fund.

(3) Minsheng rural banks

Minsheng rural banks collectively refer to the rural banks initiated and established by the Company as a major promoter. Based on the management requirements of rural bank of the Company, Minsheng rural banks actively explore small and micro enterprise and rural financial service models with local characteristics, which closely followed our financial strategies for NSOEs as well as small business finance, effectively promote the corporate culture of Minsheng and expanded the geographic coverage of its services. In addition, the brand image of Minsheng was promoted in new regions and markets. As at the end of the Reporting Period, the Company established a total of 29 Minsheng rural banks with 64 outlets, total assets amounted to RMB25,558 million, and balances of deposits and total loans were RMB20,846 million and RMB15,279 million, respectively. In the Reporting Period, the Company further improved its risk control model and business development model. As at the end of the Reporting Period, Minsheng rural banks had an excellent asset quality in respect of risk control, while in terms of business development, Minsheng rural banks placed focus on the small business finance by exploring the localized characteristics. In addition, the research on sustainable development business mode began to bear fruit.

During the Reporting Period, the Company diligently performed its responsibilities as a major promoter so as to achieve effective risk control, distinctive strengths, satisfactory profit and well-managed operation. Various measures were adopted for six top issues, such as risk control optimization, sustainable business development, accounting procedures improvement, information system building, management standardization and corporate restructuring, so as to further enhance the operation of rural banks.

(4) Management of consolidated financial statements

During the Reporting Period, the Group conducted various tasks including management and appraisal of 2013 consolidated financial statements, preparation of annual report, convening special meetings and arrangement for daily operation in accordance with the regulatory requirements and the actual situations of the performance of its consolidated financial statements management.

Management and appraisal of the 2013 consolidated financial statements of the Group were conducted with focus on its implementation, which optimized the management of consolidated financial statements.

The annual consolidated financial reports for 2013 of the Group were finalized, which reflected the tasks completed in 2013 and arranged the tasks to be handled in 2014. The report was reviewed by the strategic development and investment management committee before it was submitted to the Board, Supervisory Board and the regulatory authorities.

Special seminars were held with participation of the management department of consolidated financial statements to review the work performance of last year, prepare the work schedule for the current year, and review the special audit report on the management of 2013 consolidated financial statements and take remedial actions accordingly. The seminars paved a solid foundation for further improvement of the consolidated financial statements management and the smooth progress of each task during the year.

In addition, the information system for the consolidated financial statements was further improved during the year to add new functions of the financial data and capital adequacy ratio statement and to further enhance the system functions.

Management Discussion and Analysis

3. Use of proceeds

On 15 March 2013, upon the approval by the CSRC in its document of Zheng Jian Xu Ke [2012] No. 1573, the Company issued a total of RMB20,000 million A Share Convertible Bonds at par value, which were listed on the SSE on 29 March 2013 and 2 May 2013 (code of Convertible Bonds: 110023). The proceeds from the issuance of A Share Convertible Bonds amounted to RMB20 billion, and RMB19,912 million in net after deducting issuance costs. The net proceeds, together with other funds of the Company, had been used for the business development of the Company. As at the end of the Reporting Period, A Share Convertible Bonds of RMB7,623.0 thousand in aggregate were converted into A shares of the Company, and the total number of converted shares was 768,584. The entire proceeds of the Convertible Bonds converted has been used to replenish the core tier-one capital of the Company in accordance with the relevant requirements of capital management of the CBRC and the prospectus.

X. Risk Management

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

(I) Credit risk

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

At the beginning of the year, the Company issued its 2014 General Guidelines of Risk Policy (《2014年風險政策總體導向》) after extensive research and consultation to support the strategic reformation and restructuring of the Bank, the healthy development of our businesses and improvement of our risk management system. The guidelines set out the policy directions of various industries, regions, customers and products and the general objectives for the risk policies of the Company. The risk policy for 2014 possessed the following features. In respect of specific risks, in addition to the general policy direction, the Company also formulated specific risk management policy for the key businesses such as micro-and-small business to ensure the effectiveness of the risk control policy. In respect of quantitative risk management, both the general policy direction for various industries and entities and specific quantitative risk tolerance levels were determined for different industries, products, customers and regions, in particular the industries of higher risks, to strictly limit the risk exposure. In respect of the management of “on-and off-balance sheet products”, the Company strengthened the central management of the assets, counterparties and operation procedure of the non-credit business. For high-risk industries, the Company adopted a common credit limit management for the on-and off-balance sheet business and the non-credit business. In respect of standardized policy management, all major companies of the Group were put under a central management so that a debtor will only be subject to a credit limit. The policy standard and the bottom line of the policy were further improved.

During the Reporting Period, the credit risk internal rating system covering legal corporations, financial institutions and retail businesses was further improved and the ratings were broadly used. The rating system of non-retail customers had been extensively improved and optimized. The ratings of risk were broadly used in the formulation of risk management policy, credit limit management, risk approval, credit evaluation, pricing of loan, economic capital management and RAROC assessment. The retail rating model and the pooling instruments has been applied to the small-and-micro business, credit card business and traditional retail business. The refinement and application of the above risk measurement tools further enhanced credit risk management of the Company.

Management Discussion and Analysis

(II) Liquidity risk

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

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

(III) Market risk

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices) resulting in losses in on-and off-balance sheet businesses of commercial banks. The Company manages its interest rate risk, exchange rate risk, stock risk and commodity risk in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Guidelines on Market Risk Management of Commercial Banks (《商業銀行市場風險管理指引》), the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Guidelines on Stress Testing of Commercial Banks (《商業銀行壓力測試指引》), and the Guidelines on Fair Value Supervision of Commercial Banks (《商業銀行公允價值監管指引》) promulgated by the CBRC and based on the rules of Basel 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, respectively. During the Reporting Period, the Company formulated a risk limit system for risk management of bank accounts and transaction accounts according to its business development plan in order to comply with the risk preference and business strategy of the Board. The Market Risk Policy for 2014 (《2014年度市場風險政策》) further improved the market risk appetite and allocation system covering bank accounts, transaction accounts and off-balance sheet businesses and strengthened the risk management requirements.

During the Reporting Period, the Company continued to steadily promote and refine its risk management, further enhanced its risk management ability and streamlined the management process. In the first half of 2014, the Bank improved its market risk management in respect of risk appetite and allocation by the Board, establishment and optimization of management platform, business management service support and coordination. In respect of risk appetite and allocation, our management policy was closely in relation to the risk tolerance of capital and profit, and extensively covered basic policies for market risks of bank accounts and transaction accounts, interest rate risk and exchange rate risk, and on-balance sheet and off-balance sheet businesses, and paid special attention to correlated risks such as liquidity risk. More attention was given to the overall risk measurement and management based on major risk factors when determining the market risk limits. In respect of market risk management platform, the Company introduced the internal market risk measurement model which encompassed major functions such as VaR, stress test and backtrack test. It can demonstrate, study and analyse the VaR and SVaR of individual institutions, products and risk factors. In respect of market risk reporting, the Company enhanced the monitoring function of the middle office through automatic generation of daily market risk report by the establishment of system and integration of market risk data.

Management Discussion and Analysis

(IV) Operational risk

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

During the Reporting Period, the Company further improved the risk management system and promoted the importance of operational risk management. The Company focused on the improvement of operational risk management of outsourcing, business continuity and information technology, and promoted the full application of three major operational risk management tools in the Bank. During the Reporting Period, the Company issued the Provisional General Contingency Plan of China Minsheng Banking Corp., Ltd. (《中國民生銀行突發事件總體預案(試行)》) and Provisional Contingency Measures of China Minsheng Banking Corp., Ltd. (《中國民生銀行突發事件應急預案管理辦法(試行)》). In order to maintain the sustainable and steady operation of the Company, the Company improved its management system, established the management framework, formulated management plans, designed management modules and organized management trainings for business continuity management. The Company attached importance to the risk management of outsourcing and compiled and issued a management manual, carried out management research and investigation, modified management system and standardized management levels. The Company improved the effectiveness of operational risk management tools by embedding the tools into the product approval procedures. The Company enhanced its risk prevention ability by using management platform and tools to identify, assess, monitor, examine and evaluate the operational risks of the Company.

In respect of IT risk management, the Company further refined the operation management of production system, and the production system operated efficiently stable without material manufacturing and security incidents. The Company put great efforts to improve business continuity and pushed forward the construction of “three disaster recovery centres in two locations”. The Company has built an off-site core system data disaster recovery centre in Chengdu. A new disaster recovery centre for city-wide core business systems has commenced operation in Beijing and had passed two disaster recovery drills in the first half of the year. Furthermore, many branches have established their city-wide disaster recovery rooms gradually. The Company actively promoted the construction of IT services and information security management standards and systems. The ISO20000 & ISO27001 certification program were in good progress and the standardized management of IT services and information security was significantly improved. By using the new security technologies, the Company continued to strengthen the information security management to secure the operation of internet finance business and other businesses.

(V) Country risk

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

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

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

(VI) Reputation risk

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

Management Discussion and Analysis

During the Reporting Period, the Company fully implemented the Guidelines for the Management of Reputation Risk of Commercial Banks (《商業銀行聲譽風險管理指引》) and the Administrative Measures for Management on Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險管理辦法》). It continued to carry out external promotion, establish and improve bank-wide reputation risk management mechanism by integrating with the establishment of risk linkage system, build public opinion monitoring and troubleshooting system, strengthen the brand building and cope with and promptly mitigate reputation risk. The Company established a monitoring network to effectively monitor, alert and trace publicized incidents and public opinions through an advanced public opinion monitoring platform. The Company also refined the risk information management and sharing systems among all risk management departments of the Company to ensure the prompt and full exchange of risk information to provide solid basis for the decision making process. The Company organized quarterly reputation risk inspection and established a regular reputation risk inspection mechanism in order to formalize the internal distribution of reputation risk information. The Company prepared its response before the exposure of incidents. The Company maintained effective communication with the media and the regulatory authorities and continued to refine the reputation risk report and the regular media communication mechanism. The Company reported material reputation risk events to regulatory authorities in a timely manner and improved the handling efficiency and quality for such incidents. The Company also maintained close communication with media. Lastly, the Company enhanced its brand image and reduced reputation risk. Through steadily and deeply strengthening the brand building, the social image of the Company was enhanced and the sound development of all businesses was facilitated. The Company also promoted the awareness, understanding and support of the public to its reform, innovation and development of the Company to avoid and reduce negative opinions of the public at the source.

(VII) Anti-money laundering

Pursuant to the “risk-oriented” management philosophy, the Company has developed its own vision for work to recognize, evaluate, monitor and manage risks. The Company researched on and established a model system for the independent monitoring of suspicious transaction, conducted internal examination of anti-money laundering system to identify and eliminate the weaknesses of its anti-money laundering process. The Company also enhanced the risk alert and systematically and practically improved the anti-money laundering system. The Company effectively performed its social responsibility of anti-money laundering by improving its anti-money laundering management.

During the Reporting Period, the Company put on trial the high value and suspicious transactions, facilitated the realization of the change of the centralized process pattern of suspicious transactions for sub-branches of the Company and refined its internal control system based on the trial results. The Company began to develop the management systems for different classes of customers in accordance with the regulatory requirements of the PBOC and has initially modified the functions of the systems. We continued the investigation of money laundering by employees to effectively prevent the ethnic crisis of our employees. The Company participated in the development of a front desk screening system to identify persons blacklisted by the International Settlement System in order to prevent money laundering and terrorist financing activities. The Company continued to study and identify the risk of money laundering and analyse the types of money laundering activities in different regions, business lines and channels. The Company continued to identify money laundering activities by their characteristics and promptly analysed and reported any irregularities. The Company effectively prevented money laundering risks through comprehensive analysis of the situation of the field of money laundering. The Company carefully verified the identity of customers and conducted due diligence and effectively prevented more than 3,000 suspicious money laundering activities. The Company raised 217 money laundering alerts regarding illegal fund-raising by overseas websites, cash withdrawal by “Happy Payment” credit card and money laundering through wealth management products. The alert system was effective. The Company held 283 training programmes and organized 86 education activities to effectively enhance the prevention and management of money laundering.

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

XI. Prospects and Measures

(I) Competition and development of the banking industry

During the economic transition period, the economic growth of China will remain relatively high under the policies of the main themes for stability, restructuring and risk control. To maintain the growth of real economy, the government will push forward the new type urbanization and support the development of emerging industries, modern service industry and energy conservation and environment protection industry as its medium to long term policies. The issues of excess production capacity, transformation of traditional industries, local financing platform and the elimination of the risks of the banking industry during the transition period will also be actively and prudently dealt with. It will bring both opportunities and challenges to the banking industry for better serving the real economy. On the other hand, interest rate liberalization, financial market developing and rapid development of internet finance will intensify the competition of the banking industry.

Management Discussion and Analysis

(II) Development strategies

In the second half of 2014, under the general visions for work of steady growth, structural adjustment, opportunity exploring, risk control, platform building and efficiency improvement, the Company will follow the general trend to reform with strong confidence. The Company will maintain the sustainability of all business segments through the implementation of banking business model version 2.0 and the innovation of new management system.

Firstly, based on the comprehensive review of the implementation results of “Second Five-Year Outline” (二五綱要), the Company will sum up the experience, specify its strategic direction and complete the revision of the “Second Five-Year Outline” (二五綱要).

Secondly, the Company will further improve the corporate governance by improving the working procedures of the Board and committees of the Board according to the requirement of standardization of corporate governance working procedures.

Thirdly, to maintain as a “distinctive” and “efficient” bank, the Company will continue to improve its services and sustainable business model under three strategic objectives to meet customers’ demand with satisfaction.

Fourthly, the Company will continue the implementation of “small business finance and community finance” (兩小金融) and small business finance (version 2.0) to support selected projects. The development and integration of community finance products and services will be expedited to promote the development of the “small business finance and community finance”.

Fifthly, the Company will enhance the establishment of SBUs version 2.0 to facilitate the transformation of the SBUs into a professional investment bank to support the traditional industry transformation and the development of emerging industries, such as modern agriculture and cultural industry. Targeting at localized business chain, the Company will promote the development of corporate banking and cross-selling through the cooperation between the head office and branches and between the corporate and private banking.

Sixthly, under the requirement of regulated innovation by the regulatory authorities, the Company will further refine the business and income structures. Efforts will be devoted to the development of investment banking, bond issuance, asset management, trade finance, personal banking, financial market and custodial businesses. The Company will prudently develop inter-bank, wealth management and bills businesses and expand the settlement and cash management businesses to maintain the growth of intermediary business.

Seventhly, the Company will actively develop internet finance and accelerate the construction of elementary platform, such as big data and cloud computing, and the optimization of core systems. The Company will also speed up the development of mobile banking, direct-sale banking, new online banking and other major business lines as well as the related management systems for efficient business integration and the building of a sharing and harmoniously united internet financial structure.

Eighthly, the Company will continue to place emphasis on the risk education practice activity and the “Tie Ji Action” (鐵騎行動) and stringent supervision to strictly prevent and manage the distressed assets. Major projects such as Basel III will be implemented to strengthen the development of a comprehensive risk management system.

Ninthly, the Company will reform its middle and back offices to cope with the liberalization of interests. Assets allocation will be further optimized and key working teams and brand building will be strengthened to support the strategic development of our businesses.

(III) Potential risks

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

In respect of the macro-economy, the real demand and overall confidence are still inadequate although market has demonstrated the trend towards stabilization. The exposure to corporate credit risk constantly increases. As the loans to local governments have the same maturity, certain financing platforms may default. Real estate developers, especially the small-and-medium-sized developers in the third-tier and fourth-tier cities, may suffer from the break off of capital flow. In respect of economic and financial policy, under the impact of the liberalisation of interest rates, lower entry requirements for the banking industry, internet finance and financial disintermediation, competitions in the banking industry will be further intensified. In order to further improve the risk management capability, the Company will formulate plans and strategies to strengthen the management of various risks as well as the pre-approval investigation, approval review and post-loan management so as to control the asset quality of remnant loans and grant new loans in a prudent manner.

Changes in Share Capital and Information on Shareholders

I. Changes in Shares

(Unit: Shares)

	31 December 2013		Changes over the Reporting Period (+,-)		30 June 2014	
	Number of shares	Percentage (%)	Profit distribution	Convertible Bonds	Number of shares	Percentage (%)
I. Shares subject to restriction on sales					—	—
1. State-owned shares					—	—
2. State-owned legal person shares					—	—
3. Other domestic shares					—	—
Of which:						
Held by domestic legal person					—	—
Held by domestic natural person					—	—
4. Foreign investor shares					—	—
Of which:						
Held by overseas legal person					—	—
Held by overseas natural person					—	—
II. Shares not subject to restriction on sales	28,366,192,773	100	5,673,270,420	161,038	34,039,624,231	100
1. Ordinary shares in RMB	22,588,209,933	79.63	4,517,673,852	161,038	27,106,044,823	79.63
2. Domestic listed foreign invested shares	—	—	—	—	—	—
3. Overseas listed foreign invested shares	5,777,982,840	20.37	1,155,596,568	—	6,933,579,408	20.37
4. Others	—	—	—	—	—	—
III. Total number of shares	28,366,192,773	100	5,673,270,420	161,038	34,039,624,231	100

Notes:

- 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.
- The Company offered 200,000,000 A-Share Convertible Bonds on SSE on 15 March 2013. The listing and trading of A-Share Convertible Bonds of RMB17,173,833,000 and RMB2,826,167,000 commenced on 29 March 2013 and 2 May 2013, respectively, and the conversion period began on 16 September 2013.
- At the AGM for 2013, the profit distribution plan for the second half of 2013 was approved, pursuant to which, cash dividend and shares dividend for the second half of 2013 were distributed to all shareholders registered as on the record date.
- Bonus shares for A shares were listed on 26 June 2014. Bonus shares for H shares were dispatched on 11 July 2014, and listed on 14 July 2014.

Changes in Share Capital and Information on Shareholders

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

(Unit: shares)

Total number of shareholders				634,764
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%	6,890,849,510	—
New Hope Investment Co., Ltd.	Domestic legal person	4.70%	1,600,304,190	—
China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001, SH	Domestic legal person	4.06%	1,381,568,777	—
Shanghai Giant Lifetech Co., Ltd.	Domestic legal person	3.38%	1,149,732,989	—
China Shipowners Mutual Assurance Association	Domestic legal person	3.19%	1,086,917,406	—
Orient Group Incorporation	Domestic legal person	3.13%	1,066,764,269	—
Anbang Insurance Inc. — Traditional Products	Domestic legal person	2.69%	916,183,789	—
China Oceanwide Holdings Group Co., Ltd.	Domestic legal person	2.46%	838,726,939	—
Good First Group Co., Ltd.	Domestic legal person	2.01%	683,238,272	—
China SME Investment Co., Ltd.	Domestic legal person	1.98%	673,828,918	—

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	6,890,849,510	Overseas listed foreign invested shares (H shares)
New Hope Investment Co., Ltd.	1,600,304,190	Ordinary shares dominated in RMB
China Life Insurance Co., Ltd.		
– Traditional – Common Insurance Products		
– 005L – CT001, SH	1,381,568,777	Ordinary shares dominated in RMB
Shanghai Giant Lifetech Co., Ltd.	1,149,732,989	Ordinary shares dominated in RMB
China Shipowners Mutual Assurance Association	1,086,917,406	Ordinary shares dominated in RMB
Orient Group Incorporation	1,066,764,269	Ordinary shares dominated in RMB
Anbang Insurance Inc. – Traditional Products	916,183,789	Ordinary shares dominated in RMB
China Oceanwide Holdings Group Co., Ltd.	838,726,939	Ordinary shares dominated in RMB
Good First Group Co., Ltd.	683,238,272	Ordinary shares dominated in RMB
China SME Investment Co., Ltd.	673,828,918	Ordinary shares dominated in RMB
Statement on the related relationship or concert actions among the aforesaid shareholders	Unknown	

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

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 2014, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests or short position in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware of:

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant class of 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	2,270,272,516*	1 & 4	8.38	6.90
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,600,304,190*	1	5.90	4.87
New Hope Investment Co., Ltd.	A	Long	Beneficial Owner	1,600,304,190*	1	5.90	4.87
Li Wei	A	Long	Interest held by the corporation controlled by the spouse of this substantial shareholder	2,270,272,516*	2 & 4	8.38	6.90
Liu Chang	A	Long	Interest held by the corporation controlled by this substantial shareholder	2,270,272,516*	3 & 4	8.38	6.90
UBS AG	H	Long	Beneficial Owner	425,349,732			
		Long	Person having a security interest	494,470,209			
		Long	Interest held by the corporation controlled by this substantial shareholder	15,308,240			
					935,128,181	5	16.18
		Short	Beneficial Owner	79,964,334	5	1.38	0.24

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 class of shares in issue (%)	Percentage of all the issued shares (%)
Shi Yuzhu	H	Long	Interest held by the corporation controlled by this substantial shareholder	638,829,500	6	11.06	1.94
Union Sky Holding Group Limited	H	Long	Beneficial Owner	586,100,000	6	10.14	1.78
Fosun International Limited	H	Long	Beneficial Owner	545,179,800			
		Long	Interest held by the corporation controlled by this substantial shareholder	124,818,600			
				669,998,400	7, 8 & 13	9.66	1.97
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation controlled by this substantial shareholder	669,998,400	7, 8 & 13	9.66	1.97
JPMorgan Chase & Co.	H	Long	Beneficial Owner	66,141,561			
		Long	Investment Manager	273,805,500			
		Long	Custodian	194,278,022			
				534,225,083	9	9.25	1.62
		Short	Beneficial Owner	15,834,424	9	0.27	0.05
BlackRock, Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	482,622,699	10	8.35	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 class of shares in issue (%)	Percentage of all the issued shares (%)
The Goldman Sachs Group, Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	484,520,961	11	8.39	1.47
		Short	Held by the corporation controlled by this substantial shareholder	441,193,302	11	7.64	1.34
Ge Weidong	H	Long	Beneficial Owner	273,863,500			
			Interest held by the corporation controlled by this substantial shareholder	132,816,000			
				406,679,500	12	7.04	1.24

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

Notes:

- The 2,270,272,516 A shares comprised 669,968,326 A shares directly held by South Hope Industrial Co., Ltd. and 1,600,304,190 A shares directly held by New Hope Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 21.89% and 23.24% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively.

According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 669,968,326 A shares held by South Hope Industrial Co., Ltd. and in the 1,600,304,190 A shares held by New Hope Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,600,304,190 A shares held by New Hope Investment Co., Ltd.
- Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 2,270,272,516 A shares of the Company in which Mr. Liu Yonghao had interests (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").
- 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 2,270,272,516 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).
- The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 2,270,272,516 A shares, as set out in the above table, were from the same block of shares.

Changes in Share Capital and Information on Shareholders

5. UBS AG had a long position in 935,128,181 H shares and a short position in 79,964,334 H shares of the Company through a number of wholly-owned subsidiaries. Besides, 135,173,361 H shares (Long position) and 79,324,414 H shares (Short position) were held through derivatives as follows:

7,677,192 H shares (Long position)	– through physically settled derivatives (on exchange)
90,300 H shares (Long position) and 7,162,026 H shares (Short position)	– through cash settled derivatives (on exchange)
48,691,689 H shares (Long position) and 70,585,963 H shares (Short position)	– through physically settled derivatives (off exchange)
78,714,180 H shares (Long position) and 1,576,425 H shares (Short position)	– through cash settled derivatives (off exchange)

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

7. The 669,998,400 H shares (Long position) (in which 240,000,000 H shares were held through cash settled derivatives (off exchange)) held by Fosun International Limited comprised 545,179,800 H shares directly held by itself, 35,592,000 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 89,226,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 79.6% of its issued share capital by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang (a Non-executive Director of the Company) held 58% of the issued share capital of Fosun International Holdings Ltd.

According to the SFO, Fosun International Limited was deemed to have interests in the 35,592,000 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 89,226,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 669,998,400 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".

8. The interests that Fosun International Limited and Fosun International Holdings Ltd. had in the 669,998,400 H shares, as set out in the above table, were from the same block of shares.
9. JPMorgan Chase & Co. had a long position in 534,225,083 H shares and a short position in 15,834,424 H shares of the Company by virtue of its control over a number of corporations, which were direct wholly-owned or indirect wholly-owned subsidiaries of JPMorgan Chase & Co., except the following corporation:

- 9.1 China International Fund Management Co., Ltd. had a long position in 26,692,200 H shares of the Company. China International Fund Management Co., Ltd. was owned as to 49% by JPMorgan Asset Management (UK) Limited, an indirect wholly-owned subsidiary of JP Morgan Chase & Co.

The entire interest and short position of JP Morgan Chase & Co. in the Company included a lending pool of 194,278,022 H shares. Besides, 17,465,029 H shares (Long position) and 9,140,137 H shares (Short position) were held through derivatives as follows:

1,178,857 H shares (Long position) and 1,104,420 H shares (Short position)	– through physically settled derivatives (on exchange)
12,000 H shares (Long position) and 5,079,600 H shares (Short position)	– through cash settled derivatives (on exchange)
16,274,172 H shares (Long position) and 2,956,117 H shares (Short position)	– through cash settled derivatives (off exchange)

Changes in Share Capital and Information on Shareholders

10. BlackRock, Inc. had a long position in 482,622,699 H shares (in which 846,100 H shares were held through cash settled derivatives (on exchange)) of the Company through a number of wholly-owned subsidiaries.
11. The Goldman Sachs Group, Inc. had a long position in 484,520,961 H shares and a short position in 441,193,302 H shares of the Company by virtue of its control over a number of corporations, which were direct wholly-owned or indirect wholly-owned subsidiaries of The Goldman Sachs Group, Inc., except the following corporations:
 - 11.1 Goldman, Sachs & Co. had a long position in 622 H shares and a short position in 7,390,406 H shares of the Company. Goldman, Sachs & Co. was owned as to 0.20% by The Goldman, Sachs & Co. L.L.C. The Goldman, Sachs & Co. L.L.C. was a wholly-owned subsidiary of The Goldman Sachs Group, Inc.
 - 11.2 Goldman Sachs International had a long position in 422,708,339 H shares and a short position in 404,339,927 H shares of the Company. Goldman Sachs International was owned as to 99% by Goldman Sachs Holdings (U.K.), which was an indirect wholly-owned subsidiary of Goldman Sachs Group UK Limited. Goldman Sachs Group UK Limited was owned as to 97.21% by Goldman Sachs (UK) L.L.C., which was a wholly-owned subsidiary of The Goldman Sachs Group, Inc.
 - 11.3 Goldman Sachs Asset Management, L.P. had a long position in 62,400 H shares of the Company. Goldman Sachs Asset Management, L.P. was owned as to 99% by The Goldman Sachs Group, Inc.

Besides, 454,825,607 H shares (Long position) and 16,215,900 H shares (Short position) were held through derivatives as follows:

8,750,000 H shares (Long position)	— through physically settled derivatives (on exchange)
4,062,600 H shares (Short position)	— through cash settled derivatives (on exchange)
42,491,000 H shares (Long position) and 10,500,000 H shares (Short position)	— through physically settled derivatives (off exchange)
403,584,607 H shares (Long position) and 1,653,300 H shares (Short position)	— through cash settled derivatives (off exchange)
12. The 406,679,500 H shares (Long position) comprised 273,863,500 H shares directly held by Mr. Ge Weidong and 132,816,000 H shares held by Chaos Investment Co., Ltd., which was wholly owned by Mr. Ge.
13. That long positions in H Share has already included the bonus H Shares dispatched to H shareholders on 11 July 2014. The number of shares, number of all issued shares as well as the percentage of all the issued shares were stated with reference to the disclosure forms of the relevant substantial shareholder filed after the bonus H Shares were issued.

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 2014 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 fifth extraordinary meeting of the fifth 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 considered and approved at the ninth extraordinary meeting of the fifth 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) (證監許可[2012]1573號文), 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 SSE on 29 March 2013 (Convertible Bonds code: 110023). The Company issued a total of 200,000,000 A Share Convertible Bonds with a nominal value of RMB100 each. The A Share Convertible Bonds have a term of six years from 15 March 2013 to 15 March 2019. 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 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.

(2) Issuance of tier-two capital bonds

Pursuant to the approval by the CBRC (Yin Jian Fu [2013] No. 570) (銀監覆[2013]570號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2014] No. 6) (銀市場許准予字[2014]第6號), the Company issued tier-two capital bonds with an aggregate amount of

Changes in Share Capital and Information on Shareholders

RMB20 billion in the national inter-bank bond market on 18 March 2014. All of the tier-two capital bonds were fixed-rate bonds with a term of 10 years and a coupon rate of 6.60%. The interests were paid on an annual basis. The right of one-off early redemption for issuers has been set up in the issued tier-two capital bonds. Subject to the approval of the CBRC, the Company may exercise a one-off redemption of all or part of the bonds at par value on the last day of the fifth interest-bearing year of the bonds, provided that the capital level of the Company after the redemption should be in compliance with the regulations on capital of the CBRC. Where the bonds become unqualified with the standards with tier-two capital instruments due to any change of the regulatory requirements during the term of the bonds, the Company may exercise the right of early redemption according to the applicable regulations and upon the approval of the CBRC. The exercise of the right of early redemption by the Company is not subject to the prior consent of the bond holders. As of 20 March 2014, the proceeds from the issuance of tier-two capital bonds of RMB20 billion, net of issuance expenses, were fully credited to the account of the Company. Pursuant to the applicable regulations, the proceeds of RMB20 billion were fully accounted as the tier-two capital of the Company.

V. Convertible Bonds

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

(Unit: RMB)

Name of holders	Nominal value of bonds held
Shanghai Giant Lifetech Co., Ltd.	716,496,000
Anbang Insurance Inc. – Prudential Investment Portfolio	696,137,000
China Life Insurance Co., Ltd. – Traditional – Common Insurance Products – 005L – CT001, SH	684,207,000
National Social Security Fund 203	550,000,000
Good First Group Co., Ltd.	486,884,000
Huaxia Life Insurance Co., Ltd. – Universal Insurance Products	475,820,000
Jiangsu International Trust Corporation Limited – Minsheng Subscription to New Shares Funds Trust No. 3	353,253,000
Agricultural Bank of China – Dacheng Innovation Growth Mixed Securities Investment Fund	308,988,000
China Life Insurance (Group) Company – Traditional – Common Insurance Products	292,532,000
CITIC Securities – Huaxia Bank – CITIC Securities VIP Integrated Assets Management Plan No. 2	281,663,000

Note: Pursuant to relevant requirements of SSE 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.

Changes in Share Capital and Information on Shareholders

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, the interim profit distribution plan for 2013, and the profit distribution plan for the second half of 2013 were implemented by the Company on 26 June 2013 (i.e. record date), 9 September 2013 (i.e. record date), and 24 June 2014 (i.e. record date), respectively. 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. (Including Subordinated Terms) (《中國民生銀行股份有限公司公開發行A股可轉換公司債券(附次級條款)募集說明書》), after the issuance of Convertible Bonds of the Company, the Company shall adjust the conversion price upon subsequent distribution of profits. 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. From 10 September 2013, the conversion price was adjusted from RMB10.08 per share to RMB9.92 per share. From 25 June 2014, the conversion price was adjusted from RMB9.92 per share to RMB8.18 per share.

4. Conversion of Convertible Bonds

The conversion period of the Convertible Bonds of the Company shall commence on the first trading day after the conclusion of six months from the issuance date and end on the maturity date of Convertible Bonds (i.e. 16 September 2013 to 15 March 2019). The conversion period of Minsheng Convertible Bonds commenced on 16 September 2013. As of 30 June 2014, Minsheng Convertible Bonds of RMB7,623,000 had been converted into 768,584 A Shares of the Company, representing 0.00226% of the total issued shares before the conversion of Convertible Bonds of the Company (including bonus shares).

5. Credit 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 2013, considered the factors including the changes in the external operating environment of the Company and issued Credit Report of A Share Convertible Bonds of China Minsheng Banking Corp., Ltd. in 2013 (Dagong Bao SD [2014] No. 064) (《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》) (大公報SD[2014]064號). 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.

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

VII. Controlling Shareholder/Ultimate Controller

As at 30 June 2014, 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 2014, 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	2012.4.10–2014.8.18	0	0
HONG Qi	M	1957	Vice Chairman & Executive Director & President of the Bank	2012.4.10–2014.8.28	0	0
			Chairman & Executive Director	2014.8.28–2015.4.10	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	2012.4.10–2014.3.25	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
MAO Xiaofeng	M	1972	Vice President of the Bank	2012.4.10–2014.8.28	0	0
			Executive Director & Vice President of the Bank	2014.6.10–2014.8.28	0	0
			Executive Director & President of the Bank	2014.8.28–2015.4.10	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	2012.4.10–2014.6.11	0	0
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10–2015.4.10	633,100	759,720
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
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
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:
- On 6 March 2014, the Board received the resignation letter from Mr. Qin Rongsheng, an Independent Non-executive Director. The resignation will not come into effect until the newly appointed Independent Non-executive Director commences his/her service. Prior to that, Mr. Qin Rongsheng will continue to perform his duties as an Independent Non-executive Director;
 - On 14 March 2014, Mr. Wang Lihua, vice chairman of the Board, no longer serves as an independent non-executive director of Shandong Xingmin Wheel Co., Ltd. (listed on the Shenzhen Stock Exchange (Stock Code: 002355));
 - On 24 March 2014, Mr. Zhang Hongwei, an Independent Non-executive Director, no longer serves as the chairman of the board of directors of Orient Group Industrial Co., Ltd.;
 - On 25 March 2014, Mr. Shi Yuzhu, a Non-executive Director, tendered his resignation as a Non-executive Director;
 - On 30 April 2014, the Board received the resignation letter from Ms. You Lantian. The resignation will not come into effect until the newly appointed Independent Non-executive Director commences his/her service. Prior to that, Ms. You Lantian will continue to perform her duties as an Independent Non-executive Director;
 - On May 2014, Mr. Guo Guangchang, a Non-executive Director, started to serve as the chairman of the board of directors of Fidelidade – Companhia de Seguros, S.A., Multicare – Seguros de Saude, S.A., Cares – Companhia de Seguros;
 - On 9 May 2014, Mr. Zhang Disheng, a Supervisor, started to serve as an independent non-executive director of Visual China Group Co., Ltd. (previously known as Far East Industrial Stock Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000681));
 - On 20 May 2014, Mr. Ba Shusong, an Independent Non-executive Director, no longer serves as the independent non-executive director of Wanda Commercial Properties (Group) Co., Limited (listed on the Hong Kong Stock Exchange (Stock Code: 00169));
 - On 10 June 2014, the 2013 AGM considered and approved the appointment of Mr. Mao Xiaofeng as an executive Director of the sixth session of the Board;
 - On 11 June 2014, due to work arrangement, Mr. Li Huaizhen tendered his resignation as the Vice Chairman of the Supervisory Board and employee Supervisor;
 - On 10 July 2014, Mr. Cheng Hoi-chuen, an Independent Non-executive Director, started to serve as an independent non-executive director of Hutchison Whampoa Limited (listed on the Hong Kong Stock Exchange (stock code: 00013));
 - On 22 July 2014, the Board received the resignation letter from Mr. Ba Shusong, an Independent Non-executive Director. The resignation will not come into effect until the newly appointed Independent Non-executive Director commences his/her service. Prior to that, Mr. Ba Shusong will continue to perform his duties as an Independent Non-executive Director;
 - On 31 July 2014, Mr. Mao Xiaofeng, an Executive Director, no longer serves as an Independent Non-executive Director of the Modern Media Holdings Limited (listed on the Hong Kong Stock Exchange (Stock Code: 00072));
 - On 18 August 2014, the Board received the resignation letter from Mr. Dong Wenbiao, the Chairman of the Board. The resignation is effective as soon as Mr. Dong's resignation letter is delivered to the Board. His position as the chairman of Strategic Development and Investment Management Committee of the Board is terminated simultaneously;

Directors, Supervisors, Senior Management and Employees

15. On 28 August 2014, the Board has appointed Mr. Hong Qi as the Chairman of the sixth session of the Board, and Mr. Mao Xiaofeng as the President of the Company. Mr. Hong Qi ceases to serve as the President of the Company. The qualifications of Hong Qi, as chairman and Mao Xiaofeng, as President are pending the approval from relevant Chinese banking regulatory authorities;
16. During the Reporting Period, the Company distributed cash dividend and share dividend for the second half of 2013 to all registered shareholders of the Company. The number of shares held by Mr. Wang Jiazhi, Vice Chairman of the Supervisory Board, increased from 633,100 shares as at the beginning of the Reporting Period to 759,720 shares as at the end of the Reporting Period.

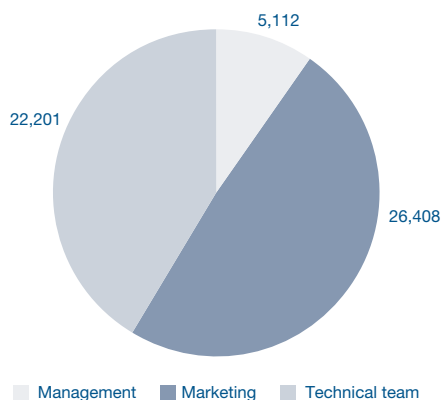
(II) Service contracts of Directors and Supervisors

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).

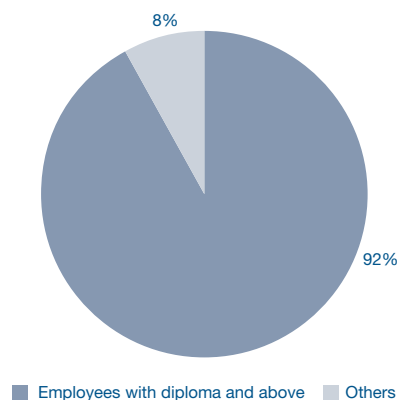
II. Employees

As at the end of the Reporting Period, the Group had 55,695 employees, of which, 53,721 were employees of the Company and 1,974 were employees of its subsidiaries. Divided by professional specialties, 5,112 were categorized as management team, 26,408 as marketing team, and 22,201 as technical team. The Group had 49,365 employees with degrees of diploma and above, accounting for 92% of the total. In addition, the Company had 131 retired employees.

**Composition of employees – by professions
(Unit: persons)**



Composition of employees – by education background



Directors, Supervisors, Senior Management and Employees

III. Business Network

As at the end of the Reporting Period, the Company had set up 37 branches in 36 cities across China, with 902 banking outlets in total.

As at the end of the Reporting Period, Shanghai Pilot Free Trade Zone Branch of the Company has commenced its operation.

Major entities of the Company as at the end of the Reporting Period are shown as follows:

Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Head Office	1	16,594	1,307,437	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	65	3,109	600,605	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	64	2,626	276,316	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	46	2,078	166,061	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	44	1,515	136,041	Minsheng Bank Tower, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	36	1,471	101,236	China Minsheng Bank Tower, No. 396 Xinhua Road, Jiangnan District, Wuhan
Taiyuan Branch	37	1,572	82,338	No. 2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	57	2,076	117,189	No. 10 Xidajie, Shijiazhuang
Dalian Branch	28	995	70,659	No. 4A Wuwu Road, Zhongshan District, Dalian
Nanjing Branch	52	2,187	201,302	No. 20 Hongwu Bei Road, Nanjing
Hangzhou Branch	38	1,610	127,732	Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	23	1,009	80,285	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	21	1,016	66,395	China Minsheng Bank Tower, No. 78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	28	829	44,209	No. 282 Hudong Road, Fuzhou
Jinan Branch	40	1,701	105,712	No. 229 Luoyuan Street, Jinan
Ningbo Branch	19	777	38,205	No. 348 Min'an Road, Jiangdong District, Ningbo

Directors, Supervisors, Senior Management and Employees

Name of entity	Number of		Total assets (RMB million) (excluding deferred income tax assets)	Address
	outlets	Headcount		
Chengdu Branch	30	1,281	93,600	Block 6, No. 966 North Section of Tianfu Avenue, Gaoxin District, Chengdu
Tianjin Branch	26	811	48,449	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	21	839	55,221	Chuntian Yinxiang Building, No. 331 Huancheng Nan Road, Kunming
Quanzhou Branch	13	482	36,095	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	18	1,053	85,816	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	25	994	42,907	No. 18 Fuzhou Nan Road, Shinan District, Qingdao
Wenzhou Branch	13	612	37,272	Hengha Building, No. 1707 Wenzhou Avenue, Wenzhou
Xiamen Branch	14	584	46,698	7/F, Lixin Plaza, No. 90 Hubin Nan Road, Xiamen
Zhengzhou Branch	34	1,181	96,910	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	20	808	61,076	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha
Changchun Branch	18	593	30,323	Minsheng Tower, No. 500 Changchun Street, Nangan District, Changchun
Hefei Branch	13	595	41,588	Tian Qing Building, No. 135 Bozhou Road, Hefei
Nanchang Branch	14	579	32,780	No. 237 Xiangshan Bei Road, Nanchang
Shantou Branch	9	371	11,392	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	11	471	21,653	1, 8-12/F, Guangxi Development Tower, No. 111-1 Minzu Avenue, Nanning
Hohhot Branch	7	385	34,549	1-3/F, Block A, Fortune Mansion, No. 36 Xinhua East Street, Saihan District, Hohhot
Shenyang Branch	8	358	23,490	No. 65 Nanjing North Street, Heping District, Shenyang
Hong Kong Branch	1	150	57,961	36/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Guiyang Branch	2	148	17,242	No. 28 Yangguan Avenue, Guanshanhu District, Guiyang
Sanya Branch	2	112	14,291	No. 128 Xinfeng Street, Hedong District, Sanya
Lhasa Branch	2	101	5,041	Global Plaza, No. 8 Beijing West Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	2	48	8,141	1/F, No. 188 Yesheng Road, Pudong New Area, Shanghai
Inter-region adjustment			(999,586)	
Total	902	53,721	3,424,631	

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 and 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 Centre 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 supervisory functions of the Supervisory Board. Details are as follows:

1. During the Reporting Period, the Company had organized, prepared and convened a total of 33 meetings, including two shareholders' general meetings, five Board meetings, 21 meetings of the special committees of the Board, three meetings of the Supervisory Board and two meetings of the special committees of the Supervisory Board. Over 90 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, related party transactions, the write-off of significant bad debts and assessment report of the Supervisory Board were approved at these meetings.
2. In accordance with the domestic and overseas regulatory requirements, the Company has formulated and amended the Administrative Measures on Write-Off of Bad Debts of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司呆賬核銷管理辦法》), Risk Management Guidelines of the Board of Directors in 2014 (《中國民生銀行董事會2014年風險管理指導意見》), Administrative Measures on the Management of Liquidity Risk of China Minsheng Bank (revised in 2014) (《中國民生銀行流動性風險管理辦法(2014版修訂稿)》), Liquidity Contingency Plans of China Minsheng Bank (revised in 2014) (《中國民生銀行流動性應急計劃(2014版修訂稿)》), Liquidity Risk Control Indicators of China Minsheng Bank in 2014 (《中國民生銀行2014年流動性風險控制指標》), Implementation Plan for the Liquidity Risk Stress Tests of China Minsheng Bank (revised in 2014) (《中國民生銀行流動性風險壓力測試實施方案(2014版修訂稿)》), 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 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 held five meetings to consider 13 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 management of middle and back offices, to enhance the supervision on the implementation of strategies, supervised and advised on major issues including legal operation, financial reporting and internal control, carried out the supervision and evaluations on the performance of Directors, Supervisors and senior management, and conducted specific study for the major regulatory concerns and organized visits of other banks and financial institutions. With the orderly implementation of the above supervisory measures, the Supervisory Board has established a model for its duty performance covering regular supervision and specific supervisions and with equal focus on supervision and performance, effectively promoting the rationalized operation and steady development of the Company.
6. During the Reporting Period, the Supervisory Board conducted evaluation on the management of middle and back offices of the Company according to its work plan. The evaluation was mainly based on off-site and on-site inspections, site inspections, investigations and visits. The Supervisory Board carried out investigations and researches on a total of 91 units of various levels involving the functional departments of the head office, SBUs and branches, held 139 meetings, interviewed and investigated 2,269 personnel of various positions, and collected 94 self-assessment reports from the functional departments of the head office and reporting materials from branches and 933 questionnaires. The Supervisory Board identified 54 cases of major problems according to the analysis results of the questionnaires, prepared a report on the interviews with the head office with over 40,000 words and gathered over 1,000 feedbacks and advices during the investigations and researches, which formed the basis for a comprehensive and objective analysis and evaluation on the management of middle and back offices of the head office and formulation of applicable opinions and suggestions.

7. During the Reporting Period, the Board 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 operational risks and strengthened the comprehensive risk management. By formulating the Risk Management Guidelines of the Board of Directors in 2014 (《董事會2014年風險管理指導意見》), 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 preference 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. 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 researches and studies on different types of risks to provide references for the decision making for risks.
8. During the Reporting Period, the Company further enhanced its internal control system, enhanced the compliance awareness of all staff, strengthened the internal control of the Company, and continued to promote standardized credit approval for related parties in order to maintain the compliance of operations.
9. A total of four issues of Newsletter of the Board of Directors (《董事會工作通訊》) and 26 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.
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 123 A share and H share announcements. The Company has completed the dividend distribution for the second half of 2013 and the preparation of two regular reports. The Company organized a number of activities for investors to strengthen the communication and interaction between the Company and investors effectively, and consolidated the position and influence of the Company in the capital market. During the Reporting Period, the Company came into contact with 440 investors in aggregate through answering enquiries of investors at the general meeting, in analyst strategy seminars and through organizing on-site visits, and came into contact with 468 investors by way of teleconferences, investor hotlines and emails.

Corporate Governance

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 is published.

2. Shareholders' General Meeting

On 27 February 2014, the first EGM of the Company of 2014 was held in Beijing with on-site and online voting. The resolution regarding the downward adjustments to the conversion price of Minsheng Convertible Bonds was considered and not approved at the meeting. Please refer to the announcement published in China Securities Journal, Shanghai Securities News and Securities Times on 28 February 2014.

On 10 June 2014, the 2013 AGM of the Company was held in Beijing with on-site and online voting. The resolutions on the Annual Report for 2013 of the Company, the Final Accounts Report for 2013 of the Company, the Annual Budgets for 2014 of the Company, the Working Report of the Board for 2013, the Working Report of the Supervisory Board for 2013, the Profit Distribution Plan for the Second Half of 2013 of the Company, the Appointment and Remuneration of the Auditing Firm for 2014, the Appointment of Mr. Mao Xiaofeng as a Director of the sixth session of the Board was considered and approved at the meeting. Please refer to the announcement published in China Securities Journal, Shanghai Securities News and Securities Times on 11 June 2014.

3. Meetings of the Board and its Special Committees

During the Reporting Period, five Board meetings were convened by the Board.

During the Reporting Period, 21 meetings of the special committees under the Board were convened, including three meetings of the Strategic Development and Investment Management Committee, seven meetings of the Risk Management Committee, three meetings of the Audit Committee, three meetings of the Related Party Transactions Supervision Committee, two meetings of the Compensation and Remuneration Committee and three meetings of the Nomination Committee.

During the Reporting Period, the Strategic Development and Investment Management Committee under the Board discussed on 11 designated issues, and received and considered three special work reports. The Risk Management Committee discussed six designated issues, received and considered ten special work reports, and handled 37 businesses beyond risk limits totaling RMB153.43 billion. The Audit Committee discussed 12 designated issues. The Related Party Transactions Supervision Committee discussed five designated issues, and received and considered one special work report. The Compensation and Remuneration Committee discussed four designated issues, and received and considered three special work reports, and the Nomination Committee discussed on five designated issues.

4. Meetings of the Supervisory Board and its Special Committees

During the Reporting Period, three Supervisory Board meetings were convened by the Supervisory Board and two meetings of the special committees under the Supervisory Board were convened, including one meeting of the Nomination and Evaluation Committee and one meeting 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 Law of the People's Republic of China on Commercial Banks (《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 enhanced its internal control evaluation techniques by conducting off-site audits so as to conduct internal control evaluations orderly. According to the principles of internal control evaluation and annual audit plan, the Company conducted internal control evaluations on subsidiaries including five tier-one branches, 15 tier-two branches and seven rural banks, which effectively covered major businesses and risks. The Company optimized and adjusted the scope and methods of evaluation for business units in line with its development strategies with a focus on the implementation of strategies. 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 sets 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 financing, 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 53 special audits and audit investigation and researches with 49 special audits and four audit investigation and researches. It issued 74 special audit reports and investigation and research reports, 32 risk reminders and audit comments, and 68 investigation and research analysis reports, reports on major concerns and other reports, and performed 151 departure audits and accountability audits including 10 departure audits on rural banks, 55 of which were carried on the departure of senior management. The Audit Department prepared 22 internal audit bulletins for 2013, issued 38 letters of opinion on audit accountability and performed its audit supervision, evaluation and consultation duties effectively. The audit 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 as Set Out in Appendix 14 of the Hong Kong Listing Rules

During the Reporting Period, the Company fully complied with the code provisions of the Corporate Governance Code as 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 Distribution in the Second Half of 2013

The Board has distributed dividend to the shareholders according to the Profit Distribution Plan for the Second Half of 2013 which was passed at the 2013 AGM. On the basis of a total share capital of the Company of 28,366,352,102 shares on the record date, the Company distributed cash dividend of RMB1.00 (tax inclusive) and two bonus shares for every ten shares to all shareholders whose names appear on the register of members on the record date, and the total cash dividends and share dividends to be distributed amounted to approximately RMB2,837 million and 5,673 million shares respectively. 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 25 June 2014 and 8 August 2014, respectively. The Company's A share Bonus Shares was listed on 26 June 2014 and H share Bonus Shares was dispatched on 11 July 2014 and listed on 14 July 2014. For details, please refer to the announcements of our Company dated 17 June 2014 and 8 July 2014 on the websites of SSE and Hong Kong Stock Exchange, respectively.

II. Interim Profit Distribution for 2014

The reviewed profit after tax of the Company for the first half of 2014 is RMB25,095 million. The Company has proposed its profit distribution plan for the first half of 2014 as follows: appropriation of RMB564 million for statutory surplus reserve (according to relevant laws, the Company should make appropriation of 10% of the net profit for the first half of 2014. Appropriation is not necessary when the accumulated balance of the statutory surplus reserve reaches 50% of the registered capital of the Company); and appropriation of RMB45 million for the general risk provision. The profit distributable to shareholders as at the end of June 2014 is RMB78,239 million. The Company plans to distribute cash dividend of RMB0.75 (tax inclusive) for every 10 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 general meeting. The above profit distribution plan needs to be approved by the general meeting of the Company.

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. Non-listed financial enterprises in which the Company holds equity interests.

	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 Rural Bank Co., Ltd.	55	36.36%	Commercial banking	Sichuan
Cixi Minsheng Rural Bank Co., Ltd.	100	35%	Commercial banking	Zhejiang
Shanghai Songjiang Minsheng Rural Bank Co., Ltd.	150	35%	Commercial banking	Shanghai
Qijiang Minsheng Rural Bank Co., Ltd.	60	50%	Commercial banking	Chongqing
Tongnan Minsheng Rural Bank Co., Ltd.	50	50%	Commercial banking	Chongqing
Ziyang Minsheng Rural Bank Co., Ltd.	80	51%	Commercial banking	Sichuan
Meihokou Minsheng Rural Bank Co., Ltd.	50	51%	Commercial banking	Jilin
Wuhan Jiangxia Minsheng Rural Bank Co., Ltd.	80	51%	Commercial banking	Hubei
Changyuan Minsheng Rural Bank Co., Ltd.	50	51%	Commercial banking	Henan
Yidu Minsheng Rural Bank Co., Ltd.	50	51%	Commercial banking	Hubei
Shanghai Jiading Minsheng Rural Bank Co., Ltd.	200	51%	Commercial banking	Shanghai
Zhongxiang Minsheng Rural Bank Co., Ltd.	70	51%	Commercial banking	Hubei
Penglai Minsheng Rural Bank Co., Ltd.	100	51%	Commercial banking	Shandong
Anxi Minsheng Rural Bank Co., Ltd.	100	51%	Commercial banking	Fujian
Funing Minsheng Rural Bank Co., Ltd.	60	51%	Commercial banking	Jiangsu
Taicang Minsheng Rural Bank Co., Ltd.	100	51%	Commercial banking	Jiangsu
Ningjin Minsheng Rural Bank Co., Ltd.	40	51%	Commercial banking	Hebei
Zhangpu Minsheng Rural Bank Co., Ltd.	50	51%	Commercial banking	Fujian
Jinghong Minsheng Rural Bank Co., Ltd.	30	51%	Commercial banking	Yunnan
Zhidan Minsheng Rural Bank Co., Ltd.	15	51%	Commercial banking	Shaanxi
Puer Minsheng Rural Bank Co., Ltd.	30	51%	Commercial banking	Yunnan
Yulin Yuyang Minsheng Rural Bank Co., Ltd.	50	51%	Commercial banking	Shaanxi
Ningguo Minsheng Rural Bank Co., Ltd.	40	51%	Commercial banking	Anhui
Chizhou Guichi Minsheng Rural Bank Co., Ltd.	50	51%	Commercial banking	Anhui
Tiantai Minsheng Rural Bank Co., Ltd.	60	51%	Commercial banking	Zhejiang
Tianchang Minsheng Rural Bank Co., Ltd.	40	51%	Commercial banking	Anhui
Tengchong Minsheng Rural Bank Co., Ltd.	40	51%	Commercial banking	Yunnan
Xiamen Xiang'an Minsheng Rural Bank Co., Ltd.	70	51%	Commercial banking	Fujian
Linzi Minsheng Rural Bank Co., Ltd.	25	51%	Commercial banking	Tibet

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 above mentioned Model Code during the Reporting Period up to 30 June 2014. 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 2014, the following Directors/Supervisor had the following interests in the shares/debentures of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware of:

Name	Position	Class of shares	Long/short position	Interests in shares			Interests in debentures			
				Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Class of debentures	Capacity	Amount of debentures (RMB)	
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporations	2,270,272,516 (note 1)	8.38	6.90			
		H	Long position	Interest held by his controlled corporations	20,385,000 (note 2 & 9)	0.29	0.06			
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporations	1,066,764,269 (note 3)	3.94	3.24			
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporations	870,946,254 (note 4)	3.21	2.65			
		H	Long position	Interest held by his controlled corporations	6,864,600 (note 5 & 9)	0.10	0.02			
								A Share Convertible Bonds	Interest held by his controlled corporations	263,554,000 (note 6)
Guo Guangchang	Non-executive Director	A	Long position	Interest held by his controlled corporations	276,000,000 (note 7)	1.02	0.84			
		H	Long position	Interest held by his controlled corporations	669,998,400 (note 8 & 9)	9.66	1.97			
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	759,720	0.003	0.002			

Notes:

1. The 2,270,272,516 A shares comprised 669,968,326 A shares directly held by South Hope Industrial Co., Ltd. and 1,600,304,190 A shares directly held by New Hope Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 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 669,968,326 A shares held by South Hope Industrial Co., Ltd. and the 1,600,304,190 A shares held by New Hope Investment Co., Ltd.

As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 2,270,272,516 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 the 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 20,385,000 H shares were held by New Hope International (Hong Kong) Limited, which was owned as to 75% by South Hope Industrial Co., Ltd. (see note 1 above).
3. The 1,066,764,269 A shares were directly held by Orient Group Incorporation. 27.98% of the issued share capital of Orient Group Incorporation was held by Orient Group Industrial Co., Ltd., of which 32.59% of the issued share capital was held by Mr. Zhang Hongwei.
4. The 870,946,254 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 97.43% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly owned by Oceanwide Holdings Co., Ltd. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Oceanwide Holdings Co., Ltd.
5. The 6,864,600 H shares were held by Oceanwide International Resources Investment Co., Ltd., which was wholly-owned by China Oceanwide Holdings Group Co., Ltd. (see note 4 above).
6. The debentures of RMB263,554,000 were held by China Oceanwide Holdings Group Co., Ltd. (see note 4 above).
7. Mr. Guo Guangchang was deemed to have 276,000,000 A shares by virtue of his control over Nanjing Iron & Steel Co., Ltd. (which held 180,000,000 A shares in the Company) and Shanghai Fosun Industrial Technology Development Co., Ltd. (which held 96,000,000 A shares in the Company).
8. The 669,998,400 long positions in H shares (in which 240,000,000 H shares were held through other category of derivatives) comprised 545,179,800 long positions in H shares directly held by Fosun International Limited, 35,592,000 long positions in H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 89,226,000 long positions in H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 79.6% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang held 58% of the issued share capital of Fosun International Holdings Ltd.

According to the SFO, Fosun International Limited was deemed to have interests in the 35,592,000 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 89,226,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 669,998,400 H shares held by Fosun International Limited.

9. That long positions in H Share has already included the bonus H Shares dispatched to H shareholders on 11 July 2014. The number of shares, number of all issued shares as well as the percentage of all the issued shares were stated with reference to the disclosure forms of the relevant director filed after the bonus H Shares were issued.

Report of the Board of Directors

(II) As at 30 June 2014, the following Director had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd. , a subsidiary of the Company:

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

Note:

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

Save as disclosed above, as at 30 June 2014, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions Seven and Eight 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.

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 2014, there were 1,563 outstanding litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB9,070.35 million and 68 outstanding litigations involving the Company as defendant for approximately RMB305.39 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 Third Ring Road, Chaoyang District, Beijing, and has obtained approval for the project, completed the traffic impact assessment and environmental impact assessment and obtained the construction land planning permit. Currently, the general project design is in progress.

The Company participated in and won the bid for the land use right of Plot 2010P26 at the intersection of Douzaiwei Road and Hubin South Road in Xiamen. Currently, the excavation, removal and demolition, and tower crane infrastructure construction for the construction of foundation pit are in progress.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai District, Quanzhou. Currently, the design of the project construction plan is in process.

The Company participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Sub-road in Taijiang District, Fuzhou. The tendering of engineering design has been completed.

The construction of Shunyi Headquarter Base in Beijing has been substantially completed and the debugging work runs smoothly. Most of the facilities have been put into operation.

Major Events

IV. Major Guarantees

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

V. Commitments by the Company

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

VI. Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2014, the Group has neither sold any securities of the Company nor purchased 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 comprise Mr. Qin Rongsheng (Chairman), Mr. Cheng Hoi-chuen, Ms. You Lantian, Mr. Han Jianmin and Mr. Wu Di. The main responsibilities of the Audit Committee include reviewing and 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 2014 and the interim report for 2014.

VIII. Appointment and Removal of Accounting Firms

The 2013 AGM of the Company resolved to engage KPMG Huazhen (Special General Partnership) and KPMG as the domestic and international auditors of the Company in 2014, respectively.

IX. Major Connected Transactions

During 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 43 to the Unaudited Interim Financial Information — Related party transactions.

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 Commencement of Business Operation of Shanghai Pilot Free Trade Zone Branch of China Minsheng Banking Corp., Ltd. (Hu Yin Jian Fu [2014] No. 242) (《關於同意中國民生銀行股份有限公司上海自貿試驗區分行開業的批覆》(滬銀監覆[2014]242號)) received by the Company from the Shanghai Branch of the CBRC, the commencement of business operation of Shanghai Pilot Free Trade Zone Branch of the Company was approved. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 6 May 2014.
2. The Company issued tier-two capital bonds with an aggregate amount of RMB20 billion in the national inter-bank bond market on 18 March 2014, and completed the registration and custody of the bonds in China Government Securities Depository Trust & Clearing Co., Ltd on 20 March 2014, replenishing the tier-two capital of the Company. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 21 March 2014.

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

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 105 to 212, which comprises the condensed consolidated statement of financial position as at 30 June 2014, 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 2014 is not prepared, in all material respects, in accordance with International Accounting Standards 34 “*Interim Financial Reporting*”.



Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

28 August 2014

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2014 (unaudited)	2013 (unaudited)
Interest income		94,178	89,018
Interest expense		(50,578)	(48,454)
Net interest income	5	43,600	40,564
Fee and commission income		20,279	17,417
Fee and commission expense		(1,841)	(1,195)
Net fee and commission income	6	18,438	16,222
Net trading gain	7	1,062	340
Net gain arising from disposals of securities and discounted bills	8	1,508	997
Impairment losses on assets	9	(7,218)	(6,772)
Operating expenses	10	(23,337)	(20,726)
Other operating income		344	369
Profit before income tax		34,397	30,994
Income tax expense	11	(8,306)	(7,500)
Net profit		26,091	23,494
Net profit attributable to:			
Equity shareholders of the Bank		25,570	22,945
Non-controlling interests		521	549
		26,091	23,494
Earnings per share (expressed in RMB)	12		
Basic earnings per share		0.75	0.67
Diluted earnings per share		0.71	0.65

The notes on pages 113 to 212 form part of these financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2014 (unaudited)	2013 (unaudited)
Net profit		26,091	23,494
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale securities	37	2,315	(217)
Less: Income tax relating to available-for-sale securities	37	(579)	54
Exchange difference on translating foreign operations		26	(3)
Other comprehensive income/(loss), net of tax		1,762	(166)
Total comprehensive income		27,853	23,328
Total comprehensive income attributable to:			
Equity shareholders of the Bank		27,323	22,779
Non-controlling interests		530	549
		27,853	23,328

The notes on pages 113 to 212 form part of these financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2014 (unaudited)	31 December 2013 (audited)
ASSETS			
Cash and balances with central bank	13	442,434	433,802
Balances with banks and other financial institutions	14	114,123	88,885
Precious metals		11,920	2,913
Financial assets at fair value through the profit or loss	15	27,396	22,262
Positive fair value of derivatives	16	1,998	1,986
Placements with banks and other financial institutions	17	162,707	108,026
Financial assets held under resale agreements	18	561,158	570,424
Loans and advances to customers	19	1,662,137	1,539,447
Investment securities:			
– available-for-sale securities	20	138,383	111,532
– held-to-maturity securities	20	151,799	133,124
– loans and receivables	20	99,969	37,818
Finance lease receivables	21	86,814	82,543
Property and equipment	22	30,718	24,102
Deferred income tax assets	23	10,171	10,683
Other assets	25	69,724	58,663
Total assets		3,571,451	3,226,210
LIABILITIES			
Borrowings from central bank		495	405
Deposits from customers	27	2,420,577	2,146,689
Deposits and placements from banks and other financial institutions	28	558,792	573,677
Financial assets sold under repurchase agreements	29	78,920	64,567
Borrowings from banks and other financial institutions	30	90,273	81,430
Negative fair value of derivatives	16	2,308	1,883
Provisions		2,325	2,188
Debt securities issued	31	117,078	91,968
Current income tax liabilities		2,933	2,475
Other liabilities	32	68,451	56,641
Total liabilities		3,342,152	3,021,923

The notes on pages 113 to 212 form part of these financial statements.

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2014 (unaudited)	31 December 2013 (audited)
EQUITY			
Share capital	33	34,040	28,366
Capital reserve	33	49,235	49,234
Surplus reserve	34	17,020	16,456
General reserve	34	42,554	42,487
Investment revaluation reserve	37	(1,106)	(2,842)
Retained earnings	34	80,451	64,023
Exchange reserve		5	(12)
Total equity attributable to equity shareholders of the Bank		222,199	197,712
Non-controlling interests	35	7,100	6,575
Total equity		229,299	204,287
Total liabilities and equity		3,571,451	3,226,210

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



Hong Qi
Chairman



Mao Xiaofeng
Director and president



Qin Rongsheng
Director



(Company Chop)

The notes on pages 113 to 212 form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014
(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Note	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve			Subtotal
At 1 January 2014		28,366	49,234	16,456	42,487	(2,842)	64,023	(12)	197,712	6,575	204,287
Net profit		-	-	-	-	-	25,570	-	25,570	521	26,091
Total other comprehensive income		-	-	-	-	1,736	-	17	1,753	9	1,762
Total comprehensive income		-	-	-	-	1,736	25,570	17	27,323	530	27,853
Conversion of convertible bonds	31(3)	-	1	-	-	-	-	-	1	-	1
Appropriation to surplus reserve	34	-	-	564	-	-	(564)	-	-	-	-
Appropriation to general reserve	34	-	-	-	67	-	(67)	-	-	-	-
Cash dividends for the second half of 2013	36	-	-	-	-	-	(2,837)	-	(2,837)	(5)	(2,842)
Stock dividends for 2013	36	5,674	-	-	-	-	(5,674)	-	-	-	-
At 30 June 2014		34,040	49,235	17,020	42,554	(1,106)	80,451	5	222,199	7,100	229,299

The notes on pages 113 to 212 form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2013

(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Attributable to equity shareholders of the Bank									Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve	Subtotal		
At 1 January 2013		28,366	45,714	12,330	39,480	(427)	37,615	(1)	163,077	5,467	168,544
Net profit		–	–	–	–	–	22,945	–	22,945	549	23,494
Other comprehensive income, net of tax		–	–	–	–	(163)	–	(3)	(166)	–	(166)
Total comprehensive income		–	–	–	–	(163)	22,945	(3)	22,779	549	23,328
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	75	75
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)	–	(4,255)
Equity component of convertible bonds		–	3,515	–	–	–	–	–	3,515	–	3,515
At 30 June 2013		28,366	49,229	14,568	42,397	(590)	51,150	(4)	185,116	6,091	191,207
At 1 July 2013		28,366	49,229	14,568	42,397	(590)	51,150	(4)	185,116	6,091	191,207
Net profit		–	–	–	–	–	19,333	–	19,333	455	19,788
Other comprehensive income, net of tax		–	–	–	–	(2,252)	–	(8)	(2,260)	(8)	(2,268)
Total comprehensive income		–	–	–	–	(2,252)	19,333	(8)	17,073	447	17,520
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	46	46
Conversion of convertible bonds		–	6	–	–	–	–	–	6	–	6
Appropriation to surplus reserve	34	–	–	1,888	–	–	(1,888)	–	–	–	–
Appropriation to general reserve	34	–	–	–	90	–	(90)	–	–	–	–
Cash dividends for the first half of 2013	36	–	–	–	–	–	(4,482)	–	(4,482)	(9)	(4,491)
Equity component of convertible bonds		–	(1)	–	–	–	–	–	(1)	–	(1)
At 31 December 2013		28,366	49,234	16,456	42,487	(2,842)	64,023	(12)	197,712	6,575	204,287

The notes on pages 113 to 212 form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014
(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2014 (unaudited)	2013 (unaudited)
Cash flows generated from operating activities:		
Profit before income tax	34,397	30,994
<i>Adjustments for:</i>		
– Impairment losses on assets	7,218	6,772
– Depreciation and amortisation	1,565	1,083
– Changes in provisions	137	(521)
– Gains on disposal of property and equipment and other long-term assets	(26)	–
– Gains from changes in fair value	(226)	(12)
– Net losses/(gains) on disposal of investment securities	15	(215)
– Interest expense on debt securities issued and other financing activities	2,579	2,001
– Interest income from investment securities	(7,743)	(4,811)
	37,916	35,291
<i>Changes in operating assets:</i>		
Net (increase)/decrease in balances with central bank, banks and other financial institutions	(9,207)	13,487
Net increase in placements with banks and other financial institutions	(52,342)	(4,582)
Net decrease/(increase) in financial assets held under resale agreements	6,337	(109,360)
Net increase in loans and advances to customers	(133,473)	(103,877)
Net increase in other operating assets	(28,960)	(32,231)
	(217,645)	(236,563)
<i>Changes in operating liabilities:</i>		
Net increase in deposits from customers	273,888	248,781
Net decrease in deposits and placements from banks and other financial institutions	(19,885)	(132,247)
Net increase/(decrease) in financial assets sold under repurchase agreements	14,362	(59,562)
Income tax paid	(7,915)	(9,672)
Net increase in borrowings from central bank	90	80,086
Net increase in other operating liabilities	23,733	41,792
	284,273	169,178
Net cash generated from/(used in) operating activities	104,544	(32,094)

The notes on pages 113 to 212 form part of these financial statements.

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2014

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2014 (unaudited)	2013 (unaudited)
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		143,257	75,901
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		34	67
Cash payment for purchase of investment securities		(234,841)	(134,326)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(5,410)	(2,071)
Net cash used in investing activities		(96,960)	(60,429)
Cash flows from financing activities:			
Capital contribution from non-controlling interests to subsidiaries		—	75
Proceeds from issue of debt securities		24,722	19,912
Interest paid on debt securities issued		(3,404)	(3,273)
Dividends paid		(2,434)	—
Net cash generated from financing activities		18,884	16,714
Net increase/(decrease) in cash and cash equivalents		26,468	(75,809)
Cash and cash equivalents at 1 January		157,001	258,568
Effect of foreign exchange rate changes		276	(327)
Cash and cash equivalents at 30 June	38	183,745	182,432

The notes on pages 113 to 212 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.

Pursuant to the resolutions of the 2013 Annual Shareholder’s General Meeting dated on 10 June, 2014 of the Bank, the Bank issued bonus shares to the shareholders whose names appeared on the register of members of the Bank on the record dates on the basis of 2 Bonus Shares for every 10 existing Shares held by them on such record dates; of which, Bonus H shares will be issued to H shareholders is still in process and not completed as at 30 June 2014.

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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

1 General information (Continued)

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 2014, the Bank has 37 tier-one branches and 31 subsidiaries in the PRC.

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

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 2014.

The unaudited interim financial information has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”, including International Accounting Standards (“IASs”)) as of 1 January 2014. The principal effects of adopting these revised IFRSs are as follows:

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

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

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 32 – Financial instruments: presentation – offsetting financial assets and financial liabilities

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

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

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

There is no early adoption of any new IFRSs not yet effective for the six months ended 30 June 2014.

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 2013 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 2013 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 2014.

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 2014	31 December 2013
Balances with central bank	432,507	424,643
Balances with banks and other financial institutions	114,123	88,885
Placements with banks and other financial institutions	162,707	108,026
Financial assets at fair value through the profit or loss	27,396	22,262
Positive fair value of derivatives	1,998	1,986
Financial assets held under resale agreements	561,158	570,424
Loans and advances to customers		
– Corporate loans and advances	1,059,689	945,913
– Personal loans and advances	602,448	593,534
Investment securities		
– Debt securities	387,117	282,040
Finance lease receivables	86,814	82,543
Other financial assets	53,932	47,368
Total	3,489,889	3,167,624
Off-balance sheet credit commitments	1,005,086	824,756
Maximum credit risk exposure	4,494,975	3,992,380

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 2014	31 December 2013
Gross balance of loans and advances to customers		
Neither past due nor impaired	1,650,491	1,546,301
Past due but not impaired	29,974	14,558
Impaired	15,818	13,404
	1,696,283	1,574,263
Less: allowance for impairment loss		
Neither past due nor impaired	(25,714)	(28,060)
Past due but not impaired	(2,391)	(1,619)
Impaired	(6,041)	(5,137)
	(34,146)	(34,816)
Net balance		
Neither past due nor impaired	1,624,777	1,518,241
Past due but not impaired	27,583	12,939
Impaired	9,777	8,267
	1,662,137	1,539,447

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 2014	31 December 2013
Corporate loans and advances	1,049,168	951,502
Personal loans and advances	601,323	594,799
Total	1,650,491	1,546,301

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 (Continued)*

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

	30 June 2014	31 December 2013
Unsecured loans	296,898	265,784
Guaranteed loans	577,096	554,932
Loans secured by		
– tangible assets other than monetary assets	550,197	520,588
– monetary assets	226,300	204,997
Total	1,650,491	1,546,301

b *Past due but not impaired*

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

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

Notes to the 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 (Continued)

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 2014				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Corporate loans and advances	12,548	2,791	2,763	2,400	20,502
Personal loans and advances	4,621	2,287	1,975	589	9,472
Total	17,169	5,078	4,738	2,989	29,974

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

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 2014	31 December 2013
Corporate loans and advances	10,927	9,932
Personal loans and advances	4,891	3,472
Total	15,818	13,404
% of total loans and advances	0.93%	0.85%
Allowance for impairment losses		
– Corporate loans and advances	(3,894)	(3,344)
– Personal loans and advances	(2,147)	(1,793)
Total	(6,041)	(5,137)

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 2014	31 December 2013
Unsecured loans	2,537	2,775
Guaranteed loans	7,652	5,936
Loans secured by		
– tangible assets other than monetary assets	4,048	3,594
– monetary assets	1,581	1,099
Total	15,818	13,404
Fair value of collateral held against impaired loans	4,969	4,230

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

	30 June 2014				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	439,441	2,340	445	208	442,434
Balances with banks and other financial institutions	98,269	13,765	614	1,475	114,123
Placements with banks and other financial institutions	152,083	9,172	—	1,452	162,707
Financial assets held under resale agreements	561,158	—	—	—	561,158
Loans and advances to customers	1,589,855	66,206	4,419	1,657	1,662,137
Investment securities	389,318	433	400	—	390,151
Finance lease receivables	84,311	2,503	—	—	86,814
Other assets	123,575	15,930	258	12,164	151,927
Total assets	3,438,010	110,349	6,136	16,956	3,571,451
Liabilities:					
Borrowings from central bank	495	—	—	—	495
Deposits from customers	2,332,050	73,520	11,584	3,423	2,420,577
Deposits and placements from banks and other financial institutions	523,886	23,527	113	11,266	558,792
Financial assets sold under repurchase agreements	78,846	74	—	—	78,920
Borrowings from banks and other financial institutions	73,059	17,214	—	—	90,273
Debt securities issued	117,078	—	—	—	117,078
Other liabilities	74,181	1,159	508	169	76,017
Total liabilities	3,199,595	115,494	12,205	14,858	3,342,152
Net position	238,415	(5,145)	(6,069)	2,098	229,299
Foreign currency derivatives	(369)	58	1	—	(310)
Off-balance sheet credit commitments	952,571	50,731	57	1,727	1,005,086

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

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

	Note	30 June 2014					Total
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	
Assets:							
Cash and balances with central bank		432,507	—	—	—	9,927	442,434
Balances with banks and other financial institutions		90,082	20,036	4,005	—	—	114,123
Placements with banks and other financial institutions		78,219	60,508	23,980	—	—	162,707
Financial assets held under resale agreements		213,486	276,834	70,838	—	—	561,158
Loans and advances to customers	(i)	1,531,806	101,266	28,106	959	—	1,662,137
Investment securities		46,480	106,813	186,718	47,106	3,034	390,151
Finance lease receivables		86,814	—	—	—	—	86,814
Other assets		3,985	9,348	12,815	1,248	124,531	151,927
Total assets		2,483,379	574,805	326,462	49,313	137,492	3,571,451
Liabilities:							
Borrowings from central bank		136	359	—	—	—	495
Deposits from customers		1,566,041	613,967	240,244	325	—	2,420,577
Deposits and placements from banks and other financial institutions		365,303	190,873	2,616	—	—	558,792
Financial assets sold under repurchase agreements		71,061	6,160	1,503	196	—	78,920
Borrowings from banks and other financial institutions		36,425	47,921	3,385	2,542	—	90,273
Debt securities issued		3,772	6,970	67,308	39,028	—	117,078
Other liabilities		—	—	—	—	76,017	76,017
Total liabilities		2,042,738	866,250	315,056	42,091	76,017	3,342,152
Total interest sensitivity gap		440,641	(291,445)	11,406	7,222	61,475	229,299

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 2013				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		424,643	—	—	—	9,159	433,802
Balances with banks and other financial institutions		72,715	8,701	3,858	3,611	—	88,885
Placements with banks and other financial institutions		79,749	20,177	8,100	—	—	108,026
Financial assets held under resale agreements		249,360	215,907	105,157	—	—	570,424
Loans and advances to customers	(i)	1,430,769	89,501	18,190	987	—	1,539,447
Investment securities		25,509	52,585	155,929	48,017	434	282,474
Finance lease receivables		82,543	—	—	—	—	82,543
Other assets		1,464	4,625	13,804	2,369	98,347	120,609
Total assets		2,366,752	391,496	305,038	54,984	107,940	3,226,210
Liabilities:							
Borrowings from central bank		35	350	20	—	—	405
Deposits from customers		1,424,986	480,768	240,894	41	—	2,146,689
Deposits and placements from banks and other financial institutions		434,473	135,104	4,100	—	—	573,677
Financial assets sold under repurchase agreements		58,006	2,988	3,191	382	—	64,567
Borrowings from banks and other financial institutions		17,990	50,737	9,706	2,997	—	81,430
Debt securities issued		18,651	1,000	49,937	22,380	—	91,968
Other liabilities		—	—	—	—	63,187	63,187
Total liabilities		1,954,141	670,947	307,848	25,800	63,187	3,021,923
Total interest sensitivity gap		412,611	(279,451)	(2,810)	29,184	44,753	204,287

(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 RMB37,298 million as at 30 June 2014 (31 December 2013: RMB20,733 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 2014							Total
	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	385,463	56,971	–	–	–	–	–	442,434
Balances with banks and other financial institutions	–	25,634	52,108	12,340	20,036	4,005	–	114,123
Placements with banks and other financial institutions	–	–	58,629	19,590	60,508	23,980	–	162,707
Financial assets held under resale agreements	–	–	92,093	121,393	276,834	70,838	–	561,158
Loans and advances to customers Investment securities	(ii) 20,983	16,377	197,338	210,550	780,961	328,882	107,046	1,662,137
– available-for-sale securities	3,097	–	4,537	4,872	41,590	76,453	7,834	138,383
– held-to-maturity securities	–	–	498	3,232	15,634	84,167	48,268	151,799
– loans and receivables	–	–	5,900	2,850	39,810	48,808	2,601	99,969
Finance lease receivables	1,348	–	2,502	3,774	21,284	52,370	5,536	86,814
Other assets	47,318	11,973	23,781	11,841	27,669	26,756	2,589	151,927
Total assets	458,209	110,955	437,386	390,442	1,284,326	716,259	173,874	3,571,451
Liabilities:								
Borrowings from central bank	–	–	40	96	299	60	–	495
Deposits from customers	80	1,091,932	155,373	318,656	613,967	240,244	325	2,420,577
Deposits and placements from banks and other financial institutions	–	79,271	172,798	113,234	190,873	2,616	–	558,792
Financial assets sold under repurchase agreements	–	–	61,708	9,104	5,966	1,946	196	78,920
Borrowings from banks and other financial institutions	–	–	9,101	19,887	48,960	6,906	5,419	90,273
Debt securities issued	–	–	299	3,473	980	67,309	45,017	117,078
Other liabilities	2,807	24,597	15,310	6,299	15,374	10,136	1,494	76,017
Total liabilities	2,887	1,195,800	414,629	470,749	876,419	329,217	52,451	3,342,152
Net position	455,322	(1,084,845)	22,757	(80,307)	407,907	387,042	121,423	229,299
Notional amount of derivatives	–	–	100,096	113,374	249,713	93,985	8,300	565,468

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)

	31 December 2013								
	Note	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:									
Cash and balances with central bank		388,289	45,513	–	–	–	–	–	433,802
Balances with banks and other financial institutions		–	14,663	49,736	11,494	8,918	3,858	216	88,885
Placements with banks and other financial institutions		–	–	31,987	47,762	20,177	8,100	–	108,026
Financial assets held under resale agreements		–	–	47,111	202,249	215,907	105,157	–	570,424
Loans and advances to customers	(ii)	12,166	9,040	182,914	164,614	767,519	302,652	100,542	1,539,447
Investment securities									
– available-for-sale securities		488	–	3,203	12,735	24,462	64,682	5,962	111,532
– held-to-maturity securities		–	–	525	7,836	12,011	74,001	38,751	133,124
– loans and receivables		–	–	485	681	16,113	17,289	3,250	37,818
Finance lease receivables		4,155	–	2,739	3,699	19,796	47,829	4,325	82,543
Other assets		37,604	3,122	28,093	10,767	20,847	16,620	3,556	120,609
Total assets		442,702	72,338	346,793	461,837	1,105,750	640,188	156,602	3,226,210
Liabilities:									
Borrowings from central bank		–	–	–	35	350	20	–	405
Deposits from customers		–	1,012,149	143,971	269,504	478,498	240,347	2,220	2,146,689
Deposits and placements from banks and other financial institutions		–	40,908	278,240	115,325	135,104	4,100	–	573,677
Financial assets sold under repurchase agreements		–	–	43,559	7,670	9,765	3,191	382	64,567
Borrowings from banks and other financial institutions		–	–	5,440	12,550	50,737	9,706	2,997	81,430
Debt securities issued		–	–	–	–	–	49,937	42,031	91,968
Other liabilities		2,282	22,214	8,611	5,243	12,830	10,354	1,653	63,187
Total liabilities		2,282	1,075,271	479,821	410,327	687,284	317,655	49,283	3,021,923
Net position		440,420	(1,002,933)	(133,028)	51,510	418,466	322,533	107,319	204,287
Notional amount of derivatives		–	–	79,154	72,068	152,621	77,752	–	381,595

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 2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	56,971	—	—	—	385,480	442,451
Balances with banks and other financial institutions	78,343	12,786	20,970	4,422	—	116,521
Placements with banks and other financial institutions	59,100	20,950	64,007	26,947	—	171,004
Financial assets held under resale agreements	95,535	126,854	291,891	81,433	—	595,713
Loans and advances to customers	249,370	228,997	843,220	409,618	162,509	1,893,714
Investment securities	12,392	13,603	109,416	239,589	71,098	446,098
Finance lease receivables	3,191	4,814	25,956	61,021	8,434	103,416
Other financial assets	28,289	6,977	17,167	23,880	2,345	78,658
Total financial assets (expected maturity date)	583,191	414,981	1,372,627	846,910	629,866	3,847,575
Financial liabilities:						
Borrowings from central bank	42	99	302	65	—	508
Deposits from customers	1,250,240	348,050	677,055	299,259	1,040	2,575,644
Deposits and placements from banks and other financial institutions	256,742	115,762	200,388	2,929	—	575,821
Financial assets sold under repurchase agreements	61,837	9,201	6,082	2,288	263	79,671
Borrowings from banks and other financial institutions	9,128	20,111	50,593	7,532	7,585	94,949
Debt securities issued	300	3,514	3,736	82,573	56,203	146,326
Other financial liabilities	10,951	1,076	1,850	399	11,568	25,844
Total financial liabilities (contractual maturity date)	1,589,240	497,813	940,006	395,045	76,659	3,498,763

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

Notes to the 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 2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	(12)	—	(10)	10	—	(12)
Credit derivatives	—	—	—	—	—	—
Total	(12)	—	(10)	10	—	(12)

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

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 2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
— Cash outflow	(69,893)	(72,452)	(177,733)	(124)	—	(320,202)
— Cash inflow	69,793	72,355	177,510	124	—	319,782
Precious metal derivatives						
— Cash outflow	(5,846)	—	—	—	—	(5,846)
— Cash inflow	5,826	—	—	—	—	5,826
Total cash outflow	(75,739)	(72,452)	(177,733)	(124)	—	(326,048)
Total cash inflow	75,619	72,355	177,510	124	—	325,608

	31 December 2013					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
— Cash outflow	(56,471)	(53,471)	(92,869)	(497)	—	(203,308)
— Cash inflow	56,539	53,563	92,790	497	—	203,389
Precious metal derivatives						
— Cash outflow	(1,680)	—	—	—	—	(1,680)
— Cash inflow	1,659	—	—	—	—	1,659
Total cash outflow	(58,151)	(53,471)	(92,869)	(497)	—	(204,988)
Total cash inflow	58,198	53,563	92,790	497	—	205,048

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 2014			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	607,096	10	—	607,106
Letters of credit	188,892	8	—	188,900
Guarantees	104,620	40,701	12,116	157,437
Unused credit card commitments	45,466	—	—	45,466
Capital commitments	5,645	2,296	—	7,941
Operating lease commitments	4,096	10,534	3,657	18,287
Irrevocable loan commitments	1,049	639	1,270	2,958
Finance lease commitments	1,766	1,111	—	2,877
Re-factoring	342	—	—	342
Total	958,972	55,299	17,043	1,031,314

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

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) 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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Capital management (Continued)

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

On 1 January 2013, the Group started computing the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBRC.

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

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

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

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

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Capital management (Continued)

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 2014	31 December 2013
Core tier-one capital adequacy ratio		8.76%	8.72%
Tier-one capital adequacy ratio		8.77%	8.72%
Capital adequacy ratio		11.05%	10.69%
Components of capital base			
Core tier-one capital:			
Share capital		34,040	28,366
Valid portion of capital reserve		48,129	46,392
Surplus reserve		17,020	16,456
General reserve		42,554	42,487
Retained earnings		80,451	64,023
Valid portion of non-controlling interests		6,136	6,050
Others	(1)	5	(12)
Total core tier-one capital		228,335	203,762
Total core tier-one capital		228,335	203,762
Core tier-one capital deductions		(954)	(1,108)
Net core tier-one capital		227,381	202,654
Other tier-one capital	(2)	275	129
Net tier-one capital		227,656	202,783
Tier-two capital:			
Valid portion of tier-two capital instruments issued and share premium		40,080	22,535
Surplus provision for loan impairment		18,329	23,114
Valid portion of non-controlling interests		879	783
Tier-two capital deductions		—	(600)
Net tier-two capital		59,288	45,832
Net capital base		286,944	248,615
Credit risk-weighted assets		2,388,765	2,101,930
Market risk-weighted assets		19,482	35,680
Operational risk-weighted assets		187,495	187,495
Total risk-weighted assets		2,595,742	2,325,105

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(5) Capital management (Continued)

Note:

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

(2) As at 30 June 2014, the Group's other tier-one capital is the valid portion of non-controlling interests.

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

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

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 2014					
	Northern China	Eastern China	Southern China	Other locations	Inter- segment elimination	Total
External net interest income	19,980	9,512	1,611	12,497	—	43,600
Inter-segment net interest (expense)/income	(2,938)	1,924	2,916	(1,902)	—	—
Net interest income	17,042	11,436	4,527	10,595	—	43,600
Fee and commission income	15,118	1,980	1,420	1,761	—	20,279
Fee and commission expense	(501)	(501)	(547)	(292)	—	(1,841)
Net fee and commission income	14,617	1,479	873	1,469	—	18,438
Operating expenses	(9,783)	(5,893)	(2,858)	(4,803)	—	(23,337)
Impairment losses on assets	(2,496)	(2,110)	(912)	(1,700)	—	(7,218)
Net other income	1,613	560	381	360	—	2,914
Profit before income tax	20,993	5,472	2,011	5,921	—	34,397
Depreciation and amortisation	917	285	158	205	—	1,565
Capital expenditure	3,741	466	230	973	—	5,410
	As at 30 June 2014					
Segment assets	2,271,979	1,008,797	478,560	801,530	(999,586)	3,561,280
Deferred income tax assets						10,171
Total assets						3,571,451
Segment liabilities/ total liabilities	(2,092,952)	(994,615)	(469,509)	(784,662)	999,586	(3,342,152)
Credit commitments	468,243	258,757	63,380	214,706	—	1,005,086

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	(2,282)	(2,063)	(870)	(1,557)	—	(6,772)
Net other (loss)/income	1,375	303	185	(157)	—	1,706
Profit before income tax	18,307	5,614	1,929	5,144	—	30,994
Depreciation and amortisation	551	190	124	218	—	1,083
Capital expenditure	1,651	222	176	118	—	2,167
As at 31 December 2013						
Segment assets	2,058,831	941,591	441,054	716,192	(942,141)	3,215,527
Deferred income tax assets						10,683
Total assets						<u>3,226,210</u>
Segment liabilities/ total liabilities	(1,915,900)	(925,294)	(432,462)	(690,408)	942,141	<u>(3,021,923)</u>
Credit commitments	371,436	218,567	55,527	179,226	—	824,756

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.

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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Business segments (Continued)

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

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

	Six months ended 30 June 2014				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
Net interest income	24,203	12,068	6,471	858	43,600
Include: inter-segment net interest (expense)/income	(3,128)	(2,930)	6,065	(7)	—
Net fee and commission income	9,566	6,151	1,929	792	18,438
Include: inter-segment net fee and commission (expense)/income	(2)	—	—	2	—
Operating expenses	(12,629)	(6,533)	(3,718)	(457)	(23,337)
Impairment losses on assets	(1,630)	(5,261)	(46)	(281)	(7,218)
Net other income	1,502	9	1,176	227	2,914
Profit before income tax	21,012	6,434	5,812	1,139	34,397
Depreciation and amortisation	620	319	168	458	1,565
Capital expenditure	1,143	586	307	3,374	5,410
	As at 30 June 2014				
Segment assets	1,494,969	617,174	1,320,683	128,454	3,561,280
Deferred income tax assets					10,171
Total assets					3,571,451
Segment liabilities/total liabilities	(1,815,446)	(644,026)	(767,958)	(114,722)	(3,342,152)
Credit commitments	956,743	45,466	—	2,877	1,005,086

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 2013				Total
	Corporate banking business	Personal banking business	Treasury business	Other business	
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 31 December 2013					
Segment assets	1,351,718	607,844	1,138,435	117,530	3,215,527
Deferred income tax assets					10,683
Total assets					3,226,210
Segment liabilities/total liabilities	(1,620,539)	(558,776)	(737,192)	(105,416)	(3,021,923)
Credit commitments	782,270	40,377	—	2,109	824,756

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

5 Net interest income

	Six months ended 30 June	
	2014	2013
Interest income arising from:		
– Loans and advances to customers		
– corporate loans and advances	33,119	30,057
– personal loans and advances	21,775	18,068
– discounted bills	1,595	2,541
– Financial assets held under resale agreements	16,858	18,663
– Investment securities	7,743	4,811
– Finance lease receivables	3,446	3,506
– Balances with central bank	3,244	3,316
– Balances with banks and other financial institutions	3,209	5,648
– Placements with banks and other financial institutions	2,768	2,049
– Financial assets at fair value through the profit or loss	421	359
Subtotal	94,178	89,018
Interest expense arising from:		
– Deposits from customers	(25,855)	(23,548)
– Deposits and placements from banks and other financial institutions	(18,479)	(18,964)
– Debt securities issued	(2,579)	(2,001)
– Borrowings from banks and other financial institutions	(2,371)	(1,941)
– Financial assets sold under repurchase agreements	(1,287)	(1,916)
– Borrowings from central bank	(7)	(84)
Subtotal	(50,578)	(48,454)
Net interest income	43,600	40,564
Of which:		
Interest income from impaired financial assets identified	301	216

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	
	2014	2013
Fee and commission income		
– Bank card services	5,601	3,402
– Agency services	4,606	2,062
– Trust and other fiduciary services	4,410	5,688
– Credit commitments	2,575	2,090
– Settlement services	1,507	2,376
– Financial advisory services	977	1,393
– Finance lease services	489	361
– Others	114	45
Subtotal	20,279	17,417
Fee and commission expense	(1,841)	(1,195)
Net fee and commission income	18,438	16,222

7 Net trading gain

	Six months ended 30 June	
	2014	2013
Gain on interest rate instruments	632	100
Gain on precious metals and other products	240	1,132
Gain/(loss) on exchange rate instruments	190	(892)
Total	1,062	340

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	
	2014	2013
Net gain arising from disposals of discounted bills	1,582	750
Net (loss)/gain arising from disposals of securities	(74)	247
Total	1,508	997

Gain or loss arising from disposals 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	
	2014	2013
Loans and advances to customers	6,805	6,802
Finance lease receivables	312	211
Others	101	(241)
Total	7,218	6,772

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

10 Operating expenses

	Six months ended 30 June	
	2014	2013
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances	7,276	6,716
– Social insurance	1,616	1,312
– Other benefits	1,287	1,070
Business tax and surcharges	4,371	4,012
Rental and property management expenses	1,888	1,217
Office expenses	1,452	1,310
Depreciation and amortisation	1,357	973
CBRC supervisory charges	29	94
Business expenses and others	4,061	4,022
Total	23,337	20,726

Auditors' remuneration included in the operating expenses of the Group for the six months ended 30 June 2014 was RMB3 million (for the six months ended 30 June 2013: RMB3 million).

11 Income tax expense

	Six months ended 30 June	
	2014	2013
Current tax for the period	8,446	9,351
Adjustment for prior periods	(73)	(87)
Subtotal	8,373	9,264
Changes in deferred tax (Note 23)	(67)	(1,764)
Total	8,306	7,500

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

11 Income tax expense (Continued)

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

	Note	Six months ended 30 June	
		2014	2013
Profit before income tax		34,397	30,994
Income tax at the tax rate of 25%		8,599	7,749
Effect of non-taxable income	(i)	(411)	(279)
Effect of non-deductible expenses	(ii)	194	128
Others		(76)	(98)
Income tax expense		8,306	7,500

(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 2014 (for the six months ended 30 June 2013: 25%). The applicable income tax rate for Hong Kong branch is 16.5% (for the six months ended 30 June 2013: 16.5%).

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	
	2014	2013
Net profit attributable to equity shareholders of the Bank	25,570	22,945
Weighted average number of ordinary shares in issue (in millions)	34,040	34,040
Basic earnings per share (in RMB)	0.75	0.67

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

12 Earnings per share (Continued)

Diluted earnings per share is calculated by dividing the adjusted profit attributable to equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue. The Bank has the convertible corporate bonds as dilutive potential ordinary shares.

	Six months ended 30 June	
	2014	2013
Net profit attributable to equity shareholders of the Bank	25,570	22,945
Add: interest expense on convertible corporate bonds, net of tax, for the reporting period	330	247
Net profit used to determine diluted earnings per share	25,900	23,192
Weighted average number of ordinary shares in issue (in millions)	34,040	34,040
Add: weighted average number of ordinary shares for diluted earnings per share (in millions)	2,444	1,420
Weighted average number of ordinary shares for diluted earnings per share (in millions)	36,484	35,460
Diluted earnings per share (in RMB)	0.71	0.65

13 Cash and balances with central bank

	30 June 2014	31 December 2013
Cash	9,927	9,159
Balances with central bank		
– Statutory deposit reserves	385,193	387,830
– Surplus deposit reserves	47,044	36,354
– Fiscal deposit reserves	270	459
Total	442,434	433,802

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

13 Cash and balances with central bank (Continued)

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 2014, the statutory deposit reserve rate applicable to the Bank for RMB deposits is 17.5% and the reserve rate for foreign currency deposits is 5% (31 December 2013: 18% of RMB deposits and 5% of foreign currency deposits).

The 29 rural Banking subsidiaries of the Bank are required to place statutory RMB deposit reserve at rates determined by the PBC. Hong Kong branch is required to place statutory deposit reserve at rates determined by local regulators.

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

14 Balances with banks and other financial institutions

	30 June 2014	31 December 2013
Mainland China		
– Banks	98,220	81,093
– Other financial institutions	2,564	1,674
Overseas		
– Banks	13,339	6,118
Total	114,123	88,885

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

15 Financial assets at fair value through the profit or loss

	30 June 2014	31 December 2013
Held for trading purpose		
Bond		
Government		
— listed outside Hong Kong	293	912
Central bank		
— listed outside Hong Kong	—	20
Policy banks		
— listed outside Hong Kong	5,876	6,325
Bank and non banking financial institutions		
— listed outside Hong Kong	4,851	2,091
Other corporate		
— listed outside Hong Kong	14,407	10,497
Investment funds		
— unlisted	25	—
Designated at fair value through profit or loss		
Corporate bonds		
— unlisted	1,944	2,417
Total	27,396	22,262

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

16 Derivatives

The following derivative financial instruments are held by the Group for trading purposes:

Foreign exchange forwards represent commitments to purchase/sell foreign currencies at a future date, including undelivered spot transactions.

Interest rate and currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (e.g. fixed rate for floating rate).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

16 Derivatives (Continued)

The credit risk faced by the Group arising from derivative financial products means, if a counterparty fails to fulfill its obligation, the additional cost incurred from replacing the original contract. The Group controls this risk by constantly monitoring the nominal amount of contracts, fair value and the ability to convert into cash. In order to control the level of credit risk, the Group uses similar methods adopted in its credit business to measure the extent of credit exposure.

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 2014		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	170,203	483	(449)
Foreign exchange forwards	39,748	209	(318)
Currency swaps	280,125	1,217	(1,489)
Precious metal derivatives	5,879	33	(49)
Credit derivatives	55,916	—	—
Extension options	8,300	—	—
Currency options	5,297	56	(3)
Total		1,998	(2,308)

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

16 Derivatives (Continued)

	31 December 2013		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	95,524	719	(621)
Foreign exchange forwards	15,285	141	(156)
Currency swaps	184,124	1,120	(1,104)
Precious metal derivatives	1,659	—	(1)
Credit derivatives	72,487	—	—
Extension options	8,300	—	—
Currency options	4,216	6	(1)
Total		1,986	(1,883)

Replacement costs are the costs of replacing all contracts which have a positive value when marked to market (should the counterparty default on its obligations). The replacement costs of the Group and the Bank are equal to the carrying amounts of the derivative financial assets presented above.

Credit risk weighted amount

	Group and Bank	
	2014	2013
Exchange rate contracts	1,237	779
Interest rate contracts	195	211
Precious metal contracts	501	69
Total	1,933	1,059

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract.

The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

17 Placements with banks and other financial institutions

	30 June 2014	31 December 2013
Mainland China		
– Banks	86,504	60,265
– Other financial institutions	37,086	19,368
– Others*	32,331	20,854
Overseas		
– Banks	6,786	7,539
Total	162,707	108,026

* Others are short-term placements with wealth management products managed by the Bank as an agency.

18 Financial assets held under resale agreements

	30 June 2014	31 December 2013
Discounted bills	407,095	383,494
Government and quasi-government bonds	–	9,878
Corporate bonds	432	–
Financial bonds	300	–
Others*	153,331	177,052
Total	561,158	570,424

* 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 2014	31 December 2013
Corporate loans and advances		
– Corporate loans	1,011,831	908,642
– Discounted bills	40,443	33,364
– Others	28,323	26,728
Subtotal	1,080,597	968,734
Personal loans and advances		
– Micro lending*	409,611	408,891
– Credit cards	123,889	113,298
– Residential mortgage	59,475	62,096
– Others	22,711	21,244
Subtotal	615,686	605,529
Gross balance	1,696,283	1,574,263
Less: allowance for impairment losses		
– Individual assessment	(3,894)	(3,344)
– Collective assessment	(30,252)	(31,472)
Subtotal	(34,146)	(34,816)
Net balance	1,662,137	1,539,447

* 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 2014				
	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	1,069,670	–	10,927	10,927	1,080,597
– Personal loans and advances	610,795	4,891	–	4,891	615,686
Allowance for impairment losses	(28,105)	(2,147)	(3,894)	(6,041)	(34,146)
Net balance of loans and advances to customers	1,652,360	2,744	7,033	9,777	1,662,137

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)

	31 December 2013				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
— Corporate loans and advances	958,802	—	9,932	9,932	968,734
— Personal loans and advances	602,057	3,472	—	3,472	605,529
Allowance for impairment losses	(29,679)	(1,793)	(3,344)	(5,137)	(34,816)
Net balance of loans and advances to customers	1,531,180	1,679	6,588	8,267	1,539,447

(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).

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)

- (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.

- (iv) As at 30 June 2014, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB10,927 million (31 December 2013: RMB9,932 million). The covered portion and uncovered portion of these loans and advances were RMB4,926 million (31 December 2013: RMB4,126 million) and RMB6,001 million (31 December 2013: RMB5,806 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB3,346 million (31 December 2013: RMB2,980 million). As at 30 June 2014, the individual impairment allowances made for these loans and advances were RMB3,894 million (31 December 2013: RMB3,344 million).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers (Continued)

(2) Loans and advances to customers analysed by industries

	30 June 2014		31 December 2013	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Manufacturing	244,483	14.41	222,573	14.14
Real estate	188,547	11.12	165,570	10.52
Wholesale and retail	154,761	9.12	145,202	9.22
Leasing and commercial services	105,409	6.21	92,611	5.88
Mining	91,222	5.38	80,941	5.14
Transportation, storage and postal service	63,867	3.77	61,454	3.90
Construction	53,332	3.14	44,916	2.85
Water, environment and public utilities management	39,802	2.35	32,188	2.04
Financial services	32,254	1.90	27,480	1.75
Public administration, social security and social organisations	27,728	1.63	31,502	2.00
Production and supply of electric power, heat, gas and water	25,572	1.51	19,965	1.27
Agricultural, forest, animal husbandry and fishery	12,521	0.74	12,015	0.76
Accommodation and catering	11,233	0.66	15,503	0.98
Others	29,866	1.76	16,814	1.09
Subtotal	1,080,597	63.70	968,734	61.54
Personal loans and advances	615,686	36.30	605,529	38.46
Total	1,696,283	100.00	1,574,263	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 2014		31 December 2013	
	Amount	(%)	Amount	(%)
Unsecured loans	303,902	17.92	272,459	17.31
Guaranteed loans	595,339	35.10	565,010	35.89
Loans secured by				
– tangible assets other than monetary assets	562,420	33.15	529,564	33.64
– monetary assets	234,622	13.83	207,230	13.16
Total	1,696,283	100.00	1,574,263	100.00

(4) Overdue loans analysed by overdue period

	30 June 2014				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	4,071	1,961	964	–	6,996
Guaranteed loans	10,907	6,738	524	11	18,180
Loans secured by					
– tangible assets other than monetary assets	7,240	4,077	793	37	12,147
– monetary assets	6,898	1,352	124	–	8,374
Total	29,116	14,128	2,405	48	45,697
% of total loans and advances	1.72%	0.83%	0.13%	0.01%	2.69%

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers (Continued)

(4) Overdue loans analysed by overdue period (Continued)

	31 December 2013				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	4,173	1,878	354	—	6,405
Guaranteed loans	5,555	3,629	781	8	9,973
Loans secured by					
— tangible assets other than monetary assets	5,755	2,617	353	40	8,765
— monetary assets	1,390	675	113	—	2,178
Total	16,873	8,799	1,601	48	27,321
% of total loans and advances	1.07%	0.56%	0.10%	0.01%	1.74%

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 2014			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,344	19,477	11,995	34,816
Charge for the period	5,090	30	5,211	10,331
Release during the period	(1,952)	(1,574)	—	(3,526)
Reclassification	914	(914)	—	—
Transfer out	(2,367)	—	(2,278)	(4,645)
Write-offs	(1,164)	—	(2,014)	(3,178)
Recoveries	251	—	402	653
Unwinding of discount	(223)	—	(78)	(301)
Exchange gain or loss	1	(5)	—	(4)
At 30 June	3,894	17,014	13,238	34,146

	Year ended 31 December 2013			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,855	17,656	11,587	33,098
Charge for the year	8,478	2,309	4,304	15,091
Release during the year	(1,975)	—	(169)	(2,144)
Reclassification	485	(485)	—	—
Transfer out	(5,731)	—	(1,572)	(7,303)
Write-offs	(1,670)	—	(2,379)	(4,049)
Recoveries	277	—	319	596
Unwinding of discount	(375)	—	(95)	(470)
Exchange gain or loss	—	(3)	—	(3)
At 31 December	3,344	19,477	11,995	34,816

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

20 Investment securities

	Note	30 June 2014	31 December 2013
Available-for-sale securities	(1)	138,383	111,532
Held-to-maturity securities	(2)	151,799	133,124
Loans and receivables	(3)	99,969	37,818
Total		390,151	282,474
Analysed as follows:			
– Listed in Hong Kong		358	357
– Listed outside Hong Kong		286,116	242,754
– Unlisted		103,677	39,363
Total		390,151	282,474

(1) Available-for-sale securities

	30 June 2014	31 December 2013
Debt securities at fair value		
Government		
– listed in Hong Kong	99	98
– listed outside Hong Kong	6,938	5,642
– unlisted	400	786
Policy bank		
– listed outside Hong Kong	64,642	45,471
Banking and non-banking financial institution		
– listed outside Hong Kong	10,900	8,689
– unlisted	62	117
Other corporate		
– listed outside Hong Kong	52,308	50,295
Subtotal	135,349	111,098
Equity investment		
Financial institution securities		
– listed in Hong Kong	259	259
– unlisted	2,775	175
Total	138,383	111,532

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 securities amounted to RMB937 million as at 30 June 2014 (31 December 2013: RMB937 million) and the provision amounted to RMB859 million (31 December 2013: RMB854 million).

The Group did not reclassify any investments securities during the period ended 30 June 2014. The Group has reclassified a total amount of RMB20.09 billion debt securities out of available-for-sale to held-to-maturity securities during the year ended 31 December 2013. As at reporting date, the carrying amount of the above debt securities was RMB18.89 billion (31 December 2013: RMB19.00 billion), and the fair value was RMB19.49 billion (31 December 2013: RMB18.72 billion). The Group would recognize a fair value loss of RMB0.59 billion (31 December 2013: RMB1.36 billion) in other comprehensive income during the year had no reclassification been made on these debt securities. Except from the above, the Group did not reclassify any other investment securities in and out from available-for-sale category in 2013.

(2) Held-to-maturity securities

	30 June 2014	31 December 2013
Government		
— listed outside Hong Kong	87,563	79,479
Policy banks		
— listed outside Hong Kong	42,012	30,385
Banking and non-banking financial institutions		
— listed outside Hong Kong	11,278	8,611
— unlisted	471	467
Other corporate		
— listed outside Hong Kong	10,475	14,182
Total	151,799	133,124
Fair value of listed securities	151,705	128,548

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 2014	31 December 2013
Bond		
— Government	249	332
— Policy bank	180	—
— Banking and non-banking financial institution	3,250	4,115
— Other corporate	3,546	3,373
Trust beneficiary rights	11,332	8,891
Asset management plan	81,412	21,107
Total	99,969	37,818

All of the above receivables are unlisted.

21 Finance lease receivables

	30 June 2014	31 December 2013
Finance lease receivables	103,416	98,801
Less: unearned finance lease income	(14,194)	(14,020)
Present value of minimum finance lease receivables	89,222	84,781
Less: allowance for impairment losses		
— Collective assessment	(1,999)	(1,942)
— Individual assessment	(409)	(296)
Net balance	86,814	82,543

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 2014			31 December 2013		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	33,961	(5,746)	28,215	32,902	(5,573)	27,329
1 year to 2 years	27,367	(3,644)	23,723	26,660	(3,506)	23,154
2 years to 3 years	17,780	(2,147)	15,633	15,847	(1,963)	13,884
3 years to 5 years	15,874	(1,679)	14,195	13,795	(1,516)	12,279
More than 5 years	6,306	(649)	5,657	5,115	(674)	4,441
Indefinite	2,128	(329)	1,799	4,482	(788)	3,694
	103,416	(14,194)	89,222	98,801	(14,020)	84,781

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Property and equipment

	At 1 January 2014	Increase	Decrease	At 30 June 2014
Original cost				
Buildings	9,516	675	—	10,191
Leasehold improvements	5,349	611	—	5,960
Office equipment	5,815	589	(4)	6,400
Motor vehicles	434	29	—	463
Operating lease fixed assets	5,523	5,320	—	10,843
Construction in progress	4,895	684	(75)	5,504
Total	31,532	7,908	(79)	39,361
Accumulated depreciation				
Buildings	(1,550)	(155)	—	(1,705)
Leasehold improvements	(2,725)	(387)	—	(3,112)
Office equipment	(2,696)	(468)	—	(3,164)
Motor vehicles	(240)	(26)	—	(266)
Operating lease fixed assets	(139)	(177)	—	(316)
Total	(7,350)	(1,213)	—	(8,563)
Impairment losses				
Operating lease fixed assets	(80)	—	—	(80)
Total	(80)	—	—	(80)
Net value				
Buildings	7,966	520	—	8,486
Leasehold improvements	2,624	224	—	2,848
Office equipment	3,119	121	(4)	3,236
Motor vehicles	194	3	—	197
Operating lease fixed assets	5,304	5,143	—	10,447
Construction in progress	4,895	684	(75)	5,504
Total	24,102	6,695	(79)	30,718

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Property and equipment (Continued)

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Original cost				
Buildings	7,413	2,103	—	9,516
Leasehold improvements	3,316	2,047	(14)	5,349
Office equipment	4,230	1,840	(255)	5,815
Motor vehicles	383	71	(20)	434
Operating lease fixed assets	1,077	4,605	(159)	5,523
Construction in progress	2,817	3,294	(1,216)	4,895
Total	19,236	13,960	(1,664)	31,532
Accumulated depreciation				
Buildings	(1,303)	(247)	—	(1,550)
Leasehold improvements	(1,846)	(884)	5	(2,725)
Office equipment	(2,213)	(722)	239	(2,696)
Motor vehicles	(213)	(47)	20	(240)
Operating lease fixed assets	(30)	(133)	24	(139)
Total	(5,605)	(2,033)	288	(7,350)
Impairment losses				
Operating lease fixed assets	—	(80)	—	(80)
Total	—	(80)	—	(80)
Net value				
Buildings	6,110	1,856	—	7,966
Leasehold improvements	1,470	1,163	(9)	2,624
Office equipment	2,017	1,118	(16)	3,119
Motor vehicles	170	24	—	194
Operating lease fixed assets	1,047	4,392	(135)	5,304
Construction in progress	2,817	3,294	(1,216)	4,895
Total	13,631	11,847	(1,376)	24,102

As at 30 June 2014 and 31 December 2013, 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 2014	31 December 2013
Held in mainland China		
on long-term lease (over 50 years)	1,229	5
on medium-term lease (10–50 years)	7,096	7,957
on short-term lease (less than 10 years)	3,009	2,628
Total	11,334	10,590

As at 30 June 2014, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB1,550 million (31 December 2013: RMB1,574 million) was still in progress. Management is of the view that the aforesaid matter would not affect the Group's rights to these assets nor have any significant impact on the Group's operations.

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 2014		31 December 2013	
	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	7,414	29,656	7,499	29,996
Employee benefits payable	2,136	8,544	1,905	7,620
Fair value losses of				
— derivatives	564	2,256	471	1,884
— available-for-sale securities	478	1,912	969	3,876
— financial assets at fair value through the profit or loss	25	100	167	668
Others	173	692	193	772
Subtotal	10,790	43,160	11,204	44,816
Deferred income tax liabilities				
Fair value gains of				
— derivatives	(491)	(1,964)	(499)	(1,996)
— available-for-sale securities	(108)	(432)	(20)	(80)
— financial assets at fair value through the profit or loss	(20)	(80)	(2)	(8)
Subtotal	(619)	(2,476)	(521)	(2,084)
Deferred income tax assets, net	10,171	40,684	10,683	42,732

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 2014	7,499	1,607	2,098	11,204	(521)	(521)
Recognised in profit or loss	(85)	(49)	211	77	(10)	(10)
Recognised in other comprehensive income	—	(491)	—	(491)	(88)	(88)
At 30 June 2014	7,414	1,067	2,309	10,790	(619)	(619)
At 1 January 2013	6,995	580	1,634	9,209	(392)	(392)
Recognised in profit or loss	504	285	464	1,253	(191)	(191)
Recognised in other comprehensive income	—	742	—	742	62	62
At 31 December 2013	7,499	1,607	2,098	11,204	(521)	(521)

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

	30 June 2014	31 December 2013
Deferred income tax assets	—	—
Deferred income tax liabilities	(619)	(521)

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

	30 June 2014		31 December 2013	
	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting
Deferred income tax assets	10,171	40,684	10,683	42,732
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 2014	31 December 2013
Minsheng Leasing	2,600	2,600
Minsheng Fund	190	190
Pengzhou Rural Bank	20	20
Cixi Rural Bank	35	35
Songjiang Rural Bank	70	70
Qijiang Rural Bank	30	30
Tongnan Rural Bank	25	25
Meihekou Rural Bank	26	26
Ziyang Rural Bank	41	41
Jiangxia Rural Bank	41	41
Changyuan Rural Bank	26	26
Yidu Rural Bank	26	26
Jiading Rural Bank	102	102
Zhongxiang Rural Bank	36	36
Penglai Rural Bank	51	51
Anxi Rural Bank	51	51
Funing Rural Bank	31	31
Taicang Rural Bank	51	51
Ningjin Rural Bank	20	20
Zhangpu Rural Bank	25	25
Puer Rural Bank	15	15
Jinghong Rural Bank	15	15
Zhidan Rural Bank	7	7
Ningguo Rural Bank	20	20
Yuyang Rural Bank	25	25
Guichi Rural Bank	26	26
Tiantai Rural Bank	31	31
Tianchang Rural Bank	20	20
Tengchong Rural Bank	20	20
Xiang'an Rural Bank	36	36
Linzhi Rural Bank	13	13
Total	3,725	3,725

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 Rural Bank	Sichuan China	Commercial bank	55	Limited company	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	100	Limited company	35	35
Songjiang Rural Bank	Shanghai China	Commercial bank	150	Limited company	35	35
Qijiang Rural Bank	Chongqing China	Commercial bank	60	Limited company	50	50
Tongnan Rural Bank	Chongqing China	Commercial bank	50	Limited company	50	50
Meihekou Rural Bank	Jilin China	Commercial bank	50	Limited company	51	51
Ziyang Rural Bank	Sichuan China	Commercial bank	80	Limited company	51	51
Jiangxia Rural Bank	Hubei China	Commercial bank	80	Limited company	51	51
Changyuan Rural Bank	Henan China	Commercial bank	50	Limited company	51	51
Yidu Rural Bank	Hubei China	Commercial bank	50	Limited company	51	51
Jiading Rural Bank	Shanghai China	Commercial bank	200	Limited company	51	51
Zhongxiang Rural Bank	Hubei China	Commercial bank	70	Limited company	51	51
Penglai Rural Bank	Shandong China	Commercial bank	100	Limited company	51	51
Anxi Rural Bank	Fujian China	Commercial bank	100	Limited company	51	51
Funing Rural Bank	Jiangsu China	Commercial bank	60	Limited company	51	51
Taicang Rural Bank	Jiangsu China	Commercial bank	100	Limited company	51	51
Ningjin Rural Bank	Hebei China	Commercial bank	40	Limited company	51	51
Zhangpu Rural Bank	Fujian China	Commercial bank	50	Limited company	51	51

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 Rural Bank	Yunnan China	Commercial bank	30	Limited company	51	51
Jinghong Rural Bank	Yunnan China	Commercial bank	30	Limited company	51	51
Zhidan Rural Bank	Shaanxi China	Commercial bank	15	Limited company	51	51
Ningguo Rural Bank	Anhui China	Commercial bank	40	Limited company	51	51
Yuyang Rural Bank	Shaanxi China	Commercial bank	50	Limited company	51	51
Guichi Rural Bank	Anhui China	Commercial bank	50	Limited company	51	51
Tiantai Rural Bank	Zhejiang China	Commercial bank	60	Limited company	51	51
Tianchang Rural Bank	Anhui China	Commercial bank	40	Limited company	51	51
Tengchong Rural Bank	Yunnan China	Commercial bank	40	Limited company	51	51
Xiang'an Rural Bank	Fujian China	Commercial bank	70	Limited company	51	51
Linzi Rural Bank	Tibet China	Commercial bank	25	Limited company	51	51

All interests in subsidiaries are directly held by the Bank.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Other assets

	Note	30 June 2014			31 December 2013		
		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		15,671	—	15,671	14,651	—	14,651
Prepayments for leased assets	(1)	12,771	(159)	12,612	12,409	(152)	12,257
Interest receivable	(2)	15,174	—	15,174	12,339	—	12,339
Repossessed assets	(3)	6,405	(57)	6,348	2,183	(57)	2,126
Intangible assets	(4)	5,263	—	5,263	5,392	—	5,392
Investment properties		3,944	—	3,944	3,563	—	3,563
Prepayment of decoration		2,834	—	2,834	2,629	—	2,629
Commission receivable		1,509	—	1,509	1,156	—	1,156
Prepayment of properties		1,409	—	1,409	1,678	—	1,678
Prepayment of rent and deposits		928	—	928	848	—	848
Claims and legal fees recoverable		337	(96)	241	268	(77)	191
Prepayment of equipment		308	—	308	283	—	283
Long-term deferred expenses		237	—	237	214	—	214
Others		3,251	(5)	3,246	1,341	(5)	1,336
Total		70,041	(317)	69,724	58,954	(291)	58,663

(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 2014	31 December 2013
Loans and advances to customers	5,371	4,961
Investment securities	6,248	4,903
Others	3,555	2,475
Total	15,174	12,339

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Other assets (Continued)

(3) Repossessed assets

Repossessed assets include buildings, machinery and equipment. The Group did not dispose any repossessed assets during the period ended 30 June 2014 (31 December 2013: RMB36 million).

(4) Intangible assets

	At 1 January 2014	Increase	Decrease	At 30 June 2014
Cost	6,850	137	—	6,987
Accumulated amortisation	(1,458)	(266)	—	(1,724)
Net value	5,392	(129)	—	5,263

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Cost	5,876	974	—	6,850
Accumulated amortisation	(915)	(543)	—	(1,458)
Net value	4,961	431	—	5,392

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 2014				At 30 June
		At 1 January	Charge	Transfer in/ (out)	Write-offs	
Loans and advances to customers	19	34,816	6,805	(4,297)	(3,178)	34,146
Available-for-sale securities	20(1)	854	—	5	—	859
Finance lease receivables	21	2,238	312	(56)	(86)	2,408
Other		371	101	57	—	529
Total		38,279	7,218	(4,291)	(3,264)	37,942

		Year ended 31 December 2013				At 31 December
		At 1 January	Charge	Transfer out	Write-offs	
Loans and advances to customers	19	33,098	12,947	(7,180)	(4,049)	34,816
Available-for-sale securities	20(1)	863	—	(9)	—	854
Finance lease receivables	21	1,598	692	(2)	(50)	2,238
Other		363	60	(38)	(14)	371
Total		35,922	13,699	(7,229)	(4,113)	38,279

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

27 Deposits from customers

	30 June 2014	31 December 2013
Demand deposits		
– Corporate deposits	674,096	677,725
– Personal deposits	152,653	132,703
Time deposits (including call and notice deposits)		
– Corporate deposits	1,138,037	951,778
– Personal deposits	443,495	378,241
Outward remittance and remittance payables	5,995	4,258
Certificates of deposit	6,301	1,984
Total	2,420,577	2,146,689

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

	30 June 2014	31 December 2013
Pledged deposits for bank acceptances	319,661	268,516
Pledged deposits for letters of credit and guarantees	54,485	46,946
Other pledged deposits	55,586	70,741
Total	429,732	386,203

28 Deposits and placements from banks and other financial institutions

	30 June 2014	31 December 2013
Mainland China		
– Banks	242,624	273,850
– Other financial institutions	305,264	288,200
Overseas		
– Banks	10,904	11,627
Total	558,792	573,677

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 2014	31 December 2013
Discounted bills	5,598	6,931
Investment securities	67,042	48,598
Finance lease receivables	6,280	9,038
Total	78,920	64,567

As at 30 June 2014, the balances under repurchase agreements include bills transactions with the PBC amounting to RMB5,598 million (31 December 2013: RMB6,915 million).

30 Borrowings from banks and other financial institutions

	30 June 2014	31 December 2013
Credit borrowings	80,120	73,809
Secured borrowings		
— by monetary assets	610	702
— by tangible assets other than monetary assets	9,543	6,919
Total	90,273	81,430

As at 30 June 2014, the secured borrowings by monetary assets of RMB610 million (31 December 2013: RMB702 million) were secured by the finance lease receivables of RMB288 million (31 December 2013: RMB339 million) and beneficial right on operational property of RMB1,092 million (31 December 2013: RMB1,092 million). The secured borrowings of RMB9,543 million (31 December 2013: RMB6,919 million) were secured by the assets under financial lease receivable of RMB6,558 million (31 December 2013: RMB7,000 million) and other assets of RMB509 million (31 December 2013: RMB242 million), with property and equipment of RMB4,721 million as collateral (31 December 2013: RMB1,309 million). There was no remaining credit limit under such secured borrowings (31 December 2013: nil).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued

	Note	30 June 2014	31 December 2013
Financial bonds	(1)	49,955	49,949
Tier two capital bonds	(2)	19,972	—
Convertible corporate bonds	(3)	17,354	16,976
Subordinated bonds	(4)	15,764	15,762
Hybrid capital bonds	(5)	9,282	9,281
Certificates of interbank deposit	(6)	4,751	—
Total		117,078	91,968

(1) Financial bonds

	Note	30 June 2014	31 December 2013
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	29,972	29,968
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	19,983	19,981
Total		49,955	49,949

(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) Tier two capital bonds

	Note	30 June 2014	31 December 2013
RMB20 billion — 15-year fixed rate tier two capital bonds 2014	(i)	19,972	—

- (i) RMB20.0 billion worth of fixed-tier two capital bonds were issued in 2014, with a term of 15 years, and a fixed coupon rate of 6.60% per annum. According to the terms, the Bank has the option to redeem all or part of the subordinated bonds at par value in the period from the last day of the fifth year to the maturity date.

(3) Convertible corporate bonds

		30 June 2014	31 December 2013
RMB20 Billion — 6-year fixed rate convertible corporate bonds 2013		17,354	16,976

Pursuant to the approval by China Securities Regulatory Commission (“CSRC”), on 15 March 2013, the Bank issued A-share convertible corporate bonds with total par value of RMB20 billion on the 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)

(3) 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 2014, the conversion price was adjusted from RMB10.23 per share to RMB8.18 per share, as a result of paying cash dividends of A share and H share.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued (Continued)

(3) Convertible corporate bonds (Continued)

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

	Liability component	Equity component	Total
Nominal value of convertible corporate bonds	16,469	3,531	20,000
Less: direct transaction costs	(72)	(16)	(88)
Balance as at the issuance date	16,397	3,515	19,912
Conversion	(5)	(1)	(6)
Amortisation	584	—	584
Balance as at 31 December 2013	16,976	3,514	20,490
Conversion	(4)	—	(4)
Amortisation	382	—	382
Balance as at 30 June 2014	17,354	3,514	20,868

(4) Subordinated bonds

	Note	30 June 2014	31 December 2013
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(i)	5,990	5,989
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(ii)	3,992	3,992
RMB5.8 billion — 10-year subordinated fixed rate bonds 2010	(iii)	5,782	5,781
Total		15,764	15,762

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued (Continued)

(4) Subordinated bonds (Continued)

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

- (ii) 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 par 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 par 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)

(5) Hybrid capital bonds

	Note	30 June 2014	31 December 2013
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	3,318	3,317
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	1,671	1,671
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(iii)	3,295	3,295
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(iv)	998	998
Total		9,282	9,281

- (i) RMB3.325 billion worth of fixed-rate hybrid capital bonds were issued in 2009, with a term of 15 years. The fixed coupon rate is 5.70% per annum for the first 10 years. And if the Bank does not exercise early redemption right, from the 11th year onward, the coupon rate will increase to 8.70% per annum.
- (ii) RMB1.675 billion worth of floating-rate hybrid capital bonds were issued in 2009, with a term of 15 years. The floating rate is based on the one-year time deposit rate published by the PBC plus a spread of 3.00% per annum for the first 10 years. If the Bank does not exercise early redemption right, from the 11th year onward, the spread will increase to 6.00% per annum.
- (iii) RMB3.3 billion worth of fixed-rate hybrid capital bonds were issued in 2006, with a term of 15 years. The fixed coupon rate is 5.05% per annum for the first 10 years. And if the Bank does not exercise early redemption right, from the 11th year onward, the coupon rate will increase to 8.05% per annum.
- (iv) RMB1.0 billion worth of floating-rate hybrid capital bonds were issued in 2006, with a term of 15 years. The floating rate is based on the one-year time deposit rate published by the PBC plus a spread of 2.00% per annum for the first 10 years. If the Bank does not exercise early redemption right, from the 11th year onward, the spread will increase to 3.00% per annum.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued (Continued)

(5) 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.

(6) Certificates of interbank deposit

The Bank issued interbank deposits with par value of RMB4,800 million which will be matured in 2014.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Other liabilities

	Note	30 June 2014	31 December 2013
Interest payable	(1)	30,401	27,749
Items in the process of clearance and settlement		11,640	4,039
Guarantee deposits for finance lease		9,178	7,391
Employee benefits payable	(2)	8,669	7,682
Other tax payable	(3)	2,513	2,637
Deferred fee and commission income		1,151	1,333
Receipt in advance		717	2,242
Dividend payable		462	54
Suspense balance of wealth management products		349	450
Payable of equipment purchase		305	341
Accrued expenses		265	248
Withholding tax payable		89	6
Others		2,712	2,469
Total		68,451	56,641

(1) Interest payable

	30 June 2014	31 December 2013
Deposits from customers	22,807	19,142
Deposits from banks and other financial institutions	5,341	5,129
Debt securities issued	1,382	2,596
Borrowings from banks and other financial institutions	673	628
Others	198	254
Total	30,401	27,749

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 2014	Increase	Decrease	At 30 June 2014
Salaries, bonuses and allowances	6,311	7,276	(5,831)	7,756
Staff welfare fees	—	658	(658)	—
Social insurance	1,267	1,616	(2,216)	667
Housing fund	99	444	(359)	184
Labour union fee, staff and workers' education fee	5	185	(128)	62
Total	7,682	10,179	(9,192)	8,669

	At 1 January 2013	Increase	Decrease	At 31 December 2013
Salaries, bonuses and allowances	6,572	13,264	(13,525)	6,311
Staff welfare fees	—	1,797	(1,797)	—
Social insurance	1,051	2,721	(2,505)	1,267
Housing fund	63	832	(796)	99
Labour union fee, staff and workers' education fee	25	531	(551)	5
Total	7,711	19,145	(19,174)	7,682

(3) Other tax payable

	30 June 2014	31 December 2013
Business tax payable	1,952	2,030
Others	561	607
Total	2,513	2,637

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

33 Share capital and capital reserve

	30 June 2014	31 December 2013
Common shares listed in Mainland China (A share)	27,106	22,588
Common shares listed in Hong Kong (H share)	6,934	5,778
Total shares	34,040	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 of RMB49,235 million as at 30 June 2014 (31 December 2013: RMB49,234 million) mainly represents capital premium and equity component of convertible bonds.

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.

For the six months ended 30 June, 2014, the Bank appropriated RMB564 million as statutory surplus reserve (for the year ended 31 December 2013: RMB4,126 million), which has been approved by Board of Directors on 28 August 2014, while it is still subject to Shareholders' meeting approval. The Bank did not appropriate discretionary surplus reserve during the six months ended 30 June, 2014 and the year ended 31 December, 2013.

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 2014, pursuant to the *Measures for Managing the Appropriation of Provisions of Financial Enterprises* (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

Pursuant to the resolution of the meeting of Board of Directors held on 28 August 2014, the Bank appropriated RMB45 million of profits recorded to the general reserve during the period ended 30 June 2014 (For the year ended 31 December 2013: RMB2,900 million).

In addition, 29 Rural Banking subsidiaries and Minsheng Leasing of the Group also appropriated 1.5% of the balance of risk-bearing assets as at 30 June 2014 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 RMB42 million (for the year ended 31 December 2013: RMB217 million) to the general reserve for the period ended 30 June 2014, including RMB22 million (for the year ended 31 December 2013: RMB107 million) attributable to the Bank.

(3) Retained earnings

As at 30 June 2014, the retained earnings included the statutory surplus reserve of RMB232 million contributed by the subsidiaries and attributable to the Bank (31 December 2013: RMB232 million). There was no appropriation made by the subsidiaries for the period ended 30 June 2014 (for the year ended 31 December 2013: RMB80 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 2014	31 December 2013
Tianjin Fortune Real Estate Co., Ltd.	1,284	1,191
Beijing Dayixingye Real Estate Development Corp., Ltd.	963	893
Shanghai Guozhijie Investment Development Corp., Ltd.	856	794
Jiangsu Sunshine Group Corp., Ltd.	642	596
Shanghai Guozheng Investment Management Corp., Ltd.	642	596
Guangzhou Ziquan Real Estate Development Corp., Ltd.	428	397
China Century Investment Corp., Ltd.	428	397
Shengjiinda Investment Corp., Ltd.	96	89
Royal Bank of Canada	68	52
Others	1,693	1,570
Total	7,100	6,575

36 Dividends

The Board of Directors approved the cash dividend distribution plan for the first half of 2014 during the meeting of the Board of Directors held on 28 August 2014. The cash dividend declared was RMB0.75 (before tax) for every 10 shares. Cash dividend total RMB2,553 million based on total stock of 34,040 million as of 30 June 2014. Since the convertible bond of the Bank is still under conversion period, the total amount of equity stock at the date of registry cannot be determined, and the actual total amount of cash dividends will depend on that. While it is still subject to Shareholders' meeting approval.

The shareholders approved the cash dividend and stock dividend distribution plan for the second half of 2013 during the Annual General Meeting held on 10 June 2014. The cash dividends declared was RMB1.00 (before tax) for every 10 shares, totaling RMB2,837 million; and the stock dividends declared was 2 shares for every 10 shares, totaling RMB5,674 million.

Pursuant to the approval by the shareholders on the 2013 Interim Profit Distribution Policy during the 2012 Annual General Meeting, the Board of Directors approved the cash dividend distribution plan for the first half of 2013 on 28 August 2013. The cash dividend declared was RMB1.58 (before tax) for every 10 shares, totaling 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, totaling RMB4,255 million.

37 Investment revaluation reserve

	Six months ended 30 June 2014	Year ended 31 December 2013
At 1 January	(2,842)	(427)
Changes in fair value of available-for-sale securities	2,698	(3,127)
Less: deferred income tax	(675)	782
Transfer to profit or loss upon disposal	(15)	(182)
Less: deferred income tax	4	45
Transfer to profit or loss due to amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	(368)	90
Less: deferred income tax	92	(23)
At 30 June/31 December	(1,106)	(2,842)

38 Cash and cash equivalents

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

	30 June 2014	30 June 2013
Cash (Note 13)	9,927	7,705
Surplus deposit reserve with central bank (Note 13)	47,044	45,810
Original maturity within 3 months:		
– Balances with banks and other financial institutions	79,541	106,114
– Placements with banks and other financial institutions	47,233	22,703
– PBC bills	—	100
Total	183,745	182,432

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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.

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 2014	31 December 2013
Bank acceptances	607,106	522,849
Letters of credit	188,900	126,934
Guarantees	157,437	105,711
Re-factoring	342	22,433
Unused credit card commitments	45,466	40,377
Irrevocable loan commitments		
— original maturity date within 1 year	1,049	2,109
— original maturity date over 1 year (inclusive)	1,909	2,234
Finance lease commitments	2,877	2,109
Total	1,005,086	824,756

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

39 Contingent liabilities and commitments (Continued)

(2) Capital commitments

	30 June 2014	31 December 2013
Contracted but not paid for	7,932	8,557
Authorised but not contracted for	9	7
Total	7,941	8,564

(3) Operating lease commitments

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

	30 June 2014	31 December 2013
Within 1 year	4,096	3,441
After 1 year but within 5 years	10,534	8,912
After 5 years	3,657	4,528
Total	18,287	16,881

(4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments as at 31 December 2013, in material respects, as specified in the contracts.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

39 Contingent liabilities and commitments (Continued)

(5) Assets pledged

	30 June 2014	31 December 2013
Investment securities	63,657	48,599
Finance lease receivables	13,126	16,931
Property and equipment	5,813	2,401
Discounted bills	5,534	6,777
Other assets	509	242
Total	88,639	74,950

The discounted bills held under resale agreements can be sold directly or re-pledged to other financial institutions under repurchase agreements. As at 30 June 2014, the fair value of such discounted bills held under resale agreements is approximately RMB407,095 million (31 December 2013: RMB383,494 million), of which approximately RMB4,679 million have been sold or re-pledged under repurchase agreements (31 December 2013: RMB6,496 million) and the Group has an obligation to return them to its original counterparties.

(6) Underwriting of securities

	30 June 2014	31 December 2013
Medium- and short-term finance bills	93,169	60,300

(7) Redemption commitments

As an underwriting agent of certificated PRC government bonds, the Bank has the obligation to repurchase 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 2014 was RMB6,575 million (31 December 2013: RMB7,477 million). The original maturities of the bonds vary from one to five years.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

39 Contingent liabilities and commitments (Continued)

(8) Outstanding litigation

As at 30 June 2014, the Group was the defendant in certain pending litigations and disputes. Provisions have been made for the estimated losses of these litigations based upon the opinion of the Group's internal and external legal counsel. The Group's management considers that such litigation will not have a significant financial impact on the Group.

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 balance of investment fund under custodian by the Group was RMB55,397 million as at 30 June 2014 (31 December 2013: RMB57,906 million). The balance of corporate annuity funds under custodian by the Group was RMB12,240 million as at 30 June 2014 (31 December 2013: RMB9,836 million). The balance of entrusted credit assets under management by the Group was RMB1,152 million as at 30 June 2014 (31 December 2013: RMB2,423 million). And the Group's balances of entrusted loans were RMB314,940 million as at 30 June 2014 (31 December 2013: RMB118,818 million).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Involvement with unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include trust beneficiary plan, specialised asset management plans and asset-backed financings and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors including the Group.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2014 in the structured entities sponsored by third party institutions:

	30 June 2014	
	Carrying amount	Maximum exposure
Trust beneficiary plan	161,463	161,463
Specialised asset management plan	84,612	84,612
Asset-backed financing bonds	4,489	4,489
Total	250,564	250,564

	31 December 2013	
	Carrying amount	Maximum exposure
Trust beneficiary plan	127,955	127,955
Specialised asset management plan	63,892	63,892
Asset-backed financing bonds	526	526
Total	192,373	192,373

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Involvement with unconsolidated structured entities (Continued)

(1) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The following table sets out an analysis of the line items in the statement of financial position as at 30 June 2014 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2014		
	Held-to-maturity securities	Available-for-sale securities	Financial assets held under resale agreements
Trust beneficiary plan	11,332	—	150,131
Specialised asset management plan	81,412	—	3,200
Asset-backed financing bonds	410	4,079	—
Total	93,154	4,079	153,331

	31 December 2013		
	Held-to-maturity securities	Available-for-sale securities	Financial assets held under resale agreements
Trust beneficiary plan	8,891	—	119,064
Specialised asset management plan	21,107	—	42,785
Asset-backed financing bonds	377	149	—
Total	30,375	149	161,849

The maximum exposures to loss in the above trust beneficiary plan, segregated asset management plans are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

41 Involvement with unconsolidated structured entities (Continued)

(2) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include investment funds and non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 30 June 2014 and 31 December 2013, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at 30 June 2014, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, are RMB311.60 billion and RMB395.75 billion respectively (31 December 2013: RMB287.17 billion and RMB164.20 billion).

(3) Structured entities sponsored by the Group during the reporting period which the Group does not consolidate and holds an interest at 30 June 2014

During the period ended 30 June 2014, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB2.35 billion (for the year ended 31 December 2013: RMB5.12 billion), including the amount of RMB2.06 billion and RMB0.29 billion from investment funds and non-principal-guaranteed wealth management products, respectively (for the year ended 31 December 2013: RMB4.90 billion and RMB0.22 billion).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2014 but matured before 30 June 2014 is RMB341.87 billion (for the year ended 31 December 2013: RMB1,210.45 billion).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Fair value of financial instruments

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange-traded derivatives like futures (e.g. Nasdaq, S&P 500).
- Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters.
- Level 3: unobservable inputs for assets or liabilities. This level includes equity investments and debt instruments with one or more than one significant unobservable component. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2014, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

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

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Fair value of financial instruments (Continued)

(1) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2014			
	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through the profit or loss				
— Debt securities	—	25,427	—	25,427
— Investment fund	—	25	—	25
Financial assets designated at fair value through profit or loss				
— Debt securities	—	1,944	—	1,944
Derivative financial assets				
— Interest rate contracts	—	483	—	483
— Exchange rate contracts	—	1,482	—	1,482
— Others	—	33	—	33
Available-for-sale financial assets				
— Debt securities	99	135,188	62	135,349
— Equity investments	259	2,775	—	3,034
Total	358	167,357	62	167,777
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
— Interest rate contracts	—	(449)	—	(449)
— Exchange rate contracts	—	(1,810)	—	(1,810)
— Others	—	(49)	—	(49)
Total	—	(2,308)	—	(2,308)

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Fair value of financial instruments (Continued)

(1) Financial instruments recorded at fair value (Continued)

	31 December 2013			Total
	Level 1	Level 2	Level 3	
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through the profit or loss				
– Debt securities	—	19,845	—	19,845
Financial assets designated at fair value through profit or loss				
– Debt securities	—	2,417	—	2,417
Derivative financial assets				
– Interest rate contracts	—	719	—	719
– Exchange rate contracts	—	1,267	—	1,267
Available-for-sale financial assets				
– Debt securities	129	110,852	117	111,098
– Equity investments	259	175	—	434
Total	388	135,275	117	135,780
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
– Interest rate contracts	—	(621)	—	(621)
– Exchange rate contracts	—	(1,261)	—	(1,261)
– Others	—	(1)	—	(1)
Total	—	(1,883)	—	(1,883)

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Fair value of financial instruments (Continued)

(2) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period:

	Six months ended 30 June 2014		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	117	—	117
— in profit or loss	(5)	—	(5)
— in other comprehensive income	14	—	14
Settlements	(64)	—	(64)
At 30 June	62	—	62
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	(3)	—	(3)

	2013		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	133	—	133
— in profit or loss	9	—	9
— in other comprehensive income	8	—	8
Settlements	(33)	—	(33)
At 31 December	117	—	117
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	22	—	22

(3) Transfers between levels

During six months ended 30 June 2014, the transfers among level 1, level 2 and level 3 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Fair value of financial instruments (Continued)

(4) Fair value of financial assets and liabilities not carried at fair value

- a Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, finance lease receivables, deposits and placements 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.

- 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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Fair value of financial instruments (Continued)

(4) Fair value of financial assets and liabilities not carried at fair value (Continued)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of held-to-maturity investments, loans and receivables, loans and advances to customers, debt securities issued and deposits from customers:

	30 June 2014					31 December 2013	
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value amount
Financial assets							
Loans and receivables	99,969	99,744	—	99,744	—	37,818	37,402
Loans and advances to customers	1,662,137	1,743,553	—	1,743,553	—	1,539,447	1,574,603
Held-to-maturity securities	151,799	151,705	—	151,705	—	133,124	128,548
Total	1,913,905	1,995,002	—	1,995,002	—	1,710,389	1,740,553
Financial liabilities							
Deposits from customers	2,420,577	2,506,175	—	2,506,175	—	2,146,689	2,219,088
Financial bonds	49,955	49,409	—	49,409	—	49,949	47,675
Tier two capital bonds	19,972	20,925	—	20,925	—	—	—
Convertible corporate bonds	17,354	20,049	—	20,049	—	16,976	19,382
Subordinated bonds	15,764	15,281	—	15,281	—	15,762	15,316
Hybrid capital bonds	9,282	9,633	—	9,633	—	9,281	8,885
Certificates of interbank deposit	4,751	4,742	—	4,742	—	—	—
Total	2,537,655	2,626,214	—	2,626,214	—	2,238,657	2,310,346

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions

(1) Related parties

Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, or joint control of another party. Related parties can be individuals or enterprises. Related parties that have significant influence on the Group include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; major shareholders with the power to influence the Bank's operating or financial policies, and entities controlled or jointly controlled by these major shareholders.

The detailed information of the Bank's subsidiaries is set out in Note 24.

(2) Related party transactions

(i) Pricing policy

Transactions between the Group and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(ii) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	30 June 2014	31 December 2013
Legend Holdings Ltd.	Guaranteed	3,600	440
Sinopharm Group Co., Ltd. and its subsidiaries	Pledged	864	980
	Guaranteed	300	163
Wuxi Giant Pharmaceutical Co., Ltd.	Guaranteed	400	400
Good First Group Co., Limited	Guaranteed	360	330
	Pledged	95	—
	Collateralised	—	100
Shanghai Goldpartner Biotech Co., Ltd.	Guaranteed	300	300
Jiangxi Xindi Investment Co., Ltd.	Guaranteed	294	300
Sichuan Minjiang Snow Salinization Co., Ltd.	Pledged	100	148
	Collateralised	—	8
Wuxi Giant Bioengineering Co., Ltd.	Guaranteed	100	100
Southwest Jiaotong University Hope College	Collateralised	80	—
Sichuan Tianyi University	Collateralised	80	—
Shanghai Lujiazui Finance Trade Zone United Development Company	Guaranteed	67	—
Chengdu Mayflower Computer School	Guaranteed	50	50
Jinan Qilipu Market Co., Ltd.	Guaranteed	18	18
Jinzhou Port Co., Ltd.	Guaranteed	5	—
Orient Group Incorporation	Pledged	—	500
Chengdu Minjiang Snow Chemical Industry Co., Ltd.	Collateralised	—	50
Individuals	Collateralised	109	95
Total		6,822	3,982
Ratio to similar transactions (%)		0.41	0.26

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(ii) Loans to related parties (Continued)

Amount of transactions:

	Six months ended 30 June	
	2014	2013
Interest income from loans	104	95
Ratio to similar transactions (%)	0.11	0.11

As at 30 June 2014, none of the above loans are found to be impaired individually (31 December 2013: nil).

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(iii) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	30 June 2014		31 December 2013	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Balances with banks and other financial institutions	—	—	3,860	4.34
Placements with banks and other financial institutions	741	0.46	287	0.27
Financial assets held under resale agreements	1,480	0.26	—	—
Investment securities:				
— available-for-sale securities	553	0.40	254	0.23
— held-to-maturity securities	80	0.05	80	0.06
Finance lease receivables	483	0.56	498	0.60
Other assets	82	0.11	30	0.05
Deposits from customers	36,766	1.52	36,348	1.69
Deposits and placements from banks and other financial institutions	8,182	1.48	420	0.07
Other liabilities	791	1.16	1,057	1.87

The Group's interest income arising from the above related-party transactions for the six months ended 30 June 2014 is RMB65 million (for the six months ended 30 June 2013: RMB28 million), accounting for 0.07% (for the six months ended 30 June 2013: 0.03%) of that of similar transactions, and the interest expense is RMB985 million (for the six months ended 30 June 2013: RMB844 million), accounting for 1.95% (for the six months ended 30 June 2013: 1.74%) 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)

43 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 2014		31 December 2013	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Guarantees	327	0.21	700	0.66
Bank acceptances	1,608	0.26	48	0.01
Operating lease commitments	110	0.60	110	0.65
Letters of credit	3	0.01	—	—

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

	30 June 2014		31 December 2013	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	2,419	0.15	1,698	0.11
Discounted bills under resale agreements, issued by related parties	679	0.17	249	0.06
Discounted bills issued by related parties	203	0.63	10	0.03

None of the above related party transactions have a material impact on the Group's profit or loss for the six months ended 30 June 2014 and 30 June 2013, and the Group's financial position as at 30 June 2014 and 31 December 2013.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

(iv) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the six months ended 30 June 2014 and for the six months ended 30 June 2013.

(v) Transactions with key management personnel

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

The Group enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management amounted to RMB80 million as at 30 June 2014 (31 December 2013: RMB65 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB32 million for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RMB38 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 2014 and for the six months ended 30 June 2013.

(vi) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	30 June 2014	31 December 2013
Balances with banks and other financial institutions	358	52
Placements with banks and other financial institutions	861	—
Other assets	305	300
Deposits and placements from banks and other financial institutions	4,289	6,468
Other liabilities	8	10

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Related party transactions (Continued)

(2) Related party transactions (Continued)

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

Amount of transactions for the reporting period:

	Six months ended 30 June	
	2014	2013
Interest income	13	4
Interest expense	57	64
Fee and commission income	16	29
Operating expenses	71	53

For the period ended 30 June 2014, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 30 June 2014, the balance of the above transactions was RMB286 million (31 December 2013: RMB140 million).

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

44 Subsequent events

Up to the approval date of the financial statements, other than the dividends distribution plan set out in Note 36, the Group had no material subsequent events for disclosure.

45 Comparative figures

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity ratios

	30 June 2014	31 December 2013
RMB current assets to RMB current liabilities	43%	29%
Foreign currency current assets to foreign currency current liabilities	101%	96%

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 2014			
	USD	HKD	Others	Total
Spot assets	141,059	6,279	17,041	164,379
Spot liabilities	(116,910)	(12,215)	(14,819)	(143,944)
Forward purchases	152,535	18,488	9,338	180,361
Forward sales	(146,336)	(15,761)	(14,667)	(176,764)
Net long/(short) position*	30,348	(3,209)	(3,107)	24,032

	31 December 2013			
	USD	HKD	Others	Total
Spot assets	111,572	6,416	7,939	125,927
Spot liabilities	(77,688)	(11,210)	(7,891)	(96,789)
Forward purchases	96,953	11,362	1,739	110,054
Forward sales	(101,023)	(3,654)	(3,819)	(108,496)
Net long/(short) position*	29,814	2,914	(2,032)	30,696

* 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 2014				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	7,688	5,847	1,068	1,215	15,818
Allowance for impairment losses					
– Individual assessment	2,145	1,287	241	221	3,894
– Collective assessment	1,243	584	133	187	2,147

	31 December 2013				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	5,824	5,333	633	1,614	13,404
Allowance for impairment losses					
– Individual assessment	1,381	1,226	134	603	3,344
– Collective assessment	1,012	499	122	160	1,793

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

	30 June 2014				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	6,810	6,399	1,716	1,656	16,581
Allowance for impairment losses					
– Individual assessment	2,144	1,258	241	218	3,861
– Collective assessment	62	(423)	(1)	212	(150)

	31 December 2013				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	4,916	3,937	578	1,017	10,448
Allowance for impairment losses					
– Individual assessment	1,114	723	121	115	2,073
– Collective assessment	1,292	933	159	252	2,636

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

4 Cross-border claims

	30 June 2014				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	2,483	11,923	2,760	16	17,182
Public sector entities	400	—	—	—	400
Others	51,024	307	165	2,491	53,987
Total	53,907	12,230	2,925	2,507	71,569

	31 December 2013				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	6,666	5,971	1,416	—	14,053
Public sector entities	786	—	—	—	786
Others	20,823	10,124	118	9,367	40,432
Total	28,275	16,095	1,534	9,367	55,271

Index of Documents for Inspection

- I. Financial statements bearing the signatures and seals of the legal representative, the principal accountant and the manager of the accounting department
- II. Original copy of the interim report duly signed by the Directors and senior management of the Company
- III. All original copies of documents and announcements disclosed to the public by the Company during the Reporting Period in China Securities Journal, Shanghai Securities News and Securities Times
- IV. Articles of Association of the Company



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