



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

STOCK CODE : 01988



2015

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 2015 at the 24th meeting of the sixth session of the Board of the Company. Of the 17 Directors who were entitled to attend the meeting, eight Directors attended the meeting in person, four Directors attended by teleconference, three Directors were represented by proxy and two Directors did not attend the meeting.

According to the profit distribution plan for the first half of 2015 passed by the Board, on the basis of the total share capital of the Company as at the record date for the purpose of profit distribution, a cash dividend of RMB0.75 (before tax) for every 10 shares will be distributed to shareholders of the Company. Such profit distribution plan shall be subject to the approval of the shareholder's 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 IFRS. Unless otherwise specified, all amounts are the consolidated data of the Group and are denominated in RMB.

The financial statements in this interim report were not audited.

Board of Directors
China Minsheng Banking Corp., Ltd.

Hong Qi (Chairman, Acting President) and Bai Dan (senior management responsible for finance and accounting) warrant the truthfulness, accuracy 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.

“Bank” or “Company” or “China Minsheng Bank” or “Minsheng Bank”	China Minsheng Banking Corp., Ltd.
“Board”	board of directors of the Company
“CMBC International”	CMBC International Holdings Limited
“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
“Director”	a director of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Hong Kong Stock Exchange
“Minsheng Financial Leasing”	Minsheng Financial Leasing Co., Ltd.
“Minsheng Royal Fund”	Minsheng Royal Fund Management Co., Ltd.
“Minsheng Royal Asset Management”	Minsheng Royal Asset 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
“Phoenix Project” (鳳凰計劃)	a comprehensive customer-oriented plan for strategic transformation and restructuring of the Bank in response to the liberalization of interest rate
“Reporting Period”	the period from 1 January 2015 to 30 June 2015
“RMB”	Renminbi
“SBU(s)”	strategic business unit(s)
“SSE”	Shanghai Stock Exchange
“Supervisor”	a supervisor of the Company
“Supervisory Board”	supervisory board of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Yuan”	Renminbi yuan
“%”	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
- Authorized Representatives: Qin Rongsheng
Soon Yuk Tai
- Board Secretary:
Joint Company Secretaries: Wan Qingyuan
Representatives of Securities Affairs: He Qun
Wang Honggang
- Mailing Address: China Minsheng Bank Building,
No. 2 Fuxingmennei Avenue, Xicheng District,
Beijing, China
Postal Code: 100031
Telephone: 86-10-68946790
Facsimile: 86-10-58560720
Email: cmbc@cmbc.com.cn
- 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 the interim report are available at the office of the Board.

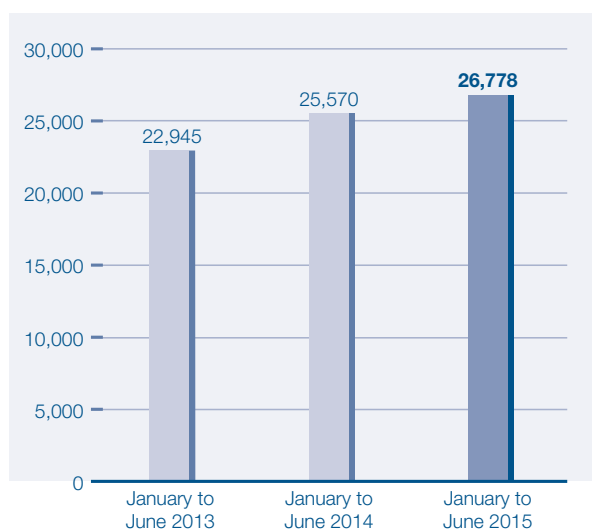
9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office
 Legal Adviser as to Clifford Chance
 Hong Kong Law:
10. Domestic Accounting Firm: KPMG Huazhen Certified Public Accountants
 (Special General Partnership)
 Office Address: 8th Floor, Tower E2, Oriental Plaza,
 No. 1 East Chang An Avenue, 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: Shops 1712–1716, 17th Floor, Hopewell Centre,
 183 Queen's Road East, Wanchai, 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
 Subsequent Change: 20 November 2007
 Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Registration Number of
 Corporate Business License: 100000000018983
16. Registration Number of
 Tax Certificate: Jing Guo Shui Dong Zi 110101100018988
 Di Shui Jing Zi 110101100018988000

Summary of Financial Data and Indicators

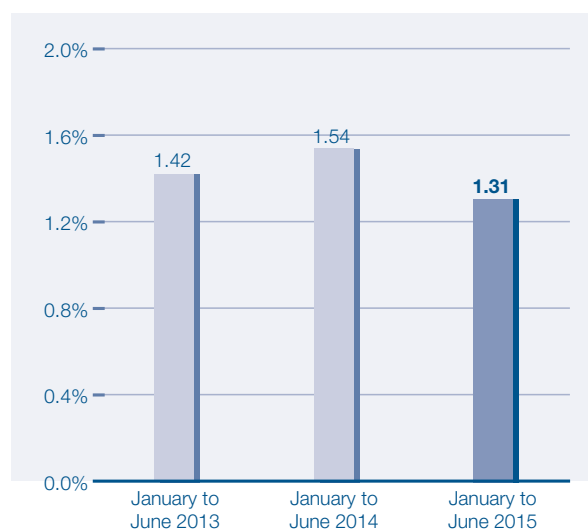
I. Major Accounting Data and Financial Indicators

	January to June 2015	January to June 2014	Changes of the Reporting Period over the corresponding period of the previous year	January to June 2013
			Increase/ decrease (%)	
Operating results (RMB million)				
Net interest income	46,994	43,600	7.78	40,564
Net non-interest income	29,618	21,352	38.71	17,928
Operating income	76,612	64,952	17.95	58,492
Operating expenses	26,072	23,337	11.72	20,726
Impairment losses on loans and advances	14,342	6,805	110.76	6,802
Profit before income tax	35,529	34,397	3.29	30,994
Net profit attributable to equity shareholders of the Bank	26,778	25,570	4.72	22,945
Net cash flow from operating activities	77,083	104,544	-26.27	-32,094
Data per share (RMB/share)				
Basic earnings per share	0.78	0.75	4.00	0.67
Diluted earnings per share	0.74	0.71	4.23	0.65
Net cash flow per share from operating activities	2.11	3.07	-31.27	-0.94
			Changes in Percentage points	
Profitability indicators (%)				
Return on average assets (annualized)	1.31	1.54	-0.23	1.42
Return on average shareholders' equity (annualized)	20.58	24.36	-3.78	26.36
Cost-to-income ratio	27.44	29.20	-1.76	28.57
Net fee and commission income to operating income ratio	32.82	28.39	4.43	27.73
Net interest spread	2.19	2.42	-0.23	2.24
Net interest margin	2.35	2.62	-0.27	2.41

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



Return on average assets (annualized, %)



	30 June 2015	31 December 2014	Changes from the end of the previous year to the end of the Reporting Period	31 December 2013
Scale indicators (RMB million)			Increase/decrease (%)	
Total assets	4,301,073	4,015,136	7.12	3,226,210
Total balance of loans and advances to customers	1,949,336	1,812,666	7.54	1,574,263
Total liabilities	4,012,760	3,767,380	6.51	3,021,923
Deposits from customers	2,632,680	2,433,810	8.17	2,146,689
Share capital	36,485	34,153	6.83	28,366
Total equity attributable to equity shareholders of the Bank	280,279	240,142	16.71	197,712
Net assets per share attributable to equity shareholders of the Bank (RMB/share)	7.68	7.03	9.25	5.81
Assets quality indicators (%)			Changes in percentage points	
Impaired loans ratio	1.36	1.17	0.19	0.85
Provision coverage ratio	162.13	182.20	-20.07	259.74
Provision for total loans ratio	2.20	2.12	0.08	2.21
Capital adequacy ratio indicators (%)			Changes in Percentage points	
Core tier-one capital adequacy ratio	9.15	8.58	0.57	8.72
Tier-one capital adequacy ratio	9.17	8.59	0.58	8.72
Capital adequacy ratio	11.57	10.69	0.88	10.69
Total equity to total assets ratio	6.70	6.17	0.53	6.33

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 Bank/average balance of equity attributable to equity shareholders of the Bank at the beginning and the end of the period.
3. Cost-to-income ratio = (Operating and other operating expenses – business tax and surcharges)/operating income.
4. Net interest spread = Average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.
5. Net interest margin = Net interest income/average balance of interest-earning assets.
6. Impaired loans ratio = Balance of impaired loans/total balance of loans and advances to customers.
7. Provision coverage ratio = Allowance for impairment losses on loans/balance of impaired loans.
8. Provision for total loans ratio = Allowance for impairment losses on loans/total balance of loans and advances to customers.

II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicators		Benchmark	30 June 2015	31 December 2014	31 December 2013
Liquidity ratios	Consolidated in RMB	≥25	36.57	36.00	29.31
Loan-to-deposit ratio	Consolidated in RMB	≤75	69.91	69.88	73.39

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 2015, the recovery of global economy still has uncertainty and segmented situation remained. As a result of weak external demand, overcapacity and deleveraging of Chinese economy, although proactive fiscal policy, prudent monetary policy and investments had played a positive role in maintaining steady economy growth, the downward pressure on domestic economy remained formidable. In spite of approaching the end of the liberalization of interest rate, rapid growth of internet finance, stable development of the overall banking industry and increasing popularity of diversified operation, profitability growth tended to decline due to the increased pressure on impaired loans. The regulatory authorities had continually issued various measures to prevent risks, maintain growth and facilitate reform, making new achievements in supporting the real economy and preventing various risks. 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 strengthened the Board's strategic management system by constantly performing and optimizing functions of special committees under the Board to improve its corporate governance. Secondly, the Company further promoted strategic transformation and enhanced management reform through prioritizing formulation and implementation of the Phoenix Project (鳳凰計劃), accelerating the structural and management system reforms and further adopting advanced management tools such as Voice of Customers (客戶之聲), Lean Six Sigma (精益六西格瑪) and balanced scorecards (平衡計分卡) to facilitate effective implementation of strategies and stable development of businesses. Thirdly, the Company further enhanced its overall risk management, made innovations in the risk management system, established Retail Risk Management Department, facilitated the application of risk management tools and techniques and strengthened risk management and control of key aspects to ensure asset quality. Fourthly, with a focus on both strategies and customers, the Company seized opportunities to achieve steady business development. The Company kept abreast of the national strategies such as "One Belt and One Road", integration of Beijing, Tianjin and Hebei and development of Yangtze River Economic Zone, supported key areas including new urbanization and PPP as well as strategic emerging industries, and actively cultivated new value growth point. Besides, the Company continued to develop "small business finance and community finance", improved the business model of small business finance by relying on internet and enhanced the management of customer base and enlarged the customer scale by building ecological environment of small and micro enterprises and "living circle" of communities. Fifthly, the Company established a platform to integrate internal and external resources and promoted innovation of products and service modes, thus achieving steady

Management Discussion and Analysis

growth in cash management, asset management, transaction banking, asset custody, investment banking and credit card businesses. Sixthly, the Company expanded the emerging channels such as Wechat banking and optimized mobile operations to improve customers' experience and facilitate customer service. Seventhly, the Company constantly diversified functions of direct banking and mobile banking, strengthened settlement infrastructure and worked out clear direction to innovatively develop internet finance. Eighthly, the Company effectively replenished capital, scientifically allocated assets and liabilities, financial and information technology resources and optimized the dynamic process management based on strategies implementation and key business needs to secure stable development of our businesses while maximizing investment return. Ninthly, the Company strived to build a more professional team and better corporate culture, improved the multi-level staff training system and made innovations in the mechanism of selecting and appointing talents and protecting corporate culture.

II. Overview of Operations

During the Reporting Period, the Company further focused on its strategies, continuously deepened the strategic transformation, actively responded to the challenges of the liberalization of interest rate, launched the Phoenix Project, accelerated the transformation and reforms, continuously optimized and adjusted operational structure, reinforced the management of asset quality and achieved continuous improvement in profitability.

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

During the Reporting Period, net profit attributable to equity shareholders of the Bank of the Group amounted to RMB26,778 million, representing an increase of RMB1,208 million, or 4.72%, as compared with the corresponding period of the previous year. Net interest margin and net interest spread were 2.35% and 2.19%, respectively, representing a decrease of 0.27 and 0.23 percentage point, respectively, as compared with the corresponding period of the previous year. Basic earnings per share were RMB0.78, representing an increase of RMB0.03, or 4.00%, as compared with the corresponding period of the previous year. Net assets per share attributable to equity shareholders of the Bank amounted to RMB7.68, representing an increase of RMB0.65, or 9.25%, as compared with the end of the previous year.

(II) Steady development of assets and liabilities businesses and further improvement in business structure

As at the end of the Reporting Period, total assets of the Group amounted to RMB4,301,073 million, representing an increase of RMB285,937 million, or 7.12%, as compared with the end of the previous year. Total balance of loans and advances to customers amounted to RMB1,949,336 million, representing an increase of RMB136,670 million, or 7.54%, as compared with the end of the previous year. Net investment balance of transaction accounts and bank accounts amounted to RMB745,190 million, representing an increase of RMB147,026 million, or 24.58%, as compared with the end of the previous year. Total liabilities amounted to RMB4,012,760 million, representing an increase of RMB245,380 million, or 6.51%, as compared with the end of the previous year. Among others, total deposits amounted to RMB2,632,680 million, representing an increase of RMB198,870 million, or 8.17%, as compared with the end of the previous year. Total bonds issued amounted to RMB180,901 million, representing an increase of RMB51,622 million, or 39.93%, as compared with the end of the previous year. With steady development of assets and liabilities businesses, the Group further adjusted and optimized the investments in assets business, and enlarged the proportion of investment business. As at the end of the Reporting Period, total balance of loans and advances to customers accounted for 45.32% of total assets, representing an increase of 0.17 percentage point as compared with the end of the previous year. Net investment balance of transaction accounts and bank accounts accounted for 17.33% of total assets, representing an increase of 2.43 percentage points as compared with the end of the previous year. Balances and placements with banks and other financial institutions and financial assets held under resale agreements accounted for 21.45% of total assets, representing a decrease of 1.66 percentage points as compared with the end of the previous year.

(III) Continuous growth of operating income and further improvement of cost-to-income ratio

During the Reporting Period, operating income of the Group amounted to RMB76,612 million, representing an increase of RMB11,660 million, or 17.95%, as compared with the corresponding period of the previous year. Among others, the net non-interest income of the Group amounted to RMB29,618 million, representing an increase of RMB8,266 million, or 38.71%, as compared with the corresponding period of the previous year, and accounted for 38.66% of the operating income, representing an increase of 5.79 percentage points as compared with the corresponding period of the previous year. While the operating income continued to increase, the Group further strengthened cost control and optimized cost management model. During the Reporting Period, the cost-to-income ratio was 27.44%, representing a decrease of 1.76 percentage points as compared with the corresponding period of the previous year.

Management Discussion and Analysis

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

The Group further refined the risk policy and management system, strengthened control of credit risk during the whole process and enhanced collection and resolution of non-performing assets to effectively control assets quality at a manageable level. As at the end of the Reporting Period, the impaired loans ratio of the Group was 1.36%, representing an increase of 0.19 percentage point as compared with the end of the previous year. Provision coverage ratio and provision for total loans ratio were 162.13% and 2.20%, respectively.

III. Analysis of Major Items of Income Statement

During the Reporting Period, the Group further improved its profitability and realized a net profit attributable to equity shareholders of the Bank of RMB26,778 million, representing an increase of RMB1,208 million, or 4.72%, as compared with the corresponding period of the previous year, primarily attributable to the expansion of business scale and increase of operating income.

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

(Unit: RMB million)

Item	January to June 2015	January to June 2014	Increase (%)
Operating income	76,612	64,952	17.95
Of which: Net interest income	46,994	43,600	7.78
Net non-interest income	29,618	21,352	38.71
Operating expenses	26,072	23,337	11.72
Impairment losses on assets	15,011	7,218	107.97
Profit before income tax	35,529	34,397	3.29
Less: Income tax expenses	8,257	8,306	-0.59
Net profit	27,272	26,091	4.53
Of which: Net profit attributable to equity shareholders of the Bank	26,778	25,570	4.72
Net profit attributable to non-controlling interests	494	521	-5.18

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

(Unit: RMB million)

Item	January to June 2015		January to June 2014		Increase (%)
	Amount	% of total	Amount	% of total	
Net interest income	46,994	61.34	43,600	67.13	7.78
Of which: Interest income from loans and advances to customers	60,043	78.38	56,489	86.98	6.29
Interest income from financial assets held under resale agreements	13,461	17.57	16,858	25.95	-20.15
Interest income from investment balances of transaction and bank accounts	15,531	20.27	8,164	12.57	90.24
Interest income from balances with banks and other financial institutions	2,380	3.11	3,209	4.94	-25.83
Interest income from balances with the central bank	3,381	4.41	3,244	4.99	4.22
Interest income from finance lease receivables	2,944	3.84	3,446	5.31	-14.57
Interest income from placements with banks and other financial institutions	5,127	6.69	2,768	4.26	85.22
Interest expenses	-55,873	-72.93	-50,578	-77.87	10.47
Net non-interest income	29,618	38.66	21,352	32.87	38.71
Net fee and commission income	25,145	32.82	18,438	28.39	36.38
Other net non-interest income	4,473	5.84	2,914	4.48	53.50
Total	76,612	100.00	64,952	100.00	17.95

(I) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group was RMB46,994 million, representing an increase of RMB3,394 million, or 7.78%, as compared with the corresponding period of previous year. Among which, the growth in business scale contributed an increase of RMB5,640 million in net interest income and the changes in interest rate caused a decrease of RMB2,246 million in net interest income.

During the Reporting Period, net interest margin of the Group was 2.35%, representing a decrease of 0.27 percentage point as compared with the corresponding period of the previous year. The decrease was mainly due to interest rates cut by the central bank.

Management Discussion and Analysis

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

(Unit: RMB million)

Item	January to June 2015			January to June 2014		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Interest-earning assets						
Total balance of loans and advances to customers	1,899,556	60,043	6.32	1,632,819	56,489	6.92
Of which: Corporate loans and advances	1,221,297	37,077	6.07	1,024,628	34,714	6.78
Personal loans and advances	678,259	22,966	6.77	608,191	21,775	7.16
Investment balances of transaction and bank accounts	643,692	15,531	4.83	363,511	8,164	4.49
Balances with the central bank	443,016	3,381	1.53	429,409	3,244	1.51
Balances with banks and other financial institutions	117,322	2,380	4.06	143,618	3,209	4.47
Placements with banks and other financial institutions	231,841	5,127	4.42	106,352	2,768	5.21
Financial assets held under resale agreements	566,710	13,461	4.75	571,077	16,858	5.90
Finance lease receivables	92,564	2,944	6.36	84,703	3,446	8.14
Total	3,994,701	102,867	5.15	3,331,489	94,178	5.65
Item	January to June 2015			January to June 2014		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	2,469,180	28,898	2.34	2,188,898	25,855	2.36
Of which: Corporate deposits	1,926,607	22,600	2.35	1,668,050	19,865	2.38
Demand	648,276	2,576	0.79	625,943	2,349	0.75
Time	1,278,331	20,024	3.13	1,042,107	17,516	3.36
Personal deposits	542,573	6,298	2.32	520,848	5,990	2.30
Demand	132,180	261	0.39	129,844	250	0.39
Time	410,393	6,037	2.94	391,004	5,740	2.94
Deposits from banks and other financial institutions	878,804	17,454	3.97	665,202	17,865	5.37
Placements from banks and other financial institutions	45,009	754	3.35	32,675	614	3.76
Financial assets sold under repurchase agreements	59,855	1,186	3.96	54,774	1,287	4.70
Debt securities issued	159,684	3,923	4.91	103,534	2,579	4.98
Borrowings from the central bank and other financial institutions and others	162,504	3,658	4.50	87,170	2,378	5.46
Total	3,775,036	55,873	2.96	3,132,253	50,578	3.23
Net interest income		46,994			43,600	
Net interest spread			2.19			2.42
Net interest margin			2.35			2.62

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:

(Unit: RMB million)

Item	Changes due to changes in scale from January to June 2014 to January to June 2015	Changes due to changes in interest rate from January to June 2014 to January to June 2015	Net changes
Changes in interest income:			
Total balance of loans and advances to customers	9,228	-5,674	3,554
Investment balances of transaction and bank accounts	6,293	1,074	7,367
Balances with the central bank	103	34	137
Balances with banks and other financial institutions	-588	-241	-829
Placements with banks and other financial institutions	3,266	-907	2,359
Financial assets held under resale agreements	-129	-3,268	-3,397
Finance lease receivables	320	-822	-502
Subtotal	18,493	-9,804	8,689
Changes in interest expenses:			
Deposits from customers	3,311	-268	3,043
Deposits from banks and other financial institutions	5,737	-6,148	-411
Placements from banks and other financial institutions	232	-92	140
Financial assets sold under repurchase agreements	119	-220	-101
Debt securities issued	1,399	-55	1,344
Borrowings from the central bank and other financial institutions and others	2,055	-775	1,280
Subtotal	12,853	-7,558	5,295
Changes in net interest income	5,640	-2,246	3,394

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

Management Discussion and Analysis

1. Interest income

During the Reporting Period, interest income of the Group was RMB102,867 million, representing an increase of RMB8,689 million, or 9.23%, as compared with the corresponding period of the previous year. As for the factors of the increase in interest income, the increase of interest income was mainly due to the expansion in the size of interest-earning assets and the adjustment of business structure. In respect of interest income structure, interest income from loans and advances to customers accounted for 58.37% of the total interest income and interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements accounted for 20.38% of the total interest income.

(1) Interest income from loans and advances to customers

During the Reporting Period, interest income from loans and advances to customers of the Group amounted to RMB60,043 million, representing an increase of RMB3,554 million, or 6.29%, as compared with the corresponding period of the previous year. In respect of the structure of interest income from loans and advances to customers, interest income from corporate loans and advances accounted for 61.75% and interest income from personal loans and advances accounted for 38.25% of total interest income.

(2) Interest income from investment balances of transaction and bank accounts

During the Reporting Period, interest income from investment balances of transaction and bank accounts of the Group was RMB15,531 million, representing an increase of RMB7,367 million, or 90.24%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of investment scales and the growth in the yield of the Group.

(3) Interest income from balances with central bank

During the Reporting Period, interest income of the Group from balances with the central bank amounted to RMB3,381 million, representing an increase of RMB137 million, or 4.22%, 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 RMB20,968 million, representing a decrease of RMB1,867 million, or 8.18%, as compared with the corresponding period of the previous year. The decrease was mainly due to the adjustments of scale and structure of interbank asset business and the decrease of yield.

(5) Interest income from finance lease receivables

During the Reporting Period, the interest income of the Group from finance lease receivables amounted to RMB2,944 million, representing a decrease of RMB502 million, or 14.57%, as compared with the corresponding period of the previous year.

2. Interest expenses

During the Reporting Period, the interest expenses of the Group was RMB55,873 million, representing an increase of RMB5,295 million, or 10.47%, as compared with the corresponding period of the previous year. The increase was mainly due to an increase in deposits from customers and the expansion of the scale of debt securities issued. As to the major components of interest expenses, the interest expenses on deposits from customers accounted for 51.72% 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 34.71% 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 RMB28,898 million, representing an increase of RMB3,043 million, or 11.77%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of the scale of deposits from customers.

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

During the Reporting Period, interest expenses of the Group on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB19,394 million, representing a decrease of RMB372 million, or 1.88%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in interest rate on borrowings from banks and other financial institutions.

(3) Interest expenses on debt security issued

During the Reporting Period, interest expenses of the Group on debt security issued amounted to RMB3,923 million, representing an increase of RMB1,344 million, or 52.11%, as compared with the corresponding period of the previous year, which was mainly due to the growth in the size of the debt security issued.

Management Discussion and Analysis

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

During the Reporting Period, interest expenses of the Group on borrowings from the central bank and other financial institutions and other interest expenses amounted to RMB3,658 million, representing an increase of RMB1,280 million, or 53.83%, as compared with the corresponding period of the previous year, which was mainly due to the growth in the borrowings of the Group from central bank and other financial institutions.

(II) Net non-interest income

During the Reporting Period, the realized net non-interest income of the Group amounted to RMB29,618 million, representing an increase of RMB8,266 million, or 38.71%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January to June 2015	January to June 2014	Increase (%)
Net fee and commission income	25,145	18,438	36.38
Other net non-interest income	4,473	2,914	53.50
Total	29,618	21,352	38.71

1. Net fee and commission income

During the Reporting Period, net fee and commission income of the Group amounted to RMB25,145 million, representing an increase of RMB6,707 million, or 36.38%, as compared with the corresponding period of the previous year, which was mainly due to the rapid increases in fee from bank cards services, commission from trust and other fiduciary services, income from agency services and investment banking services.

(Unit: RMB million)

Item	January to June 2015	January to June 2014	Increase (%)
Bank cards services	7,318	5,601	30.66
Trust and other fiduciary services	6,195	4,410	40.48
Agency services	5,815	4,606	26.25
Credit commitments	3,353	2,575	30.21
Financial advisory services	2,485	977	154.35
Settlement services	1,465	1,507	-2.79
Finance lease services	183	489	-62.58
Others	208	114	82.46
Fee and commission income	27,022	20,279	33.25
Less: Fee and commission expenses	1,877	1,841	1.96
Net fee and commission income	25,145	18,438	36.38

2. Other net non-interest income

During the Reporting Period, other net non-interest income of the Group was RMB4,473 million, representing an increase of RMB1,559 million, or 53.50%, as compared with the corresponding period of the previous year, which was mainly due to the income from disposals of securities and discounted bills and the increase in income from leasing business of a subsidiary as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January to June 2015	January to June 2014	Increase (%)
Net trading gain	479	1,062	-54.90
Net gain arising from disposals of securities and discounted bills	2,842	1,508	88.46
Other operating income	1,152	344	234.88
Total	4,473	2,914	53.50

Management Discussion and Analysis

(III) Operating expenses

During the Reporting Period, operating expenses of the Group amounted to RMB26,072 million, representing an increase of RMB2,735 million, or 11.72%, as compared with the corresponding period of the previous year. The increase was mainly due to the staff costs and expenses of outlets, IT system and establishment of channels. The cost-to-income ratio of the Group was 27.44%, representing a slight decrease of 1.76 percentage points as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January to June 2015	January to June 2014	Increase (%)
Staff costs (including Director's emoluments)	11,214	10,179	10.17
Business tax and surcharges	5,047	4,371	15.47
Rental expenses and property management fees	2,357	1,888	24.84
Depreciation and amortization expenses	1,889	1,357	39.20
Office expenses	1,224	1,452	-15.70
Supervisory charges	73	29	151.72
Business expenses and others	4,268	4,061	5.10
Total	26,072	23,337	11.72

(IV) Impairment losses on assets

During the Reporting Period, the Group recorded an impairment loss on assets of RMB15,011 million, representing an increase of RMB7,793 million, or 107.97%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January to June 2015	January to June 2014	Increase (%)
Loans and advances to customers	14,342	6,805	110.76
Loans and receivables	336	—	Nil for the corresponding period of the previous year
Finance lease receivables	206	312	-33.97
Others	127	101	25.74
Total	15,011	7,218	107.97

(V) Income tax expenses

During the Reporting Period, income tax expenses of the Group was RMB8,257 million, representing a decrease of RMB49 million as compared with the corresponding period of the previous year, and the ratio of income tax expenses to profit before income tax was 23.24%.

IV. Analysis of Major Items of Balance Sheet

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB4,301,073 million, representing an increase of RMB285,937 million, or 7.12%, as compared with the end of the previous year. The increase was due to the expansion of asset scale.

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

(Unit: RMB million)

Item	30 June 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Total balance of loans and advances to customers	1,949,336	45.32	1,812,666	45.15	1,574,263	48.80
Less: Allowance for impairment losses on loans	42,839	1.00	38,507	0.96	34,816	1.08
Net balance of loans and advances to customers	1,906,497	44.32	1,774,159	44.19	1,539,447	47.72
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	922,556	21.45	927,756	23.11	767,335	23.78
Net investment balance of transaction and bank accounts	745,190	17.33	598,164	14.90	304,736	9.45
Cash and balances with the central bank	473,449	11.01	471,632	11.75	433,802	13.45
Finance lease receivables	90,320	2.10	88,824	2.21	82,543	2.56
Property and equipment	38,615	0.90	36,936	0.92	24,102	0.75
Positive fair value of derivatives	3,098	0.07	3,231	0.08	1,986	0.06
Other	121,348	2.82	114,434	2.84	72,259	2.23
Total	4,301,073	100.00	4,015,136	100.00	3,226,210	100.00

Note: Investments in transaction and bank accounts include financial assets at fair value through the profit or loss, available-for-sale securities, held-to-maturity securities, loans and receivables.

Management Discussion and Analysis

1. Loans and advances to customers

As at the end of the Reporting Period, total balance of loans and advances to customers of the Group amounted to RMB1,949,336 million, representing an increase of RMB136,670 million, or 7.54%, as compared with the end of the previous year, and accounted for 45.32% of total assets, representing an increase of 0.17 percentage point as compared with the end of the previous year.

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

(Unit: RMB million)

Item	30 June 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	1,238,925	63.56	1,157,985	63.88	968,734	61.54
Of which: Discounted bills	59,742	3.06	26,930	1.49	33,364	2.12
Personal loans and advances	710,411	36.44	654,681	36.12	605,529	38.46
Total	1,949,336	100.00	1,812,666	100.00	1,574,263	100.00

Breakdown of personal loans and advances is as the following:

(Unit: RMB million)

Item	30 June 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	410,168	57.74	410,139	62.65	408,891	67.53
Credit card overdrafts	165,908	23.35	147,678	22.56	113,298	18.71
Residential mortgage	88,622	12.47	69,606	10.63	62,096	10.25
Others	45,713	6.44	27,258	4.16	21,244	3.51
Total	710,411	100.00	654,681	100.00	605,529	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 RMB922,556 million, representing a decrease of RMB5,200 million, or 0.56%, as compared with the previous year, and accounted for 21.45% of the total assets, representing a slight decrease of 1.66 percentage points as compared with the end of the previous year.

3. Investments in transaction and bank accounts

As at the end of the Reporting Period, the net value of investments in transaction and bank accounts of the Group was RMB745,190 million, representing an increase of RMB147,026 million, or 24.58%, as compared with the end of the previous year, mainly due to the adjustment of the business structure of the Group and the expansion of investment business.

(1) Composition of investments in transaction and bank accounts

The breakdown of investments in transaction and bank accounts of the Group by purpose of holding is as the following:

(Unit: RMB million)

Item	30 June 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Financial assets at fair value through the profit or loss	32,842	4.41	27,213	4.55
Available-for-sale securities	176,159	23.64	159,724	26.70
Held-to-maturity securities	196,118	26.32	176,834	29.56
Loans and receivables	340,071	45.63	234,393	39.19
Total	745,190	100.00	598,164	100.00

(2) Holdings of financial bonds

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

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Impairment allowances
2014 Financial bonds	5,430	5.70%	2017-01-14	—
2013 Financial bonds	4,800	3.68%	2016-04-11	—
2012 Financial bonds	4,200	4.20%	2017-02-28	—
2012 Financial bonds	3,200	3.39%	2015-07-09	—
2013 Financial bonds	3,100	3.98%	2016-07-18	—
2013 Financial bonds	3,000	4.37%	2018-07-29	—
2015 Financial bonds	2,580	4.18%	2018-04-03	—
2013 Financial bonds	2,480	4.89%	2020-04-08	—
2015 Financial bonds	2,060	4.21%	2025-04-13	—
2010 Financial bonds	1,930	2.75%	2020-02-25	—
Total	32,780			

Management Discussion and Analysis

4. Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	254,172	447	428
Foreign exchange forwards	23,648	264	256
Currency swaps	318,598	1,135	1,223
Precious metal derivatives	31,070	1,169	54
Credit derivatives	39,258	—	—
Extension options	8,300	—	—
Currency options	13,199	83	15
Total		3,098	1,976

(II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB4,012,760 million, representing an increase of RMB245,380 million, or 6.51%, as compared with the end of the previous year.

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

(Unit: RMB million)

Item	30 June 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	2,632,680	65.61	2,433,810	64.60	2,146,689	71.04
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,003,638	25.01	975,010	25.88	638,244	21.12
Debt security issued	180,901	4.51	129,279	3.43	91,968	3.04
Borrowings from the central bank and other financial institutions	110,610	2.76	149,592	3.97	81,835	2.71
Others	84,931	2.11	79,689	2.12	63,187	2.09
Total	4,012,760	100.00	3,767,380	100.00	3,021,923	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 RMB2,632,680 million, representing an increase of RMB198,870 million, or 8.17%, as compared with the end of the previous year, accounting for 65.61% of the total liabilities. In respect of customer structure, the proportion of corporate deposits, personal deposits and other deposits in total deposits were 78.68%, 20.97% and 0.35%, respectively. In respect of maturity structure, the proportion of demand deposits, time deposits and other deposits in total deposits were 30.37%, 69.28% and 0.35%, respectively.

(Unit: RMB million)

Item	30 June 2015		31 December 2014		31 December 2013	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	2,071,401	78.68	1,884,081	77.41	1,629,503	75.91
Demand	667,686	25.36	707,374	29.06	677,725	31.57
Time	1,403,715	53.32	1,176,707	48.35	951,778	44.34
Personal deposits	552,031	20.97	539,173	22.15	510,944	23.80
Demand	131,890	5.01	137,342	5.64	132,703	6.18
Time	420,141	15.96	401,831	16.51	378,241	17.62
Outward remittance and remittance payables	5,194	0.20	4,858	0.20	4,258	0.20
Certificates of deposit	4,054	0.15	5,698	0.24	1,984	0.09
Total	2,632,680	100.00	2,433,810	100.00	2,146,689	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 RMB1,003,638 million, representing an increase of RMB28,628 million, or 2.94%, as compared with the end of the previous year.

3. Debt security issued

As at the end of the Reporting Period, total debt security issued by the Group amounted to RMB180,901 million, representing an increase of RMB51,622 million, or 39.93%, as compared with the end of the previous year.

Management Discussion and Analysis

(III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB288,313 million, representing an increase of RMB40,557 million, or 16.37%, as compared with the end of the previous year. Total equity attributable to the equity shareholders of the Bank amounted to RMB280,279 million, representing an increase of RMB40,137 million, or 16.71%, as compared with the end of previous year. The increase was mainly due to the increase of net profit of the Group and the effects of the Convertible Bonds.

(Unit: RMB million)

Item	30 June 2015	31 December 2014	Increase (%)
Share capital	36,485	34,153	6.83
Capital reserve	64,756	49,949	29.64
Surplus reserve	23,460	17,077	37.38
General reserve	53,002	49,344	7.41
Investment revaluation reserve	-127	-392	Negative for both periods
Retained earnings	102,743	90,019	14.13
Exchange reserve	-40	-8	Negative for both periods
Total equity attributable to equity shareholders of the Bank	280,279	240,142	16.71
Non-controlling interests	8,034	7,614	5.52
Total	288,313	247,756	16.37

(IV) Off-balance sheet items

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

(Unit: RMB million)

Item	30 June 2015	31 December 2014	Increase (%)
Bank acceptances	694,113	594,300	16.80
Letters of credit	137,900	170,666	-19.20
Guarantees	222,502	205,168	8.45
Re-factoring	—	300	Nil for the period
Unused credit card commitments	48,527	47,830	1.46
Irrevocable loan commitments	4,888	3,846	27.09
Finance lease out commitments	3,144	3,007	4.56
Capital commitments	18,180	20,375	-10.77
Operating lease in commitments	16,688	16,533	0.94

(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 PBOC in June 2015, among nine national joint-stock commercial banks in China, as at the end of the Reporting Period, the market share of total deposits and domestic personal deposits of the Company were 12.55% and 13.34%, respectively. The market share of total loans and domestic personal loans of the Company were 13.12% and 14.64%, respectively, as at the end of the Reporting Period. (Note: Nine national joint-stock commercial banks in China referred to China Merchants Bank, CITIC Bank, Industrial Bank, China Everbright Bank, Shanghai Pudong Development Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank and the Company. The above data was based on the information of the domestic institutions of the Company. According to the Notice on Adjusting the Statistical Standards of Loans and Deposits for Financial Institutions (Yin Fa [2015] No. 14) (《中國人民銀行關於調整金融機構存貸款統計口徑的通知》(銀發[2015]14號)) released by the PBOC, with effect from 2015, the deposit-taking financial institutions shall include deposits and placements with non-deposit-taking financial institutions in “Total Deposits” and “Total Loans”, respectively, for statistical purpose.)

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	30 June 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Real estate	249,524	12.80	236,931	13.07
Manufacturing	233,845	12.00	230,875	12.74
Wholesale and retail	164,146	8.42	149,983	8.27
Leasing and commercial services	142,491	7.31	126,971	7.00
Mining	106,075	5.44	96,949	5.35
Transportation, storage and postal service	63,745	3.27	65,088	3.59
Construction	53,054	2.72	49,785	2.75
Water, environment and public utilities management	51,503	2.64	54,107	2.98
Financial services	46,718	2.40	28,988	1.60
Public administration, social security and social organizations	32,263	1.66	31,366	1.73
Production and supply of electric power, heat, gas and water	28,219	1.45	25,144	1.39
Agriculture, forestry, animal husbandry and fishery	13,913	0.71	14,897	0.82
Accommodation and catering	10,506	0.54	12,540	0.69
Others	42,923	2.20	34,361	1.90
Subtotal	1,238,925	63.56	1,157,985	63.88
Personal loans and advances	710,411	36.44	654,681	36.12
Total	1,949,336	100.00	1,812,666	100.00

(II) Geographical distribution of loans

(Unit: RMB million)

Item	30 June 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Northern China	589,980	30.27	541,053	29.85
Eastern China	584,404	29.98	556,898	30.72
Southern China	228,258	11.71	195,054	10.76
Other regions	546,694	28.04	519,661	28.67
Total	1,949,336	100.00	1,812,666	100.00

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

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

(Unit: RMB million)

Item	30 June 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Unsecured loans	352,677	18.09	332,482	18.34
Guaranteed loans	610,324	31.31	604,994	33.38
Loans secured by				
– tangible assets other than monetary assets	739,668	37.95	664,031	36.63
– monetary assets	246,667	12.65	211,159	11.65
Total	1,949,336	100.00	1,812,666	100.00

Management Discussion and Analysis

(IV) Top ten borrowers

As at the end of the Reporting Period, the aggregate outstanding loans to the top ten borrowers of the Group were RMB44,179 million, accounting for 2.27% 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	6,452	0.33
B	6,445	0.33
C	5,591	0.29
D	5,304	0.27
E	3,766	0.19
F	3,666	0.19
G	3,468	0.18
H	3,200	0.16
I	3,155	0.16
J	3,132	0.16

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

(Unit: %)

Major Indicators	Benchmark	30 June 2015	31 December 2014	31 December 2013
Percentage of loan to the single largest borrower	≤10	1.79	2.11	2.59
Percentage of loans to the top ten borrowers	≤50	12.23	13.60	14.44

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

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

(V) Five-category classification of credit assets

As at the end of the Reporting Period, the impaired loan ratio of the Group was 1.36%, representing an increase of 0.19 percentage point as compared with the end of the previous year.

(Unit: RMB million)

Item	30 June 2015		31 December 2014		Increase (%)
	Amount	% of total	Amount	% of total	
Performing loans	1,922,913	98.64	1,791,532	98.83	7.33
Of which: Pass	1,856,188	95.22	1,755,630	96.85	5.73
Special-mention	66,725	3.42	35,902	1.98	85.85
Impaired loans	26,423	1.36	21,134	1.17	25.03
Of which: Substandard	20,502	1.05	16,591	0.92	23.57
Doubtful	4,523	0.23	3,267	0.18	38.45
Loss	1,398	0.08	1,276	0.07	9.56
Total	1,949,336	100.00	1,812,666	100.00	7.54

(VI) Migration ratio of loans

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

(Unit: %)

Item	30 June 2015	31 December 2014	31 December 2013
Pass	2.96	3.05	2.40
Special-mention	24.10	16.67	23.71
Substandard	9.12	12.30	19.60
Doubtful	31.52	14.57	11.79

Management Discussion and Analysis

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, the balance of the restructured loans of the Group amounted to RMB5,876 million, representing an increase of RMB2,720 million as compared with the end of the previous year. Percentage of restructured loans was 0.30%, representing an increase of 0.13 percentage point as compared with the end of the previous year. The balance of overdue loans amounted to RMB75,643 million, representing an increase of RMB25,957 million as compared with the end of the previous year. The percentage of overdue loans was 3.88%, representing an increase of 1.14 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	30 June 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Restructured loans	5,876	0.30	3,156	0.17
Overdue loans	75,643	3.88	49,686	2.74

Notes: 1. Restructured loans (full name: loans after reschedule) are loans of which the terms of repayment under the loan agreement have been amended by the Bank as a result of deteriorated financial status of the borrower or inability of the borrower to repay the debt due.

2. Overdue loans are loans of which the repayment of principal or interest is overdue for one or more days.

(VIII) Repossessed assets

(Unit: RMB million)

Item	30 June 2015		31 December 2014	
	Balance	Allowances for impairment losses	Balance	Allowances for impairment losses
Repossessed assets	11,200	57	9,362	57
Of which: Real estate and land use rights	10,845	51	9,077	51
Motor vehicles	186	—	116	—
Others	169	6	169	6

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

Item	January to June 2015	2014
Opening balance	38,507	34,816
Charge for the period	15,449	22,559
Release during the period	-1,107	-2,631
Transfer out	-3,948	-10,056
Write-offs	-6,180	-7,119
Recoveries	550	1,616
Unwinding of discount	-430	-674
Exchange gain or loss	-2	-4
Closing balance	42,839	38,507

Method for assessing allowances for impairment losses on loans:

On reviewing the book values of the Group's loans as at the balance sheet date, if objective evidence shows the loan is impaired and the event triggering such loan impairment will have an adverse effect on the expected future cash flow that can be reliably assessed, the Group will recognize the impairment loss of the loan and write off the value of the loan to its recoverable amount. The written off amount will be charged to the profit or loss account of the relevant period as impairment losses. Besides an individual objective evidence-based impairment assessment for each loan of significant amount, the Group reviews its loan portfolio as a whole to assess impairment for loans which are not of significant amount individually. If no objective evidence shows there is 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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(X) Impaired loans and related measures

As at the end of the Reporting Period, the Group had impaired loans balance of RMB26,423 million, representing an increase of RMB5,289 million, or 25.03%, as compared with the end of the previous year.

1. Industry concentration of impaired loans

(Unit: RMB million)

Item	30 June 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Real estate	346	1.31	486	2.30
Manufacturing	8,276	31.32	6,062	28.68
Wholesale and retail	7,054	26.70	6,498	30.75
Leasing and commercial services	—	—	—	—
Mining	93	0.35	128	0.61
Transportation, storage and postal service	612	2.32	236	1.12
Construction	446	1.69	250	1.18
Water, environment and public utilities management	10	0.04	—	—
Financial services	30	0.11	36	0.17
Public administration, social security and social organizations	—	—	—	—
Production and supply of electric power, heat, gas and water	40	0.15	—	—
Agriculture, forestry, animal husbandry and fishery	225	0.85	103	0.49
Accommodation and catering	64	0.24	75	0.35
Others	187	0.71	102	0.48
Subtotal	17,383	65.79	13,976	66.13
Personal loans and advances	9,040	34.21	7,158	33.87
Total	26,423	100.00	21,134	100.00

2. Geographical distribution of impaired loans

(Unit: RMB million)

Item	30 June 2015		31 December 2014	
	Amount	% of total	Amount	% of total
Northern China	11,642	44.06	9,465	44.78
Eastern China	7,012	26.54	5,925	28.04
Southern China	2,569	9.72	2,035	9.63
Other regions	5,200	19.68	3,709	17.55
Total	26,423	100.00	21,134	100.00

Note: The geographical distribution is consistent with the distribution shown 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 in general, the Group mainly adopted the following measures during the Reporting Period:

- (1) Enhancing credit planning, proactively adjusting loan distribution, and continuously optimizing asset structure in line with the changing economic environment and requirements of macroeconomic policies;
- (2) Restating the guiding opinions in terms of industries, regions, customers and products and general objectives of risk policy, refining the risk policy and management system covering all business lines, all branches and all on- and off-balance sheet products, and prioritizing the management for quantitative targets of structural adjustment and quota control for industries with high risks;
- (3) Strengthening basic credit management, optimizing management system and process, enhancing overall credit risk control measures and effectively improving the asset monitoring and management ability, strengthening risk early-warning and risk prevention measures, improving the foreseeability and effectiveness of risk alert based on the analysis of the macroeconomic environment and the risk evaluation and identification, conducting specified risk identification and examination and handling potential risk promptly so as to effectively control the increase of overdue loans and new problematic loans;
- (4) Further enhancing collection and disposal of impaired loans by strengthening the quality control of credit assets, exploring the market of major sectors, major business lines and major projects, developing innovative recovery measures, comprehensively utilizing all available recovery and

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disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off, conducting specific recovery and disposal activities and to reinforce the accountability mechanism for non-performing assets and to improve the efficiency and effectiveness of recovery; and

- (5) Speeding up the development of monitoring and management system to effectively improve the ability of asset monitoring and management. Strengthening training programs to improve the professional skills and the comprehensive qualities of the risk management team and foster the philosophy of complying with applicable laws and regulations.

VI. Analysis of Capital Adequacy Ratio and Leverage Ratio

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

(Unit: RMB million)

Item	30 June 2015	
	The Group	The Company
Net core tier-one capital	285,754	269,926
Net tier-one capital	286,216	269,926
Total net capital base	361,312	343,610
Core tier-one capital	286,785	276,170
Core tier-one capital deductions	-1,031	-6,244
Other tier-one capital	462	—
Other tier-one capital deductions	—	—
Tier-two capital	75,096	73,684
Tier-two capital deductions	—	—
Total risk-weighted assets	3,122,063	2,949,404
Of which: Credit risk-weighted assets	2,882,389	2,716,705
Market risk-weighted assets	19,526	20,750
Operational risk-weighted assets	220,148	211,949
Core tier-one capital adequacy ratio (%)	9.15	9.15
Tier-one capital adequacy ratio (%)	9.17	9.15
Capital adequacy ratio (%)	11.57	11.65

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Capital instruments entitled for the preferential transitional policy during the transitional period: According to the New Measures, non-qualified tier-two capital instruments issued by commercial banks before 12 September 2010 may be entitled to preferential policy of a progressive deduction of book value by 10% per annum starting from 1 January 2013. As at the end of 2012, the book value of non-qualified tier-two capital instruments of the Company amounted to RMB25.0 billion, and was deducted by 10% per annum starting from 2013. As at the end of the Reporting Period, the book value of non-qualified tier-two capital instruments of the Company was RMB17.6 billion.

As at the end of the Reporting Period, the net tier-one capital, on- and off- balance sheet assets balances after adjustment and leverage ratio increased by RMB26.528 billion, RMB383.283 billion and 0.12 percentage point, respectively, as compared to the end of March 2015. The leverage ratio of the Group is as follow:

(Unit: RMB million)

Item	30 June 2015	31 March 2015	31 December 2014	30 September 2014
Leverage ratio (%)	5.40	5.28	5.02	4.89
Net tier-one capital	286,216	259,688	245,985	239,649
On- and off- balance sheet assets balances after adjustment	5,302,584	4,919,301	4,900,750	4,904,772

Note: The leverage ratio and relevant indicators as at the end of September 2014 were calculated in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks (《商業銀行槓桿率管理辦法》). The leverage ratios as at the end of other periods were calculated in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (revised) (《商業銀行槓桿率管理辦法(修訂)》) (Decree of the CBRC 2015 No. 1) which became effective on 1 April 2015.

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

VII. Segment Report

The businesses can be analyzed by geographical region and business line. In respect of geographical regions, the Group mainly operates 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	2,829,920	40,185	24,063
Eastern China	1,194,500	15,460	5,018
Southern China	645,350	7,340	2,213
Other regions	914,542	13,627	4,235
Inter-segment elimination	-1,296,042	—	—
Total	4,288,270	76,612	35,529

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

(II) Segment operating results by business line

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate banking business	1,764,563	38,963	19,007
Personal banking business	707,119	21,424	6,415
Treasury business	1,668,716	14,081	8,864
Other businesses	147,872	2,144	1,243
Total	4,288,270	76,612	35,529

VIII. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

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

2. Items measured at fair value

The Company's financial instruments measured at fair value include: financial assets at fair value through profit or loss, derivative financial instrument and available-for-sale securities. In particular, the valuation methods of financial assets at fair value through profit or loss and the bond investment of available-for-sale securities 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

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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	27,213	129	—	—	32,842
Positive fair value of derivatives	3,231	-133	—	—	3,098
Available-for-sale securities	159,577	—	634	-4	176,159
Total	190,021	-4	634	-4	212,099
Financial liabilities					
Of which:					
Financial liabilities at fair value through profit or loss	21	2	—	—	139
Negative fair value of derivatives	2,558	-582	—	—	1,976
Total	2,579	-580	—	—	2,115

(II) Overdue and outstanding liabilities

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

IX. Performance of Key Business Lines

(I) Corporate banking business

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

1. Customer base of corporate banking

During the Reporting Period, the Company focused on strategic customers in key regions and key industries in accordance with its strategic orientation. Targeting at customers base in upstream and downstream, crucial elements markets, and e-commerce platforms of core customers, the Company continuously made efforts in developing the Company’s customer base. As at the end of the Reporting Period, the number of corporate customers with deposits of the Company increased by 66.6 thousand, representing an increase of 12.18%, to 613.6 thousand as compared with the end of last year. The number of general customers with deposits of the Company was 14,375 and the customer base of the asset business remained stable.

As at the end of the Reporting Period, the Company had 10,724 NSOE customers with outstanding general loans of RMB672,434 million. As for the domestic corporate banking business, the number of NSOE customers with outstanding general loans and the outstanding general loan to NSOEs accounted for 75.40% and 59.60%, respectively.

2. Corporate loans

During the Reporting Period, the Company proactively tapped into business opportunities resulting from strategies, among others, the Beijing-Tianjin-Hebei integration, the development of the Yangtze River Economic Zone, the “One Belt and One Road” initiative and the Free Trade Zones. Focusing on its strategic customers at the upstream and downstream, strengthening the trade financing service model, the Company established a business ecosystem through online integration and supervision of logistics, capital flow, invoice flow and customer flow to reduce the use of arbitrage capital.

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As at the end of the Reporting Period, the outstanding corporate loans (including discounted bills) of the Company amounted to RMB1,234,292 million, representing an increase of RMB80,663 million, or 6.99%, as compared with the end of the previous year. In particular, the outstanding general corporate loans amounted to RMB1,175,828 million, representing an increase of RMB48,342 million, or 4.29%, as compared with the end of the previous year. The impaired corporate loan ratio was 1.40%.

During the Reporting Period, the bill business of the Company firstly continued to develop innovative products and services for bill business according to its business tenet of “customer-based, market-oriented and product-emphasized”. Leveraging on its comprehensive bill products chain, this segment met the needs of customers to pay in cash equivalents in remote purchase, and effectively reduced the financial costs through negotiation on proportion of discounted interest. Entrusting the corporate bills to the Bank for centralized management, customers got diversified derivative loan products and saved manpower and resources. The comprehensive use of such credit resources improved the ease in settlement and financing in the financial management of the Group and provided various kinds of bill financing services to the real economy. As such, it effectively reduced corporate financing costs and supported enterprises’ growth. Secondly, the Company strengthened the establishment of market-based mechanism for the bill business and professional platform which catered to the customers’ business needs. It also amended and refined the bill product system and management regulation to constantly optimize the operational procedure and the functions of business system and provide tailored financial service solutions and product business supports to play a better role of bill business in serving the development of real business.

3. Corporate deposits

During the Reporting Period, to effectively cope with the liberalization of interest rate and the impacts and challenges brought by internet banking to the corporate deposit of commercial banks, the Company strengthened the development of its settlement business platform and online transaction financing platform while substantially reducing core cost-related liabilities. As at the end of the Reporting Period, the balance of corporate deposits of the Company amounted to RMB2,056,746 million, representing an increase of RMB192,593 million, or 10.33%, as compared with the end of the previous year.

4. Corporate non-interest income business

In respect of investment banking business of commercial banks, the Company concentrated on the following four key areas: 1) comprehensive multi-layered capital market financial services; 2) mergers and acquisitions relating to integration of industries, regions and enterprises as well as reforms of mixed-ownership; 3) structured finance pillared by securitization; and 4) wealth management of investment banking. These four areas cover all current key market orientations and focus on the economic and financial sectors and provide ample business opportunities. Accordingly, the Company is to expand, among others, merger and acquisition finance, listing finance, structured finance, cross-border finance, investment management, securitization and wealth management businesses currently and in the next few years. During the Reporting Period, the Company has conducted a series of large-scale mergers and acquisitions, reorganizations and structured financing projects. In particular, the domestic listing operation of our China Concepts Stocks has gained reputation in the market while our quantitative investment, mixed-ownership reforms, PPP and other innovative projects have made substantial progress.

During the Reporting Period, the Company set up various brands, such as “Chuang Fu” (創富) and “Qi Fu” (企富), for its securitization business. A number of ground-breaking products, such as private credit assets securitization products, housing fund corporate assets securitization products, Residential Mortgage-Backed Securities (RMBS), corporate assets securitization products with receivables under letter of guarantee, were issued under these brands. In respect of underwriting of bonds, the Company was actively seizing market opportunities by prioritizing its customer base of large and medium-sized state-owned enterprises, actively adjusting its marketing strategy and carrying out delayering assessment and management systems, thereby boosting its operating efficiency and market competitiveness. During the Reporting Period, the Company issued 131 short-term debt financing bills, medium-term notes (including medium-term notes with long-term rights), super short-term debt financing bills, targeted instruments and other products for 109 enterprises in total with an aggregate value of RMB109,294 million, representing a year-on-year growth of 65.46%. This growth rate ranked top of major joint-equity commercial banks. The bond underwriting business recorded intermediary business income of RMB459 million. During the Reporting Period, the merger and acquisition operation of the Company was awarded the “Most Effective Merger, Acquisition and Reorganization for Conventional Industries in 2015” (2015年度傳統產業併購重組最佳效果獎) by China Securities Journal, demonstrating the constant surge of our brand influence.

During the Reporting Period, the Company recorded rapid increase in net fee and commission income of the corporate business segment. The aggregated amount of net fee and commission income was RMB11,459 million, representing a year-on-year growth of 19.78%.

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5. Operation of the SBUs

During the Reporting Period, the SBUs achieved stable and healthy development despite the impact of unfavorable factors such as economic downturn and industrial adjustment.

(1) Real Estate Finance SBU

During the Reporting Period, demand in the real estate market was sluggish and competition in the real estate finance industry was intensifying. As a result, the Real Estate Finance SBU continued to reform the SBU and insisted on its strategic transformation by being customer-oriented, exploring market demand, strengthening business innovation, expanding its product portfolio and establishing a leading brand in the real estate finance industry. It firstly made more efforts to system innovation and reform to stimulate its vitality and creativeness by improving internal management, optimizing operation procedures as well as refining appraisal, incentive and other schemes. Secondly, it focused on strategic customers and implemented “Head to Head” customer development. During the Reporting Period, it entered into strategic cooperation agreements with 33 influential nation-wide real estate market players such as Evergrande (恒大), Greentown (綠城), Jinke (金科) and Rongqiao (融僑). Each of the strategic customers was offered with “individual-tailored” comprehensive financial strategy. Thirdly, it has reinforced its risk control and explored market opportunities with additional efforts in research and application of innovative products. It persisted in implementing innovative investment banking business models and actively studied the applications of transaction banking, assets securitization and internet financing in the real estate sector.

During the Reporting Period, the Real Estate Finance SBU actively explored internet financing models and launched a crowd funding product named “Minsheng e Housing” (民生e房), which linked developers and potential property purchasers to the financial assets of the SBU using the approach of “Internet Plus” (互聯網+). It founded a brand new real estate financial ecological chain that brought together developers’ project sales targets and potential purchasers’ housing and investment demands. As of the date hereof, it has successfully cooperated with Vanke and Poly. Being the chief secretary of CRECC Specialized Financial Committee (全聯地產商會金融委員會) and the chair of China REITs Alliance (中國REITs聯盟會長單位), the Real Estate Finance SBU participated in a series of events that facilitated the development of the real estate finance industry and REITs in Mainland China.

As at the end of the Reporting Period, the deposit balance and outstanding general loans of the Real Estate Finance SBU amounted to RMB54,840 million and RMB111,409 million, respectively. The impaired loan ratio was 0.27% and the net non-interest income amounted to RMB1,010 million. The business was thriving in terms of both quantity and coverage with sound assets quality and customer service, risk control, talents team, brand building and other management have stepped up to a new stage.

(2) Energy Finance SBU

During the Reporting Period, as the macro economy continued to slow down, the systematic risk of the coal industry further intensified and the quality of assets deteriorated, the Energy Finance SBU proactively initiated measures in response. Under the guidance of the Bank, this SBU adhered to a philosophy of “cautious growth and quality improvement”, reinforced the conventional banking businesses and strengthened its classified customer management. Utilising its strategic customers’ network, crucial elements platform and logistics platform, it has identified the needs of its customers and expedited the strategic reform of the industry and customers. On the other hand, this SBU accelerated its assets structure transformation through actively exploring its investment banking operations and innovating products and instruments. It also carried out its businesses actively but steadily by strengthening its risk management and control to realize a complete coverage of post-loan management and supervision, strengthening its assets and liabilities management to improve systematic construction, and enhancing its bargaining power.

As at the end of the Reporting Period, the deposit balance and outstanding general loans of the Energy Finance SBU amounted to RMB44,073 million and RMB121,067 million, respectively. The impaired loan ratio was 2.27% and the net non-interest income amounted to RMB819 million.

(3) Transportation Finance SBU

During the Reporting Period, the Transportation Finance SBU actively responded to complicated external situations, such as the liberalization of interest rate, the “New Normal” of Chinese economy, the slowdown of macro economic growth, the excessive production of ship building industry and the declined profitability of enterprises, by focusing on strategic customers and seizing opportunities in the cash and capital market aggressively and promoting implementation of the comprehensive financial services of “four-wheel driven” “commercial banking + investment banking” including strategic business, investment banking, comprehensive automobile industry chain development and transactional banking business. The SBU has enhanced its operational ability in providing professional and differentiated transportation financial services to the railway, automobiles, port and airline sectors. As such, it achieved structural optimization and stable profit growth while enhancing the values of both customers and society.

As at the end of the Reporting Period, the deposit balance and outstanding general loans of the Transportation Finance SBU amounted to RMB46,999 million and RMB49,447 million, respectively. The impaired loan ratio was 2.88% and the net non-interest income amounted to RMB503 million.

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(4) Metallurgy Finance SBU

During the Reporting Period, the metallurgy industry remained at the lowest point of the business cycle in the past five years with deteriorating losses and multiple risk events among enterprises above designated size. The Metallurgy Finance SBU insisted on its established operating goals of “transforming operation mode, adjusting structure, controlling risk and strengthening management” and spared no effort in new business exploration, new customer development, new product application, risk control and operation efficiency improvement. As to planning and development, this SBU has strengthened industry research and enhanced professional services with better understanding of the regularity in each subdivided industry. In terms of business development, this SBU launched a labour competition named “Restart” (從新起航) and a new customer development activity called “Experienced Financing” (百煉•金熔) that aimed at expanding its business to customers along the whole metallurgy industry chain as well as industry leaders. In respect of risk management and control, the risk management system and mechanism were established and customers were divided into different classes according to their risk profile to enhance the process management.

As at the end of the Reporting Period, the deposit balance and outstanding general loans of the Metallurgy Finance SBU amounted to RMB34,146 million and RMB35,934 million, respectively. The impaired loan ratio was 7.05% and the net non-interest income amounted to RMB959 million.

(5) Trade Finance SBU

During the Reporting Period, the Trade Finance SBU continued to implement the operating concept of “becoming a professional service provider of distinctive trade finance”. It adopted the business model of “commercial banking + investment banking”, and integrated capital financing with intelligence and resource. The Trade Finance SBU expanded its business development through distinctive operations and product innovation, actively developed new profit generators, 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 34 branches and 27 long-distance business centers across the country. For the first half of 2015, this SBU recorded net non-interest income of RMB5,060 million and the on- and off- balance sheet assets denominated in RMB and foreign currencies of RMB374,558 million. During the Reporting Period, the rapid and healthy development of the trade finance business attracted extensive domestic and international attention and the Company was successively awarded, among others, “The Best Trade Finance Bank in China” (中國最佳貿易金融銀行獎) by Euromoney 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 always been devoting itself in building its distinctive brand of trade financing services and formed a comprehensive product portfolio covering domestic and international settlement, trade financing and synergy of domestic and overseas finance with leading capability in product research and development. It has established a global correspondent banking network and clearing channels by building up correspondent banking relationships with 1,528 banks in 115 countries and regions across the world. The Trade Finance SBU continued to exert great efforts to become a provider of financial solutions and an integrator of finance and resources, and strived to provide customers with a series of innovative products and solutions, including factoring 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 2015, the volume of factoring business amounted to RMB110,060 million with a total of 97.2 thousand transactions. The total volume of international dual factoring business amounted to US\$707 million and a total of 15.7 thousand transactions were recorded, while the volume of domestic factoring business ranked fourth among domestic banks.

The Trade Finance SBU actively promoted the strategy of “becoming the host bank for the internationalization of NSOEs in China” under the principles of “one more, one less and one chain”, in order to support Chinese NSOEs to export mature technology and transfer overcapacity in exchange of resources, energy, technology and market which are essential elements for the sustainable development of the economy of China. Taking the cross-border industry chains as the channel, the cross-border commercial and investment banking services as the initiatives, the SBU provided NSOEs with customized structured financing solutions based on the products including import and export credit loans, shipping financing, overseas investment loans, overseas project financing and international syndicate loans, thus to maintain rapid development of businesses in relation to the “going global” strategy.

(6) Culture Industry Finance SBU

During the Reporting Period, under the macro environment of promoting “vigorous development and prosperity” of culture industry, the Culture Industry Finance SBU of the Company focused on film and TV, culture tourism and new media for the development of customer base and business model based on the operation concept of investment banking business. In respect of film and TV industry, the SBU has provided financing support for more than 60 films and TV series, which were recognized and affirmed by the peers. The SBU endeavoured to provide comprehensive financial services to customers with higher customer coherence in addition to financing services. The Company's brand popularity and market influence have been recognized in the film and TV and culture travel industries.

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As at the end of the Reporting Period, the Culture Industry Finance SBU had financial assets of RMB9,244 million.

(7) Healthcare Finance SBU

During the Reporting Period, strictly following the framework of “adaptive transformation, innovative model and rapid development”, the Healthcare Finance SBU focused on strategic customers in the healthcare industry and boosted its business transformation with innovative development strategies and stringent risk control. These initiatives have been implemented in an orderly manner resulting in a steady and sustainable growth in the deposit and loan businesses, a breakthrough in the net non-interest income and solid progress in transformation of investment banking.

As at the end of the Reporting Period, the daily average deposit and general RMB deposit balances of the Healthcare Finance SBU amounted to RMB2,819 million and RMB2,720 million, respectively. The amount of outstanding loans (including discounting) was RMB4,002 million.

(8) Stone Material Industry Finance SBU

During the Reporting Period, the Stone Material Industry Finance SBU of the Company aimed to be the largest financial service provider for the stone material industry in China. The SBU has launched businesses for the whole stone material industry chain and continued to promote all-round financial services covering stone mining, business matching, stone market, and import and export trade. With increasingly differentiated financial services and innovated business model, the Stone Industry Finance SBU is building up a network across each and every key stone production base in China and set up branches in Xiamen and Shandong last year. It now has 76 employees, over 40% of which are professionals from the stone material industry.

As at the end of the Reporting Period, the deposit balance, daily average deposit balance and outstanding loans of the Stone Material Industry Finance SBU amounted to RMB5,054 million, RMB4,453 million and RMB6,257 million, respectively. Outstanding financial assets amounted to RMB10,515 million. It has cooperated with over 95% of the top 20 players in the domestic stone material industry and covered over 70% of stone enterprises above national scale across the country. The coverage of its financing services reached over 50%.

(II) Retail banking

1. Individual finance

During the Reporting Period, the Company endeavoured to adjust its retail banking business in an income-oriented approach. It has optimized its resource allocation, implemented professional customer base operation, grasped market opportunities and rigorously promoted key operations such as wealth management and consumer credit. The individual finance business has achieved not only sustainable expansion, but also substantial revenue growth and further improvement in assets and liabilities structure.

Both the scale of customers and the financial assets experienced a constant steady growth. During the Reporting Period, the Bank launched a series of marketing campaigns such as “Growing Together” (客戶提升·助我成長) to promote the customer base analyses and informatized marketing as well as to strengthen the cross selling of credit cards. As at the end of the Reporting Period, the number of retail customers with existing deposits increased by 2,882.2 thousand as compared with the end of the last year to 22,666.6 thousand. Financial assets of individual customer under management amounted to RMB1,095,882 million, representing an increase of RMB22,859 million as compared with the end of the last year. Of such financial assets, saving deposits amounted to RMB540,769 million, representing an increase of RMB9,141 million as compared with the end of the last year. During the Reporting Period, net fee and commission income amounted to RMB1,629 million.

Seizing market opportunities, the Company has sped up the improvement of the wealth management business. During the Reporting Period, a new brand of Minsheng wealth management and customer classification system were built up and 151 key assets management products were launched. As at the end of the Reporting Period, the balance of brokered funds amounted to RMB105,828 million, representing an increase of RMB55,245 million or 109.21%, as compared with the end of the last year. During the Reporting Period, fee and commission income from wealth management business amounted to RMB1,322 million. During the Reporting Period, the amount of brokered insurance amounted to RMB13,988 million, representing an increase of RMB13,908 million as compared with the corresponding period of last year. The fee and commission income recorded RMB96 million, representing an increase of RMB81 million as compared with the corresponding period of last year.

Consumer credit was also boosted with a series of new consumer credit products and improvements in consumer credit procedures and efficiency. As at the end of the Reporting Period, outstanding consumer loans amounted to RMB130,709 million, representing an increase of RMB37,707 million or 40.54% as compared with the end of the last year. Initiated by consumer credit, the assets and liabilities structure of the retail banking business was further improved as a whole.

Management Discussion and Analysis

For product innovation, the Company firstly continued to pursue upgrades of consumer credit products and launched innovative products such as “Overseas Study Loan” (留學貸), “Happy Salary Loan” (薪喜貸) and “Happy Corporate Loan” (公喜貸) during the Reporting Period. Secondly, the Bank took the lead to register the Personal Residential Mortgage-Backed Security (RMBS) in the industry, which was a ground-breaking move of personal loan assets securitization. Thirdly, a micro community platform linking to the service hotlines of 31 branches under the community living circle project was formally launched. Fourthly, key features, namely UnionPay wallet, consolidated preferential merchant list, cloud-based POS and “Smart Currency” (智家幣), of the living circle platform were formally introduced, leading the multilateral community marketing platform to the promotion stage. Fifthly, a reward point-based online shopping platform for retail banking business throughout the Bank and its branches was also formally set up to promote new “2+N” procedures and automatic issuance of credit and debit cards in full steam, thereby bringing the integration of retail resources to a new phase.

2. Community finance

During the Reporting Period, the community finance 2.0 project was put to trial with the aim of further exploring and perfecting the community finance business model. As at the end of the Reporting Period, the number of community outlets (including self-service banks with full banking functions) was 4,808, among which, 841 community sub-branches had obtained licenses from the regulatory authorities. The establishment of versatile community marketing platform was promoted through the community living circle platform and Minsheng E-commerce, as well as trials encouraged in branches. As at the end of the Reporting Period, the balance of financial assets under community finance projects and the number of effective customers amounted to RMB128,095 million and over 480 thousand, respectively.

3. Small business finance

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

As at the end of the Reporting Period, the amount of outstanding loans to the Company’s 3,442.7 thousand small business customers was RMB402,676 million.

During the Reporting Period, the Company proactively supported the development of the real economy and granted loans to small and micro enterprises of aggregate RMB230,203 million during the first half of the year. Through the launched new products such as “Easy Secured Loan” (易押貸), the ratio of the loans secured by tangible assets other than monetary assets has increased constantly. As at the end of the Reporting Period, the loans secured by tangible assets other than monetary assets and loans secured by monetary assets accounted for 45.71% of the total loans to small and micro enterprises. Thus, the Company’s credit risk appetite was improved during economic downturn. The Company has also established and refined the customer development scheme of its supply chain finance business. Through unified and standardized marketing, credit granting and rates pricing systems, the Company’s professional team has consolidated resources of supply chain and boosted the development of the supply chain finance, and marketing campaigns targeting at upstream and downstream partners of several leading enterprises in various industries have been conducted successfully during the Reporting Period.

During the Reporting Period, the credit factories for the Company’s operating loans to small and micro enterprises have commenced operation. With persistent improvements in its online parameter interface, consolidation of information from Beijing and Shanghai branch centres, as well as the introduction of the external calling function, the smart credit factories for small business have been preliminarily established by the Company.

During the Reporting Period, the Company has also put enormous efforts into its customer care system and strengthened interaction with customers through a number of activities such as “Female Improvement Season” (女性蝶變季) and “Family Thanksgiving Season” (親子感恩季), which were well-received among small business customers. In addition, “God of Fortune Card” (財神卡) was launched as a comprehensive bank card by the Company on the basis of a combined card of deposit and loan and provided various financial services such as deposit, wealth management, revolving loan facilities, payment and settlement for the small business customers for their needs in wealth management and loan financing, etc.

4. Credit card business

As at the end of the Reporting Period, the aggregate number of issued credit cards of the Company reached 22,285.4 thousand, of which 1,737.7 thousand were newly issued during the Reporting Period. Transaction volume of the credit card business was RMB540,482 million, representing an increase of 37.53% as compared with the corresponding period of the previous year. Account receivables amounted to RMB165,908 million, representing an increase of 12.34% as compared with the end of the previous year. Net non-interest income amounted to RMB6,694 million, representing an increase of 32.88% as compared with the corresponding period of the previous year.

Management Discussion and Analysis

During the Reporting Period, the Credit Card Centre celebrated its tenth anniversary with a commemoration and appreciation party for its valued customers and partners in Beijing on 16 June 2015. In respect of products, “Minsheng American Express Centurion Card” (民生美國運通百夫長黑金卡), one of the most world-acclaimed and widely sought cards, was launched. This card was issued exclusively by invitation to PRC customers and was the first and only card made of titanium in China. It offered not only extraordinary experience but also all-round and meticulous services to the cardholders. In respect of special offer services, the Company targeted at offering high-quality and convenient usage to its cardholders. It encompassed over 65,000 merchants in 85 cities in China with special offers covering gourmet and catering, recreation and entertainment, hotel and shopping, living and service industries, thereby satisfying every daily consumption needs of its cardholders. In respect of consumer protection, a consumer protection system was formulated, under which the customer hotline attained a cardholders’ satisfactory rate of 99.68%, representing 1.85 percentage points ahead of our peers.

During the Reporting Period, the online application project of the Credit Card Centre was awarded “The Best Multi-channel Innovative Project” (最佳多渠道創新項目獎) in the election of The Asian Banker Technology Implementation Awards (最佳科技實踐獎) in 2015.

(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 RMB255,832 million, representing an increase of RMB25,436 million, or 11.04%, as compared with the end of the previous year. During the Reporting Period, the net non-interest income of the Company’s private banking business amounted to RMB1,684 million, representing an increase of RMB631 million or 59.92% as compared with the corresponding period of the previous year.

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

During the Reporting Period, the development and quality services of the Company's private banking business continued to be highly recognized by authoritative media. It was awarded the Best Performance for the Year (年度最佳表現獎) in the field of private banking by Hurun Report. It also issued the China Ultra-High-Net-Worth Report (2014–2015) jointly with Hurun Report. Being the most in-depth and focused report on ultra-high-net-worth people in China as of today, this report explored development directions of the private banking sector with the best prospects in the context of current market trends. Based on this report, the Company will maximize customers' values and returns while offering top-level private banking services.

(IV) Treasury business

1. Investments and transactions

As at the end of the Reporting Period, the investment balance of the bank accounts and transaction accounts of the Company amounted to RMB704,839 million and RMB32,330 million, respectively. During the first half of the year the bond market performed stably as a whole. The Company mainly increased its investment in mid- to long-term interest rate-related bonds and non-standard investments with reference to its yield rate, liquidity and overall assets and liabilities structure. The scale of our transaction and investment bank accounts expanded significantly and the percentage of these accounts in the total assets of the Company increased by 2.47 percentage points as compared with the end of the previous year.

During the Reporting Period, the transaction volume of domestic forward settlement and RMB exchange swap of the Company amounted to US\$106,760 million, representing a decrease of 20.82% as compared with the corresponding period of last year. The transaction volume of spot settlement amounted to US\$43,756 million, representing a decrease of 20.97% as compared with the corresponding period of last year.

2. Interbank business

Being the designated unit responsible for “the centralized professional management of various interbank businesses”, the Financial Institution Department has strictly implemented regulatory policies since its establishment and significantly increased its interbank capital and asset profitability.

To perfect its exclusive and professional interbank business management, this department strictly enforced regulatory policies with emphasis on compliance management in its operation. Interbank operating models such as unified management, centralized planning, transaction and operation by the headquarters and decentralized sales management at branches were implemented.

Management Discussion and Analysis

To strengthen cooperation with strategic partners and accelerate the establishment of interbank cooperation platforms for them, during the Reporting Period the Company has developed multiple Head to Head marketing work, covering 68 interbank institutions, and completed the formation of four major strategic platforms, namely bank-exchange, bank-security, bank-insurance and bank-rural credit union platforms, and entered into strategic platform agreements with six financial asset exchanges, 18 securities brokers, 17 insurance asset management companies and 14 provincial rural credit unions.

To expand the business scale and endeavour more efforts in innovation, the Company proactively complied with the regulatory requirement and developed interbank financing business and interbank investment business with interbank institutions during the Reporting Period, as a result of which the business scale increased steadily and the business structure has been optimized apparently. The Company also continued to enhance the innovation capability in products and businesses by completing innovation in four major sorts of products, conducting comprehensive research on customers' needs and serving multi-layer capital market construction to improve the capital operating capability effectively.

3. Custody business

In respect of asset custody business, capitalizing on the opportunities arising from the rapid development and diversification of the PRC capital market and the swift emergence of internet finance, the Company stepped up its marketing efforts at key products such as public equity funds, special fund accounts, consolidated wealth management by securities companies, asset securitization and internet transaction fund with the aim of stimulating rapid growth of the asset custody business. As at the end of the Reporting Period, asset custody business (including safekeeping) amounted to RMB3,753,342 million, representing an increase of 25.78% as compared with the end of the previous year. Revenue from the custody business was RMB1,995 million, representing a year-on-year increase of 31.68%.

In respect of pension business, the Company consolidated quality assets and channel resources to implement its pension commercialization plan and nurture the pension business with multiple pension products and services targeting at institutional and personal customers. As at the end of the Reporting Period, the Company managed 146.8 thousand corporate annuity accounts and has RMB25,038 million of annuity funds under custody.

4. Wealth management

During the Reporting Period, the wealth management business of the Company strictly complied with various requirements of regulatory policies. It focused on the brand building of “Apex Asset Management” (非凡資產管理) and the strengthening of asset management, optimizing management model of the wealth management business, enhancing wealth management product innovations and expanding sales channels so as to promote the steady growth of wealth management business. As at the end of the Reporting Period, the existing scale of wealth management products amounted to RMB663,851 million, representing an increase of 39.12% as compared with the end of the previous year.

5. Trading in gold and other precious metals

During the Reporting Period, the on-floor trading volume of gold, including agency sales for legal persons and individuals, of the Company in the precious metals market (the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 755.42 tons, and the trading volume of silver, including agency sales for legal persons and individuals, amounted to 4,826.25 tons. Total trading value amounted to RMB199,330 million. In terms of on-floor trading value, the Company was the ninth largest dealer at the Shanghai Gold Exchange, one of the most active proprietary dealers at the Shanghai Futures Exchange and one of the most important large-volume gold importers in the PRC.

During the Reporting Period, the Company leased 71.68 tons of gold to its corporate customers, ranking the seventh in the market. It sold 700 kg of proprietary physical gold to individual customers. The Company satisfied the needs of customer with various products. The outlook of further progress in the market remained bright.

(V) Overseas business

According to the Company’s international strategy, the three major business segments including wholesale (corporate banking business), capital transactions and private banking businesses were further consolidated and strengthened in the past three years since the first overseas branch of the Company, the Hong Kong Branch, was established. The Hong Kong Branch has developed into an important overseas platform of the Company and has played a vital role in driving the growth of our cross-border collective trade financing business. During the Reporting Period, the cross-border collective trade financing business contributed HK\$434 million to the net fee and commission income of the Hong Kong Branch, representing an increase of 32.72% as compared with the corresponding period of the previous year. The balance of collective deposits amounted to HK\$38,428 million, which directly generated mainland deposits of RMB8,574 million and net fee and commission income of RMB97 million.

Management Discussion and Analysis

During the Reporting Period, the Hong Kong Branch initiated various pioneer transactions and achieved breakthroughs in risk participation, RMB bond underwriting, cross-border direct lending in the Shanghai Free Trade Zone, RMB interbank lending and non-bank financial institution liabilities businesses. At the same time, the Hong Kong Branch set up a US\$5,000 million medium term note programme, under which it has successfully issued US\$600 million 3-year senior unsecured bond as the issuer and global co-ordinator. The bond attained a credit rating of BBB by Standard & Poor's and has an initial rate of T+145 base points. It is highly regarded as the one of the most successful issuance of US dollar senior bonds for the year up to the date hereof. This successful issuance attracted the subscription of many international investment institutes and reflected their recognition of the Company's business model, financial position and future prospects. Being the issuer and global co-ordinator of this medium-term note issue, the Hong Kong Branch proved its excellent financial services and demonstrated the Company's abundant strength in the international market. This successful issuance of medium-term note also has strategic significance to the Company's strategic transformation and long-term development by further strengthening the Company's financial position, expanding our overseas financing channels, and laying the solid foundation for future issuances of preferential shares.

As at the end of the Reporting Period, the deposit balance and outstanding loans of the Hong Kong Branch amounted to HK\$66,676 million and HK\$59,389 million, respectively. Net non-interest income and net interest income amounted to HK\$723 million and HK\$523 million, respectively.

(VI) Internet finance and service innovation

During the Reporting Period, the Company captured opportunities under the national policy of "Internet Plus" (互聯網+) and focused on the innovation of internet financial products and services such as mobile banking, direct banking, online payment and online banking according to customers' needs. With continuous improvement in customers' experience, we were able to secure a leading position in market shares among commercial banks.

1. Online corporate finance and cash management business

During the Reporting Period, the Company enhanced its professional servicing capabilities for various business subdivisions through strategic transformation and integration of its transaction banking system. The Company's Online Corporate Finance and Cash Management Department was thus established in January 2015 with the objective of responding to the internet trend of corporate operation so as to strengthen the online and network service ability of the Company's transaction banking business. With this new division, Minsheng Bank promoted the transition of its banking service model in a timely manner with the aim of setting up new integrated online finance service platform for the corporate banking business, focusing on strategic customers and creating value for corporate settlement customers.

Firstly, the online corporate finance service platform will be set up and offer online supply chain financing, online wealth management, online core customer billing management, customer order management and other functions to realize the ultimate integration of “transaction finance plus online finance” and gradually establish a new financial “ecological circle” service model that allows the Company’s core customers, upstream and downstream customers, third-party institutions and the Bank to function complementarily. Secondly, the Company is developing new cash management products such as “Tender Express” (招標通) and “Market Express” (市場通) as well as continually upgrading and refining products such as “Value-adding for Liquidity Income” (流動利增值), “Cash Pools” (現金池) and “Virtual Accounts” (虛擬賬戶) in order to boost deposit balance and increase customer coverage. As at the end of the Reporting Period, tailored cash management service solutions have been made available to all 41,039 core customers of the Company, generating a daily average deposits of RMB234,373 million. The number of active customers of the Company’s online corporate banking system was 381.7 thousand, representing an increase of 14.9 thousand as compared with the end of the previous year. The number of corporate mobile banking users amounted to 72.5 thousand, representing an increase of 24.6 thousand as compared with the end of the previous year. Thirdly, the Company sped up the development of the Company’s online corporate banking business. The optimization and upgrade of the online corporate financing, online stock exchange position financing and online pre-payment financing service models were completed. Customers can now complete their financing, pledging, delivery, repayment and other transactions on the internet through the Company’s online corporate banking platform, which further reduces their transaction costs and enhances their experience. Fourthly, the Company has insisted on broadening its supply chain financing services. The Company has adjusted our business development model and increased the investment in emerging industries and industries with weak cyclical influence. In view of the trend to simplify procurement and sales among our core customers, the Company has made more efforts on coordinated sales towards end customers, such as small and micro enterprises and the retail business, which thereby formed an integrated financial service model serving large, medium, small and micro enterprises. The Company has also enhanced the utilization of its product portfolio and innovated in business models, such as closed-loop domestic and foreign trade and “transaction finance plus cash management” to effectively enhance the overall sales capability of its supply chain financing products.

Management Discussion and Analysis

2. E-banking

(1) Mobile banking

The Company continuously innovated its individual mobile banking. During the Reporting Period, the Company responded to market demand in a timely manner by launching new functions such as online registration for debt card application, forex trading and salaries payment as well as new services ranging from registration for medical services and mobile data volume purchase to news delivery and community sales. These unique mobile banking functions and value-added services ran ahead of the industry and expanded the market. As at the end of the Reporting Period, the number of our individual mobile banking customers reached 16,036.6 thousand, representing an increase of 3,015.4 thousand as compared with the end of the previous year. The number of transactions for the Reporting Period was 151 million, representing an increase of 124.18% as compared with the corresponding period of the previous year, while the transaction turnover for the Reporting Period amounted to RMB2.77 trillion, representing an increase of 127.33% as compared with the corresponding period of the previous year. Frequency of transactions conducted by the Company's customers has always led the banking industry. In the "2015 Mobile Banking Assessment" organized by Sina.com, the Company's individual mobile banking attained 94 points and ranked in the top three among commercial banks for three consecutive years for its diversified functions, excellent customers' experience, high security and advanced innovative services.

(2) Online banking

During the Reporting Period, the personal online banking system was upgraded and streamlined with a simplified design that displays commonly used functions and services on the front page. The Company simplified the homepage directory, improved the procedures and unified the graphic designs so as to enhance customers' experience. As at the end of the Reporting Period, the number of personal online banking customers was 13,025.0 thousand, representing an increase of 1,414.7 thousand as compared with the end of the previous year. The number of transactions was 332 million, while the transaction turnover amounted to RMB6.54 trillion. Online transaction replacement rate was 97.95%. The Company's sales of personal wealth management products via electronic channels continued to increase significantly and amounted to RMB1.42 trillion during the Reporting Period, representing an increase of 86.82% as compared with the corresponding period of the previous year and accounting for 98.62% of the total sales of the Company's personal wealth management products.

(3) Online payment

In order to provide customers with a safe and convenient online payment platform with comprehensive functions, the Company has allocated additional resources to the online payment business during the Reporting Period so as to boost platform construction and product development and diversify payment approaches and application scenarios. It has now introduced a wide range of online payment services ranging from fingerprint payment, NFC payment, “Interbank Transaction Products” (跨行通), online payment, batch payment and collection through online banking to fees payment for funds. In particular, the interbank transaction products were upgraded constantly to further broaden the fund integration channels. As at the end of the Reporting Period, active customers using our interbank transaction products totalled 1,944.8 thousand, representing an increase of 247.4 thousand as compared with the end of the previous year, and the total fund integrated amounted to RMB260,413 million. During the Reporting Period, total personal online payment transactions of the year amounted to RMB131,631 million, total transaction amount of fund sales supervisory business amounted to RMB493,240 million, and total transaction amount of “Fast Fund Payment” (基金快付) amounted to RMB12,336 million. The Company has already established supervisory relationships with 91 fund distributors, in which 42 distributors have already obtained fund selling licenses from the CSRC. Our market coverage is over 50%.

3. Direct banking

During the Reporting Period, the Company further adhered to the brand image of “simple banking” of its direct banking. Keeping abreast with the latest needs and habits of internet users, it kept modifying its specialized channels such as the designated website, mobile apps, Wechat banking and 10100123 hotline with a view to enhance customers’ experience and service efficiency. Innovative new products such as “Interest More” (利多多) and batch payment of salaries were launched to establish a more comprehensive internet financial service system. The Company also actively cooperated with third parties with the aim of exploring new customers in a large scale through wealth management products and basic account services. As at the end of the Reporting Period, the number of customers reached 2,155.9 thousand, and the total subscription amount of “Ru Yi Bao” (如意寶) amounted to RMB512,910 million.

Management Discussion and Analysis

4. Operation service

Based on the operating features of banks in new age, the Company sped up the establishment of centralized operating systems using one major centralized operating centre and three branches in Zhengzhou, Beijing, Shanghai and Shenzhen, respectively, in which multiple operating plants for information input, business process and remote teller services were constructed. The Zhengzhou processing centre has been put into use for eight months and processed 733,312.9 thousand transactions per day during the Reporting Period. It supported mobile operation and corporate banking transactions across the Bank and realized our ideas of separating front and back offices and intensifying management. Following the philosophy of simplified operation, the Company rigorously promoted the mobile operating model and reduced its reliance of operation on outlets and counters. As at the end of the Reporting Period, the Bank installed over 8,200 machines and issued over 5.2 million cards for its mobile operation, accounting for over 40% of the total cards issued by the Bank.

5. Service assurance

The Company has enlarged its investment and development of all-media operating platform to establish a comprehensive multi-channel media platform incorporating telephone, SMS, internet and Wechat channels. Big data analysis models were used to carry out precise multi-channel marketing activities, regular customer care and cross sales targeting at the enormous mass-market customers so as to maximize the general customer value in an effective manner. During the Reporting Period, the total number of incoming calls to our hotlines amounted to 22,050.1 thousand, in which 5,381.8 thousand calls were manually made, and the success rate for incoming calls was 97.86%. The all-media channels as a whole provided 1,071.4 thousand services to the customers and attained a general satisfactory rate of 98.55%. The financial assets of “95568” mass-market customers increased by RMB37,255 million as compared with the end of the previous year. The number of VIP customers increased by 225.8 thousand and the fee and commission income amounted to RMB60,757.7 thousand.

(VII) Major equity investment

1. Major equity investment

(1) Securities investment

Item	Type of securities	Stock code	Stock name	Initial investment (Yuan)	Number of shares held (shares)	Carrying value at the end of the period (Yuan)	Percentage of total security investment at the end of the period (%)	Gain or loss for the Reporting Period (Yuan)
1	Stock	1528.HK	Red Star Macalline Group Corporation Ltd.	182,095,842	17,210,000	172,364,122	50.17%	-9,731,720
2	Stock	996.HK	Carnival Group International Holdings Limited	184,712,176	160,000,000	151,413,120	44.07%	-33,299,056
3	Stock	717.HK	Emperor Capital Group Limited	10,531,789	27,000,000	19,801,997	5.76%	9,270,208
Other securities investment held at the end of the period				—	/	—	—	—
Gains or losses on disposal of securities investment during the Reporting Period				/	/	/	/	39,641,715
Total				377,339,807	204,210,000	343,579,239	100%	5,881,147

Note: The above table sets out the Group's securities investments included in "financial assets at fair value through the profit or loss of the period", all of which were held by CMBC International, a subsidiary of the Group.

(2) Shareholdings in listed companies

Stock code	Stock name	Initial investment (Yuan)	Shareholding in the company (%)	Carrying value at the end of the period (Yuan)	Gain or loss for the Reporting Period (Yuan)	Change in owner's equity during the Reporting Period (Yuan)	Classification for accounting purpose	Source of shares
3698.HK	Huishang Bank Corporation Limited	264,840,851	0.77%	272,000,000	13,515,000	32,393,391	Available-for-sale equity investment	Loan repayment
0866.HK	China Qinfu Group Limited	68,289,176	8.34%	59,838,568	—	-8,450,608	Available-for-sale equity investment	Loan repayment
Total		333,130,027	/	331,838,568	13,515,000	23,942,783	/	/

Note: The shares of Huishang Bank held by the Group are unlisted domestic shares.

Management Discussion and Analysis

(3) Shareholdings in unlisted financial enterprises

Name of investee	Initial investment (Yuan)	Number of shares held (Shares)	Shareholding in the company (%)	Carrying value at the end of the period (Yuan)	Gain or loss for the Reporting Period (Yuan)	Change in owner's equity during the Reporting Period (Yuan)	Classification for accounting purpose	Source of shares
Minsheng Life Insurance Company Limited	2,598,000,000	788,000,000	13.13%	2,598,000,000	—	—	Available-for-sale equity investment	Loan repayment
China Union Pay Co., Ltd.	125,000,000	80,000,000	2.73%	125,000,000	4,400,000	—	Available-for-sale equity investment	Investment
Gaokang Capital Investment Management Company Limited	2,000,000	—	2.00%	2,000,000	—	—	Available-for-sale equity investment	Investment
Total	2,725,000,000	868,000,000	/	2,725,000,000	4,400,000	—	/	/

(4) Trading of shares in other listed companies

Stock name	Number of shares held at the beginning of the period (Shares)	Number of shares purchased during the Reporting Period (Shares)	Purchase price (Yuan)	Number of shares disposed of during the Reporting Period (Shares)	Number of shares held at the end of the period (Shares)	Gain from investment (Yuan)
Total	—	251,758,800	675,306,507	47,548,800	204,210,000	39,641,715

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.

Following a “distinctive and efficient” development mode, Minsheng Financial Leasing has achieved satisfactory operating results across its businesses since its establishment. As at the end of the Reporting Period, the total assets and net assets of Minsheng Financial Leasing amounted to RMB132,461 million and RMB12,604 million, respectively, representing increases of RMB3,787 million or 2.94% and RMB666 million or 5.58%, respectively, as compared with the end of the previous year. During the Reporting Period, net profit amounted to RMB604 million, representing an average annualised return rate on shareholders’ equity of 9.84%.

In order to further implement the Company’s strategies, proactively respond to the “New Normal” of economy and tightly grasp new opportunities, Minsheng Financial Leasing further implemented reforms and innovation, constantly upgraded its structure and persistently strengthened its strategic coordination with the Company for the sake of becoming a distinctive, globalized and professional leasing company in the banking sector that leads the world. In respect of jet leasing, Minsheng Financial Leasing sped up the globalization and professionalization of the commercial jet business by aggressively expanding in both the domestic and overseas airline markets in respond to the “One Belt and One Road” initiative of the central government. An agreement of intention to purchase thirty 737MAX aircrafts was executed with Ruli Airlines Co., Ltd. and Boeing Company in US, to assist Yunnan Province in establishing the airline network in Southwestern China and thus the national gateway on the Maritime Silk Road in the Southwest. In respect of ship leasing, Minsheng Financial Leasing was actively globalizing the ship leasing business. For example, the self-elevating drill platform financial leasing project with Apexindo, the largest drilling contractor in Indonesia, has been completed. This project was awarded the “Best Maritime Engineering Leasing Transaction for the Year” (海工租賃年度最佳交易獎) by *Marine Money*, indicating Minsheng Financial Leasing’s successful expansion into the international drilling market. In the meantime, Minsheng Financial Leasing also actively assisted the PRC high-end maritime engineering equipment suppliers to enter international market. For instance, a cooperation agreement of a Super M2 self-elevating drill platform leasing project was executed with CNPC Offshore Engineering Company Limited and Yantai CIMC Raffles Offshore Limited. In respect of healthcare and medical business, Minsheng Financial Leasing completed transactions with 23 Grade A, Class Two or above public hospitals, thereby swiftly entering into the hospital financial leasing market, obtaining market share and enhancing the brand. In respect of new energy vehicles, the “Internet Plus” (互聯網+) automobile retail business was significantly developed and certain breakthroughs have been achieved. In respect of electronic and information technology equipment, cooperation has been conducted with information centre companies such as CICC Data (中金數據), 21Vianet and Range Technology Development Co., Ltd. (潤澤科技). Through the contractor leasing model, Minsheng Financial Leasing will strive to become the leading “Internet Plus” (互聯網+) financial leasing institution through integration of three Networks (namely television, telecommunication and internet networks) as well as “Smart Cities” in China.

Management Discussion and Analysis

(2) Minsheng Royal Fund

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

During the Reporting Period, net profit of Minsheng Royal Fund amounted to RMB266 million, representing an increase of RMB156 million as compared with the corresponding period of the previous year. As at the end of the Reporting Period, a total of 24 public equity products were managed under Minsheng Royal Fund, with net value of fund asset under its management of RMB54,509 million and RMB50,752 million, respectively. Products of Minsheng Royal Fund covered major fund types with high, medium and low risks such as stock funds, hybrid funds, index funds, bond funds and monetary market funds. According to the Fund Research Centre of Galaxy Securities, Minsheng Royal Fund ranked 38th among ninety fund companies in China in term of scale, maintaining a leading position among medium-sized fund management companies. The account management business of Minsheng Royal Fund continued to grow steadily, and assets under its management amounted to RMB18,948 million as at the end of the Reporting Period.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013 and held 40% equity interest of it. Minsheng Royal Asset Management's registered capital was RMB125 million and the scope of business included asset management business for specific customers, other business approved by the CSRC and investment consultancy. In addition to investment in traditional secondary markets, its specific scope of investment also includes managing and advising on investments in equities, bonds and other property rights not traded in any stock exchange. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB654,026 million. It achieved satisfactory business interaction and mutual supplement with the operations of Minsheng Royal Fund and has gradually emerged as an important strategic platform of the Bank.

During the Reporting Period, Minsheng Royal Fund was awarded the "Golden Bull Bond Investment Fund Company" (債券投資金牛基金公司) in the 12th Golden Bull Fund Awards (中國基金業金牛獎). Minsheng Royal Strengthen Income Bond of the Company was listed as the "Winning Golden Bull Five-Year Open-end Bond Fund" (五年期開放式債券型持續優勝金牛基金), the second Golden Bull Award for this fund following the "Golden Bull Three-Year Bond Fund" (三年期債券型金牛基金) in 2012.

(3) CMBC International

CMBC International is a wholly owned subsidiary the Company established on 11 February 2015 in Hong Kong with the approval of CBRC. It has a registered capital of HK\$2,000 million and is principally engaged in investment banking.

CMBC International is currently pending regulatory approval for licenses to commence its business. Subject to such regulatory approval, CMBC International will conduct investment banking businesses such as brokering securities and future contracts dealings, margin trading and short selling, asset management, financial consultancy and sponsorship, structured financing, management of private equity investment and trading of bulk commodities.

CMBC International is an important diversified and globalized strategic platform of the Company and will closely cooperate with the Company upon receiving the relevant licenses so as to achieve synergies and offer all-round and diversified financial services to the Company's customers.

(4) Minsheng rural banks

Minsheng rural banks collectively refer to the rural banks initiated and established by the Company as a major promoter. As at the end of the Reporting Period, the Company established a total of 29 Minsheng rural banks with 81 business outlets. Total assets amounted to RMB25,518 million. Balances of deposits and total loans were RMB20,199 million and RMB15,752 million, respectively. The Company further improved the corporate governance structure, risk control system and business development model of rural banks during the Reporting Period. As at the end of the Reporting Period, Minsheng rural banks had a sound business development. The business strategy to focus on small business finance and regional characteristics business for sustainable development was implemented smoothly with preliminary benefits.

During the Reporting Period, in strict compliance with the "Five Year Outline" determined by the Board, the Company earnestly implemented the Board's strategic requirements of "emphasizing efficiency and uniqueness" by gradually implementing centralized management, standardized operation and unique operation mode for the management of Minsheng rural banks. The Company continued to improve its management system and implement various measures orderly to support the sound and sustainable development of Minsheng rural banks.

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

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

Management Discussion and Analysis

As at the end of the Reporting Period, the total equity attributable to the holder of the asset management plans under the management of and consolidated to the financial statements of the Group amounted to RMB6,814 million, which are presented under the total balance of deposits from customers of the Group. No individual asset management plan had material impact on the financial position of the Group.

(6) Management of consolidated financial statements

Promulgated by the CBRC in December 2014, the Guidance on the Management and Regulation of Consolidated Financial Statement of Commercial Banks (《商業銀行併表管理與監管指引》) will take effect on 1 July 2015. Striving to comply with the relevant regulatory requirements and further strengthening its management of the Group's consolidated financial statements, the Company has already carried out the following measures.

The Company proactively complied with the new regulatory policies and steadily improved the Group's consolidated financial statements. To ensure the proactive and effective implementation of the Guidance on the Management and Regulation of Consolidated Financial Statement of Commercial Banks, the Company has established a consolidated financial statement management improvement committee; rationalized the consolidated financial statement management structure, established certain departments for the management of the consolidated financial statements, and clearly stipulated the division of labour among the key responsible departments. The Management Measures for Consolidated Financial Statements of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司併表管理辦法》) revised by the Company and approved at the tenth extraordinary meeting of the sixth session of the Board has come into effect. These management measures constitute the basic regulations and systems for the management of the Company's consolidated financial statements so as to regulate the management work.

In July 2015, the Company held a Group consolidated financial statement management improvement meeting at which the Board co-ordinated the management of the consolidated financial statements. The responsible departments have formulated and gradually implemented certain implementation measures for the management of the consolidated financial statements according to the requirements of the Guidance on the Management and Regulation of Consolidated Financial Statement of Commercial Banks and the practical situation of the Company.

The information system for the management of the consolidated financial statements has also been refined. The Company initiated an information technology project to manage the consolidation of CMBC International in its consolidated financial statements, thereby achieving complete coverage of all subsidiaries by the consolidated financial statement management information system. It also refined some of the functions of its treasury and assets and liabilities management platforms to further enhance the applicability of the systems.

Through due implementation of daily management of the consolidated financial statements, the Group has been under sound operation. The Company prepared and submitted the Annual Report on the Management of Group Consolidated Financial Statements for 2014 (《集團併表管理2014年度全面報告》) to the regulatory authorities by carrying out appraisal of the management of consolidated financial statements in 2014 and completing the documentation of major issues arising from the consolidation. All the responsible departments have carried out the management of the consolidation of subsidiaries according to their respective terms of reference. As a result, the Group has been developing soundly.

3. Use of proceeds

On 15 March 2013, upon approval by the CSRC in Zheng Jian Xu Ke [2012] No. 1573, the Company issued a total of RMB20.0 billion A Share Convertible Bonds at par value, which were listed on the SSE on 29 March 2013 and 2 May 2013, respectively (Convertible Bonds code: 110023). The proceeds from the issuance of A Share Convertible Bonds amounted to RMB20.0 billion, and the net proceeds after direct issuance costs was RMB19,912 million. The net proceeds, together with other funds of the Company, had been used for the business development of the Company. As at the end of the Reporting Period, A Share Convertible Bonds of RMB19,838,768,000 in aggregate were converted into A shares of the Company, and the total number of converted shares was 2,446,493,105. The entire proceeds from the conversion of the Convertible Bonds have been used to replenish the core tier-one capital of the Company in accordance with the relevant requirements of capital management of the CBRC and the prospectus.

X. Risk Management

The guiding principle of the Company's risk management regime is "Creating Value by Managing Risks". Its risk management system focuses on the co-ordinated 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, strengthen core competitiveness of the Company and safeguard the long term interests of employees and customers so as to maximize shareholder's value.

Management Discussion and Analysis

(I) Credit risk

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

To support the strategic transformation and structural adjustment of the Company, the Company issued its 2015 General Guidelines of Risk Policy (《2015年風險政策總體導向》), which restated the guiding opinion and general objectives of risk policy in terms of industries, regions, customers and products and refined the risk policy and management system covering all business lines including, among others, corporate credit facilities, granting credits to small and micro enterprises, retail credits and credit cards, all institutions including SBUs and branches, and all on- and off-balance sheet products. Strict management of quantitative targets of structural adjustment and quota control of industries with high risks was adopted. In addition, the credit risk internal rating system covering legal corporations, financial institutions and retail businesses was verified and optimized in a comprehensive manner with a more extensive use of risk rating and measurement results. The internal rating system of non-retail business has been widely used in the formulation of risk management policy, credit limit management, differential approval, credit evaluation, pricing of risk, post-loan supervision, economic capital management, RAROC assessment and other entire-process risk management systems. The retail rating model and the pooling measurement results relating to the small and micro business, credit card business and traditional retail business have been applied to the credit approval, determination of credit limit and post-loan alerts and collection of retail business. The refinement and application of the above risk measurement tools further enhanced credit risk management of the Company. Meanwhile, the Company strengthened the risk management foundation and enhanced its capability of credit risk management steadily by refining the business evaluation system of the Company, emphasizing the risk management and control of retail business, innovating recovering approaches and endeavored more efforts in operating major projects.

(II) Liquidity risk

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

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

(III) Market risk

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, share prices and commodity prices), inflicting losses of commercial banks business on- and off- balance sheet. The Company manages its interest rate risk, exchange rate risk, stock risk and commodity risk in accordance with the regulatory requirements and based on the rules of Basel III. The Company also formulated and further enhanced the management system for market risk through formulating, market risk calculating, monitoring, alerting and reporting measures on market risk limit.

Management Discussion and Analysis

During the Reporting Period, facing the increasingly fluctuated, accelerated and complicated “New Normal” in the market, the Company further adjusted its risk appetite to more efficiently communicate risk preference for the coming of the “New Normal”. Through the construction of system platforms and management platforms in the past few years, the Company implemented management of market risk limit and shifted from institution-oriented and product-oriented business models to a risk-oriented model. The Company emphasized the co-ordination between quota system and trading strategies and refined the communication system for risk preference according to its overall risk on a group level as well as major risk factors in relation to interest rates, exchange rates, etc. It provided swift support to trading institutions of the Bank to commence business, and facilitated the development of new trading institutions and new trading products. It continued to enhance risk measurement and valuation abilities for complicated products. Optimization of our internal models was carried out actively. Core applications of the internal models including quota management, risk report, stress testing and capital measurement were actively expanded. From the perspective of establishing group-wide market risk management standard, it attempted measurement and application of value at risk (VaR) and stress testing methods. In respect of market risk monitoring and reporting, the Company continuously optimized and strengthened the daily internal management application of market risk information through establishment of system and constantly optimized product control functions such as identification of risk factors for profit and loss and assessment of price deviation. The Company enhanced the effectiveness of risk monitoring function and reporting depth of the middle office through automatic generation of daily market risk report for institutions.

(IV) Operational risk

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

During the Reporting Period, the Company continued to push forward the implementation of three major tools to manage operational risk. It also activated the optimization and improvement of these three tools to enhance effectiveness and suitability. Operational risk in new business area has been monitored timely. The risk management of new internet financial services has been initiated to control the related operational risk of this emerging business in a timely manner. The emergency drill for the business continuity has been strengthened by extending drills of the suspension of core system to all branches. All departments also carried out drills on different systems. Emphasis has been placed on precaution study before being out-sourced. The management experience from both domestic and overseas banking industry will be considered to effectively explore the feasibility, and continue to manage the risk, of out-sourcing.

The Company continued to improve the operational management and stability of production system to ensure that no material production failure or security issues will take place. The Company continued to optimize the procedures of IT service management (ISO20000) and information security management (ISO27001) so as to enhance both the capacity of IT service and information security management. The Company pushed forward the construction of “three disaster recovery centres in two locations”. The Company has built an off-site data disaster recovery centre for core system in Chengdu. A new disaster recovery centre for city-wide core business systems in Beijing has commenced operation and had passed two disaster recovery drills in the first half of 2015. The Company also actively pushed forward construction of the information security monitoring alert system and emergency protection platform, so as to enhance our capability to maintain information security. The construction of information technological key risk indicator system has been carried on so as to continuously strengthen the capability to monitor information technological risk and quantitative evaluation.

(V) Country risk

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

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

(VI) Reputation risk

Reputation risk refers to the risk of negative evaluation of commercial banks and the overall banking industry by relevant interested parties, the media and the society as a result of the poor operation or management and other actions in breach of the national laws and regulations, social ethical standards or applicable internal rules by the commercial banks or their staff, or due to other external customers or events. Reputation risk management of the Company refers to the daily management of reputation risk and proper handling of incidents with reputation risk through establishing and formulating reputation risk management mechanisms and rules and implement multiple solutions so as to resolve and eliminate the negative impacts, prevent reputation risk actively and minimising the losses and negative impacts on the public, and thereby achieving the general 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 improve reputation risk system, combine the development of public opinions, and issue the Guidelines on Graded Alert and Response to Internet Public Opinions of China Minsheng Bank (《中國民生銀行網路輿情分級預警與應對指導意見》). The Company strengthened self-media management by issuing the Measures for Management of Wechat Public Channel of China Minsheng Bank (《中國民生銀行微信公眾號管理辦法》). It continued to carry out external promotion, establish and improve internal reputation risk management mechanism by integrating with the establishment of risk linkage system. The Company upgraded the monitoring network to effectively monitor, alert and trace public opinions and information through an advanced public opinion monitoring platform. Based on statistical analysis, areas with risks and trend of risk can be defined. Risk information management was improved to enhance the information sharing system between all risk management departments of the Company for prompt and full disclosure and exchange of risk information. The Company organized quarterly risk inspection to forecast, alert and cope with the shift of reputation risk and other risks. Material reputation risk events were reported to the regulatory authorities timely and regular communication was further improved. The Company also maintained close communication with the media to strengthen the brand building and risk resistance. During the Reporting Period, amid economic slowdown, the media and public were mostly concerned about the Company's asset quality and personnel irregularities. Through proactive, prompt and effective monitoring, anticipation and resolution of the public opinions, such concern was neither intensified or translated into other risks. Through steadily and deeply strengthening the brand building, the social image of the Company was enhanced and the sound development of all businesses was facilitated. The Company also promoted the awareness, understanding and support of the public to its reform, innovation and development of the Company to avoid and reduce negative opinions of the public at the source.

(VII) Anti-money laundering

Adhering to the “risk-based” management concept and according to the objectives to understand, evaluate, monitor and manage risks, intensify internal management mechanism against laundering, the Company further optimized the monitoring model of suspicious transactions to effectively identify risks at an early stage. The Company improved the overall management capacity of anti-money laundering in a scientific and practical approach so as to effectively fulfill the social responsibility of anti-money laundering and improve the overall management level of anti-money laundering of the Company.

During the Reporting Period, the Company effectively implemented the regulatory requirements set by the PBOC by issuing a series of management policies including the Measures in Relation to the Implementation of “Administration Measures for the Supervision of Anti-Money Laundering in Financial Institutions” (Trial) (《關於落實〈金融機構反洗錢監督管理辦法(試行)〉的實施方案》), the Administration Measures for the Comprehensive Evaluation of Anti-Money Laundering Performance of China Minsheng Bank (《中國民生銀行反洗錢工作綜合評價管理辦法》) and the Notice on the Self-Evaluation on Implementation of Anti-Money Laundering (《關於做好反洗錢自評估工作的通知》). The Company further enhanced the establishment of internal control system to prevent money laundering. It improved the anti-money laundering system by setting up an institutional self-evaluation scheme and risk assessment of new products and high risk business segments, and examining the unified management system of management, confidentiality and regulatory communications. Our employees continued to work on money laundering risk monitoring and customers’ money laundering risk classification to ensure effective control from the source. It continued the investigation of money laundering by employees to effectively prevent the ethnic crisis of our employees. The Company continued to focus on studying and identifying the risk of money laundering and analysing 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 analyzed and reported any irregularities. The Company effectively prevented money laundering risks through comprehensive analysis of the situation of money laundering. The Company carefully verified the identity of customers and conducted due diligence and effectively prevented 3,910 suspicious money laundering activities. The Company raised 67 money laundering alerts mainly focused on the analysis regarding suspicious characteristics and risks of internet gambling. The alert system was effective. The Company assisted the regulatory departments and other competent authorities in 956 anti-money laundering investigations. It held 1,864 training programmes and organized 982 promotional activities with 560,225 promotional materials issued to effectively strengthen the awareness of compliance regarding anti-money laundering and enhance the prevention and management of money laundering effectively.

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

XI. Prospects and Measures

(I) Competition and development of the banking industry

At present, banking industry is undergoing sweeping reforms and encountering stiffer competition due to the ongoing structural transformation of the economy. On the one hand, the liberalization of interest rate is picking up speed so that the demand and proportion of direct financing will increase step by step. Due to the continuous development of the capital market, the real economy will push banks to enhance comprehensive financial services. Banking industry also faces tremendous challenges to transform themselves. On the other hand, the economic transformation, the market-oriented reform of the financial industry, the all-out penetration of internet finance into the real economy, and the implementation of national strategies such as the “One Belt and One Road” initiative, the integration of Beijing, Tianjin and Hebei Province, the development of the Yangtze River Economic Zone, the mixed-ownership reforms, and “entrepreneurship and innovation by the general public” (大眾創業·萬眾創新) will also bring ample opportunities to the transformation and development of the banking industry. “Commercial + investment banking” and “deposit and loan + asset management” approaches will be the kernel points of banking transformation. It is necessary that banks explore innovation in terms of differentiated strategies, risk management, business models, products and services as well as culture, seek opportunities proactively and upgrade their abilities to carry out comprehensive banking services.

(II) Development strategies

In the second half of 2015, the Company will focus on the implementation of the Phoenix Project by further enhancing strategies, optimizing business models and management system, responding effectively to the liberalization of interest rate, infrastructural construction, revitalizing its competitive advantages and remolding an upgraded Minsheng Bank.

Firstly, the Company will push forward the implementation of the Phoenix Project. Regarding the mid-to-long-term development of internet finance, the Company will structure all-round and fundamental plans to carry out trials and marketing in order to ensure that all projects could be implemented timely and soundly according to the established timetable and roadmap.

Secondly, the Company will strengthen the management of its consolidated financial statements so that the quality of consolidated management as well as the overall development for the Group could be enhanced.

Thirdly, the Company will enhance its risk management ability and efforts of bad debts resolution. By strengthening industry research, it will enhance the risk control, prevent the increase of bad debts and clean them up, push forward non-performing assets restructuring, and integrate with the asset management and investment banking businesses with a view of creating new resolution methods.

Fourthly, by actively synchronizing with the central government's strategies, the Company will continue to tap into potential business opportunities. To grasp the opportunities arising from the "One Belt and One Road" initiative and the integration of Beijing, Tianjin and Hebei Province, it will follow policy updates, carry out systematic projects, build comprehensive database of these projects, make use of its unique advantages in regional and small businesses finance, and strengthen co-ordination to seek breakthrough.

Fifthly, the Company will continue to enhance its business development in the capital market. Collaboration with financial institutions, and internal and external platforms for collaboration will be intensified and refined. Product innovation in strategic business segments such as asset securitization, bonds, wealth management, interbank collaboration, asset management and custody will be enhanced. Systems will be optimized to ensure sound risk management structure and improve the capacity of control over capital market risks.

Sixthly, the Company will accelerate the optimization and upgrade of business models against internet finance environment by improving service outlet network and integrating with online service platforms, elevating synergies between small business finance with community finance, strengthening cross-selling, and boosting the value of outlets and customers. Advantages of direct banking, mobile banking and internet banking will be consolidated to unify the online and offline banking business chain.

Seventhly, the Bank will take advantage of the 20th anniversary and combine the celebration with its marketing, brand promotion and charity activities in order to polish the image of the Company.

(III) Potential risks

At present, China's economy has ushered in the "New Normal". Shock waves have been sent to commercial banks from five fronts: mounting downward pressure from macro economic growth, racing up of the liberalization of interest rate, widening market access, a more deregulated capital market and the rising of internet finance. Furthermore, as illustrated clearly by world-wide experience, after the liberalization of interest rate, the net interest margin will narrow and profit-making capabilities of banks will be undermined, and banking competition will diverge. The impacts on commercial banks will be massive. Facing the in-depth transformation of the financial environment, the Company will insist on planning in advance and formulating comprehensive roadmap. With the Phoenix Project, the Company will proactively navigate the challenges posed by the liberalization of interest rate, embrace the "New Normal", tighten its control over capital quality, look forward beyond the near future, beef up the capability of risk management and seize the new market opportunities.

Changes in Share Capital and Information on Shareholders

I. Changes in Shares

(Unit: shares)

	31 December 2014		Changes over the Reporting Period (+,-) Conversion of Convertible Bonds	30 June 2015	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares subject to restriction on sales				—	—
1. State-owned shares				—	—
2. State-owned legal person shares				—	—
3. Other domestic shares				—	—
Of which:					
Held by domestic legal person				—	—
Held by domestic natural person				—	—
4. Foreign investor shares				—	—
Of which:					
Held by overseas legal person				—	—
Held by overseas natural person				—	—
II. Shares not subject to restriction on sales	34,153,103,037	100.00	2,332,245,715	36,485,348,752	100.00
1. Ordinary shares in RMB	27,219,523,629	79.70	2,332,245,715	29,551,769,344	81.00
2. Domestic listed foreign invested shares			—	—	—
3. Overseas listed foreign invested shares	6,933,579,408	20.30	—	6,933,579,408	19.00
4. Others			—	—	—
III. Total number of shares	34,153,103,037	100.00	2,332,245,715	36,485,348,752	100.00

Changes in Share Capital and Information on Shareholders

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

(Unit: shares)

Total number of shareholders				638,591
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	/	18.90%	6,897,526,679	—
Anbang Life Insurance Inc.				
— Steady Investment Portfolio	Domestic legal person	6.49%	2,369,416,768	—
Anbang Property Insurance Inc.				
— Traditional Products	Domestic legal person	4.56%	1,665,225,632	—
Anbang Insurance Group Co., Ltd.				
— Traditional Insurance Products	Domestic legal person	4.49%	1,639,344,938	—
New Hope Investment Co., Ltd.	Domestic legal person	4.39%	1,600,304,190	—
China Life Insurance Co., Ltd.				
— Traditional — Common Insurance Products				
— 005L — CT001, SH	Domestic legal person	3.66%	1,336,608,000	—
Shanghai Giant Lifetech Co., Ltd.	Domestic legal person	3.15%	1,149,732,989	—
China Shipowners Mutual Assurance Association	Domestic legal person	2.98%	1,086,917,406	—
Orient Group Incorporation	Domestic legal person	2.92%	1,066,764,269	—
China Oceanwide Holdings Group Co., Ltd.	Domestic legal person	2.30%	838,726,939	—

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	6,897,526,679	Overseas listed foreign invested shares (H shares)
Anbang Life Insurance Inc.		
– Steady Investment Portfolio	2,369,416,768	Ordinary shares dominated in RMB
Anbang Property Insurance Inc.		
– Traditional Products	1,665,225,632	Ordinary shares dominated in RMB
Anbang Insurance Group Co., Ltd.		
– Traditional Insurance Products	1,639,344,938	Ordinary shares dominated in RMB
New Hope Investment Co., Ltd.	1,600,304,190	Ordinary shares dominated in RMB
China Life Insurance Co., Ltd.		
– Traditional – Common Insurance Products		
– 005L – CT001, SH	1,336,608,000	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
China Oceanwide Holdings Group Co., Ltd.	838,726,939	Ordinary shares dominated in RMB
Statement on the related relationship or concert actions among the aforesaid shareholders	Anbang Insurance Group Co., Ltd. is the controlling shareholder of Anbang Life Insurance Inc. and Anbang Property Insurance Inc. Save as disclosed above, the Company is not aware of any related relationship among other shareholders.	

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

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

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued shares (%)
Anbang Insurance Group Co., Ltd.	A	Long	Beneficial Owner	1,673,502,001			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	4,453,401,906			
				6,126,903,907	1	20.73	16.79
	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	358,908,500	2 & 17	5.18	0.98
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,084,876,472*	3 & 6	7.05	5.71
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,600,304,190*	3	5.42	4.39
New Hope Investment Co., Ltd.	A	Long	Beneficial Owner	1,600,304,190	3	5.42	4.39
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	2,084,876,472*	4 & 6	7.05	5.71
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,084,876,472*	5 & 6	7.05	5.71

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 (%)
Fosun International Limited	H	Long	Beneficial Owner	695,179,800			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	113,432,600			
				808,612,400	7 & 8	11.66	2.22
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	808,612,400	7 & 8	11.66	2.22
Shi Yuzhu	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	638,829,500	9	9.21	1.75
Union Sky Holding Group Limited	H	Long	Beneficial Owner	586,100,000	9	8.45	1.61
UBS AG	H	Long	Beneficial Owner	86,188,819			
		Long	Person having a security interest in shares	392,361,954			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	22,839,736			
				501,390,509	10 & 12	7.23	1.37
		Short	Beneficial Owner	69,873,541			
	Short	Interest held by the corporation(s) controlled by this substantial shareholder	1,229,500				
				71,103,041	10 & 12	1.03	0.19
UBS Group AG	H	Long	Person having a security interest in shares	392,361,954			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	109,028,555			
				501,390,509	11 & 12	7.23	1.37
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	71,103,041	11 & 12	1.03	0.19

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 (%)
BlackRock, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	421,260,763	13	6.08	1.15
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	6,274,500	13	0.09	0.02
JPMorgan Chase & Co.	H	Long	Beneficial Owner	121,851,865			
		Long	Investment Manager	135,932,698			
		Long	Custodian	156,481,502			
				414,266,065	14	5.97	1.14
		Short	Beneficial Owner	29,588,237	14	0.43	0.08
Ge Weidong	H	Long	Beneficial Owner Interest held by the corporation(s) controlled by this substantial shareholder	333,641,500			
				79,642,700			
				413,284,200	15	5.96	1.13
Morgan Stanley	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	373,531,653	16	5.39	1.02
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	319,185,546	16	4.60	0.87
Anbang Property Insurance Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	358,908,500	2 & 17	5.18	0.98

* As far as the Company is aware, the above numbers of shares reflected the interests or short positions of the relevant substantial shareholders as at 30 June 2015. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Notes:

- Anbang Insurance Group Co., Ltd. was deemed to have interests in the 6,126,903,907 A shares of the Company by virtue of its control over Anbang Life Insurance Inc., Anbang Property Insurance Inc. and Hexie Health Insurance Co., Ltd.
- The long position of 358,908,500 H shares was directly held by Anbang Asset Management (Hong Kong) Co., Limited. Anbang Asset Management (Hong Kong) Co. Limited was a wholly-owned subsidiary of Anbang Property Insurance Inc. and 95.26% of the issued share capital of Anbang Property Insurance Inc. was owned by Anbang Insurance Group Co., Ltd.

According to the SFO, Anbang Insurance Group Co., Ltd. and Anbang Property Insurance Inc. were deemed to have interests in the 358,908,500 H shares held by Anbang Asset Management (Hong Kong) Co., Limited.

Changes in Share Capital and Information on Shareholders

- The 2,084,876,472 A shares comprised 484,572,282 A shares directly held by South Hope Industrial Co., Ltd. and 1,600,304,190 A shares directly held by New Hope Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd., respectively. 23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively.

According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 484,572,282 A shares held by South Hope Industrial Co., Ltd. and in the 1,600,304,190 A shares held by New Hope Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,600,304,190 A shares held by New Hope Investment Co., Ltd.

- Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 2,084,876,472 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this interim report in the section headed "Interests of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
- Ms. Liu Chang held 37.66% of the issued share capital of New Hope Group Co., Ltd. (see note (3) above). According to the SFO, Ms. Liu was deemed to have interests in the 2,084,876,472 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).
- The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 2,084,876,472 A shares, as set out in the above table, were from the same block of shares.
- The 808,612,400 H shares (Long position) (in which 390,000,000 H shares were held through cash settled derivatives (off exchange)) held by Fosun International Limited comprised 695,179,800 H shares directly held by itself, 35,592,600 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 77,840,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 71.29% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang (a Non-executive Director of the Company) held 58% of the issued share capital of Fosun International Holdings Ltd.

According to the SFO, Fosun International Limited was deemed to have interests in the 35,592,600 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 77,840,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 808,612,400 H shares held by Fosun International Limited. Mr. Guo Guangchang's interests in shares are disclosed in this interim report in the section headed "Interests of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations".

- The interests that Fosun International Limited and Fosun International Holdings Ltd. had in the 808,612,400 H shares, as set out in the above table, were from the same block of shares.
- 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 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.
- UBS AG had a long position in 501,390,509 H shares and a short position in 71,103,041 H shares of the Company through a number of wholly-owned subsidiaries. Besides, 35,896,011 H shares (Long position) and 12,311,815 H shares (Short position) were held through derivatives as follows:

2,781,581 H shares (Long position)	— through physically settled derivatives (on exchange)
7,474,706 H shares (Short position)	— through cash settled derivatives (on exchange)
136,531 H shares (Long position) and 1,945,794 H shares (Short position)	— through physically settled derivatives (off exchange)
32,977,899 H shares (Long position) and 2,891,315 H shares (Short position)	— through cash settled derivatives (off exchange)

- UBS Group AG held 98.02% of the issued share capital of UBS AG (see note (10) above). According to the SFO, UBS Group AG was deemed to have interests in the 501,390,509 H shares (Long position) and 71,103,041 H shares (Short position) of the Company in which UBS AG had interests.
- The interests that UBS AG and UBS Group AG had in the 501,390,509 H shares (Long position) and 71,103,041 H shares (Short position), as set out in the above table, were from the same block of shares.

Changes in Share Capital and Information on Shareholders

13. BlackRock, Inc. had a long position in 421,260,763 H shares and a short position in 6,274,500 H shares (in which 557,000 H shares were held through cash settled derivatives (off exchange)) of the Company by virtue of its control over a number of corporations, which were indirect wholly-owned subsidiaries of BlackRock, Inc., except the following corporations:
- 13.1 BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc.. BR Jersey International Holdings L.P. had interests in the Company through the following indirect wholly-owned corporations:
- 13.1.1 BlackRock Japan Co., Ltd. held 6,732,100 H shares (Long position) of the Company.
- 13.1.2 BlackRock Asset Management Canada Limited held 897,980 H shares (Long position) in the Company.
- 13.1.3 BlackRock Investment Management (Australia) Limited held 767,600 H shares (Long position) in the Company.
- 13.1.4 BlackRock Asset Management North Asia Limited held 17,310,582 H shares (Long position) in the Company.
- 13.2 BlackRock Group Limited was owned as to 90% by BR Jersey International Holdings L.P. (see note (13.1) above). BlackRock Group Limited had interests and short positions in the Company through the following direct or indirect wholly-owned corporations:
- 13.2.1 BlackRock (Netherlands) B.V. held 1,506,100 H shares (Long position) in the Company.
- 13.2.2 BlackRock Advisors (UK) Limited held 87,073,215 H shares (Long position) in the Company.
- 13.2.3 BlackRock International Limited held 3,472,851 H shares (Long position) in the Company.
- 13.2.4 BlackRock Asset Management Ireland Limited held 40,726,055 H shares (Long position) in the Company.
- 13.2.5 BLACKROCK (Luxembourg) S.A. held 743,500 H shares (Long position) and 64,500 H shares (Short position) in the Company.
- 13.2.6 BlackRock Investment Management (UK) Limited held 14,978,399 H shares (Long position) in the Company.
- 13.2.7 BlackRock Asset Management Deutschland AG held 455,100 H shares (Long position) in the Company.
- 13.2.8 BlackRock Fund Managers Limited held 2,816,624 H shares (Long position) in the Company.
- 13.2.9 BlackRock Life Limited held 113,500 H shares (Long position) in the Company.
- 13.2.10 BlackRock Asset Management (Schweiz) AG held 30,000 H shares (Long position) in the Company.
14. JPMorgan Chase & Co. had a long position in 414,266,065 H shares and a short position in 29,588,237 H shares of the Company by virtue of its control over a number of corporations, all of which were direct or indirect wholly-owned subsidiaries of JPMorgan Chase & Co.
- The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 156,481,502 H shares. Besides, 34,536,937 H shares (Long position) and 29,588,237 H shares (Short position) were held through derivatives as follows:
- | | |
|--|--|
| 150,000 H shares (Long position) and 625,000 H shares (Short position) | — through physically settled derivatives (on exchange) |
| 3,486,300 H shares (Short position) | — through cash settled derivatives (on exchange) |
| 34,386,937 H shares (Long position) and 25,476,937 H shares (Short position) | — through cash settled derivatives (off exchange) |
15. The 413,284,200 H shares (Long position) comprised 333,641,500 H shares (Long position) directly held by Mr. Ge Weidong and 79,642,700 H shares (Long position) directly held by Chaos Investment Co., Ltd., which was wholly-owned by Mr. Ge.
16. Morgan Stanley had a long position in 373,531,653 H shares and a short position in 319,185,546 H shares of the Company by virtue of its control over a number of corporations, which were indirect wholly-owned subsidiaries of Morgan Stanley, except the following corporations:
- 16.1 Morgan Stanley & Co. International plc held 342,801,991 H shares (Long position) and 316,779,930 H shares (Short position) in the Company.
- 16.2 Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. held 1,940,000 H shares (Long position) and 1,940,000 H shares (Short position) in the Company.
- Besides, 74,087,930 H shares (Long position) and 291,732,016 H shares (Short position) were held through derivatives as follows:
- | | |
|---|---|
| 4,555,000 H shares (Long position) and 18,516,400 H shares (Short position) | — through physically settled derivatives (off exchange) |
| 69,532,930 H shares (Long position) and 273,215,616 H shares (Short position) | — through cash settled derivatives (off exchange) |
17. The interests that Anbang Insurance Group Co., Ltd. and Anbang Property Insurance Inc. had in the 358,908,500 H shares (Long position), as set out in the above table, were from the same block of shares.

Changes in Share Capital and Information on Shareholders

Save as disclosed above and the section headed “Interests of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations”, the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 30 June 2015 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 Redemption of Convertible Bonds

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 Bonds on 15 March 2013. The A Share Convertible Bonds were listed on the SSE on 29 March 2013 and 2 May 2013 (Convertible Bonds code: 110023). The issuance of A Share Convertible Bonds raised RMB20 billion and after deducting all expenses relating to the issuance, the net proceeds from the issuance of A Share Convertible Bonds amounted to RMB19.912 billion. The net proceeds together with other working capital of the Company have been used in operations and business development of the Company. Upon the conversion by the holders of A Share Convertible Bonds, the entire amount of Convertible Bonds converted had been used in replenishing core capital of the Company.

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

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

Changes in Share Capital and Information on Shareholders

representing 0.81% of the total issued Minsheng Convertible Bonds. The Company redeemed all outstanding Minsheng Convertible Bonds on 1 July 2015 and the Minsheng Convertible Bonds were delisted from the SSE on the same date.

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

(2) Issuance of Tier-Two Capital Bonds

Pursuant to the “Approval by the CBRC on the Issuance of Tier-two Capital Bonds of Minsheng Bank” (Yin Jian Fu [2015] No.136) (《中國銀監會關於民生銀行發行二級資本債券的批覆》(銀監覆[2015]136號)) and the “Approval by the PBOC in the Administrative Permit” (Yin Shi Chang Xu Zhun Yu Zi [2015] No.54) (《中國人民銀行准予行政許可決定書》(銀市場許准予字[2015]第54號)), the Company issued “Tier-Two Capital Bonds of China Minsheng Banking Corp., Ltd. in 2015” (abbreviation: 2015 Minsheng Bank Tier-Two, Code:1528002) with an aggregate amount of RMB20 billion in the national inter-bank bond market through book-building process on 28 April 2015. All of the tier-two capital bonds were fixed rate bonds with a term of 10 years and a coupon rate of 5.40%. 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 at the end of the Reporting Period, the proceeds from the issuance of tier-two capital bonds were used in replenishing the tier-two capital of the Company.

Changes in Share Capital and Information on Shareholders

(III) Issuance of Medium-Term Notes of Hong Kong Branch

In accordance with the Regulations on Foreign Exchange (No.193 of the State Council order, revised in 2008) (《外匯管理條例》(國務院令193號2008年修訂版)), the Measures on Management of International Commercial Loans to Domestic Organization ((97) Hui Zheng Fa Zi No. 06) (《境內機構借用國際商業貸款管理辦法》((97)匯政發字06號)), Notice of the State Administration of Foreign Exchange on Transitional Policy and Measures upon the Cancellation of Administrative Approval to Foreign Exchange Management of Certain Investment Projects (Hui Fa (2003) No. 50) (《國家外匯管理局關於取消部分資本項目外匯管理行政審批後過渡政策措施的通知》(匯發(2003)50號)) and other applicable laws and regulations, upon filing with the State Administration of Foreign Exchange regarding the Medium Term Note Programme (“the Issuance Plan”) of Hong Kong branch and the initial issuance of offshore USD-denominated bonds under the Issuance Plan, the Hong Kong branch of the Company officially established US\$5 billion Medium Term Note Programme on 8 May 2015, which was listed on the Hong Kong Stock Exchange on 12 May 2015.

On 14 May 2015, the Hong Kong branch of the Company completed the initial issuance of US dollar denominated senior notes with fixed interest rate under the Issuance Plan in the open market. The total issuance amount of such senior notes was US\$600 million with a term of 3 years and the coupon rate was 2.25%. Such senior notes were listed on the Hong Kong Stock Exchange (code: MISC DOM: 5518) on 22 May 2015. As at the end of the Reporting Period, all of the proceeds from the issuance had been used for overseas business development and other general operation of the Hong Kong branch of the Company.

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

As at the end of the Reporting Period, Anbang Life Insurance Inc. — Steady Investment Portfolio held 2,369,416,768 A shares of the Company, representing 6.49% of the total share capital of the Company. No any other single shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited). The shares of the Company held by Anbang Life Insurance Inc. — Steady Investment Portfolio were not subject to any pledge or lock-up.

VI. Controlling Shareholder and Ultimate Controller

As at the end of the Reporting Period, the Company did not have any controlling shareholder or ultimate controller.

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

As at the end of the Reporting Period, Anbang Life Insurance Inc. — Steady Investment Portfolio held 2,369,416,768 A shares of the Company, representing 6.49% of the total share capital of the Company. No any other single shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited).

Anbang Life Insurance Inc. has a registered capital of RMB11.79 billion and its legal representative is Mr. Yao Dafeng. The business scope of the company includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance business of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the China Insurance Regulatory Commission.

Anbang Insurance Group Co., Ltd. is the controlling shareholder of Anbang Life Insurance Inc., holding 99.96% shares of Anbang Life Insurance Inc. There is not any single shareholder of Anbang Insurance Group Co., Ltd. that holds more than 5% of its shares.

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)
HONG Qi	M	1957	Vice Chairman, Executive Director & President of the Bank	2012.4.10–2014.8.18	0	0
			Vice Chairman, Executive Director, President of the Bank & Acting Chairman	2014.8.18–2014.8.28		
			Chairman & Executive Director	2014.8.28–2015.1.31		
			Chairman, Executive Director & Acting President	2015.1.31–present		
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	2012.4.10–present	0	0
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	2012.4.10–present	0	0
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	2012.4.10–present	0	0
LIANG Yutang	M	1958	Vice Chairman & Executive Director	2012.4.10–present	0	0
WANG Yugui	M	1951	Non-executive Director	2012.4.10–present	0	0
WANG Hang	M	1971	Non-executive Director	2012.4.10–present	0	0
WANG Junhui	M	1971	Non-executive Director	2012.4.10–present	0	0
WU Di	M	1965	Non-executive Director	2012.6.15–present	0	0
GUO Guangchang	M	1967	Non-executive Director	2012.12.17–present	0	0
YAO Dafeng	M	1962	Non-executive Director	2014.12.23–present	0	0
QIN Rongsheng	M	1962	Independent Non-executive Director	2012.4.10–present	0	0
WANG Lihua	M	1963	Independent Non-executive Director	2012.4.10–present	0	0
HAN Jianmin	M	1969	Independent Non-executive Director	2012.4.10–present	0	0
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	2012.6.15–present	0	0
BA Shusong	M	1969	Independent Non-executive Director	2012.6.15–present	0	0
YOU Lantian	F	1951	Independent Non-executive Director	2012.12.17–present	0	0
DUAN Qingshan	M	1957	Chairman of the Supervisory Board & Employee Supervisor	2012.4.10–present	0	0
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10–present	759,720	759,720
LI Yuan	M	1954	Supervisor	2012.4.10–present	0	0
ZHANG Disheng	M	1955	Supervisor	2012.4.10–present	0	0
LU Zhongnan	M	1955	Supervisor	2012.4.10–present	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)
ZHANG Ke	M	1953	External Supervisor	2012.4.10–present	0	0
WANG Liang	M	1942	External Supervisor	2012.4.10–present	0	0
XING Benxiu	M	1963	Vice President	2012.4.10–present	0	0
WAN Qingyuan	M	1965	Board Secretary	2012.4.10–present	0	0
BAI Dan	F	1963	Chief Financial Officer	2012.4.10–present	0	0
SHI Jie	M	1965	Assistant to President	2012.8.7–present	0	0
LI Bin	F	1967	Assistant to President	2012.8.7–present	0	0
LIN Yunshan	M	1970	Assistant to President	2012.8.7–present	0	0

- Notes: 1. On 4 March 2015, the Board resolved to postpone the election of the new session of the Board and the Supervisory Board resolved to postpone the election of the new session of the Supervisory Board. The postponement was considered and approved at the first extraordinary general meeting in 2015;
2. From 24 April 2015, Mr. Zhang Hongwei, a Non-executive Director of the Company, no longer served as the chairman of the board of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190/900952));
3. On 29 May 2015, Mr. Lu Zhiqiang, a Non-executive Director of the Company, was appointed as the chairman of the board of Oceanwide Holdings Co.,Ltd. (listed on the Shenzhen Stock Exchange (stock code: 00046));
4. From 3 June 2015, Mr. Cheng Hoi-chuen, an Independent Non-executive Director of the Company, was appointed as an independent non-executive director of CK Hutchison Holdings Limited (listed on the Hong Kong Stock Exchange (stock code: 00001)) and no longer served as an independent non-executive director of Hutchison Whampoa Limited (the shares of which were withdrawn from listing on the Hong Kong Stock Exchange on 3 June 2015);
5. On 16 June 2015, Mr. Zhang Ke, a Supervisor of the Company, was appointed as an independent non-executive director of China Coal Energy Company Limited (listed on the Hong Kong Stock Exchange (stock code: 01898) and the SSE (stock code: 601898)) and chairman of the supervisory board of Beijing Association of Forensic Science. Mr. Zhang no longer served as an independent non-executive director of SEEC Media Group Limited (listed on the Hong Kong Stock Exchange (stock code: 00205)) from 11 May 2015;
6. Mr. Hong Qi, an Executive Director of the Company, was appointed as the chairman of the board of CMBC International and the president of the China Academy of New Supply-side Economics;
7. Mr. Wang Hang, a Non-executive Director of the Company, was appointed as the vice chairman of the board of CMBC International;
8. Mr. Guo Guangchang, a Non-executive Director of the Company, no longer served as a director of Shanghai Fosun Industrial Technology Development Co., Ltd;
9. Mr. Qin Rongsheng, an Independent Non-executive Director of the Company, was appointed as the dean of the Beijing National Accounting Institute and the executive councilor of the China Audit Society;
10. Mr. Wang Lihua, an Independent Non-executive Director of the Company, was appointed as the vice president of the Intellectual Property Society under Beijing Law Society and no longer served as the vice president of the Beijing Xicheng Social Organisation Association;
11. Mr. Han Jianmin, an Independent Non-executive Director of the Company, was appointed as an external director of Beijing Grain Group Co., Ltd.

Directors, Supervisors, Senior Management and Employees

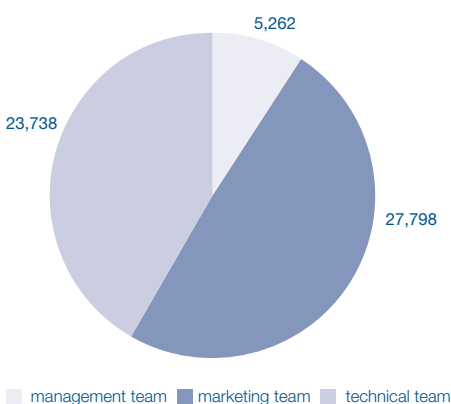
(II) Service contracts of Directors and Supervisors

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

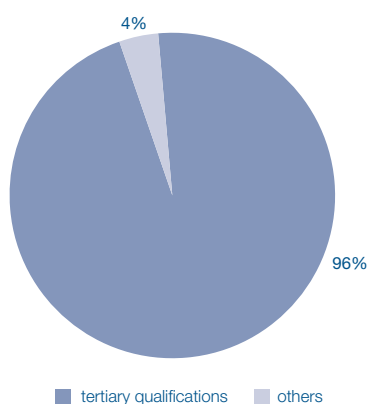
II. Employees

As at the end of the Reporting Period, the Group had 59,015 employees, of which, 56,798 were employees of the Company and 2,217 were employees of its affiliated institutions. Divided by professional specialties, 5,262 were categorized as management team, 27,798 as marketing team, and 23,738 as technical team. The Group had 54,301 employees with tertiary qualifications, accounting for 96% of the total number of employees. In addition, 161 employees of the Company have retired.

**Employee Structure – divided by work nature
(Unit: person)**



Employee Structure – divided by qualification



Directors, Supervisors, Senior Management and Employees

III. Business Network

As at the end of the Reporting Period, the Company had set up 39 branches in 38 cities across China, with 1,047 banking outlets in total.

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	16,178	1,707,919	No.2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	75	3,385	737,503	No.2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	68	2,617	372,934	No.100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	55	2,210	186,602	Minsheng Tower, No.68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	48	1,757	212,238	Minsheng Bank Tower, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	41	1,599	99,224	China Minsheng Bank Tower, No.396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	42	1,506	88,092	No.2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	67	2,276	124,137	Minsheng Bank Tower, No.197 Yu Hua Road East, Chang'an District, Shijiazhuang
Dalian Branch	29	1,085	60,730	No.4A Wuwu Road, Zhongshan District, Dalian
Nanjing Branch	63	2,491	264,911	No.20 Hongwu Bei Road, Nanjing
Hangzhou Branch	46	1,714	123,684	Jinzun, Zunbao Mansion, No.98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	24	1,032	88,570	Tongjiyuanjing Building, No.9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	23	1,112	75,267	China Minsheng Bank Tower, No.78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	32	984	48,790	No.282 Hudong Road, Fuzhou
Jinan Branch	47	1,876	116,650	No.229 Luoyuan Street, Jinan
Ningbo Branch	21	768	43,728	No.815 Ju Xian Road, Ningbo
Chengdu Branch	35	1,387	95,537	Block 6, No.966 North Section of Tianfu Avenue, Gaoxin District, Chengdu
Tianjin Branch	30	932	49,503	China Minsheng Bank Tower, No.43 Jianshe Road, Heping District, Tianjin
Kunming Branch	22	893	57,338	Chuntian Yinxiang Building, No.331 Huancheng Nan Road, Kunming
Quanzhou Branch	16	482	37,899	No.689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	20	1,124	77,061	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	32	1,037	40,250	No.18 Fuzhou Nan Road, Shinan District, Qingdao
Wenzhou Branch	14	586	46,205	Hengha Building, No.1707 Wenzhou Avenue, Wenzhou

Directors, Supervisors, Senior Management and Employees

Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Xiamen Branch	15	599	83,792	7/F, Lixin Plaza, No.90 Hubin Nan Road, Xiamen
Zhengzhou Branch	39	1,445	123,074	Minsheng Bank Tower, No.1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	24	873	62,356	Minsheng Tower, No.189 Binjiang Road, Yuelu District, Changsha
Changchun Branch	22	614	31,080	Minsheng Tower, No.500 Changchun Street, Nangan District, Changchun
Hefei Branch	16	645	47,728	Tian Qing Building, No.135 Bozhou Road, Hefei
Nanchang Branch	14	626	30,283	No.237 Xiangshan Bei Road, Nanchang
Shantou Branch	10	437	13,277	1-3/F, Huajing Plaza, No.17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	13	504	33,495	1, 8-12/F, Guangxi Development Tower, No.111-1 Minzu Avenue, Nanning
Hohhot Branch	10	407	38,379	1-2, 7-21/F, Block C, Oriental Junzuo, Chile Chuan Avenue, Hohhot
Shenyang Branch	13	476	29,946	No.65 Nanjing North Street, Heping District, Shenyang
Hong Kong Branch	1	179	74,025	36/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Guiyang Branch	8	313	33,554	No.28 Yangguan Avenue, Guanshanhu District, Guiyang
Sanya Branch	2	136	18,692	No.128 Xinfeng Street, Hedong District, Sanya
Lhasa Branch	3	146	10,895	Global Plaza, No.8 Beijing West Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	2	94	19,445	1/F, No.188 Yesheng Road, Pudong New District, Shanghai
Harbin Branch	2	144	13,457	1-6/F, Olympic Centre Area 1, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	2	129	13,031	1-4/F, Gansu daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Inter-region adjustment			(1,296,042)	
Total	1,047	56,798	4,135,239	

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

1. Corporate Governance Overview

During the Reporting Period, the Company further refined its system construction and duly fulfilled the risk guidance and risk management duties of the Board to optimize its internal control system. It also strengthened the supervisory functions of the Supervisory Board and enhanced the communication among the Board, the Supervisory Board and the senior management through the communication platform of corporate governance. Details are as follows:

1. During the Reporting Period, the Company had organized, prepared and convened a total of 43 meetings, including two shareholders' general meetings, six Board meetings, 26 meetings of the special committees of the Board, three meetings of the Supervisory Board and six meetings of the special committees of the Supervisory Board. 145 material 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 account reports, profit distribution proposals, related party transactions, the write-off of significant bad debts and assessment report of the Supervisory Board were considered and approved at these meetings.
2. In accordance with the domestic and overseas regulatory requirements, the Company has formulated and amended the Administrative Measures for Outsourcing Risk Management (《外包風險管理辦法》), Administrative Measures for Stress Tests Management (《壓力測試管理辦法》), Implementation Rules of Stress Tests on Trading Market Risk (《交易性市場風險壓力測試實施細則》), Administrative Measures for Internal Rating Models of Non-retail Credit Risk (《非零售信用風險內部評級模型管理辦法》), Administrative Measures for Verification of Non-retail Internal Rating Systems (《非零售內部評級體系驗證管理辦法》), Administrative Measures for Internal Rating Models of Retail Credit Risk (《零售信用風險內部評級模型管理辦法》), Administrative Measures for Verification of Retail Internal Rating Systems (《零售內部評級體系驗證管理辦法》), Administrative Measures for Default Determination of Internal Credit Risk Rating Systems (《信用風險內部評級違約認定管理辦法》), Implementation Rules of Stress Tests on Credit risk (《信用風險壓力測試實施細則》), Implementation Rules of Verification of Market Risk Model (《市場風險模型驗證實施細則》), Management Measures for Consolidated Financial Statements (《併表管理辦法》) and Guiding Opinion on Risk Management by the Board of Directors in 2015 (《董事會2015年風險管理指導意見》), which further improved the corporate governance system of the Company.

Corporate Governance

- Pursuant to the stipulation of the Provisional Measures on Performance Appraisal of Senior Management (《高級管理人員盡職考評試行辦法》), the 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 of the performance appraisal in order to continuously facilitate the improvement of their capabilities in performing duties, and to optimize the systematic, standardized and regular performance evaluation system for the senior management by the Board.

Pursuant to the Provisional Measures on Performance Appraisal of Directors (《董事履職評價試行辦法》), the Company completed the annual appraisal of Directors' performance for 2014 commenced at the beginning of the year under the guidance of the Compensation and Remuneration Committee of the Board to promote due diligence and self-discipline of the Directors.

- The Board organized meetings of the Directors to receive the annual working report of senior management in order to develop a 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.
- 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 nine meetings to consider 15 resolutions in relation to, among others, the annual report of the Company and the working report of the Supervisory Board. The Supervisory Board attended the meetings of the Board and important business meetings of the senior management, completed research on the development of community finance, branches and outlets, rural banks and internet finance of the Company, and fulfilled the duties of supervising the operation management and key business development of units of various levels of the Company. It also supervised and advised on major issues including legal operation, financial reporting and internal control. It carried out the supervision and evaluations on the performance of Directors, Supervisors and senior management, and conducted specific study for major regulatory concerns and organized visits of branches and other financial institutions. During the Reporting Period, with the orderly implementation of supervisory measures as planned, the Supervisory Board orderly completed its regular supervision and strengthened its services and support for the Company's strategic development and operation management. It also fully performed its duties in corporate governance to promote the rationalized operation and steady development of the Company.

6. During the Reporting Period, the Supervisory Board conducted three large-scale researches on the operation management of branches and outlets, community finance and rural banks of the Bank according to its work plan. The researches were mainly conducted through on-site inspection, information collection and data analysis. The Supervisory Board carried out approximately over 200 interviews in total with regulatory departments, other financial institutions, departments of the head office and some branches, interviewing and investigating a total of over 2,000 personnel of various positions. The Supervisory Board compiled four research reports based on the information and data collected, and provided over 20 independent supervisory opinions and suggestions on relevant works of the Company.

7. During the Reporting Period, pursuant to supervisory requirement, the Board duly performed the duties of risk guidance and management by implementing various effective measures regarding the risk guidelines for the Board, risk research, risk management system, approval of business beyond risk limits, risk assessment and risk report, which effectively facilitated the establishment of a comprehensive risk management system and further enhanced the risk prevention and control as well as risk management of the Company. The Guiding Opinion on Risk Management by the Board of Directors in 2015 (《董事會2015年風險管理指導意見》) specified the guiding principles of risk management, risk preference and the annual risk management objectives of the Board, which instructed the management in formulating and implementing the annual risk management policies. Through the risk guidance, supervision and assessment, the Board promoted the implementation of the Guiding Opinion on Risk Management by the Board of Directors in 2015 (《董事會2015年風險管理指導意見》) and enhanced the effectiveness of risk management. The risk management principles of the Board were adopted through implementing the approval of business beyond risk limits and amending the standards of business beyond risk limits. Through semi-annual risk assessment, the Board strengthened its duties in risk supervision and ensured its overall control over the risks and risk management of the Company. In the meantime, it has also conducted various types of specific researches on risks to identify hidden risks and major problems of risk management in a timely manner to provide important references for the decision making on the development strategies and risk management of the Board.

8. During the Reporting Period, the Company continually strengthened its internal control and comprehensive audit. It enhanced the compliance awareness of all staff and improved the effectiveness of internal control and operation management. Continuous efforts were made to refine the management of internal transactions in order to ensure the compliance of transactions.

Corporate Governance

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 between the Board and the senior management.

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 39 A share announcements and 77 H share announcements, including 29 overseas regulatory announcements. The Company has completed the dividend distribution for the second half of 2014 and the preparation of the Annual Report for 2014 and the First Quarterly Report of 2015. 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 over 200 investors in aggregate through organizing on-site visits, tele-conferences, emails and E-interaction platform of SSE (上交所e互動平台). Six special issues of Investors (《投資者》) were published and the column of “Investor Relations” on the website of Minsheng Bank has been further enriched and improved with timely updated contents and information. The management of both Chinese and English version of the website has been improved to provide access for investors to know more about the Company.

During the Reporting Period, 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 April 2015, the first extraordinary general meeting of the Company for 2015 was held in Beijing with on-site and online voting. The Proposal in respect of the Postponement of the Election of the Board of Directors and the Proposal in respect of the Postponement of the Election of the Supervisory Board were considered and approved at the meeting. Please refer to the announcement published in China Securities Journal, Shanghai Securities News and Securities Times on 28 April 2015.

On 18 June 2015, the 2014 annual general meeting of the Company was held in Beijing with on-site and online voting. The resolutions on the Annual Report for 2014 of the Company, the Final Financial Report for 2014 of the Company, the Appropriation to Statutory Surplus Reserve of the Company (《本公司法定盈餘公積的提取》), the Proposed Profit Distribution Plan for the Second Half of 2014 of the Company, the Annual Budgets for 2015 of the Company, the Working Report of the Board for 2014, the Working Report of the Supervisory Board for 2014 of the Company, the Appointment and Remuneration of the Auditing Firm for 2015, the Granting of General Mandate to Issue Shares to the Board and the Changes to the Issuance Plan of Financial Bonds for 2015-2016 were considered and approved at the meeting. Please refer to the announcement published in China Securities Journal, Shanghai Securities News and Securities Times on 19 June 2015.

3. Meetings of the Board and its Special Committees

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

During the Reporting Period, 26 meetings of the special committees under the Board were convened, including six meetings of the Strategic Development and Investment Management Committee, six meetings of the Risk Management Committee, three meetings of the Audit Committee, three meetings of the Related Party Transactions Supervision Committee, four meetings of the Compensation and Remuneration Committee and four meetings of the Nomination Committee.

During the Reporting Period, the Strategic Development and Investment Management Committee under the Board discussed 23 designated issues, and received and considered four special working reports. The Risk Management Committee discussed ten designated issues, received and considered six special working reports, and handled 49 business beyond risk limits totalling RMB158,925 million. The Audit Committee discussed 11 designated issues, and received and considered one special working report. The Related Party Transactions Supervision Committee discussed eight designated issues. The Compensation and Remuneration Committee discussed eight designated issues, and received and considered six special working reports, and the Nomination Committee discussed 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 six meetings of the special committees under the Supervisory Board were convened, including three meetings of the Nomination and Evaluation Committee and three meetings of the Supervisory Committee.

5. Internal Control and Internal Audit

(1) Internal control evaluation

The Company has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Supervisory Board and the management team and maintained effective internal control management system. In compliance with the 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.

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 optimized its internal control evaluation procedures by using techniques of Lean Six Sigma (精益六西格瑪), so as to improve the internal control system and enhance the refinement of internal control management. 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, three tier-two branches, one sub-division of SBU, four rural banks and Minsheng Financial Leasing 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 supervised the implementation of internal control measures, as well as the rectification of risks issues through various measures, including regular monitoring, subsequent audits and effectiveness assessment of internal control, and adopted audit accountability and disciplinary measures on major risks according to the Company's regulations. Through constant internal control evaluation, the Company was able to effectively improve the internal control system and management standard.

(2) Internal audit

The Company has an internal audit organization — Audit Department. Under the leadership of the Audit Committee of the Board, the Company adopted 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 Audit Department set up the corporate business audit center, retail business audit center, financial market business audit center, information technology audit center, public service audit center, systematic risk audit and data application center, planning and project management center, supervision and coordination and evaluation supervision center according to the specialized operating characteristics of the Company. The 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 34 special audits and investigation and researches and performed 119 departure audits and accountability audits (including 10 departure audits for rural banks). It issued 40 special audit reports and investigation and research reports, 17 risk reminders and audit comments, and 50 investigation and research analysis reports, reports on major concerns and other reports. The Audit Department prepared 33 internal audit bulletins for 2014 and fully performed its audit supervision, evaluation and consultation duties. The problems identified in the audit were tracked and urged to be rectified, and the persons responsible for the non-compliance were held accountable for audit. 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

On 31 January 2015, due to personal reason, Mr. Mao Xiaofeng tendered his resignation as the Director, President and a member of related special committee of the Board. Mr. Hong Qi, the Chairman, was elected as the acting president during the vacancy of the president at the seventh extraordinary meeting of the sixth session of the Board. As resolved at the first extraordinary general meeting of 2015 of the Company, the election of the new session of the Board will be postponed as the nomination of director candidates for the seventh session of the Board has not been completed yet. The term of office of the Directors of the sixth session of the Board will be extended till the election of the seventh session of the Board at a shareholders' general meeting. Mr. Hong Qi, the Chairman, will act as the acting president until a new president is elected and appointed at the next session of the Board. During such period, the power and authorization of the Board and operation management of the Company were equally divided. The operation management and daily business were carried out in an orderly manner.

Save as described above, during the Reporting Period, the Company 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 2014

The Board has distributed dividend to the shareholders according to the Profit Distribution Plan for the Second Half of 2014 which was passed at the 2014 annual general meeting. On the basis of the total share capital of the Company on the record date, the Company distributed cash dividend for the second half of 2014 of RMB1.10 (tax inclusive) for every ten shares to all shareholders whose names appear on the register of members on the record date. The total cash dividends for A shares and H shares amounted to approximately RMB3,251 million and RMB762 million, respectively. The cash dividend was denominated and declared in RMB and paid to the holders of A shares in RMB and the holders of H shares in Hong Kong dollars.

The Company settled the cash dividend distribution to the holders of A shares and H shares on 7 July 2015 and 27 July 2015, respectively. For details, please refer to the announcements of our Company dated 18 June 2015 and 30 June 2015 on the websites of Hong Kong Stock Exchange and SSE, respectively.

II. Profit Distribution Plan for the First Half of 2015

The net profit for the first half of 2015 was RMB26,478 million. The Company has proposed its interim profit distribution plan for 2015 as follows:

10% of the total net profit for the first half of 2015 amounting to RMB2,648 million was appropriated to the statutory surplus reserve. A general provision for risks of RMB3,649 million was made at a rate of 1.5% of the balance of the risky assets as at the end of June 2015. As at the end of the Reporting Period, the profits distributable to shareholders of the Company was RMB99,833 million.

According to relevant provisions of the Articles of Association in respect of profit distribution, having considered such factors as the capital adequacy required by the regulatory authorities and the sustainable development of the Company, 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. Based on 36,485 million shares of the Company in issue as at 30 June 2015, the total cash dividend was approximately RMB2,736 million.

Report of the Board of Directors

The actual amount of cash dividend to be distributed shall be determined according to the number of shares registered on the record date. The cash dividend will be denominated and declared in RMB and will be declared in RMB to the holders of A shares and in Hong Kong dollars for holders of H shares. The actual amount of dividend to be paid in Hong Kong dollars shall be determined based on the benchmark exchange rate of RMB against Hong Kong dollars at the date of the general meeting as announced by the PBOC.

The formulation and implementation of the cash dividend policy by the Company are in compliance with the stipulations of the Articles of Association and the requirements stated in the resolutions approved by shareholders' general meeting of the Company. The basis and proportion of dividend distribution are clearly specified. Effective determination and approval procedures and mechanisms are in place. The said distribution shall be considered and approved by independent Directors, namely Qin Rongsheng, Wang Lihua, Han Jianmin and Cheng Hoi-chuen. Legitimate rights and interests of minority shareholders are well protected by being entitled to attend shareholders' general meeting to exercise their voting rights and make proposals or enquiries on the operations of the Company.

Taxation

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

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company. Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知》) (the "Notice") issued by the State Administration of Taxation on 28 June

2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the Dividend payable to any individual shareholders of H shares whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

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

Profit Distribution to Investors of Northbound Trading

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

Profit Distribution to Investors of Southbound Trading

For investors of the SSE (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the “Southbound Trading”), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (《港股通H股股票現金紅利派發協議》) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depository and clearing system. The cash dividends for the investors of H shares of Southbound Trading will be

Report of the Board of Directors

paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

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

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

Please see “Major Equity Investment” in Section (7) “IX. Performance of Key Business Lines” in Chapter 3.

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 Model Code during the Reporting Period. 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 of the Company or its Associated Corporations under Hong Kong Laws and Regulations

(I) As at 30 June 2015, the following Directors/Supervisor had the following interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware of:

Name	Position	Class of shares	Long/ short position	Capacity	No. of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued shares (%)
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	2,084,876,472	1	7.05	5.71
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,066,764,269	2	3.61	2.92
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	838,726,939	3	2.84	2.30
		H	Long position	Interest held by his controlled corporation(s)	6,864,600	4	0.10	0.02
Guo Guangchang	Non-executive Director	H	Long position	Interest held by his controlled corporation(s)	808,612,400	5	11.66	2.22
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	759,720		0.003	0.002

Notes:

- The 2,084,876,472 A shares comprised 484,572,282 A shares directly held by South Hope Industrial Co., Ltd. and 1,600,304,190 A shares directly held by New Hope Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd., respectively. 23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 484,572,282 A shares held by South Hope Industrial Co., Ltd. and the 1,600,304,190 A shares held by New Hope Investment Co., Ltd.

As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 2,084,876,472 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. Liu Yonghao and the interests held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang, the details of which are disclosed in the section headed "Substantial Shareholders' and Other Persons' Interests or Short Positions in the Shares and Underlying Shares of the Company under Hong Kong Laws and Regulations" in this interim report, were the same block of shares.

Report of the Board of Directors

- The 1,066,764,269 A shares were directly held by Orient Group Incorporation. 27.98% of the issued share capital of Orient Group Incorporation was held by Orient Group Industrial Co., Ltd., of which 32.59% of the issued share capital was held by Mr. Zhang Hongwei.
- The 838,726,939 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 97.43% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly owned by Oceanwide Holdings Co., Ltd. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Oceanwide Holdings Co., Ltd.
- The 6,864,600 H shares were held by China Oceanwide International Investment Co., Ltd., which was wholly owned by China Oceanwide Holdings Group Co., Ltd. (see note 3 above).
- The 808,612,400 H shares (Long position) (in which 390,000,000 H shares were held through cash settled derivative (off exchange)) comprised 695,179,800 H shares directly held by Fosun International Limited, 35,592,600 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 77,840,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 71.29% of the issued share capital by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang held 58% of the issued share capital of Fosun International Holdings Ltd.

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

(II) As at 30 June 2015, the following Director of the Company had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

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

Note:

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

I. Material Litigation and Arbitration

During the Reporting Period, the Company had no litigation or arbitration which had significant impact on its operations. As at the end of Reporting Period, there were 3,406 outstanding litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB21,331,526,200 and 162 outstanding litigations involving the Company as defendant for approximately RMB1,374,480,200.

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 for 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, prepared the special report for energy saving, obtained the approval for the traffic impact assessment and environmental impact assessment and the construction land planning permit, and preliminarily calculated the construction volume of foundation pit integration in the north side. Currently, the general project design is in progress.

The Company participated in and won the bid for the land use right of Plot 2010P26 at the intersection of Douzaiwei Road and Hubin South Road in Xiamen, and has completed the design of the construction plan for the main body, the foundation pit supporting and the exterior wall and the design of interior decoration is in progress. The Company has completed the construction of foundation pit supporting and pile foundation as well as the construction of basement structure of parcel No.1. As at the end of the Reporting Period, the construction of the beam and slab structure of the seven floors above ground of parcel No.1 is in progress. The construction of foundation pit supporting and pile foundation of parcel No.2 are in progress.

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

Major Events

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

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

IV. Major Guarantees

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

V. Commitments by the Company

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

VI. Purchase, Sale and Redemption of Securities

On 15 March 2013, the Company issued 200 million A Share Convertible Bonds of RMB100 each to the public and raised a total of RMB20 billion. Given that the closing price of the A shares of the Company was not less than 130% (i.e. RMB10.537 per share) of the prevailing conversion price of Minsheng Convertible Bonds (RMB8.105 per share) for 15 trading days out of 30 consecutive trading days during the period from 26 March 2013 to 8 May 2013, the redemption clause of the Convertible Bonds has been triggered according to the Prospectus in relation to the Public Issuance of the A Share Convertible Corporate Bonds (with Subordinated Term). The redemption clause of the Convertible Bonds was approved by the CBRC and the redemption conditions of the Convertible Bonds have been satisfied.

Upon approval of the Board, the Company has exercised its right of early redemption of the Convertible Bonds to redeem all outstanding Minsheng Convertible Bonds which appear on the register of bonds on the redemption record date. Minsheng Convertible Bonds have started conversion since 16 September 2013. From 16 September 2013 to 24 June 2015, a total of RMB19,838,768,000 of Minsheng Convertible Bonds (stock code: 110023) has been accumulatively converted into 2,446,493,105 shares of the Company (stock code: 600016), representing 8.62% of the total number of issued ordinary shares (i.e. 28,365,585,227 shares) immediately before the conversion of the Convertible Bonds (i.e. 13 September 2013).

For details of the early redemption of the Convertible Bonds, please see the Announcement on Implementing the Redemption of Minsheng Convertible Bonds dated 9 June 2015 published by the Company on the website of Hong Kong Stock Exchange. The Company also published six subsequent reminder announcements dated 9 June 2015, 10 June 2015, 11 June 2015, 17 June 2015, 18 June 2015 and 19 June 2015, respectively on the website of Hong Kong Stock Exchange to provide details on the time of exercising redemption rights, redemption price, payment methods and other information to holders of Minsheng Convertible Bonds.

Save as the above-mentioned early redemption of Convertible Bonds, the Company had not sold, purchased or redeemed any securities of the Company during the six months ended 30 June 2015.

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 scrutinising 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 as at the end of the Reporting Period for the first half of 2015 and the Interim Report for 2015.

VIII. Appointment and Removal of Accounting Firms

The 2014 annual general meeting of the Company resolved to engage KPMG Huazhen (Special General Partnership) and KPMG as the domestic and international auditors of the Company in 2015, 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 45 to the Consolidated Financial Statements.

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

Not applicable.

Major Events

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

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

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

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

XIII. Other Major Events

CMBC International, a wholly-owned subsidiary of the Company, has entered into a memorandum of understanding with Quam Limited on 27 April 2015, pursuant to which further negotiation will be carried out with great efforts for the execution of a formal subscription agreement on the basis of the non-legally binding terms set out in such memorandum of understanding. Please see the China Securities Journal, Shanghai Securities News and Securities Times dated 29 April 2015 for details.

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 114 to 212, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the 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.

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 2015 is not prepared, in all material respects, in accordance with International Accounting Standards 34 “*Interim Financial Reporting*”.

The image shows the handwritten signature of KPMG in blue ink. The letters are stylized and cursive, with a horizontal line underneath the 'm' and 'g'.

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

28 August 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015 (unaudited)	2014 (unaudited)
Interest income		102,867	94,178
Interest expense		(55,873)	(50,578)
Net interest income	5	46,994	43,600
Fee and commission income		27,022	20,279
Fee and commission expense		(1,877)	(1,841)
Net fee and commission income	6	25,145	18,438
Net trading gain	7	479	1,062
Net gain arising from disposals of securities and discounted bills	8	2,842	1,508
Impairment losses on assets	9	(15,011)	(7,218)
Operating expenses	10	(26,072)	(23,337)
Other operating income		1,152	344
Profit before income tax		35,529	34,397
Income tax expense	11	(8,257)	(8,306)
Net profit		27,272	26,091
Net profit attributable to:			
Equity shareholders of the Bank		26,778	25,570
Non-controlling interests		494	521
		27,272	26,091
Earnings per share (expressed in RMB)	12		
Basic earnings per share		0.78	0.75
Diluted earnings per share		0.74	0.71

The notes on pages 122 to 212 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2015
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015 (unaudited)	2014 (unaudited)
Net profit		27,272	26,091
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	396	2,315
Less: Income tax relating to available-for-sale securities	37	(100)	(579)
Exchange difference on translating foreign operations		(32)	26
Other comprehensive income/(loss), net of tax		264	1,762
Total comprehensive income		27,536	27,853
Total comprehensive income attributable to:			
Equity shareholders of the Bank		27,011	27,323
Non-controlling interests		525	530
		27,536	27,853

The notes on pages 122 to 212 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2015 (unaudited)	31 December 2014 (audited)
ASSETS			
Cash and balances with central bank	13	473,449	471,632
Balances with banks and other financial institutions	14	110,346	75,462
Precious metals		30,995	25,639
Financial assets at fair value through the profit or loss	15	32,842	27,213
Positive fair value of derivatives	16	3,098	3,231
Placements with banks and other financial institutions	17	243,818	176,416
Financial assets held under resale agreements	18	568,392	675,878
Loans and advances to customers	19	1,906,497	1,774,159
Investment securities:			
— available-for-sale securities	20	176,159	159,724
— held-to-maturity securities	20	196,118	176,834
— loans and receivables	20	340,071	234,393
Finance lease receivables	21	90,320	88,824
Property and equipment	22	38,615	36,936
Deferred income tax assets	23	12,803	11,764
Other assets	25	77,550	77,031
Total assets		4,301,073	4,015,136
LIABILITIES			
Borrowings from central bank		6,432	50,745
Deposits from customers	27	2,632,680	2,433,810
Deposits and placements from banks and other financial institutions	28	901,097	891,719
Financial liabilities at fair value through the profit or loss		139	21
Financial assets sold under repurchase agreements	29	102,541	83,291
Borrowings from banks and other financial institutions	30	104,178	98,847
Negative fair value of derivatives	16	1,976	2,558
Provisions		1,995	1,931
Debt securities issued	31	180,901	129,279
Current income tax liabilities		2,196	3,026
Other liabilities	32	78,625	72,153
Total liabilities		4,012,760	3,767,380

The notes on pages 122 to 212 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

As at 30 June 2015
(Expressed in millions of Renminbi, unless otherwise stated)

		30 June 2015 (unaudited)	31 December 2014 (audited)
EQUITY			
Share capital	33	36,485	34,153
Capital reserve	33	64,756	49,949
Surplus reserve	34	23,460	17,077
General reserve	34	53,002	49,344
Investment revaluation reserve	37	(127)	(392)
Retained earnings	34	102,743	90,019
Exchange reserve		(40)	(8)
Total equity attributable to equity shareholders of the Bank		280,279	240,142
Non-controlling interests	35	8,034	7,614
Total equity		288,313	247,756
Total liabilities and equity		4,301,073	4,015,136

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



Hong Qi
Chairman and Director



Hong Qi
Acting President



Qin Rongsheng
Director



(Company Chop)

The notes on pages 122 to 212 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Note	Attributable to equity shareholders of the Bank							Subtotal	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve			
At 1 January 2015		34,153	49,949	17,077	49,344	(392)	90,019	(8)	240,142	7,614	247,756
Net profit		–	–	–	–	–	26,778	–	26,778	494	27,272
Total other comprehensive income		–	–	–	–	265	–	(32)	233	31	264
Total comprehensive income		–	–	–	–	265	26,778	(32)	27,011	525	27,536
Conversion of convertible bonds	31(3)	2,332	18,129	–	–	–	–	–	20,461	–	20,461
Appropriation to surplus reserve	34	–	–	6,383	–	–	(6,383)	–	–	–	–
Appropriation to general reserve	34	–	–	–	3,658	–	(3,658)	–	–	–	–
Cash dividend for the second half of 2014	36	–	–	–	–	–	(4,013)	–	(4,013)	(105)	(4,118)
Equity component of convertible bonds		–	(3,322)	–	–	–	–	–	(3,322)	–	(3,322)
At 30 June 2015		36,485	64,756	23,460	53,002	(127)	102,743	(40)	280,279	8,034	288,313

The notes on pages 122 to 212 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2015
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve			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
Other comprehensive income, net of tax		–	–	–	–	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 dividend 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
At 1 July 2014		34,040	49,235	17,020	42,554	(1,106)	80,451	5	222,199	7,100	229,299
Net profit		–	–	–	–	–	18,976	–	18,976	500	19,476
Other comprehensive income, net of tax		–	–	–	–	714	–	(13)	701	(3)	698
Total comprehensive income		–	–	–	–	714	18,976	(13)	19,677	497	20,174
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	21	21
Conversion of convertible bonds		113	877	–	–	–	–	–	990	–	990
Appropriation to surplus reserve	34	–	–	57	–	–	(57)	–	–	–	–
Appropriation to general reserve	34	–	–	–	6,790	–	(6,790)	–	–	–	–
Cash dividend for the first half of 2014	36	–	–	–	–	–	(2,561)	–	(2,561)	(4)	(2,565)
Equity component of convertible bonds		–	(163)	–	–	–	–	–	(163)	–	(163)
At 31 December 2014		34,153	49,949	17,077	49,344	(392)	90,019	(8)	240,142	7,614	247,756

The notes on pages 122 to 212 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2015 (unaudited)	2014 (unaudited)
Cash flows generated from operating activities:		
Profit before income tax	35,529	34,397
<i>Adjustments for:</i>		
— Impairment losses on assets	15,011	7,218
— Depreciation and amortisation	2,357	1,565
— Changes in provisions	64	137
— Losses/(gains) on disposal of property and equipment and other long-term assets	2	(26)
— Gains from changes in fair value	(577)	(226)
— Net (gains)/losses on disposal of investment securities	(150)	15
— Interest expense on debt securities issued	3,923	2,579
— Interest income from investment securities	(14,551)	(7,743)
	41,608	37,916
<i>Changes in operating assets:</i>		
Net increase in balances with central bank, banks and other financial institutions	(57,558)	(9,207)
Net increase in placements with banks and other financial institutions	(37,141)	(52,342)
Net decrease in financial assets held under resale agreements	106,729	6,337
Net increase in loans and advances to customers	(148,030)	(133,473)
Net increase in other operating assets	(13,323)	(28,960)
	(149,323)	(217,645)
<i>Changes in operating liabilities:</i>		
Net increase in deposits from customers	198,870	273,888
Net increase/(decrease) in deposits and placements from banks and other financial institutions	9,378	(19,885)
Net increase in financial assets sold under repurchase agreements	19,232	14,362
Income tax paid	(10,225)	(7,915)
Net (decrease)/increase in borrowings from central bank	(44,313)	90
Net increase in other operating liabilities	11,856	23,733
	184,798	284,273
Net cash generated from/(used in) operating activities	77,083	104,544

The notes on pages 122 to 212 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2015
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2015 (unaudited)	2014 (unaudited)
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		238,852	143,257
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		6	34
Cash payment for purchase of investment securities		(364,017)	(234,841)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(4,066)	(5,410)
Net cash used in investing activities		(129,225)	(96,960)
Cash flows from financing activities:			
Proceeds from issue of debt securities		95,434	24,722
Repayment of debt securities issued		(27,930)	—
Interest paid on debt securities issued		(4,763)	(3,404)
Dividends paid		(2,667)	(2,434)
Net cash generated from financing activities		60,074	18,884
Net increase in cash and cash equivalents		7,932	26,468
Cash and cash equivalents at 1 January		132,132	157,001
Effect of foreign exchange rate changes		168	276
Cash and cash equivalents at 30 June	38	140,232	183,745

The notes on pages 122 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 obtained the financial service certificate No. B0009H111000001 as approved by the China Banking Regulatory Commission (“CBRC”), and the business licence No. 100000000018983 as approved by the State Administration for Industry and Commerce of the PRC.

The Bank’s A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 600016 and 01988, respectively.

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

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

As at 30 June 2015, the Bank has 39 tier-one branches and 32 subsidiaries in the PRC.

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”).

The unaudited interim financial information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements.

There is no early adoption of any new IFRSs not yet effective for the six months ended 30 June 2015.

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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Basis of preparation and accounting policies (Continued)

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 2014 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 2014 are available from the Bank's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2015.

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 2015	31 December 2014
Balances with central bank	463,670	461,667
Balances with banks and other financial institutions	110,346	75,462
Placements with banks and other financial institutions	243,818	176,416
Financial assets at fair value through the profit or loss	32,498	27,213
Positive fair value of derivatives	3,098	3,231
Financial assets held under resale agreements	568,392	675,878
Loans and advances to customers		
— Corporate loans and advances	1,211,371	1,135,706
— Personal loans and advances	695,126	638,453
Investment securities		
— Debt securities	708,607	567,382
Finance lease receivables	90,320	88,824
Other financial assets	55,752	57,280
Total	4,182,998	3,907,512
Off-balance sheet credit commitments	1,111,074	1,025,117
Maximum credit risk exposure	5,294,072	4,932,629

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 2015	31 December 2014
Gross balance of loans and advances to customers		
Neither past due nor impaired	1,873,647	1,762,876
Past due but not impaired	49,266	28,656
Impaired	26,423	21,134
	1,949,336	1,812,666
Less: allowance for impairment loss		
Neither past due nor impaired	(28,691)	(28,220)
Past due but not impaired	(5,384)	(3,265)
Impaired	(8,764)	(7,022)
	(42,839)	(38,507)
Net balance		
Neither past due nor impaired	1,844,956	1,734,656
Past due but not impaired	43,882	25,391
Impaired	17,659	14,112
	1,906,497	1,774,159

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 2015	31 December 2014
Corporate loans and advances	1,189,420	1,128,370
Personal loans and advances	684,227	634,506
Total	1,873,647	1,762,876

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)*

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

	30 June 2015	31 December 2014
Unsecured loans	340,217	322,365
Guaranteed loans	575,828	582,908
Loans secured by		
– tangible assets other than monetary assets	717,380	650,795
– monetary assets	240,222	206,808
Total	1,873,647	1,762,876

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 2015				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Corporate loans and advances	9,826	4,508	4,372	13,416	32,122
Personal loans and advances	6,822	3,949	4,442	1,931	17,144
Total	16,648	8,457	8,814	15,347	49,266

	31 December 2014				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Corporate loans and advances	6,668	2,551	3,418	3,002	15,639
Personal loans and advances	7,340	2,502	2,229	946	13,017
Total	14,008	5,053	5,647	3,948	28,656

Notes to the 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 2015	31 December 2014
Corporate loans and advances	17,383	13,976
Personal loans and advances	9,040	7,158
Total	26,423	21,134
% of total loans and advances	1.36%	1.17%
Allowance for impairment losses		
– Corporate loans and advances	(5,427)	(3,864)
– Personal loans and advances	(3,337)	(3,158)
Total	(8,764)	(7,022)

Impaired loans and advances by type of collateral:

	30 June 2015	31 December 2014
Unsecured loans	5,345	4,715
Guaranteed loans	13,655	10,088
Loans secured by		
– tangible assets other than monetary assets	4,889	3,810
– monetary assets	2,534	2,521
Total	26,423	21,134
Fair value of collateral held against impaired loans	6,902	5,459

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 2015				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	440,307	32,432	527	183	473,449
Balances with banks and other financial institutions	94,795	13,437	571	1,543	110,346
Placements with banks and other financial institutions	204,280	32,587	4,491	2,460	243,818
Financial assets held under resale agreements	568,392	—	—	—	568,392
Loans and advances to customers	1,823,253	75,924	4,559	2,761	1,906,497
Investment securities	708,179	1,202	800	2,167	712,348
Financial assets at fair value through the profit or loss	31,951	547	344	—	32,842
Finance lease receivables	83,393	6,927	—	—	90,320
Other assets	94,315	20,556	4,218	43,972	163,061
Total assets	4,048,865	183,612	15,510	53,086	4,301,073
Liabilities:					
Borrowings from central bank	6,432	—	—	—	6,432
Deposits from customers	2,523,333	91,339	14,585	3,423	2,632,680
Deposits and placements from banks and other financial institutions	876,290	11,580	1,961	11,266	901,097
Financial assets sold under repurchase agreements	102,541	—	—	—	102,541
Borrowings from banks and other financial institutions	75,996	27,280	—	902	104,178
Debt securities issued	177,195	3,706	—	—	180,901
Other liabilities	60,417	20,435	594	3,485	84,931
Total liabilities	3,822,204	154,340	17,140	19,076	4,012,760
Net position	226,661	29,272	(1,630)	34,010	288,313
Foreign currency derivatives	974	164	(16)	—	1,122
Off-balance sheet credit commitments	1,049,365	58,103	417	3,189	1,111,074

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 2014				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	468,000	2,899	523	210	471,632
Balances with banks					
and other financial institutions	59,592	13,843	747	1,280	75,462
Placements with banks					
and other financial institutions	166,560	7,097	2,461	298	176,416
Financial assets held under					
resale agreements	675,878	—	—	—	675,878
Loans and advances to customers	1,688,693	80,334	4,380	752	1,774,159
Investment securities	569,352	416	1,183	—	570,951
Financial assets at fair value					
through the profit or loss	27,060	153	—	—	27,213
Finance lease receivables	81,958	6,866	—	—	88,824
Other assets	109,921	18,317	356	26,007	154,601
Total assets	3,847,014	129,925	9,650	28,547	4,015,136
Liabilities:					
Borrowings from central bank	50,745	—	—	—	50,745
Deposits from customers	2,321,374	88,809	18,968	4,659	2,433,810
Deposits and placements from banks					
and other financial institutions	866,876	11,524	2,407	10,912	891,719
Financial assets sold under					
repurchase agreements	83,219	72	—	—	83,291
Borrowings from banks					
and other financial institutions	73,832	25,015	—	—	98,847
Debt securities issued	129,279	—	—	—	129,279
Other liabilities	76,430	2,357	741	161	79,689
Total liabilities	3,601,755	127,777	22,116	15,732	3,767,380
Net position	245,259	2,148	(12,466)	12,815	247,756
Foreign currency derivatives	930	(135)	(122)	—	673
Off-balance sheet credit commitments	967,255	56,009	394	1,459	1,025,117

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 2015					Total
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:							
Cash and balances with central bank		463,670	—	—	—	9,779	473,449
Balances with banks and other financial institutions		66,922	43,291	133	—	—	110,346
Placements with banks and other financial institutions		120,097	113,011	10,710	—	—	243,818
Financial assets held under resale agreements		175,972	386,169	6,251	—	—	568,392
Loans and advances to customers	(i)	1,523,778	300,605	70,069	12,045	—	1,906,497
Investment securities		126,621	222,307	278,516	81,163	3,741	712,348
Financial assets at fair value through the profit or loss		3,680	14,986	11,994	1,838	344	32,842
Finance lease receivables		90,320	—	—	—	—	90,320
Other assets		—	—	—	—	163,061	163,061
Total assets		2,571,060	1,080,369	377,673	95,046	176,925	4,301,073
Liabilities:							
Borrowings from central bank		6,432	—	—	—	—	6,432
Deposits from customers		1,635,993	757,339	239,348	—	—	2,632,680
Deposits and placements from banks and other financial institutions		766,955	134,142	—	—	—	901,097
Financial assets sold under repurchase agreements		95,487	5,742	1,312	—	—	102,541
Borrowings from banks and other financial institutions		53,985	614	41,068	5,287	3,224	104,178
Debt securities issued		32,312	37,215	54,826	56,548	—	180,901
Other liabilities		139	—	—	—	84,792	84,931
Total liabilities		2,591,303	935,052	336,554	61,835	88,016	4,012,760
Total interest sensitivity gap		(20,243)	145,317	41,119	33,211	88,909	288,313

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 2014				Non-interest bearing	Total
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years		
Assets:							
Cash and balances with central bank		461,667	—	—	—	9,965	471,632
Balances with banks and other financial institutions		64,575	10,854	33	—	—	75,462
Placements with banks and other financial institutions		61,503	94,841	20,072	—	—	176,416
Financial assets held under resale agreements		371,847	290,463	13,568	—	—	675,878
Loans and advances to customers	(i)	1,600,988	109,236	60,661	3,274	—	1,774,159
Investment securities		89,494	173,900	240,496	63,492	3,569	570,951
Financial assets at fair value through the profit or loss		5,399	12,894	8,136	784	—	27,213
Finance lease receivables		88,824	—	—	—	—	88,824
Other assets		—	—	—	—	154,601	154,601
Total assets		2,744,297	692,188	342,966	67,550	168,135	4,015,136
Liabilities:							
Borrowings from central bank		50,145	600	—	—	—	50,745
Deposits from customers		1,579,233	656,194	198,042	341	—	2,433,810
Deposits and placements from banks and other financial institutions		670,167	221,552	—	—	—	891,719
Financial assets sold under repurchase agreements		73,825	7,959	1,507	—	—	83,291
Borrowings from banks and other financial institutions		19,927	62,637	10,214	6,069	—	98,847
Debt securities issued		21,209	15,757	49,963	42,350	—	129,279
Other liabilities		—	—	—	—	79,689	79,689
Total liabilities		2,414,506	964,699	259,726	48,760	79,689	3,767,380
Total interest sensitivity gap		329,791	(272,511)	83,240	18,790	88,446	247,756

(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 RMB61,516 million as at 30 June 2015 (31 December 2014: RMB39,429 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 2015							Total
	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	425,747	47,702	—	—	—	—	—	473,449
Balances with banks and other financial institutions	—	21,173	22,832	22,127	44,081	133	—	110,346
Placements with banks and other financial institutions	—	—	77,055	42,172	113,397	11,194	—	243,818
Financial assets held under resale agreements	23	—	81,363	94,586	386,169	6,251	—	568,392
Loans and advances to customers (ii)	46,122	15,419	236,383	189,948	820,709	460,358	137,558	1,906,497
Investment securities								
— available-for-sale securities	3,794	—	13,079	11,176	51,348	79,444	17,318	176,159
— held-to-maturity securities	—	—	404	3,428	17,845	112,848	61,593	196,118
— loans and receivables	—	—	19,651	46,637	151,908	116,973	4,902	340,071
Financial assets at fair value through the profit or loss	344	—	1,029	2,561	14,768	12,302	1,838	32,842
Finance lease receivables	24,643	920	1,165	3,157	15,020	38,957	6,458	90,320
Other assets	69,526	31,476	24,241	16,229	15,470	5,476	643	163,061
Total assets	570,199	116,690	477,202	432,021	1,630,715	843,936	230,310	4,301,073
Liabilities:								
Borrowings from central bank	—	—	6,000	432	—	—	—	6,432
Deposits from customers	—	1,067,314	184,361	384,318	757,339	239,348	—	2,632,680
Deposits and placements from banks and other financial institutions	—	248,779	376,170	141,889	134,259	—	—	901,097
Financial assets sold under repurchase agreements	—	—	83,510	11,977	5,742	1,312	—	102,541
Borrowings from banks and other financial institutions	—	—	8,468	31,187	41,871	16,292	6,360	104,178
Debt securities issued	—	—	7,705	24,606	35,544	53,828	59,218	180,901
Other liabilities	2,119	15,261	11,196	10,478	30,925	13,294	1,658	84,931
Total liabilities	2,119	1,331,354	677,410	604,887	1,005,680	324,074	67,236	4,012,760
Net position	568,080	(1,214,664)	(200,208)	(172,866)	625,035	519,862	163,074	288,313
Notional amount of derivatives	—	—	112,853	186,090	332,749	48,243	8,310	688,245

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	Note	31 December 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		410,561	61,071	–	–	–	–	–	471,632
Balances with banks									
and other financial institutions		–	33,678	16,474	15,044	10,233	33	–	75,462
Placements with banks									
and other financial institutions		–	–	28,871	32,632	94,841	20,072	–	176,416
Financial assets held under									
resale agreements		23	–	143,249	228,575	290,463	13,568	–	675,878
Loans and advances to customers	(ii)	28,102	11,401	230,110	164,740	785,913	443,383	110,510	1,774,159
Investment securities									
– available-for-sale securities		3,621	–	7,938	11,914	42,461	84,220	9,570	159,724
– held-to-maturity securities		–	–	–	3,978	19,974	93,557	59,325	176,834
– loans and receivables		–	–	10,617	21,773	112,345	86,758	2,900	234,393
Financial assets at fair value									
through the profit or loss		–	–	1,255	3,884	12,865	8,415	794	27,213
Finance lease receivables		9,183	137	3,990	3,615	19,214	47,569	5,116	88,824
Other assets		50,412	25,639	47,646	13,140	15,314	1,722	728	154,601
Total assets		501,902	131,926	490,150	499,295	1,403,623	799,297	188,943	4,015,136
Liabilities:									
Borrowings from central bank		–	–	50,060	85	600	–	–	50,745
Deposits from customers		–	1,106,971	165,781	309,308	653,387	197,918	445	2,433,810
Deposits and placements from banks									
and other financial institutions		–	157,252	402,196	110,396	221,875	–	–	891,719
Financial assets sold under									
repurchase agreements		–	–	70,340	3,485	7,959	1,507	–	83,291
Borrowings from banks									
and other financial institutions		–	–	4,287	15,641	62,636	10,214	6,069	98,847
Debt securities issued		–	–	329	2,284	14,758	66,888	45,020	129,279
Other liabilities		2,025	14,233	18,883	9,828	20,894	12,216	1,610	79,689
Total liabilities		2,025	1,278,456	711,876	451,027	982,109	288,743	53,144	3,767,380
Net position		499,877	(1,146,530)	(221,726)	48,268	421,514	510,554	135,799	247,756
Notional amount of derivatives		–	–	125,397	147,351	242,483	71,159	–	586,390

(i) For cash and balances with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the 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 2015					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	47,703	—	—	—	425,766	473,469
Balances with banks and other financial institutions	44,006	22,127	44,081	137	—	110,351
Placements with banks and other financial institutions	78,027	43,274	118,718	12,331	—	252,350
Financial assets held under resale agreements	81,971	95,963	392,773	6,893	23	577,623
Loans and advances to customers	295,158	206,771	875,363	551,476	217,713	2,146,481
Investment securities	35,305	66,704	241,558	349,705	99,249	792,521
Financial assets at fair value through the profit or loss	1,098	2,753	15,992	13,956	2,438	36,237
Finance lease receivables	2,390	3,654	17,412	44,368	38,688	106,512
Other financial assets	47,647	8,148	10,148	2,018	551	68,512
Total financial assets (expected maturity date)	633,305	449,394	1,716,045	980,884	784,428	4,564,056
Financial liabilities:						
Borrowings from central bank	6,048	435	—	—	—	6,483
Deposits from customers	1,285,957	391,751	792,602	282,272	—	2,752,582
Deposits and placements from banks and other financial institutions	625,211	144,357	140,951	—	—	910,519
Financial assets sold under repurchase agreements	83,722	12,097	5,850	1,412	—	103,081
Borrowings from banks and other financial institutions	8,493	31,914	42,778	17,659	8,296	109,140
Debt securities issued	7,801	24,977	42,467	70,004	73,170	218,419
Other financial liabilities	4,296	977	13,454	2,792	427	21,946
Total financial liabilities (contractual maturity date)	2,021,528	606,508	1,038,102	374,139	81,893	4,122,170

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 2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	61,072	—	—	—	410,579	471,651
Balances with banks and other financial institutions	51,657	15,585	10,193	33	—	77,468
Placements with banks and other financial institutions	29,179	33,500	100,895	22,553	—	186,127
Financial assets held under resale agreements	144,132	231,844	297,232	14,156	23	687,387
Loans and advances to customers	284,978	183,260	842,469	537,088	177,622	2,025,417
Investment securities	20,635	42,242	197,489	299,217	85,379	644,962
Financial assets at fair value						
through the profit or loss	1,305	3,701	13,802	9,444	915	29,167
Finance lease receivables	4,736	4,290	22,803	56,454	17,131	105,414
Other financial assets	53,626	4,678	6,768	750	504	66,326
<hr/>						
Total financial assets (expected maturity date)	651,320	519,100	1,491,651	939,695	692,153	4,293,919
<hr/>						
Financial liabilities:						
Borrowings from central bank	50,441	90	605	—	—	51,136
Deposits from customers	1,290,355	340,439	722,721	243,919	575	2,598,009
Deposits and placements from banks and other financial institutions	563,425	111,020	225,578	—	—	900,023
Financial assets sold under repurchase agreements	70,481	3,393	8,070	1,782	—	83,726
Borrowings from banks and other financial institutions	4,299	15,805	64,754	11,261	8,147	104,266
Debt securities issued	414	6,252	27,759	80,657	50,214	165,296
Other financial liabilities	4,026	1,019	3,226	7,349	1,693	17,313
<hr/>						
Total financial liabilities (contractual maturity date)	1,983,441	478,018	1,052,713	344,968	60,629	3,919,769

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 2015					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	(20)	2	(22)	(18)	—	(58)
Credit derivatives	—	—	—	—	—	—
Total	(20)	2	(22)	(18)	—	(58)

	31 December 2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	4	3	2	(29)	—	(20)
Credit derivatives	—	—	—	—	—	—
Total	4	3	2	(29)	—	(20)

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 2015					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	(78,493)	(71,828)	(199,494)	(93)	—	(349,908)
— Cash inflow	78,544	71,932	192,575	97	—	343,148
Precious metal derivatives						
— Cash outflow	(1,160)	(10,782)	(17,994)	—	—	(29,936)
— Cash inflow	1,525	11,444	19,501	—	—	32,470
Total cash outflow	(79,653)	(82,610)	(217,488)	(93)	—	(379,844)
Total cash inflow	80,069	83,376	212,076	97	—	375,618

	31 December 2014					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
— Cash outflow	(93,815)	(81,079)	(143,100)	(123)	—	(318,117)
— Cash inflow	93,808	80,851	142,768	123	—	317,550
Precious metal derivatives						
— Cash outflow	(7,326)	(1,571)	(23,968)	—	—	(32,865)
— Cash inflow	7,324	1,591	24,524	—	—	33,439
Total cash outflow	(101,141)	(82,650)	(167,068)	(123)	—	(350,982)
Total cash inflow	101,132	82,442	167,292	123	—	350,989

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk (Continued)

(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 2015			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	694,113	—	—	694,113
Letters of credit	137,825	75	—	137,900
Guarantees	133,270	82,262	6,970	222,502
Unused credit card commitments	48,527	—	—	48,527
Capital commitments	2,678	15,044	458	18,180
Operating lease commitments	3,337	9,570	3,781	16,688
Irrevocable loan commitments	2,611	1,292	985	4,888
Finance lease commitments	1,551	1,593	—	3,144
Re-factoring	—	—	—	—
Total	1,023,912	109,836	12,194	1,145,942

	31 December 2014			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	594,300	—	—	594,300
Letters of credit	170,627	39	—	170,666
Guarantees	127,555	64,599	13,014	205,168
Unused credit card commitments	47,830	—	—	47,830
Capital commitments	7,332	13,034	9	20,375
Operating lease commitments	3,055	9,536	3,942	16,533
Irrevocable loan commitments	2,280	335	1,231	3,846
Finance lease commitments	2,395	612	—	3,007
Re-factoring	300	—	—	300
Total	955,674	88,155	18,196	1,062,025

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. Besides, the Bank conducted operational risk cost measurement and enhanced the outsourcing risk management, and promoted the establishment of business continuity management. Furthermore, the Bank focused on investigation of the risk on business field systematically.

(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 2015	31 December 2014
Core tier-one capital adequacy ratio		9.15%	8.58%
Tier-one capital adequacy ratio		9.17%	8.59%
Capital adequacy ratio		11.57%	10.69%
Components of capital base			
Core tier-one capital:			
Share capital		36,485	34,153
Valid portion of capital reserve		64,756	49,949
Surplus reserve		23,460	17,077
General reserve		53,002	49,344
Retained earnings		102,743	90,019
Valid portion of non-controlling interests		6,506	6,594
Others	(1)	(167)	(400)
Total core tier-one capital		286,785	246,736
Total core tier-one capital		286,785	246,736
Core tier-one capital deductions		(1,031)	(1,050)
Net core tier-one capital		285,754	245,686
Other tier-one capital		462	299
Net tier-one capital		286,216	245,985
Tier-two capital:			
Valid portion of tier-two capital instruments issued and share premium		57,570	40,080
Surplus provision for loan impairment		16,416	18,902
Valid portion of non-controlling interests		1,110	930
Tier-two capital deductions		—	—
Net tier-two capital		75,096	59,912
Net capital base		361,312	305,897
Credit risk-weighted assets		2,882,389	2,627,376
Market risk-weighted assets		19,526	15,186
Operational risk-weighted assets		220,148	220,148
Total risk-weighted assets		3,122,063	2,862,710

Note:

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

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

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 Minyin International Holdings Ltd. (“Minyin International”), 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 Lhasa, Lanzhou and Harbin.

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					Total
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	
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 31 December 2014						
Segment assets	2,627,657	1,137,936	550,662	867,997	(1,180,880)	4,003,372
Deferred income tax assets						11,764
Total assets						4,015,136
Segment liabilities/total liabilities	(2,448,937)	(1,119,225)	(535,734)	(844,364)	1,180,880	(3,767,380)
Credit commitments	460,409	265,247	75,440	224,021	—	1,025,117

Notes to the 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 2015				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
Net interest income	24,901	11,253	10,204	636	46,994
Include: inter-segment net interest (expense)/income	(1,652)	(5,401)	7,008	45	—
Net fee and commission income	11,454	10,147	2,714	830	25,145
Include: inter-segment net fee and commission income/(expense)	1	—	—	(1)	—
Operating expenses	(13,268)	(7,345)	(4,827)	(632)	(26,072)
Impairment losses on assets	(6,688)	(7,664)	(390)	(269)	(15,011)
Net other income	2,608	24	1,163	678	4,473
Profit before income tax	19,007	6,415	8,864	1,243	35,529
Depreciation and amortisation	869	474	303	711	2,357
Capital expenditure	1,196	653	417	1,987	4,253
	As at 30 June 2015				
Segment assets	1,764,563	707,119	1,668,716	147,872	4,288,270
Deferred income tax assets					12,803
Total assets					4,301,073
Segment liabilities/total liabilities	(2,083,249)	(601,503)	(1,194,521)	(133,487)	(4,012,760)
Credit commitments	1,059,403	48,527	—	3,144	1,111,074

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 2014				Total
	Corporate banking business	Personal banking business	Treasury business	Other business	
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 31 December 2014				
Segment assets	1,761,438	654,455	1,446,208	141,271	4,003,372
Deferred income tax assets					11,764
Total assets					4,015,136
Segment liabilities/total liabilities	(1,873,558)	(594,682)	(1,173,133)	(126,007)	(3,767,380)
Credit commitments	974,280	47,830	—	3,007	1,025,117

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

6 Net fee and commission income

	Six months ended 30 June	
	2015	2014
Fee and commission income		
– Bank card services	7,318	5,601
– Trust and other fiduciary services	6,195	4,410
– Agency services	5,815	4,606
– Credit commitments	3,353	2,575
– Financial advisory services	2,485	977
– Settlement services	1,465	1,507
– Finance lease services	183	489
– Others	208	114
Subtotal	27,022	20,279
Fee and commission expense	(1,877)	(1,841)
Net fee and commission income	25,145	18,438

7 Net trading gain

	Six months ended 30 June	
	2015	2014
Gain on interest rate instruments	389	632
Gain on precious metals and other products	154	240
(Loss)/gain on exchange rate instruments	(64)	190
Total	479	1,062

8 Net gain arising from disposals of securities and discounted bills

	Six months ended 30 June	
	2015	2014
Net gain arising from disposals of discounted bills	2,571	1,582
Net gain/(loss) arising from disposals of securities	271	(74)
Total	2,842	1,508

Gain or loss arising from disposals of discounted bills represents the difference between the discounted interest income unamortised and rediscounted interest cost.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

9 Impairment losses on assets

	Six months ended 30 June	
	2015	2014
Loans and advances to customers	14,342	6,805
Loans and receivables	336	—
Finance lease receivables	206	312
Others	127	101
Total	15,011	7,218

10 Operating expenses

	Six months ended 30 June	
	2015	2014
Staff costs, including directors' emoluments		
— Short-term employee benefits	10,166	9,168
— Post-employment benefits-defined contribution plans	1,048	1,011
Business tax and surcharges	5,047	4,371
Rental and property management expenses	2,357	1,888
Depreciation and amortisation	1,889	1,357
Office expenses	1,224	1,452
CBRC supervisory charges	73	29
Business expenses and others	4,268	4,061
Total	26,072	23,337

Auditors' remuneration included in the operating expenses of the Group for the six months ended 30 June 2015 was RMB4 million (for the six months ended 30 June 2014: RMB3 million).

11 Income tax expense

	Six months ended 30 June	
	2015	2014
Current tax for the period	9,610	8,446
Adjustment for prior periods	(214)	(73)
Subtotal	9,396	8,373
Changes in deferred tax (Note 23)	(1,139)	(67)
Total	8,257	8,306

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	
		2015	2014
Profit before income tax		35,529	34,397
Income tax at the tax rate of 25%		8,882	8,599
Effect of non-taxable income	(i)	(644)	(411)
Effect of non-deductible expenses		208	194
Others		(189)	(76)
Income tax expense		8,257	8,306

- (i) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, which are exempted from income tax.

The applicable income tax rate for mainland China is 25% for the period ended 30 June 2015 (for the six months ended 30 June 2014: 25%). The applicable income tax rate for Hong Kong branch is 16.5% (for the six months ended 30 June 2014: 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	
	2015	2014
Net profit attributable to equity shareholders of the Bank	26,778	25,570
Weighted average number of ordinary shares in issue (in millions)	34,403	34,040
Basic earnings per share (in RMB)	0.78	0.75

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	
	2015	2014
Net profit attributable to equity shareholders of the Bank	26,778	25,570
Add: interest expense on convertible corporate bonds, net of tax, for the reporting period	285	330
Net profit used to determine diluted earnings per share	27,063	25,900
Weighted average number of ordinary shares in issue (in millions)	34,403	34,040
Add: weighted average number of ordinary shares for diluted earnings per share (in millions)	2,082	2,444
Weighted average number of ordinary shares for diluted earnings per share (in millions)	36,485	36,484
Diluted earnings per share (in RMB)	0.74	0.71

13 Cash and balances with central bank

	30 June 2015	31 December 2014
Cash	9,779	9,965
Balances with central bank		
– Statutory deposit reserves	424,007	410,202
– Surplus deposit reserves	37,923	51,106
– Fiscal deposit reserves	1,740	359
Total	473,449	471,632

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 2015, the statutory deposit reserve rate applicable to the Bank for RMB deposits is 16.5% and the reserve rate for foreign currency deposits is 5.0% (31 December 2014: 17.5% of RMB deposits and 5.0% of foreign currency deposits).

The 29 rural Banking subsidiaries of the Bank and Minsheng Leasing are required to place statutory 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 2015	31 December 2014
Mainland China		
– Banks	98,757	60,758
– Other financial institutions	5,814	3,143
Overseas		
– Banks	5,775	11,537
– Other financial institutions	–	24
Total	110,346	75,462

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 2015	31 December 2014
Held for trading purpose		
Debts Investment		
Government		
— listed outside Hong Kong	786	860
Policy banks		
— listed outside Hong Kong	4,140	2,142
Bank and non banking financial institution		
— listed in Hong Kong	37	—
— listed outside Hong Kong	2,783	4,007
Other corporate		
— listed in Hong Kong	56	—
— listed outside Hong Kong	21,399	18,696
Equity Investment		
— listed in Hong Kong	344	—
Designated at fair value through profit or loss		
Other corporate		
— unlisted	3,297	1,508
Total	32,842	27,213

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

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

16 Derivatives

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instrument mainly including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

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

	30 June 2015		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	254,172	447	(428)
Foreign exchange forwards	23,648	264	(256)
Currency swaps	318,598	1,135	(1,223)
Precious metal derivatives	31,070	1,169	(54)
Credit derivatives	39,258	—	—
Extension options	8,300	—	—
Currency options	13,199	83	(15)
Total		3,098	(1,976)

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

16 Derivatives (Continued)

	31 December 2014		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	162,931	390	(345)
Foreign exchange forwards	26,646	446	(323)
Currency swaps	281,081	1,167	(1,598)
Precious metal derivatives	32,844	1,180	(282)
Credit derivatives	66,851	—	—
Extension options	8,300	—	—
Currency options	7,737	48	(10)
Total		3,231	(2,558)

Credit risk weighted amount

	30 June 2015	31 December 2014
Exchange rate contracts	1,009	1,350
Interest rate contracts	217	164
Precious metal contracts	1,454	1,357
Other derivative contracts	117	279
Total	2,797	3,150

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 2015	31 December 2014
Mainland China		
– Banks	127,316	104,004
– Other financial institutions	75,916	51,787
– Others*	21,360	14,130
Overseas		
– Banks	18,026	3,744
– Other financial institutions	1,200	2,751
Total	243,818	176,416

* 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 2015	31 December 2014
Discounted bills	522,091	594,043
Bonds	16,203	24,897
Others*	30,254	57,094
Total	568,548	676,034
Less: allowance for impairment losses	(156)	(156)
Net balance	568,392	675,878

* 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 2015	31 December 2014
Corporate loans and advances		
– Corporate loans	1,179,183	1,131,055
– Discounted bills	59,742	26,930
Subtotal	1,238,925	1,157,985
Personal loans and advances		
– Micro lending*	410,168	410,139
– Credit cards	165,908	147,678
– Residential mortgage	88,622	69,606
– Others	45,713	27,258
Subtotal	710,411	654,681
Gross balance	1,949,336	1,812,666
Less: allowance for impairment losses		
– Individual assessment	(5,427)	(3,864)
– Collective assessment	(37,412)	(34,643)
Subtotal	(42,839)	(38,507)
Net balance	1,906,497	1,774,159

* 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 2015				
	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	1,221,542	–	17,383	17,383	1,238,925
– Personal loans and advances	701,371	9,040	–	9,040	710,411
Allowance for impairment losses	(34,075)	(3,337)	(5,427)	(8,764)	(42,839)
Net balance of loans and advances to customers	1,888,838	5,703	11,956	17,659	1,906,497

	31 December 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	1,144,009	–	13,976	13,976	1,157,985
– Personal loans and advances	647,523	7,158	–	7,158	654,681
Allowance for impairment losses	(31,485)	(3,158)	(3,864)	(7,022)	(38,507)
Net balance of loans and advances to customers	1,760,047	4,000	10,112	14,112	1,774,159

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers (Continued)

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

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

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

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

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

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

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

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers (Continued)

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

- (iv) As at 30 June 2015, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB17,383 million (31 December 2014: RMB13,976 million). The covered portion and uncovered portion of these loans and advances were RMB6,300 million (31 December 2014: RMB5,540 million) and RMB11,083 million (31 December 2014: RMB8,436 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB4,505 million (31 December 2014: RMB4,128 million). As at 30 June 2015, the individual impairment allowances made for these loans and advances were RMB5,427 million (31 December 2014: RMB3,864 million).

(2) Loans and advances to customers analysed by industries

	30 June 2015		31 December 2014	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Real estate	249,524	12.80	236,931	13.07
Manufacturing	233,845	12.00	230,875	12.74
Wholesale and retail	164,146	8.42	149,983	8.27
Leasing and commercial services	142,491	7.31	126,971	7.00
Mining	106,075	5.44	96,949	5.35
Transportation, storage and postal service	63,745	3.27	65,088	3.59
Construction	53,054	2.72	49,785	2.75
Water, environment and public utilities management	51,503	2.64	54,107	2.98
Financial services	46,718	2.40	28,988	1.60
Public administration, social security and social organisations	32,263	1.66	31,366	1.73
Production and supply of electric power, heat, gas and water	28,219	1.45	25,144	1.39
Agricultural, forest, animal husbandry and fishery	13,913	0.71	14,897	0.82
Accommodation and catering	10,506	0.54	12,540	0.69
Others	42,923	2.20	34,361	1.90
Subtotal	1,238,925	63.56	1,157,985	63.88
Personal loans and advances	710,411	36.44	654,681	36.12
Total	1,949,336	100.00	1,812,666	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 2015		31 December 2014	
	Amount	(%)	Amount	(%)
Unsecured loans	352,677	18.09	332,482	18.34
Guaranteed loans	610,324	31.31	604,994	33.38
Loans secured by				
— tangible assets other than monetary assets	739,668	37.95	664,031	36.63
— monetary assets	246,667	12.65	211,159	11.65
Total	1,949,336	100.00	1,812,666	100.00

(4) Overdue loans analysed by overdue period

	30 June 2015				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	5,833	5,871	754	—	12,458
Guaranteed loans	16,681	14,634	3,150	2	34,467
Loans secured by					
— tangible assets other than monetary assets	9,512	10,317	2,417	41	22,287
— monetary assets	2,645	2,331	1,455	—	6,431
Total	34,671	33,153	7,776	43	75,643
% of total loans and advances	1.77%	1.70%	0.40%	0.01%	3.88%

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 2014				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	5,658	3,608	851	—	10,117
Guaranteed loans	11,975	8,989	1,053	2	22,019
Loans secured by					
— tangible assets other than monetary assets	7,496	4,759	910	35	13,200
— monetary assets	1,571	2,512	267	—	4,350
Total	26,700	19,868	3,081	37	49,686
% of total loans and advances	1.46%	1.10%	0.17%	0.01%	2.74%

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 2015			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,864	18,415	16,228	38,507
Charge for the period	3,450	4,356	7,643	15,449
Release during the period	(1,107)	—	—	(1,107)
Reclassification	642	(642)	—	—
Transfer out	(478)	—	(3,470)	(3,948)
Write-offs	(957)	—	(5,223)	(6,180)
Recoveries	305	—	245	550
Unwinding of discount	(292)	—	(138)	(430)
Exchange gain or loss	—	(2)	—	(2)
At 30 June	5,427	22,127	15,285	42,839

	Year ended 31 December 2014			Total
	Corporate loans and advances		Personal loans and advances	
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,344	19,477	11,995	34,816
Charge for the year	9,780	151	12,628	22,559
Release during the year	(2,617)	(14)	—	(2,631)
Reclassification	1,195	(1,195)	—	—
Transfer out	(4,801)	—	(5,255)	(10,056)
Write-offs	(3,017)	—	(4,102)	(7,119)
Recoveries	456	—	1,160	1,616
Unwinding of discount	(476)	—	(198)	(674)
Exchange gain or loss	—	(4)	—	(4)
At 31 December	3,864	18,415	16,228	38,507

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

20 Investment securities

	Note	30 June 2015	31 December 2014
Available-for-sale securities	(1)	176,159	159,724
Held-to-maturity securities	(2)	196,118	176,834
Loans and receivables	(3)	340,071	234,393
Total		712,348	570,951
Analysed as follows:			
– Listed in Hong Kong		537	330
– Listed outside Hong Kong		384,851	346,228
– Unlisted		326,960	224,393
Total		712,348	570,951

(1) Available-for-sale securities

	30 June 2015	31 December 2014
Debt securities at fair value		
Government		
– listed in Hong Kong	17	17
– listed outside Hong Kong	28,262	13,575
– unlisted	805	1,183
Policy bank		
– listed in Hong Kong	109	79
– listed outside Hong Kong	61,069	72,323
Banking and non-banking financial institution		
– listed in Hong Kong	36	–
– listed outside Hong Kong	29,139	16,604
– unlisted	53	52
Other Corporate		
– listed in Hong Kong	43	–
– listed outside Hong Kong	51,854	51,322
– unlisted	1,031	1,000
Subtotal	172,418	156,155
Equity investment		
– listed in Hong Kong	332	234
– listed outside Hong Kong	604	–
– unlisted	2,805	3,335
Total	176,159	159,724

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 RMB932 million as at 30 June 2015 (31 December 2014: RMB936 million) and the provision amounted to RMB859 million (31 December 2014: RMB855 million).

The Group did not reclassify any investment securities during the six months ended 30 June 2015. 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 RMB19.34 billion (31 December 2014: RMB19.25 billion), and the fair value was RMB20.19 billion (31 December 2014: RMB19.97 billion). The Group would recognize a fair value gain of RMB0.15 billion (31 December 2014: a fair value loss of RMB0.12 billion) in other comprehensive income during the year had no reclassification been made on these debt securities.

(2) Held-to-maturity securities

	30 June 2015	31 December 2014
Government		
— listed outside Hong Kong	136,839	113,277
Policy bank		
— listed outside Hong Kong	39,741	41,325
Banking and non-banking financial institution		
— listed outside Hong Kong	12,537	12,777
— unlisted	471	468
Other corporate		
— listed outside Hong Kong	6,530	8,987
Total	196,118	176,834
Fair value of listed securities	199,002	178,616

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 2015	31 December 2014
Bond		
Government		
— unlisted	2,801	284
Policy bank		
— listed outside Hong Kong	7,212	9,887
Banking and non-banking financial institution		
— listed outside Hong Kong	10,915	6,151
— unlisted	4,012	2,195
Other corporates		
— listed outside Hong Kong	149	—
— unlisted	10,600	7,190
Trust beneficiary rights	25,271	47,018
Asset management plan	280,390	162,611
Total	341,350	235,336
Less: allowance for impairment losses	(1,279)	(943)
Net value	340,071	234,393

Note: All of the above trust beneficiary rights and asset management plan are unlisted.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

21 Finance lease receivables

	30 June 2015	31 December 2014
Finance lease receivables	106,512	105,414
Less: unearned finance lease income	(13,660)	(14,237)
Present value of minimum finance lease receivables	92,852	91,177
Less: allowance for impairment losses		
— Collective assessment	(2,272)	(2,066)
— Individual assessment	(260)	(287)
Net balance	90,320	88,824

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

	30 June 2015			31 December 2014		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	23,456	(2,989)	20,467	31,828	(4,299)	27,529
1 year to 2 years	18,306	(2,205)	16,101	23,545	(3,180)	20,365
2 years to 3 years	12,712	(1,414)	11,298	17,150	(2,316)	14,834
3 years to 5 years	13,350	(1,398)	11,952	15,760	(2,128)	13,632
More than 5 years	7,540	(1,017)	6,523	6,071	(820)	5,251
Indefinite*	31,148	(4,637)	26,511	11,060	(1,494)	9,566
	106,512	(13,660)	92,852	105,414	(14,237)	91,177

* The indefinite period amount represents the balances being impaired or overdue for more than one month.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

22 Property and equipment

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance at 1 January 2014	9,516	5,349	5,815	434	5,523	4,895	31,532
Increase	1,186	2,008	2,222	71	8,869	1,631	15,987
CIP transfers	1,810	—	—	—	—	(1,810)	—
Decrease	(25)	—	(248)	(18)	(64)	(62)	(417)
Balance at 31 December 2014	12,487	7,357	7,789	487	14,328	4,654	47,102
Increase	346	416	390	14	1,693	698	3,557
CIP transfers	63	—	—	—	—	(63)	—
Decrease	—	—	(53)	(6)	—	—	(59)
Balance at 30 June 2015	12,896	7,773	8,126	495	16,021	5,289	50,600
Accumulated depreciation							
Balance at 1 January 2014	(1,550)	(2,725)	(2,696)	(240)	(139)	—	(7,350)
Increase	(357)	(1,071)	(1,039)	(56)	(458)	—	(2,981)
Decrease	2	—	227	11	5	—	245
Balance at 31 December 2014	(1,905)	(3,796)	(3,508)	(285)	(592)	—	(10,086)
Increase	(233)	(595)	(631)	(33)	(378)	—	(1,870)
Decrease	—	—	48	3	—	—	51
Balance at 30 June 2015	(2,138)	(4,391)	(4,091)	(315)	(970)	—	(11,905)
Impairment losses							
Balance at 1 January 2014	—	—	—	—	(80)	—	(80)
Increase	—	—	—	—	—	—	—
Decrease	—	—	—	—	—	—	—
Balance at 31 December 2014	—	—	—	—	(80)	—	(80)
Increase	—	—	—	—	—	—	—
Decrease	—	—	—	—	—	—	—
Balance at 30 June 2015	—	—	—	—	(80)	—	(80)
Net value							
Balance at 31 December 2014	10,582	3,561	4,281	202	13,656	4,654	36,936
Balance at 30 June 2015	10,758	3,382	4,035	180	14,971	5,289	38,615

As at 30 June 2015 and 31 December 2014, 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 2015	31 December 2014
Held in mainland China		
on long-term lease (over 50 years)	115	123
on medium-term lease (10–50 years)	10,642	10,121
on short-term lease (less than 10 years)	3,383	3,899
Total	14,140	14,143

As at 30 June 2015, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB782 million (31 December 2014: RMB526 million) was still in progress. Management is of the view that the aforesaid matter would not affect the Group's rights to these assets nor have any significant impact on the Group's operations.

Notes to the 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 2015		31 December 2014	
	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	10,438	41,752	9,710	38,840
Employee benefits payable	2,403	9,612	1,960	7,840
Fair value losses of				
– Derivatives	494	1,976	639	2,558
– Available-for-sale securities	4,551	18,204	355	1,420
– Financial assets at fair value through the profit or loss	19	76	46	184
Others	243	972	130	520
Subtotal	18,148	72,592	12,840	51,362
Deferred income tax liabilities				
Fair value gains of				
– Derivatives	(775)	(3,098)	(807)	(3,231)
– Available-for-sale securities	(4,519)	(18,076)	(223)	(892)
– Financial assets at fair value through the profit or loss	(51)	(204)	(46)	(184)
Subtotal	(5,345)	(21,378)	(1,076)	(4,307)
Deferred income tax assets, net	12,803	51,214	11,764	47,055

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 2015	9,710	1,040	2,090	12,840	(1,076)	(1,076)
Recognised in profit or loss	728	(172)	556	1,112	27	27
Recognised in other comprehensive income	—	4,196	—	4,196	(4,296)	(4,296)
At 30 June 2015	10,438	5,064	2,646	18,148	(5,345)	(5,345)
At 1 January 2014	7,499	1,607	2,098	11,204	(521)	(521)
Recognised in profit or loss	2,211	47	(8)	2,250	(352)	(352)
Recognised in other comprehensive income	—	(614)	—	(614)	(203)	(203)
At 31 December 2014	9,710	1,040	2,090	12,840	(1,076)	(1,076)

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

	30 June 2015	31 December 2014
Deferred income tax assets	—	—
Deferred income tax liabilities	(5,345)	(1,076)

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

	30 June 2015		31 December 2014	
	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting	Net deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences after offsetting
Deferred income tax assets	12,803	51,214	11,764	47,055
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 2015	31 December 2014
Minsheng Leasing	2,600	2,600
Minsheng Fund	190	190
Minyin International (Note)	1,614	—
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	5,339	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	RMB5,095 million	Limited company	51.03	51.03
Minsheng Fund	Guangdong China	Fund management	RMB300 million	Limited company	63.33	63.33
Minyin International	Hongkong China	Invest bank	HKD2,000 million	Limited company	100.00	100.00
Pengzhou Rural Bank	Sichuan China	Commercial bank	RMB55 million	Limited company	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	RMB100 million	Limited company	35	35
Songjiang Rural Bank	Shanghai China	Commercial bank	RMB150 million	Limited company	35	35
Qijiang Rural Bank	Chongqing China	Commercial bank	RMB60 million	Limited company	50	50
Tongnan Rural Bank	Chongqing China	Commercial bank	RMB50 million	Limited company	50	50
Meihekou Rural Bank	Jilin China	Commercial bank	RMB50 Million	Limited company	51	51
Ziyang Rural Bank	Sichuan China	Commercial bank	RMB80 million	Limited company	51	51
Jiangxia Rural Bank	Hubei China	Commercial bank	RMB80 million	Limited company	51	51
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Limited company	51	51
Yidu Rural Bank	Hubei China	Commercial bank	RMB50 million	Limited company	51	51
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Limited company	51	51
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Limited company	51	51
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Limited company	51	51
Anxi Rural Bank	Fujian China	Commercial bank	RMB100 million	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
Funing Rural Bank	Jiangsu China	Commercial bank	RMB60 million	Limited company	51	51
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB100 million	Limited company	51	51
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Limited company	51	51
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Limited company	51	51
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51	51
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51	51
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	Limited company	51	51
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51	51
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB50 million	Limited company	51	51
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Limited company	51	51
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Limited company	51	51
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51	51
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB40 million	Limited company	51	51
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Limited company	51	51
Linzhi Rural Bank	Tibet China	Commercial bank	RMB25 million	Limited company	51	51

Note: Minyin International, a company registered on 11 February 2015 in Hong Kong, was established by the Bank. Minyin International's registered capital is HKD2,000 million (RMB1,614 million), which was fully subscribed by the Bank.

All interests in subsidiaries are directly held by the Bank.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

25 Other assets

	Note	30 June 2015			31 December 2014		
		Gross balance	Allowance for impairment losses	Carrying amount	Gross balance	Allowance for impairment losses	Carrying amount
Items in the process of clearance and settlement		13,708	—	13,708	17,752	—	17,752
Prepayments for leased assets	(1)	13,178	(144)	13,034	12,988	(143)	12,845
Interest receivable	(2)	18,563	—	18,563	16,593	—	16,593
Repossessed assets	(3)	11,200	(57)	11,143	9,362	(57)	9,305
Intangible assets	(4)	937	—	937	958	—	958
Investment properties		5,126	—	5,126	4,877	—	4,877
Prepayment of decoration		2,244	—	2,244	2,496	—	2,496
Commission receivable		2,044	—	2,044	1,378	—	1,378
Prepayment of properties		1,608	—	1,608	1,757	—	1,757
Prepayment of rent and deposits		1,212	—	1,212	1,172	—	1,172
Claims and legal fees recoverable		655	(255)	400	753	(194)	559
Prepayment of equipment		156	—	156	173	—	173
Long-term deferred expenses		334	—	334	296	—	296
Land use right		4,258	—	4,258	4,315	—	4,315
Others		2,783	—	2,783	2,555	—	2,555
Total		78,006	(456)	77,550	77,425	(394)	77,031

(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 2015	31 December 2014
Loans and advances to customers	6,922	5,807
Investment securities	8,356	7,824
Others	3,285	2,962
Total	18,563	16,593

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 and land use right. The Group disposed repossessed assets of RMB6 million during the period ended 30 June 2015 (31 December 2014: RMB213 million).

(4) Intangible assets

	Software	Other	Total
Cost			
Balance at 1 January 2014	812	1,303	2,115
Increase	304	26	330
Balance at 31 December 2014	1,116	1,329	2,445
Increase	245	—	245
Balance at 30 June 2015	1,361	1,329	2,690
Accumulated depreciation			
Balance at 1 January 2014	(443)	(643)	(1,086)
Increase	(287)	(114)	(401)
Balance at 31 December 2014	(730)	(757)	(1,487)
Increase	(203)	(63)	(266)
Balance at 30 June 2015	(933)	(820)	(1,753)
Net value			
Balance at 31 December 2014	386	572	958
Balance at 30 June 2015	428	509	937

26 Movements in allowances for impairment losses

	Note	Six months ended 30 June 2015				At 30 June
		At 1 January	Charge	Transfer in/(out)	Write-offs	
Loans and advances to customers	19	38,507	14,342	(3,830)	(6,180)	42,839
Available-for-sale securities	20(1)	855	—	4	—	859
Loans and receivables	20(3)	943	336	—	—	1,279
Finance lease receivables	21	2,353	206	(27)	—	2,532
Financial assets held under resale agreements	18	156	—	—	—	156
Others		474	63	(1)	—	536
Total		43,288	14,947	(3,854)	(6,180)	48,201

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

26 Movements in allowances for impairment losses (Continued)

	Note	Year ended 31 December 2014				At 31 December
		At 1 January	Charge	Transfer in/(out)	Write-offs	
Loans and advances to customers	19	34,816	19,928	(9,118)	(7,119)	38,507
Available-for-sale securities	20(1)	854	—	1	—	855
Loans and receivables	20(3)	—	943	—	—	943
Finance lease receivables	21	2,238	288	(138)	(35)	2,353
Financial assets held under resale agreements	18	—	156	—	—	156
Others		371	117	(14)	—	474
Total		38,279	21,432	(9,269)	(7,154)	43,288

27 Deposits from customers

	30 June 2015	31 December 2014
Demand deposits		
— Corporate deposits	667,686	707,374
— Personal deposits	131,890	137,342
Time deposits (including call and notice deposits)		
— Corporate deposits	1,403,715	1,176,707
— Personal deposits	420,141	401,831
Outward remittance and remittance payables	5,194	4,858
Certificates of deposit	4,054	5,698
Total	2,632,680	2,433,810

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

	30 June 2015	31 December 2014
Pledged deposits for bank acceptances	265,827	277,199
Pledged deposits for letters of credit and guarantees	43,431	56,780
Other pledged deposits	47,756	75,485
Total	357,014	409,464

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

28 Deposits and placements from banks and other financial institutions

	30 June 2015	31 December 2014
Mainland China		
– Banks	257,379	306,613
– Other financial institutions	626,915	569,618
Overseas		
– Banks	8,116	15,488
– Other financial institutions	8,687	—
Total	901,097	891,719

29 Financial assets sold under repurchase agreements

	30 June 2015	31 December 2014
Discounted bills	19,715	9,626
Investment securities	81,259	70,766
Finance lease receivables	1,567	2,899
Total	102,541	83,291

As at 30 June 2015, the balances under repurchase agreements include bills transactions with the PBC amounting to RMB8,900 million (31 December 2014: RMB9,625 million).

30 Borrowings from banks and other financial institutions

	30 June 2015	31 December 2014
Credit borrowings	89,790	84,339
Secured borrowings		
– by monetary assets	420	465
– by tangible assets other than monetary assets	13,968	14,043
Total	104,178	98,847

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

30 Borrowings from banks and other financial institutions (Continued)

As at 30 June 2015, the secured borrowings by monetary assets of RMB420 million (31 December 2014: RMB465 million) were secured by the beneficial right on operational property of RMB327 million (31 December 2014: RMB332 million). The secured borrowings of RMB13,968 million (31 December 2014: RMB14,043 million) were secured by the assets under financial lease receivable of RMB7,358 million (31 December 2014: RMB7,225 million), other assets of RMB6,981 million (31 December 2014: RMB8,974 million), and property and equipment of RMB473 million as collateral (31 December 2014: RMB385 million). There was no remaining credit limit under such secured borrowings (31 December 2014: Nil).

31 Debt securities issued

	Note	30 June 2015	31 December 2014
Financial bonds	(1)	49,972	49,965
Tier two capital bonds	(2)	39,947	19,973
Convertible corporate bonds	(3)	146	16,922
Subordinated bonds	(4)	9,984	15,764
Hybrid capital bonds	(5)	9,286	9,284
Certificates of interbank deposit		67,858	17,371
Medium-term notes	(6)	3,708	—
Total		180,901	129,279

(1) Financial bonds

	Note	30 June 2015	31 December 2014
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	29,983	29,978
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	19,989	19,987
Total		49,972	49,965

(i) Financial bonds with a nominal value of RMB30.0 billion, a term of five years, and a fixed coupon rate of 4.30% per annum, payable annually, were issued in 2012.

(ii) Financial bonds with a nominal value of RMB20.0 billion, a term of five years, and a fixed coupon rate of 4.39% per annum, payable annually, were issued in 2012.

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 2015	31 December 2014
RMB20 billion — 10-year fixed rate tier two capital bonds 2014	(i)	19,973	19,973
RMB20 billion — 10-year fixed rate tier two capital bonds 2015	(ii)	19,974	—
Total		39,947	19,973

- (i) Tier-two capital bonds with a nominal value of RMB20.0 billion, a term of 10 years, and a fixed coupon rate of 6.60% per annum, payable annually, were issued in 2014. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (ii) Tier-two capital bonds with a nominal value of RMB20.0 billion, a term of 10 years, and a fixed coupon rate of 5.40% per annum, payable annually, were issued in 2015. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(3) Convertible corporate bonds

	30 June 2015	31 December 2014
RMB20 Billion — 6-year fixed rate convertible corporate bonds 2014	146	16,922

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 dividend.

During the period from the issuance date to 30 June 2015, the conversion price was adjusted from RMB10.23 per share to RMB8.105 per share, as a result of paying cash dividend to shareholders of A share and H share.

In June 2015, the Bank announced to redeem all of its convertible corporate bonds. By 30 June 2015, convertible corporate bonds with a nominal value of 19,839 million had been converted into the Bank's A shares.

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	(828)	(163)	(991)
Amortisation	774	—	774
Balance as at 31 December 2014	16,922	3,351	20,273
Conversion	(17,139)	(3,322)	(20,461)
Amortisation	363	—	363
Balance as at 30 June 2015	146	29	175

(4) Subordinated bonds

	Note	30 June 2015	31 December 2014
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(i)	5,991	5,990
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(ii)	3,993	3,992
RMB5.8 billion — 10-year subordinated fixed rate bonds 2010	(iii)	—	5,782
Total		9,984	15,764

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) Subordinated bonds with a nominal value of RMB6.0 billion, a term of 10 years and a fixed coupon rate of 5.50% per annum, payable annually, were issued in 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (ii) Subordinated bonds with a nominal value of RMB4.0 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, payable annually, were issued in 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the tenth year to the maturity date.
- (iii) Subordinated bonds with a nominal value of RMB5.8 billion, a term of 10 years and a fixed coupon rate of 4.29% per annum, payable annually, were issued in 2010. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has redeemed the subordinated bonds on June 10, 2015.

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

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

(5) Hybrid capital bonds

	Note	30 June 2015	31 December 2014
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	3,319	3,318
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	1,672	1,672
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(iii)	3,296	3,295
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(iv)	999	999
		9,286	9,284

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)

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

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

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

(6) Medium-term notes

	30 June 2015	31 December 2014
USD0.6 billion — 3-year medium-term notes 2015	3,708	—

Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued in 2015, with a term of 3 years. The coupon rate is 2.25%.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Other liabilities

	Note	30 June 2015	31 December 2014
Interest payable	(1)	33,554	33,805
Employee benefits payable	(2)	9,759	7,996
Receipt in advance		9,402	9,534
Items in the process of clearance and settlement		8,865	7,348
Dividend payable		4,013	2,562
Asset-backed securities payable		3,739	481
Other tax payable	(3)	2,838	3,052
Wealth management products payable		1,270	1,298
Deferred fee and commission income		800	847
Guarantee deposits for finance lease		654	787
Accrued expenses		326	387
Payable of equipment purchase		247	443
Others		3,158	3,613
Total		78,625	72,153

(1) Interest payable

	30 June 2015	31 December 2014
Deposits from customers	26,788	23,970
Deposits from banks and other financial institutions	4,221	5,290
Debt securities issued	1,525	3,622
Borrowings from banks and other financial institutions	525	290
Others	495	633
Total	33,554	33,805

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Other liabilities (continued)

(2) Employee benefits payable

	Note	At 1 January 2015	Increase	Decrease	At 30 June 2015
Short-term employee benefits	(i)	7,819	10,166	(8,645)	9,340
Post-employment benefits-defined contribution plans	(ii)	177	1,048	(806)	419
Total		7,996	11,214	(9,451)	9,759

	Note	At 1 January 2014	Increase	Decrease	At 31 December 2014
Short-term employee benefits	(i)	7,537	20,379	(20,097)	7,819
Post-employment benefits-defined contribution plans	(ii)	145	2,048	(2,016)	177
Total		7,682	22,427	(22,113)	7,996

(i) Short-term Employee benefits

	At 1 January 2015	Increase	Decrease	At 30 June 2015
Salaries, bonuses and allowances	7,661	8,210	(6,774)	9,097
Staff welfare fees	—	660	(660)	—
Social insurance and supplementary insurance	29	625	(595)	59
Housing fund	109	487	(472)	124
Labour union fee, staff and workers' education fee	20	184	(144)	60
Total	7,819	10,166	(8,645)	9,340

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Other liabilities (continued)

(2) Employee benefits payable (continued)

(i) Short-term Employee benefits (continued)

	At 1 January 2014	Increase	Decrease	At 31 December 2014
Salaries, bonuses and allowances	6,311	15,509	(14,159)	7,661
Staff welfare fees	—	2,144	(2,144)	—
Social insurance and supplementary insurance	1,122	1,192	(2,285)	29
Housing fund	99	926	(916)	109
Labour union fee, staff and workers' education fee	5	608	(593)	20
Total	7,537	20,379	(20,097)	7,819

(ii) Post-employment benefits-defined contribution plans

	At 1 January 2015	Increase	Decrease	At 30 June 2015
Basic pension insurance plans	58	443	(382)	119
Unemployment insurance	11	32	(27)	16
Annuity scheme	108	573	(397)	284
Total	177	1,048	(806)	419

	At 1 January 2014	Increase	Decrease	At 31 December 2014
Basic pension insurance plans	57	789	(788)	58
Unemployment insurance	9	60	(58)	11
Annuity scheme	79	1,199	(1,170)	108
Total	145	2,048	(2,016)	177

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

32 Other liabilities (continued)

(3) Other tax payable

	30 June 2015	31 December 2014
Business tax payable	2,315	2,136
Others	523	916
Total	2,838	3,052

33 Share capital and capital reserve

	30 June 2015	31 December 2014
Common shares listed in Mainland China (A share)	29,551	27,219
Common shares listed in Hong Kong (H share)	6,934	6,934
Total shares	36,485	34,153

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 RMB64,756 million as at 30 June 2015 (31 December 2014: RMB49,949 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.

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)

(1) Surplus reserve (continued)

On 18 June 2015, the Bank was approved by its Shareholders' meeting to make an appropriation of RMB3,792 million to statutory surplus reserve for the second half of 2014, and the Bank had appropriated RMB57 million in 2014, therefore, the Bank made an appropriation of RMB3,735 to statutory surplus reserve in 2015.

Besides, for the six months ended 30 June, 2015, the Bank made an appropriation of RMB2,648 million to statutory surplus reserve (for the year ended 31 December 2014: RMB621 million), which has been approved by Board of Directors on 28 August 2015, and it is pending for the approval by the Shareholders. The Bank did not appropriate discretionary surplus reserve during the six months ended 30 June, 2015 and the year ended 31 December, 2014.

(2) General reserve

As at 30 June 2015, 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 2015, the Bank appropriated RMB3,649 million of profits recorded to the general reserve during the period ended 30 June 2015 (For the year ended 31 December 2014: RMB6,745 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 2015 to the general reserve following the same requirement as above. Minsheng Fund appropriated 10% of its monthly income of fund management fees from after-tax profits to general reserve in accordance with the Provisional Measures on Supervision and Administration of Risk Provision of Public Offering of Securities Investment Funds (CSRC Decree No.94) issued by the CSRC, it can no longer extract when the balance reaches 1% of the net asset value of the Fund. Meanwhile, Minsheng Fund appropriated 1% of its current net profit to general reserve in accordance with the Financial Rules for Financial Enterprises — Implementation Guide (No.23 [2007] of the Ministry of Finance) issued by the MOF.

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 (continued)

In total, the subsidiaries appropriated RMB15 million (For the year ended 31 December 2014: RMB199 million) to the general reserve for the period ended 30 June 2015, including RMB9 million (For the year ended 31 December 2014: RMB112 million) attributable to the Bank.

(3) Retained earnings

As at 30 June 2015, the retained earnings included the statutory surplus reserve of RMB340 million contributed by the subsidiaries and attributable to the Bank (31 December 2014: RMB338 million). The statutory surplus reserve of the subsidiaries included in the retained earnings of the Group cannot be further distributed.

35 Non-controlling interests

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

	30 June 2015	31 December 2014
Tianjin Fortune Real Estate Co., Ltd.	1,465	1,406
Beijing Dayixingye Real Estate Development Corp., Ltd.	1,099	1,054
Shanghai Guozhijie Investment Development Corp., Ltd.	977	937
Jiangsu Sunshine Group Corp., Ltd.	733	703
Shanghai Guozheng Investment Management Corp., Ltd.	733	703
Guangzhou Ziquan Real Estate Development Corp., Ltd.	488	469
China Century Investment Corp., Ltd.	488	469
Shengjinda Investment Corp., Ltd.	110	105
Royal Bank of Canada	141	100
Others	1,800	1,668
Total	8,034	7,614

36 Dividends

The Board of Directors approved the cash dividend distribution plan for the first half of 2015 during the meeting of the Board of Directors held on 28 August 2015. The cash dividend declared was RMB0.75 (before tax) for every 10 shares. Cash dividend total RMB2,736 million based on total stock of 36,485 million as of 30 June 2015. While it is still subject to Shareholders' meeting approval.

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 2014 during the meeting of the Board of Directors held on 18 June 2015. The cash dividend declared was RMB1.10 (before tax) for every 10 shares, totaling RMB4,013 million.

The shareholders approved the cash dividend distribution plan for the first half of 2014 during the meeting of the Board of Directors held on 23 December 2014. The cash dividend declared was RMB0.75 (before tax) for every 10 shares, totaling RMB2,561 million.

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

37 Investment revaluation reserve

	Six months ended 30 June 2015	Year ended 31 December 2014
At 1 January	(392)	(2,842)
Changes in fair value of available-for-sale securities	406	3,498
Less: deferred income tax	(102)	(875)
Transfer to profit or loss upon disposal	(132)	(491)
Less: deferred income tax	32	123
Transfer to profit or loss due to amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity	122	260
Less: deferred income tax	(30)	(65)
At 30 June/31 December	(96)	(392)
Less: Non-controlling interests	(31)	—
Investment revaluation reserve attributable to equity shareholders of the Bank	(127)	(392)

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

38 Cash and cash equivalents

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

	30 June 2015	30 June 2014
Cash (Note 13)	9,779	9,927
Surplus deposit reserve with central bank (Note 13)	37,923	47,044
Original maturity within 3 months:		
– Balances with banks and other financial institutions	40,931	79,541
– Placements with banks and other financial institutions	51,599	47,233
Total	140,232	183,745

39 Transferred financial assets

Asset-backed securities

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Credit asset-backed securities

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

As at 30 June 2015, loans with an original carrying amount of RMB26,601 million have been securitised by the group (31 December 2014: RMB5,840 million). As at 30 June 2015, the carrying amount of prime grade assets that the Group continues to recognise was RMB165 million (31 December 2014: RMB266 million), and the carrying amount of subordinated grade assets that the Group continues to recognise was RMB26 million (31 December 2014: RMB26 million), the assets were classified as loans and receivables.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

40 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 2015	31 December 2014
Bank acceptances	694,113	594,300
Letters of credit	137,900	170,666
Guarantees	222,502	205,168
Re-factoring	—	300
Unused credit card commitments	48,527	47,830
Irrevocable loan commitments		
— original maturity date within 1 year	2,611	2,280
— original maturity date over 1 year (inclusive)	2,277	1,566
Finance lease commitments	3,144	3,007
Total	1,111,074	1,025,117

(2) Capital commitments

	30 June 2015	31 December 2014
Contracted but not paid for	17,664	18,799
Authorised but not contracted for	516	1,576
Total	18,180	20,375

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

40 Contingent liabilities and commitments (continued)

(3) Operating lease commitments

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

	30 June 2015	31 December 2014
Within 1 year	3,337	3,055
After 1 year but within 5 years	9,570	9,536
After 5 years	3,781	3,942
Total	16,688	16,533

(4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments as at 30 June 2015, in material respects, as specified in the contracts.

(5) Assets pledged

	30 June 2015	31 December 2014
Balance with banks and other financial institutions	157	2,057
Investment securities	80,760	70,763
Finance lease receivables	7,358	10,462
Property and equipment	6,981	9,306
Discounted bills	19,529	9,538
Financial assets at fair value through the profit or loss	797	—
Other assets	473	385
Total	116,055	102,511

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 2015, the fair value of such discounted bills held under resale agreements is approximately RMB522,091 million (31 December 2014: RMB594,043 million), of which approximately RMB7,289 million have been re-pledged under repurchase agreements (31 December 2014: RMB2,487 million) and the Group has an obligation to return them to its original counterparties.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

40 Contingent liabilities and commitments (continued)

(6) Underwriting of securities

	30 June 2015	31 December 2014
Medium- and short-term finance bills	68,520	150,082

(7) Redemption commitments

As an underwriting agent of certificated PRC government bonds, the Bank has the obligation to buy back those bonds sold by it should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2015 was RMB3,725 million (31 December 2014: RMB3,455 million). The original maturities of the bonds vary from one to five years.

(8) Outstanding litigation

As at 30 June 2015, 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.

41 Consolidated structured entities

The Group has consolidated certain structured entities which are asset management plans. When assessing whether to consolidate structured entities, the Bank reviews all facts and circumstances to determine whether the Bank, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The group does not hold any shares of the consolidated asset management plans, however, the group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of group's total revenue in total investment income is high. The Group concludes that these structured entities shall be consolidated.

As at 30 June 2015, the asset management plans managed and consolidated by the Group amounted to RMB6,814 million (31 December 2014: RMB5,944 million), which are mainly included in deposits from customers. The financial impact of any individual asset management plan on the Group's financial performance is not significant.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Involvement with unconsolidated structured entities

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

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

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2015 in the structured entities sponsored by third party institutions:

	30 June 2015	
	Carrying amount	maximum exposure
Trust beneficiary plan	55,418	55,418
Specialised asset management plan	279,218	279,218
Asset-backed financing bonds	19,115	19,115
Total	353,751	353,751

	31 December 2014	
	Carrying amount	maximum exposure
Trust beneficiary plan	103,949	103,949
Specialised asset management plan	161,668	161,668
Asset-backed financing bonds	17,006	17,006
Total	282,623	282,623

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

42 Involvement with unconsolidated structured entities (continued)

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

The following table sets out an analysis of the line items in the statement of financial position as at 30 June 2015 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2015		
	Held-to-maturity securities	Available-for-sale securities	Financial assets held under resale agreements
Trust beneficiary plan	25,164	—	30,254
Specialised asset management plan	279,218	—	—
Asset-backed financing bonds	15,776	3,339	—
Total	320,158	3,339	30,254

	31 December 2014		
	Held-to-maturity securities	Available-for-sale securities	Financial assets held under resale agreements
Trust beneficiary plan	47,018	—	56,931
Specialised asset management plan	161,668	—	—
Asset-backed financing bonds	13,537	3,469	—
Total	222,223	3,469	56,931

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)

42 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 2015 and 31 December 2014, the carrying amounts of the Group's 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 2015, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, are RMB438.95 billion and RMB54.51 billion respectively (31 December 2014: RMB376.59 billion and RMB553.52 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 2015.

During the period ended 30 June 2015, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB3.75 billion (for the year ended 31 December 2014: RMB2.35 billion), including the amount of RMB3.60 billion and RMB0.15 billion from investment funds and non-principal-guaranteed wealth management products, respectively (for the year ended 31 December 2014: RMB2.06 billion and RMB0.29 billion).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2015 but matured before 30 June 2015 is RMB459.83 billion (for the year ended 31 December 2014: RMB1,023.35 billion).

43 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

43 Fiduciary activities (continued)

The balance of investment fund under custodian by the Group was RMB165,046 million as at 30 June 2015 (31 December 2014: RMB76,517 million). The balance of corporate annuity funds under custodian by the Group was RMB25,038 million as at 30 June 2015 (31 December 2014: RMB17,772 million). The balance of entrusted credit assets under management by the Group was RMB26,234 million as at 30 June 2015 (31 December 2014: RMB7,975 million). And the Group's balances of entrusted loans were RMB417,081 million as at 30 June 2015 (31 December 2014: RMB406,100 million).

44 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.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)

As at 30 June 2015, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

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

(1) Financial instruments recorded at fair value

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

	30 June 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
– Debt securities	93	29,108	–	29,201
– Equity investments	344	–	–	344
Financial assets designated at fair value through profit or loss				
– Debt securities	–	3,297	–	3,297
Derivative financial assets				
– Interest rate contracts	–	447	–	447
– Exchange rate contracts	–	1,482	–	1,482
– Others	–	1,169	–	1,169
Available-for-sale securities				
– Debt securities	205	172,160	53	172,418
– Equity investments	332	604	2,658	3,594
Total	974	208,267	2,711	211,952
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
– Interest rate contracts	–	(428)	–	(428)
– Exchange rate contracts	–	(1,494)	–	(1,494)
– Others	–	(54)	–	(54)
Financial liabilities at fair value through the profit or loss				
	–	(139)	–	(139)
Total	–	(2,115)	–	(2,115)

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)

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

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

	31 December 2014			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets held for trading				
– Debt securities	–	25,705	–	25,705
Financial assets designated at fair value through profit or loss				
– Debt securities	–	1,508	–	1,508
Derivative financial assets				
– Interest rate contracts	–	390	–	390
– Exchange rate contracts	–	1,661	–	1,661
– Others	–	1,180	–	1,180
Available-for-sale financial assets				
– Debt securities	–	156,103	52	156,155
– Equity investments	–	3,422	–	3,422
Total	–	189,969	52	190,021
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
– Interest rate contracts	–	(345)	–	(345)
– Exchange rate contracts	–	(1,931)	–	(1,931)
– Others	–	(282)	–	(282)
Financial liabilities at fair value through the profit or loss				
	–	(21)	–	(21)
Total	–	(2,579)	–	(2,579)

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 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 2015		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	52	—	52
— in profit or loss	(4)	—	(4)
— in other comprehensive income	5	—	5
— transferred from level 2	—	2,658	2,658
Settlements	—	—	—
At 30 June	53	2,658	2,711
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	17	—	17

	2014		
	Available-for-sale securities		Total assets
	Debt securities	Equity securities	
At 1 January	117	—	117
— in profit or loss	(1)	—	(1)
— in other comprehensive income	—	—	—
Settlements	(64)	—	(64)
At 31 December	52	—	52
Total gains for the year included in profit or loss for assets and liabilities held at the end of the reporting period	2	—	2

(3) Transfers between levels

During six months ended 30 June 2015, the transfers between level 1 and level 2 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)

44 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 and available-for-sale equity investments which measured in cost**

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

- d Deposits from customers**

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

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)

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

e Debt securities issued

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

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

	30 June 2015					31 December 2014	
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value amount
Financial assets							
Available-for-sale							
equity investments	147	147	—	—	147	147	147
Loans and receivables	340,071	340,101	—	340,101	—	234,393	234,324
Loans and advances							
to customers	1,906,497	2,024,682	—	2,024,682	—	1,774,159	1,861,912
Held-to-maturity securities	196,118	199,477	—	199,477	—	176,834	178,616
Total	2,442,833	2,564,407	—	2,564,260	147	2,185,533	2,274,999
Financial liabilities							
Deposits from customers	2,632,680	2,675,325	—	2,675,325	—	2,433,810	2,526,851
Financial bonds	49,972	50,425	—	50,425	—	49,965	49,780
Tier two capital bonds	39,947	42,394	—	42,394	—	19,973	21,107
Convertible corporate bonds	146	167	—	167	—	16,922	20,427
Subordinated bonds	9,984	10,397	—	10,397	—	15,764	15,706
Hybrid capital bonds	9,286	10,071	—	10,071	—	9,284	9,276
Certificates of interbank							
deposit	67,858	67,311	—	67,311	—	17,371	17,197
Medium-term notes	3,708	3,706	—	3,706	—	—	—
Total	2,813,581	2,859,796	—	2,859,796	—	2,563,089	2,660,344

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 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)

45 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 2015	31 December 2014
Legend Holdings Ltd.	Guaranteed	1,500	1,800
Sinopharm Group Co., Ltd. and its subsidiaries	Guaranteed	1,812	1,348
Giant Interactive Group	Pledged	—	1,117
Orient Group Incorporation	Pledged	500	500
Good First Group Co., Ltd.	Guaranteed	495	495
	Collateralised	136	—
Wuxi Giant Pharmaceutical Co., Ltd.	Guaranteed	—	400
Shanghai Goldpartner Biotech Co., Ltd.	Guaranteed	300	300
Jiangxi Xindi Investment Co., Ltd.	Guaranteed	282	288
Oriental Hope Baotou Terrae Rare Aluminum Co., Ltd	Guaranteed	200	200
Orient Group Industry Co.,Ltd.	Pledged	820	200
Dongynag China Woodcarvings Center	Collateralised	68	148
	Guaranteed	80	—
Wuxi Giant Bioengineering Co., Ltd.	Guaranteed	—	100
Sichuan Tianyi University	Collateralised	14	80
Southwest Jiaotong University Hope College	Collateralised	80	80
Shanghai Lujiazui Finance Trade Zone United Development Company	Guaranteed	—	67
Chengdu Mayflower Computer School	Guaranteed	—	50
	Collateralised	71	—
Sichuan Minjiang Snow Salinization Co., Ltd.	Guaranteed	50	50
HopeSenlan Science & Technology Co., Ltd.	Guaranteed	60	30
Jinan Qilipu Market Co., Ltd.	Guaranteed	18	18
Sichuan Hope West Construction Co., Ltd.	Guaranteed	20	10
Gemdale Corporation	Guaranteed	320	—
Sichuan Hope Shenlan Energy Chemical Co., Ltd.	Guaranteed	80	—
Shanghai Fosun High Technology (Group) Co., Ltd.	Guaranteed	500	—
Oriental Hope Group Co., Ltd.	Guaranteed	200	—
Individuals	Collateralised	112	153
Total		7,718	7,434
Ratio to similar transactions (%)		0.40	0.42

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party transactions (continued)

(2) Related party transactions (continued)

(ii) Loans to related parties (continued)

Amount of transactions:

	Six months ended 30 June	
	2015	2014
Interest income from loans	165	104
Ratio to similar transactions (%)	0.16	0.11

As at 30 June 2015, none of the above loans are found to be impaired individually (31 December 2014: Nil).

(iii) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	30 June 2015		31 December 2014	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial assets at fair value through the profit or loss	251	0.76	89	0.33
Precious metals	964	3.11	986	3.85
Financial assets held under resale agreements	—	—	310	0.05
Investment securities:				
— available-for-sale securities	20	0.01	20	0.01
— held-to-maturity securities	25	0.01	50	0.03
— loans and receivables	125	0.04	125	0.05
Finance lease receivables	271	0.30	330	0.37
Other assets	326	0.42	64	0.08
Deposits from customers	45,839	1.74	47,828	1.97
Deposits and placements from banks and other financial institutions	474	0.05	348	0.04
Other liabilities	1,856	2.36	1,054	1.46

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party transactions (continued)

(2) Related party transactions (continued)

(iii) Other transactions with related parties (continued)

The Group's interest income arising from the above related-party transactions for the six months ended 30 June 2015 is RMB8 million (for the six months ended 30 June 2014: RMB65 million), accounting for 0.01% (for the six months ended 30 June 2014: 0.07%) of that of similar transactions, and the interest expense is RMB977 million (for the six months ended 30 June 2014: RMB985 million), accounting for 1.75% (for the six months ended 30 June 2014: 1.95%) of that of similar transactions. Other related-party transactions have no material impact on the Group's income statement.

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

	30 June 2015		31 December 2014	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Guarantees	2,469	1.11	2,143	1.04
Bank acceptances	1,530	0.22	2,203	0.37
Letters of credit	1,105	0.80	102	0.06

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

	30 June 2015		31 December 2014	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	6,051	0.31	4,159	0.23
Discounted bills under resale agreements, issued by related parties	273	0.05	392	0.07

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 2015 and 30 June 2014, and the Group's financial position as at 30 June 2015 and 31 December 2014.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 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 2015 and for the six months ended 30 June 2014.

(v) Transactions with key management personnel

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

The Group enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management amounted to RMB6 million as at 30 June 2015 (31 December 2014: RMB85 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 RMB22 million for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB32 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 2015 and for the six months ended 30 June 2014.

Notes to the Unaudited Interim Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party transactions (continued)

(2) Related party transactions (continued)

(vi) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	30 June 2015	31 December 2014
Balances with banks and other financial institutions	226	392
Other assets	292	378
Deposits and placements from banks and other financial institutions	5,235	4,715
Other liabilities	10	29

Amount of transactions for the reporting period:

	Six months ended 30 June	
	2015	2014
Interest income	35	13
Interest expense	68	57
Fee and commission income	202	16
Operating expenses	228	71

For the period ended 30 June 2015, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 30 June 2015, the balance of the above transactions was RMB591 million (31 December 2014: RMB250 million).

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

46 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.

47 Comparative figures

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

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio (%)

	As at 30 June 2015	Average for the period ended 30 June 2015	As at 31 December 2014	Average for the year ended 31 December 2014
Liquidity coverage ratio (RMB and foreign currency)	86.76%	85.22%	83.67%	78.32%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

The Hong Kong Banking (Disclosure) Rules (the “Rules”) took effect on 1 January 2007. It requires the disclosure of an average liquidity ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity ratio on a semi-annual basis and the disclosed average liquidity ratio is the arithmetic mean of two consecutive liquidity coverage ratio as at 30 June and 31 December.

2 Currency concentrations

	30 June 2015			Total
	USD	HKD	Others	
Spot assets	184,846	16,134	53,180	254,160
Spot liabilities	(154,945)	(17,700)	(19,040)	(191,685)
Forward purchases	130,946	17,495	74,188	222,629
Forward sales	(144,680)	(15,843)	(60,883)	(221,406)
Net long/(short) position*	16,167	86	47,445	63,698

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

2 Currency concentrations (continued)

	31 December 2014			Total
	USD	HKD	Others	
Spot assets	132,376	9,711	28,623	170,710
Spot liabilities	(129,303)	(22,177)	(15,676)	(167,156)
Forward purchases	162,733	18,298	15,806	196,837
Forward sales	(147,912)	(13,220)	(34,033)	(195,165)
Net long/(short) position*	17,894	(7,388)	(5,280)	5,226

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

The Group has no structural position in the reported periods.

3 Loans and advances to customers

(1) Impaired loans by geographical area

	30 June 2015				Total
	Northern China	Eastern China	Southern China	Other Locations	
Impaired loans	11,642	7,012	2,569	5,200	26,423
Allowance for impairment Losses					
– Individual assessment	2,416	1,438	487	1,086	5,427
– Collective assessment	1,654	799	292	592	3,337

	31 December 2014				Total
	Northern China	Eastern China	Southern China	Other Locations	
Impaired loans	9,465	5,925	2,035	3,709	21,134
Allowance for impairment losses					
– Individual assessment	1,872	1,054	315	623	3,864
– Collective assessment	1,562	748	259	589	3,158

Unaudited Supplementary Financial Information (Continued)

(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers (continued)

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

	30 June 2015				Total
	Northern China	Eastern China	Southern China	Other Locations	
Overdue loans	15,743	10,661	4,618	9,950	40,972
Allowance for impairment Losses					
— Individual assessment	2,416	1,434	485	1,076	5,411
— Collective assessment	2,576	1,910	806	1,788	7,080

	31 December 2014				Total
	Northern China	Eastern China	Southern China	Other Locations	
Overdue loans	9,991	6,222	2,756	4,017	22,986
Allowance for impairment losses					
— Individual assessment	1,868	1,033	310	619	3,830
— Collective assessment	2,661	1,362	601	1,099	5,723

4 International claims

	30 June 2015				Total
	Asia Pacific excluding mainland China	North America	Europe	Other Locations	
Banks and other financial institutions	49,962	3,371	903	2,291	56,527
Public sector entities	4,312	374	374	—	5,060
Others	60,890	9,883	331	12,156	83,260
Total	115,164	13,628	1,608	14,447	144,847

	31 December 2014				Total
	Asia Pacific excluding mainland China	North America	Europe	Other Locations	
Banks and other financial institutions	16,602	8,222	902	—	25,726
Public sector entities	1,597	170	—	—	1,767
Others	64,135	9,815	308	11,208	85,466
Total	82,334	18,207	1,210	11,208	112,959

Index of Documents for Inspection

- I. Financial statements bearing the signatures and seals of the legal representative and the principal accountant
- 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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