



# 中国民生银行

*CHINA MINSHENG BANKING CORP., LTD.*

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

STOCK CODE : 01988



## 2012 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 joint and several liability for the truthfulness, accuracy and completeness of its contents.

This interim report was approved on 23 August 2012 at the 4th meeting of the 6th session of the Board of Directors of the Company. Of the 18 Directors who were entitled to attend the meeting, 18 attended the meeting, among whom 15 attended the meeting in person and 3 Directors attended by teleconference.

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

The financial data and indicators contained in this interim report are prepared in accordance with the International Financial Reporting Standards. Unless otherwise specified, all amounts are the consolidated data of the Group and stated in Renminbi.

The financial reports in this interim report were not audited.

**Board of Directors**  
**China Minsheng Banking Corp., Ltd.**

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



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# Bank Profile

- Registered Chinese Name: 中國民生銀行股份有限公司 (Abbreviation: 「中國民生銀行」)  
Registered English Name: CHINA MINSHENG BANKING CORP., LTD. (Abbreviation: “CMBC”)
- Legal Representative: Dong Wenbiao
- Authorized Representative: Qin Rongsheng  
Soon Yuk Tai
- Board Secretary: Wan Qingyuan  
Joint Company Secretaries: Wan Qingyuan  
Soon Yuk Tai  
Representative of Securities Affairs: He Qun, Wang Honggang
- Mailing Address: Building VIII, Beijing Friendship Hotel,  
No. 1 Zhongguancun Nandajie, Beijing, China  
Postal Code: 100873  
Telephone: 86-10-68946790  
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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 China Securities Regulatory Commission (the “CSRC”): www.sse.com.cn  
  
Website for publishing the H Share interim report designated by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”): www.hkexnews.hk

Copies of this Interim Report are available at the Office of the Board of Directors of the Company



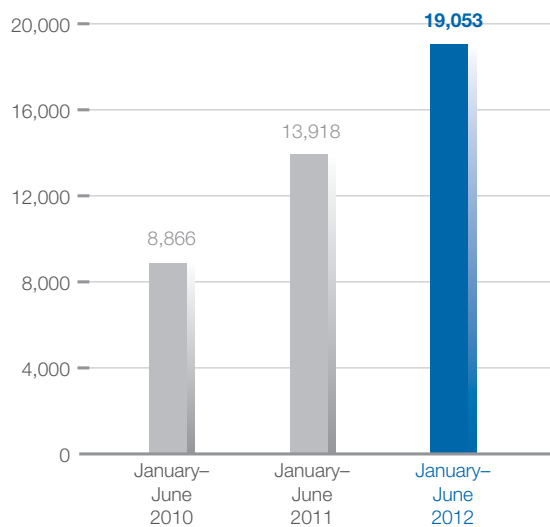
9. Legal Adviser as to PRC Law: Grandall Law Firm (Beijing)  
 Legal Adviser as to Hong Kong Law: Clifford Chance
10. Domestic Auditor: KPMG Huazhen Certified Public Accountants (Special General Partnership)  
 Office Address: 8th Floor, Tower E2, Oriental Plaza,  
 1 East Chang An Avenue, Beijing, China  
 International Auditor: KPMG Certified Public Accountants  
 Office Address: 8th Floor, Prince's Building,  
 10 Chater Road, Central, Hong Kong
11. A Share Registrar: China Securities Depository and Clearing Corporation Limited  
 (Shanghai Branch)  
 Office Address: 36/F, China Insurance Building, No. 166 Lujiazui East Road,  
 Pudong New Area, Shanghai, China  
 H Share Registrar: Computershare Hong Kong Investor Services Limited  
 Office Address: 17M Floor, Hopewell Centre,  
 183 Queen's Road East, Wanchai, Hong Kong
12. Places of Listing, Stock Names and  
 Stock Codes:  
 A Share: Shanghai Stock Exchange; Stock Name: MINSHENG BANK;  
 Stock Code: 600016  
 H Share: Hong Kong Stock Exchange; Stock Name: MINSHENG BANK;  
 Stock Code: 01988
13. Initial Date of Registration: 7 February 1996  
 Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14. Date of Registration for Subsequent  
 Change: 20 November 2007  
 Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Registration Number of Corporate  
 Business License: 100000000018983
16. Registration Number of Tax Certificate: Jing Guo Shui Dong Zi 110101100018988  
 Di Shui Jing Zi 110101100018988000

# Financial Summary

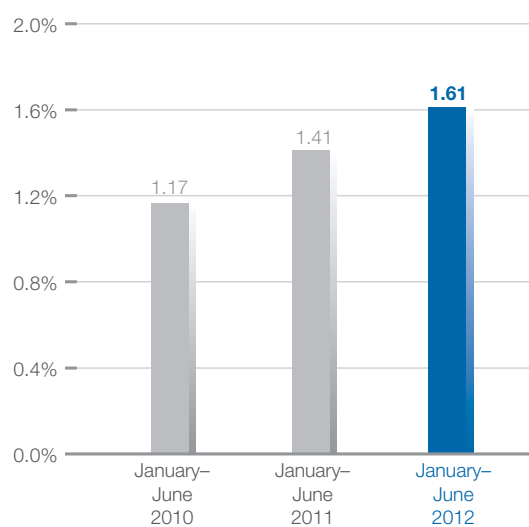
## I. Major Financial Data and Indicators

	For the reporting period			
	January– June 2012	January– June 2011	Change from the previous period	January– June 2010
<b>Operating results</b> (RMB million)			Change (%)	
Net interest income	37,871	29,545	28.18	21,165
Net non-interest income	13,498	9,256	45.83	4,916
Operating income	51,369	38,801	32.39	26,081
Operating expenses	19,418	15,659	24.01	11,587
Impairment losses on assets	5,406	4,337	24.65	2,263
Profit before income tax	25,699	18,407	39.62	11,615
Net profit attributable to equity shareholders of the Bank	19,053	13,918	36.89	8,866
<b>Data per share</b> (RMB/share)			Change (%)	
Basic earnings per share	0.69	0.52	32.69	0.33
Diluted earnings per share	0.69	0.52	32.69	0.33
<b>Profitability indicators (%)</b>			Changes in percentage points	
Return on average assets (annualized)	1.61	1.41	0.20	1.17
Return on average shareholders' equity	13.64	12.69	0.95	9.64
Net interest spread	2.93	2.85	0.08	2.80
Net interest margin	3.14	3.00	0.14	2.92
Net fee and commission income to operating income ratio	19.53	20.41	-0.88	17.29
Cost-to-income ratio	31.96	34.08	-2.12	39.83

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



**Return on average assets (annualized, %)**





	As at the end of the reporting period			
	30 June 2012	31 December 2011	Change from the previous period	31 December 2010
<b>Scale indicators</b> (RMB million)			Change (%)	
Total assets	2,594,066	2,229,064	16.37	1,823,737
Gross loans and advances to customers	1,303,257	1,205,221	8.13	1,057,571
Total liabilities	2,439,354	2,094,954	16.44	1,718,480
Deposits from customers	1,810,963	1,644,738	10.11	1,416,939
Equity attributable to equity shareholders of the Bank	149,763	129,597	15.56	104,108
Net assets per share attributable to equity shareholders of the Bank (RMB/share)	5.28	4.85	8.87	3.90
			Changes in percentage points	
<b>Assets quality indicators</b> (%)				
Impaired loan ratio	0.69	0.63	0.06	0.69
Allowance to impaired loans	352.36	357.29	-4.93	270.45
Allowance to total loans	2.43	2.23	0.20	1.88
			Changes in percentage points	
<b>Capital adequacy ratio indicators</b> (%)				
Capital adequacy ratio	11.36	10.86	0.50	10.44
Core capital adequacy ratio	8.41	7.87	0.54	8.07
Total equity to total assets ratio	5.96	6.02	-0.06	5.77

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

# Financial Summary

## II. Supplementary Financial Indicators

Major Indicators	Benchmark	As at 30 June 2012	As at 31 December 2011	As at 31 December 2010
Liquidity ratio (%)	Consolidated in RMB ≥25	61.20	40.90	33.24
Loan-to-deposit ratio (%)	Consolidated in RMB ≤75	68.29	72.85	72.78
Inter-bank lending/borrowing ratio (%)	Bank borrowing ratio ≤4	0.72	0.99	0.77
	Bank lending ratio ≤8	2.77	2.29	2.64
Total loans to the single largest borrower to net capital (%)	≤10	3.40	3.86	4.11
Total loans to the top ten borrowers to net capital (%)	≤50	17.94	20.93	28.45

Notes:

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





## I. Overview of Operations

During the reporting period, in view of the adjustment and changes in macroeconomic environment and regulatory policies, the Company, under the brilliant leadership of the Board, adhered to its strategy of becoming a “bank for NSOEs”, “bank for MSEs” and “bank for high-end retail customers” and consistently strengthened its business goal of “distinctive” and “efficient” bank. The Company adhered to the comprehensive policy of “adherence to characteristics, overcoming difficulties, strengthened foundation, and enhanced management” as laid out earlier this year. The Company constantly promoted the development of strategic businesses, effectively controlled assets quality, and continuously improved the profitability, and therefore achieved good operation performance.

### (I) Higher profitability and return to shareholders

During the reporting period, net profit attributable to equity shareholders of the Bank amounted to RMB19,053 million, representing an increase of RMB5,135 million, or 36.89%, as compared with the corresponding period of last year. Annualized return on average assets was 1.61%, representing an increase of 0.2 percentage point as compared with the corresponding period of the previous year. Return on average shareholders’ equity increased by 0.95 percentage point from the corresponding period of the previous year to 13.64%. The basic earnings per share was RMB0.69, representing an increase of RMB0.17, or 32.69%, as compared with the corresponding period of last year. Net assets per share attributable to equity shareholders of the Bank amounted to RMB5.28, representing an increase of RMB0.43, or 8.87%, as compared with the corresponding period of last year.

### (II) Coordinated growth of assets and liabilities business and stable development of strategic businesses

During the reporting period, the total assets of the Group reached RMB2,594,066 million, representing an increase of RMB365,002 million, or 16.37%, from the end of previous year. The total liabilities amounted to RMB2,439,354 million, representing an increase of 344,400 million or 16.44%, from the end of previous year. Total loans and advances increased to RMB1,303,257 million, representing an increase of RMB98,036 million, or 8.13%, as compared to the end of the previous year. Total deposits from customers increased to RMB1,810,963 million, representing an increase of RMB166,225 million, or 10.11%, as compared to the end of the previous year. Outstanding loans to MSEs of the Company amounted to RMB250,695 million as at the end of the reporting period, representing an increase of RMB18,200 million, or 7.83%, from the end of the previous year. The number of MSE customers was 641,300, representing an increase of 183,300 as compared to the end of the previous year. Outstanding general loans to NSOEs reached RMB521,690 million, representing an increase of 7.75% as compared with the end of the previous year, and there were 12,477 customers of NSOEs with outstanding balances, representing an increase of 9.9% as compared to the end of the previous year. The Company had over 7,400 private banking customers, representing an increase of over 60% as compared with the end of the previous year. The private banking customers’ financial assets under management of the Company reached RMB115,891 million, representing an increase of 69.43% as compared to the end of the previous year.

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

During the reporting period, the Group recorded operating income of RMB51,369 million, representing an increase of RMB12,568 million, or 32.39%, as compared with the corresponding period of last year. Among others, net interest income increased by RMB8,326 million, or 28.18%, to RMB37,871 million, as compared with the corresponding period of the previous year. Net fee and commission income amounted to RMB10,030 million, representing an increase

# Management Discussion and Analysis

of RMB2,111 million or 26.66% as compared with the corresponding period of the previous year. Meanwhile, with constantly strengthened management of costs and expenses and further improved operation efficiency, the cost-to-income ratio was 31.96%, representing a decrease of 2.12 percentage points as compared with the corresponding period of the previous year.

## (IV) Enhanced Risk Management and Control and Consistently Improved Risk Resilience

As at the end of the reporting period, the Group had enhanced and improved the risk monitoring and surveillance systems, reinforced the management of receivables collection, and therefore had improved the capability of risk resilience. The impaired loan ratio slightly increased from the end of the previous year to 0.69%; allowance to impaired loans ratio was 352.36%. The allowance to total loans ratio reached 2.43%.

## II. Analysis of Major Items of Income Statement

During the reporting period, the Group realized a net profit attributable to equity shareholders of the Bank of RMB19,053 million, representing an increase of 36.89% as compared with the corresponding period of the previous year. The increase was mainly driven by the growth of operating income and the decrease of cost-to-income ratio.

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

(Unit: RMB million)

Item	January– June 2012	January– June 2011	Change (%)
Operating income	51,369	38,801	32.39
Of which: Net interest income	37,871	29,545	28.18
Net non-interest income	13,498	9,256	45.83
Operating expenses	19,418	15,659	24.01
Impairment losses on assets	5,406	4,337	24.65
Other operating expenses	846	398	112.56
Profit before income tax	25,699	18,407	39.62
Income tax expense	6,291	4,351	44.59
Net profit	19,408	14,056	38.08
Of which: Attributable to equity shareholders			
of the Bank	19,053	13,918	36.89
Attributable to non-controlling interests	355	138	157.25

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

During the reporting period, net interest income of the Group was RMB37,871 million, representing an increase of RMB8,326 million, or 28.18%, as compared with the corresponding period of last year, primarily due to the expansion of the scale of interest earning assets and the increase of net interest margin. The increase in the size of interest-earning assets and net interest margin contributed RMB4,819 million and RMB3,507 million respectively to the increase in net interest income.

# Management Discussion and Analysis



During the reporting period, the net interest margin of the Group increased by 0.14 percentage point from the corresponding period of the previous year to 3.14%. The increase was mainly due to the optimization and adjustment of business structure and customer base, the implementation of differential pricing strategy, the expansion of treasury business and the improved profitability, etc..

The table below sets out the analysis of the net interest income of the Group:

(Unit: RMB million)

Item	January–June 2012			January–June 2011		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
<b>Interest-earning assets</b>						
Loans and advances	1,245,738	48,015	7.71	1,093,671	36,541	6.68
Of which: Corporate loans and advances	872,620	33,564	7.69	797,242	26,624	6.68
Personal loans and advances	373,118	14,451	7.75	296,429	9,917	6.69
Balances and placements with banks and other financial institutions (including financial assets held under resale agreements)	553,412	15,488	5.60	369,024	8,821	4.78
Debt securities	216,003	4,104	3.80	186,556	2,961	3.17
Balances with central bank	338,321	2,574	1.52	280,058	2,004	1.43
Finance lease receivables	56,799	2,400	8.45	39,836	1,532	7.69
<b>Total</b>	<b>2,410,273</b>	<b>72,581</b>	<b>6.02</b>	<b>1,969,145</b>	<b>51,859</b>	<b>5.27</b>
Item	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	1,653,340	19,679	2.38	1,439,408	13,628	1.89
Corporate deposits	1,356,443	16,355	2.41	1,205,074	11,619	1.93
Of which: Demand	574,699	2,171	0.76	559,425	2,130	0.76
Time	781,744	14,184	3.63	645,649	9,489	2.94
Personal deposits	296,897	3,324	2.24	234,334	2,009	1.71
Of which: Demand	80,405	188	0.47	66,086	151	0.46
Time	216,492	3,136	2.90	168,248	1,858	2.21
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	487,921	12,204	5.00	346,190	7,436	4.30
Debt securities issued	58,976	1,400	4.75	26,285	628	4.78
Borrowings from banks and other financial institutions	46,161	1,427	6.18	29,354	622	4.24
<b>Total</b>	<b>2,246,398</b>	<b>34,710</b>	<b>3.09</b>	<b>1,841,237</b>	<b>22,314</b>	<b>2.42</b>
<b>Net interest income</b>		<b>37,871</b>			<b>29,545</b>	
<b>Net interest spread</b>			<b>2.93</b>			<b>2.85</b>
<b>Net interest margin</b>			<b>3.14</b>			<b>3.00</b>

Note:

1. In this table, outward remittance and remittance payables are included in corporate demand deposits; and
2. Issuance of certificates of deposits is included in corporate time deposits.

# Management Discussion and Analysis

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

(Unit: RMB million)

Item	Changes due to changes in scale from January–June 2011 to January–June 2012	Changes due to changes in interest rate from January–June 2011 to January–June 2012	Net changes
<b>Change in interest income:</b>			
Loans and advances	5,081	6,393	11,474
Debt securities	467	676	1,143
Balances with central bank	417	153	570
Balances and placements with banks and other financial institutions (including financial assets held under resale agreements)	4,408	2,259	6,667
Finance lease receivables	652	216	868
Subtotal	11,025	9,697	20,722
<b>Change in interest expenses:</b>			
Deposits from customers	2,025	4,026	6,051
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	3,044	1,724	4,768
Debt securities issued	781	-9	772
Borrowings from banks and other financial institutions	356	449	805
Subtotal	6,206	6,190	12,396
<b>Change in net interest income</b>	<b>4,819</b>	<b>3,507</b>	<b>8,326</b>

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

## 1. Interest income

During the reporting period, the interest income of the Group was RMB72,581 million, representing an increase of RMB20,722 million, or 39.96%, as compared with the corresponding period of last year. The increase in income ratio and expansion in scale of interest-earning assets contributed RMB9,697 million and RMB11,025 million respectively to the increase in interest income. In respect of interest income structure, interest income from loans and advances and balances and placements with banks and other financial institutions (including financial assets held under resale agreements) accounted for 66.15% and 21.34% of the total interest income respectively.



## **(1) Interest income from loans and advances**

During the reporting period, interest income from loans and advances of the Group amounted to RMB48,015 million, representing an increase of RMB11,474 million, or 31.4%, as compared with the corresponding period of last year. During the reporting period, given the Group's optimization and adjustment of strategic business structure as well as the implementation of differential pricing strategy, the average balance of personal loans account for 29.95% of the average balance of total loans and advances, representing an increase of 2.85 percentage points from the corresponding period of the previous year; average return on loans and advances for the reporting period was 7.71%, representing an increase of 1.03 percentage points as compared with the corresponding period of the previous year.

## **(2) Interest income arising from balances and placements with banks and other financial institutions**

During the reporting period, the interest income arising from balances and placements with banks and other financial institutions (including financial assets held under resale agreements) of the Group was RMB15,488 million, representing an increase of 75.58% as compared with the corresponding period of the previous year. The increase was mainly due to the increased utilization of inter-bank funds and the increased income rate.

## **(3) Interest income from debt securities investment**

During the reporting period, the interest income from debt securities investments of the Group was RMB4,104 million, representing an increase of 38.6% as compared with the corresponding period of last year. The increase was mainly due to the adjustment of debt securities structure and the stable increase in debt securities investment size of the Group.

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

During the reporting period, the interest income of the Group from balances with the central bank amounted to RMB2,574 million, representing an increase of 28.44% as compared with the corresponding period of last year. The increase was mainly due to the increase in deposits in the central bank and the increase of interest rate.

## **(5) Interest income from finance lease receivables**

During the reporting period, the interest income from finance lease of the Group amounted to RMB2,400 million, representing an increase of RMB868 million, or 56.66%, as compared with the corresponding period of the previous year. The increase was mainly due to business growth and improvement in bargaining power of Minsheng Leasing, a subsidiary of the Group.

## **2. Interest expenses**

During the reporting period, the interest expenses of the Group was RMB34,710 million, representing an increase of RMB12,396 million, or 55.55%, as compared with the corresponding period of the previous year. Primarily, the increase in interest expenses by RMB6,190 million was resulted from the rise in cost ratio of liabilities, and the increase in interest expenses by RMB6,206 million was due to the expansion of interest-bearing liability. In respect of the interest expenses structure, 56.7% came from interest expenses on deposits and 35.16% came from deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements).

# Management Discussion and Analysis

## **(1) Interest expenses on deposits from customers**

During the reporting period, interest expenses of the Group on deposits amounted to RMB19,679 million, representing an increase of RMB6,051 million, or 44.4%, as compared with the corresponding period of the previous year. It was mainly due to the increase in average cost rate of deposits by 0.49 percentage point as compared with the corresponding period of the previous year to 2.38%, as well as the further expansion of the size of deposits.

## **(2) Interest expenses on deposits and placements from banks and other financial institutions**

During the reporting period, interest expenses of the Group on deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements) amounted to RMB12,204 million, representing an increase of RMB4,768 million, or 64.12%, as compared with the corresponding period of the previous year. The increase was mainly due to the expanded scale of deposits and placements from banks and other financial institutions (including financial assets held under resale agreements), and the rise of interest rate.

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

During the reporting period, interest expenses of the Group on debt securities in issue amounted to RMB1,400 million, representing an increase of 122.93% as compared with the corresponding period of the previous year. It was mainly due to the issuance of RMB50,000 million new MSE financial bonds by the Group during the reporting period.

## **(4) Interest expenses on borrowings from other financial institutions**

During the reporting period, the interest expenses of the Group on borrowings from other financial institutions amounted to RMB1,427 million, representing an increase of 129.42%, as compared with the corresponding period of the previous year. This was mainly due to the increase in the size of borrowings of Minsheng Leasing, a subsidiary of the Group, and the increase in market interest rate.

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

During the reporting period, net non-interest income of the Group amounted to RMB13,498 million, representing an increase of RMB4,242 million, or 45.83%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January– June 2012	January– June 2011	Change (%)
Net fee and commission income	10,030	7,919	26.66
Other non-interest income, net	3,468	1,337	159.39
Total	13,498	9,256	45.83

### **1. Analysis of net fee and commission income**

During the reporting period, the Group realized the net fee and commission income of RMB10,030 million, representing an increase of RMB2,111 million, or 26.66%, as compared with the corresponding period of the previous year, which was primarily due to the significant increases in fee and commission income from agency business, bank card business and settlement service business.

# Management Discussion and Analysis



(Unit: RMB million)

Item	January– June 2012	January– June 2011	Change (%)
Fee and commission income			
Trust and other fiduciary services	3,115	2,259	37.89
Bank card services	2,271	972	133.64
Settlement services	1,693	891	90.01
Credit commitments	1,367	1,436	-4.81
Financial advisory services	1,092	1,593	-31.45
Agency services	1,017	374	171.93
Finance lease services	137	406	-66.26
Others	16	250	-93.60
Subtotal	10,708	8,181	30.89
Less: Fee and commission expense	678	262	158.78
Net fee and commission income	10,030	7,919	26.66

## 2. Other non-interest income, net

(Unit: RMB million)

Item	January– June 2012	January– June 2011	Change (%)
Net trading gain	597	146	308.90
Gain/(loss) on precious metals and other products	379	-72	negative for the corresponding period of the previous year
Gain on interest rate instruments	331	39	748.72
(Loss)/gain on exchange rate instruments	-113	179	-163.13
Net gain arising from disposals of securities and discounted bills	2,871	1,191	141.06
Total	3,468	1,337	159.39

### (III) Operating expenses

During the reporting period, the operating expenses of the Group amounted to RMB19,418 million, representing an increase of 24.01% as compared with the corresponding period of the previous year, which was primarily due to the increase in business tax expenses and surcharges, staff costs and business development expenses. Given the continuous increase in operating income and the effective cost control, the cost-to-income ratio further decreased to 31.96%, down by 2.12 percentage points as compared with the corresponding period of the previous year.

# Management Discussion and Analysis

(Unit: RMB million)

Item	January– June 2012	January– June 2011	Change (%)
Staff costs	9,522	7,893	20.64
Business development expenses	1,014	838	21.00
Office expenses	832	759	9.62
Business tax and surcharges	3,849	2,833	35.86
Others	4,201	3,336	25.93
<b>Total</b>	<b>19,418</b>	<b>15,659</b>	<b>24.01</b>

## (IV) Impairment losses on assets

During the reporting period, the Group recorded an impairment loss on assets of RMB5,406 million, representing an increase of RMB1,069 million, or 24.65%, as compared with the corresponding period of the previous year. It was mainly due to the expanded scale of loans and the adoption of prudent allowance policy to enhance risk resistance capability.

(Unit: RMB million)

Item	January– June 2012	January– June 2011	Changes (%)
Loans and advances to customers	5,296	4,217	25.59
Finance lease receivables	40	136	-70.59
			negative for the corresponding period of the previous year
Others	70	-16	
<b>Total</b>	<b>5,406</b>	<b>4,337</b>	<b>24.65</b>

## (V) Income tax expense

During the reporting period, the income tax expense of the Group was RMB6,291 million, representing an increase of RMB1,940 million as compared with the corresponding period of last year. The effective tax rate was 24.48%.

## III. Analysis of Major Items of Balance Sheet

### (I) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB2,594,066 million, representing an increase of RMB365,002 million, or 16.37%, from the end of the previous year. The increase in total assets was mainly due to the expansion of the scale of loans and advances, balances and placements with banks and other financial institutions, and balances with the central bank of the Group.



# Management Discussion and Analysis

The table below sets out the components of the Group's total assets as at 30 June 2012.

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Gross loans and advances to customers	1,303,257	50.24	1,205,221	54.07
Less: Allowance for impairment losses on loans	31,628	1.22	26,936	1.21
Net loans and advances to customers	1,271,629	49.02	1,178,285	52.86
Balances and placements with banks and other financial institutions (including financial assets held under resale agreement)	612,059	23.59	411,103	18.44
Cash and balances with the central bank	366,243	14.12	332,805	14.93
Investments	222,758	8.59	212,072	9.51
Property and equipment	10,375	0.40	9,971	0.45
Other assets	111,002	4.28	84,828	3.81
<b>Total assets</b>	<b>2,594,066</b>	<b>100.00</b>	<b>2,229,064</b>	<b>100.00</b>

Note: Investments include trading financial assets, available-for-sale securities, held-to-maturity securities, investment of receivables, long-term equity investments and derivative financial assets.

## 1. Loans and advances

As at the end of the reporting period, total loans and advances of the Group amounted to RMB1,303,257 million, representing an increase of RMB98,036 million from the end of the previous year. Total loans and advances accounted for 50.24% of total assets, which was slightly lower than that of the end of the previous year. The decrease was mainly due to unfavourable market environment.

# Management Discussion and Analysis

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

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Corporate loans and advances	915,712	70.26	841,118	69.79
Of which: Discounted bills	23,453	1.80	13,960	1.16
Personal loans and advances	387,545	29.74	364,103	30.21
Total	1,303,257	100.00	1,205,221	100.00

Breakdown of personal loans and advances business is as follows:

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Micro lending	253,041	65.29	234,230	64.33
Residential mortgage	76,980	19.86	83,337	22.89
Credit cards	50,122	12.93	38,551	10.59
Others	7,402	1.92	7,985	2.19
Total	387,545	100.00	364,103	100.00

## 2. Balances and placements with banks and other financial institutions

As at the end of the reporting period, the total balances and placements with banks and other financial institutions (including financial assets held under resale agreements) of the Group increased by 48.88% from the end of the previous year to RMB612,059 million. The increase was mainly due to the facts that Group mastered the market opportunities to adjust the terms and pricing of the relevant assets.

## 3. Investments

As at the end of the reporting period, the balance of the Group's investments was RMB222,758 million, representing an increase of 5.04% as compared with the end of the previous year. The increase was mainly due to the adjustment in the bonds investment portfolio and the increase in available-for-sale financial securities.

# Management Discussion and Analysis



## (1) Compositions of investments

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

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Trading financial assets	22,758	10.22	20,423	9.63
Available-for-sale securities	96,567	43.35	64,857	30.58
Held-to-maturity securities	89,488	40.17	117,886	55.59
Loans and receivables	13,375	6.00	8,319	3.92
Positive fair value of derivatives	570	0.26	587	0.28
Total	222,758	100.00	212,072	100.00

## (2) Holdings of major government bonds

The table below shows the major government bonds held by the Company as at the end of the reporting period:

(Unit: RMB million)

Item	Par value	Annual interest		Maturity date
		rate (%)		
2003 Book-entry T-bonds	2,565	2.8		9-4-2013
2006 Book-entry T-bonds	1,122	2.51		27-2-2013
2007 Book-entry T-bonds	1,693	3.9		23-8-2014
2008 Book-entry T-bonds	3,320	2.71-4.16		21-4-2013 to 28-2-2023
2009 Book-entry T-bonds	2,989	2.26-2.29		2-4-2014 to 4-6-2014
2010 Book-entry T-bonds and Local Government Bonds	12,820	2.23-3.67		18-3-2013 to 28-10-2020
2011 Book-entry T-bonds	8,259	2.82-3.6		10-3-2014 to 17-2-2016
2012 Book-entry T-bonds	1,600	3.14		16-2-2017
Total	34,368	—		—

# Management Discussion and Analysis

## (3) Holdings of major financial bonds

The table below shows the major financial bonds held by the Company as at the end of the reporting period:

(Unit: RMB million)

Item	Par value	Annual interest	
		rate (%)	Maturity date
2003 Financial bonds	3,860	Floating, 3.74–3.97 for the period	9-5-2013 to 16-6-2013
2010 Financial bonds	9,500	2.56–floating, 4.09 for the period	22-10-2012 to 25-2-2020
2011 Financial bonds	4,820	3.65–4.24	12-5-2013 to 28-12-2016
2012 Financial bonds	21,420	Floating, 3.15–4.24 for the period	13-3-2013 to 18-6-2022
<b>Total</b>	<b>39,600</b>	<b>—</b>	<b>—</b>

## (4) Major types and amount of derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate swaps	65,209	291	-308
Foreign exchange forwards	33,044	59	-38
Currency swaps	85,922	209	-158
Precious metal derivatives	1,601	11	-12
Credit derivatives	6,384	—	—
Extension options	8,300	—	—
<b>Total</b>	<b>200,460</b>	<b>570</b>	<b>-516</b>

## (II) Liabilities

As at the end of the reporting period, the Group's total liabilities amounted to RMB2,439,354 million, representing an increase of 16.44% as compared with the end of the previous year. Total deposits from customers amounted to RMB1,810,963 million, representing an increase of 10.11% as compared with the end of the previous year, accounting for 74.24% of the total liabilities.

# Management Discussion and Analysis

The table below sets out the breakdown of the Group's total liabilities as at 30 June 2012.

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Deposits from customers	1,810,963	74.24	1,644,738	78.51
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	440,324	18.05	333,135	15.90
Borrowings from banks and other financial institutions	51,246	2.10	40,825	1.95
Debt securities issued	74,957	3.07	31,030	1.48
Other liabilities	61,864	2.54	45,226	2.16
<b>Total liabilities</b>	<b>2,439,354</b>	<b>100.00</b>	<b>2,094,954</b>	<b>100.00</b>

## 1. Deposits from customers

As at the end of the reporting period, total deposits balance from customers of the Group amounted to RMB1,810,963 million, representing an increase of RMB166,225 million, or 10.11%, as compared with the end of the previous year. In respect of customer structure, the proportion of corporate deposits, personal deposits, and other deposits in total deposits were 81.01%, 18.58% and 0.41%, respectively. In respect of maturity structure, the proportion of demand deposits, time deposits, and other deposits in total deposits were 37.74%, 61.85% and 0.41%, respectively.

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Corporate deposits	1,467,085	81.01	1,352,991	82.26
– Demand	588,446	32.49	609,850	37.08
– Time	878,639	48.52	743,141	45.18
Personal deposits	336,497	18.58	288,622	17.55
– Demand	95,034	5.25	85,198	5.18
– Time	241,463	13.33	203,424	12.37
Outward remittance and remittance payables	6,747	0.37	3,125	0.19
Certificates of deposit	634	0.04	0	0.00
<b>Total</b>	<b>1,810,963</b>	<b>100.00</b>	<b>1,644,738</b>	<b>100.00</b>

# Management Discussion and Analysis

## 2. Deposits and placements from banks and other financial institutions

As at the end of the reporting period, the total deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements) of the Group amounted to RMB440,324 million, representing an increase of 32.18% as compared with the end of the previous year. The increase was mainly due to the utilization of market opportunities and increasing the sources of inter-bank funds.

### (III) Shareholders' interest

As at the end of the reporting period, total shareholders' equity of the Group amounted to RMB154,712 million, representing an increase of RMB20,602 million, or 15.36%, as compared to the end of the previous year. Equity attributable to the equity shareholders of the Bank was RMB149,763 million, representing an increase of RMB20,166 million, or 15.56%, as compared to the end of the previous year. The increase in the total equity was mainly due to the rights issue of H-shares and the increase of net profits.

(Unit: RMB million)

Item	30 June 2012	31 December 2011	Increase (%)
Share capital	28,366	26,715	6.18
Capital reserve	45,714	38,360	19.17
Investment revaluation reserve	508	-110	negative as at the end of the previous year
Surplus reserve	10,518	8,647	21.64
General reserve	19,843	16,740	18.54
Retained earnings	44,814	39,245	14.19
Total equity attributable to equity shareholders of the Bank	149,763	129,597	15.56
Non-controlling interests	4,949	4,513	9.66
Total equity	154,712	134,110	15.36

### (IV) Items off the statement of financial position

As at the end of the reporting period, balances of major items off the statement of financial position of the Group were as follows:

(Unit: RMB million)

Item	30 June 2012	31 December 2011	Increase (%)
Bank acceptances	578,454	462,638	25.03
Trade refinancing	73,123	56,334	29.80
Letters of credit	67,694	66,368	2.00
Guarantees	67,536	67,321	0.32
Unused credit card commitments	15,579	12,578	23.86
Finance lease commitments	3,481	2,808	23.97
Irrevocable loan commitments	2,316	2,046	13.20
Capital commitments	9,828	10,068	-2.38
Operating lease commitments	7,246	6,549	10.64

# Management Discussion and Analysis



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

According to the *Summary of Sources & Uses of Funds of Financial Institutions for June 2012 (in RMB and Foreign Currency)* (《金融機構本外幣信貸收支表》) released by the PBOC, among nine national joint-stock commercial banks in China, the market share of total deposits and savings deposits of the Company were 13.20% and 11.93% respectively as at the end of the reporting period. As at the end of the reporting period, the market share of total loans, loans excluding discounted bills and personal loans of the Company were 13.41%, 13.69% and 15.77% respectively.

## IV. Qualitative Analysis of Loans

### (I) Industry concentration of loans

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	203,396	15.61	186,664	15.49
Real estate	147,345	11.31	129,740	10.76
Wholesale and retail	118,231	9.07	94,756	7.86
Leasing and commercial services	106,015	8.13	116,510	9.67
Mining	82,308	6.32	64,586	5.36
Transportation, storage and postal service	63,387	4.86	62,208	5.16
Construction	37,960	2.91	31,202	2.59
Water, environment and public utilities management	33,440	2.57	36,578	3.03
Public administration and social organizations	32,482	2.49	28,972	2.40
Production and supply of electric power, gas and water	25,817	1.98	26,818	2.23
Financial services	23,197	1.78	19,331	1.60
Education and community services	12,672	0.97	19,904	1.65
Information transmission, computer service and software	6,439	0.49	4,574	0.38
Others	23,023	1.77	19,275	1.61
Subtotal	915,712	70.26	841,118	69.79
Personal loans and advances	387,545	29.74	364,103	30.21
Total	1,303,257	100.00	1,205,221	100.00

# Management Discussion and Analysis

## (II) Geographical distribution of loans

(Unit: RMB million)

Region	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Northern China	371,818	28.53	335,145	27.81
Eastern China	460,064	35.30	446,079	37.01
Southern China	137,342	10.54	130,601	10.84
Other regions	334,033	25.63	293,396	24.34
Total	1,303,257	100.00	1,205,221	100.00

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

## (III) Classification and percentage of loan guarantees

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Unsecured loans	194,421	14.92	179,185	14.87
Guaranteed loans	407,461	31.27	368,321	30.56
Loans secured by				
– tangible assets other than monetary assets	540,118	41.44	519,191	43.08
– monetary assets	161,257	12.37	138,524	11.49
Total	1,303,257	100.00	1,205,221	100.00

## (IV) Top ten borrowers

As at the end of the reporting period, the aggregate outstanding loans to the top ten borrowers of the Group was RMB34,016 million, accounting for 2.61% of the total loans. The top ten borrowers of the Group were Chaoyang Branch of Beijing Centre for Land Consolidation Reserve (北京市土地整理儲備中心朝陽分中心), Ordos State-owned Assets Investment and Management Co., Ltd. (鄂爾多斯市國有資產投資經營有限責任公司), Tianjin Jinyuan Investment and Development Co., Ltd. (天津市津源投資發展有限公司), Beijing Centre for Land Consolidation Reserve (北京市土地整理儲備中心), Shanghai Lingang New City Land Reserve Center (上海臨港新城土地儲備中心), Chengdu Investment Holding Group Co., Ltd. (成都投資控股集團有限公司), Shunyi Branch of Beijing Centre for Land Consolidation Reserve (北京市土地整理儲備中心順義區分中心), Yunnan Zhonghao Real Estate Co., Ltd. (雲南中豪置業有限責任公司), Cangzhou Port Group Co., Ltd. (滄州港務集團有限公司) and Lanhai Caofeidian Company Limited (藍海曹妃甸有限公司).



# Management Discussion and Analysis



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

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Performing loans	1,294,281	99.31	1,197,682	99.37
Of which: Pass	1,278,952	98.14	1,184,347	98.27
Special mention	15,329	1.17	13,335	1.10
Non-performing loans	8,976	0.69	7,539	0.63
Of which: Sub-standard	5,274	0.40	3,915	0.32
Doubtful	2,206	0.17	2,399	0.20
Loss	1,496	0.12	1,225	0.11
<b>Total</b>	<b>1,303,257</b>	<b>100.00</b>	<b>1,205,221</b>	<b>100.00</b>

## (VI) Migration ratio of loans

The table below sets forth the migration ratio of loans of the Company in the recent three consecutive years:

Item	January to June 2012	2011	2010
Pass	0.75%	1.20%	1.25%
Special mention	15.25%	26.79%	20.26%
Sub-standard	8.18%	17.50%	21.15%
Doubtful	16.60%	2.96%	5.18%

## (VII) Subsidized loans

As at the end of the reporting period, the Group had no subsidized loans.

## (VIII) Restructured loans and overdue loans

(Unit: RMB million)

Item	30 June 2012		31 December 2011	
	Amount	% of total	Amount	% of total
Restructured loans	1,712	0.13	1,717	0.14
Overdue loans	16,849	1.29	10,323	0.86

Notes:

1. Restructured loans are loans of which the terms of repayment under the loan agreement have been amended by the Company as a result of deteriorate financial status of the borrower or inability of the borrower to repay the debt due.
2. Overdue loans are loans of which the principal or any interest is overdue for one or more days, including past due, dead and doubtful loans and advances.

# Management Discussion and Analysis

## (IX) Changes in allowance for impairment losses

(Unit: RMB million)

Item	January–June	
	2012	2011
Balance as at the beginning of the period	26,936	19,848
Charge for the period	5,712	9,048
Release during the period	-416	-1,075
Transfers out	0	-2
Write-offs	-570	-861
Recoveries	115	222
Unwinding of discount	-150	-234
Exchange gain or loss	1	-10
Balance as at the ending of the period	31,628	26,936

Method for assessing allowances for impairment losses:

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

## (X) Non-performing loans and related measures

As at the end of the reporting period, the Group had outstanding non-performing loans of RMB8,976 million. The NPL ratio was 0.69%, increased by 0.06 percentage point as compared with the end of the previous year.

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

- (1) Enhancing credit planning, timely adjusting loan distribution, and continuously optimizing asset structure in line with the changing economic environment and requirements of macro-economic policies to further facilitate its business growth;
- (2) Continuing to optimize the risk management system, improving the risk management policies, conducting customer ratings and imposing multidimensional risk limit management for various industries and regions;



- (3) Developing and optimizing the system of risk monitoring and early-warning, focusing on strengthening early-warning of contingency and conducting focused stress testing, risk identification and special examination in order to effectively control NPLs while strengthening routine post-loan management;
- (4) Consolidating credit monitoring and management in respect of the whole process, improving the verification of authenticity, closely monitoring loans with potential risk factors and problems in order to improve the early warning work and formulate corresponding contingency plans in a timely manner;
- (5) Defining recoverable targets, implementing accountability mechanism for repayment collection and move recovery/disposal process to an earlier stage while evident favourable results was achieved by comprehensively utilizing all available recovery and disposal measures, such as repayment collection, restructuring, assignment, foreclosing and legal proceedings, and actively exploring innovative measures, such as asset transfer, packaged sales, collection outsourcing and business integration. Focusing on regions with high risk and enhancing recovery assessment of various business units so as to reinforce the accountability mechanism for nonperforming assets and to improve the efficiency and effectiveness of recovery; and
- (6) Strengthening training programs for the risk management team to improve the professional skills and the comprehensive qualities of the risk management team and foster the philosophy of compliance.

## V. Analysis of Capital Adequacy Ratio

As at the end of the reporting period, the Group's capital adequacy ratio and core capital adequacy ratio increased by 0.5 percentage point and 0.54 percentage point respectively as compared with the end of the previous year. During the reporting period, the change of capital adequacy ratio was mainly due to (i) the increase in total risk-weighted assets in order to ensure the normal development of relevant business lines; and (ii) the supplementation of core capital by the Group through internally generated profits, rights issue of H-share, etc., which increased the capital adequacy ratio.

(Unit: RMB million)

Item	30 June 2012	31 December 2011	31 December 2010
Net capital	200,524	174,034	133,772
Of which: Core capital	148,529	126,086	103,488
Supplementary capital	52,130	48,073	30,408
Deductions	135	125	124
Total risk-weighted assets and adjustment to market risk	1,765,527	1,602,301	1,280,847
Core capital adequacy ratio (%)	8.41	7.87	8.07
Capital adequacy ratio (%)	11.36	10.86	10.44

# Management Discussion and Analysis

## VI. Segment Report

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

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

(Unit: RMB million)

Region	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Northern China	1,431,328	17,852	7,383
Eastern China	860,291	15,035	7,382
Southern China	335,556	6,251	3,664
Other	550,772	12,231	7,270
Inter-segment elimination	-592,448	0	0
Total	2,585,499	51,369	25,699

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

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

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate banking business	1,193,591	22,789	12,700
Retail banking business	383,933	13,623	3,889
Treasury business	921,178	14,040	8,503
Other business	86,797	917	607
Total	2,585,499	51,369	25,699



## VII. Other Financial Information

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

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

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk management and protect the legitimate interests of investors and all relevant parties, the Company has formulated the Administrative Measures regarding Fair Value (公允價值管理辦法) based on the CAS, which expanded the scope of fair value measurement to cover the initial measurement of assets and liabilities, including part of the financial assets, financial liabilities and foreclosed assets; and clarified and refined the principles, methods and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Company has assigned relevant departments to specific responsibilities for fair value management so as to continuously strengthen research into the valuation of its asset and liability businesses and improve internal valuation capabilities. The Company will also refine in stages its valuation models and systems to verify prices obtained externally. Moreover, the Company has implemented internal control measures over the process of fair value measurement, including double-checking on price enquiry and confirmation, and adopting a dual signature mode by person-in-charge and reviewer for the fair value measurement process to be effected. In the meantime, the Internal Audit Department plays an active role in the rectification of identified issues through monitoring and examination of fair value scoping, methodology and procedures, so as to improve internal control within the Company.

#### 2. Items measured at fair value

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

(Unit: RMB million)

Item	30 June 2012	31 December 2011
Trading financial assets	22,758	20,423
Of which: Government and quasi-government bonds	6,517	13,851
Corporate bonds	16,241	6,572
Positive fair value of derivatives	570	587
Available-for-sale securities	96,442	64,732
Total financial assets	119,770	85,742
Negative fair value of derivatives	516	787

# Management Discussion and Analysis

## (II) Overdue and outstanding liabilities

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

## VIII. Performance of Key Business Lines

### (I) Corporate banking

In the reporting period, the Company took initiatives to respond to changes in operating and regulatory environments. Targeting on building itself into a distinctive and efficient bank, the Company focused on the implementation of strategies relating to NSOEs and the promotion of the Financial Stewardship (金融管家) services' transformation and adopted intensive management under capital restraint. In line with its development, the Company continued to optimize the structures of its business, customer base and income sources.

#### 1. Customer base of corporate banking

In the reporting period, the Company adopted the strategy of positioning itself as a “bank for NSOEs” and expanded its customer base with the following measures: (1) The Company adopted various means and measures to expand into new markets and develop new customers to further enhance the corporate customer base; and (2) Leveraging the needs arising from the transformation of the national economy and the transformation of its business, the Company speeded up the development of a strategic customer base, especially the development of NSOEs, and enhanced its “1+2+N” Financial Stewardship services. The Company also exerted its efforts in developing SME customers in an aim to increase its customers and optimize its customer structure.

As at the end of the reporting period, the Company had 14,815 customers with outstanding general loans, and 258,400 corporate deposit accounts with outstanding balance, representing a significant increase of 9.09% and 10.1% as compared with the end of the previous year, respectively. The Company had 9,078 SME customers with outstanding general loans, and 28,600 SME customers with outstanding deposit balance. The average balance of outstanding loans per corporate account decreased to RMB58 million from RMB59 million (as at the end of the previous year), primarily due to the increase in the number of SME customers. Loan concentration was effectively reduced and the customer structure was further optimized.

To push forward the NSOE strategy, in the reporting period, the Company continued to cooperate with All China Federation of Industry and Commerce (“ACFIC”), local chambers of commerce and industry associations. NSOEs of sound financial strength, development vision and potential were selected as strategic customers of the Company. The Company set up dedicated Financial Stewardship team to provide planning and integrated financial solutions, such as industry chain financing, the issue of debt financing instruments, structured financing and cash management for its customers based on their strategic development and financial services demands, in order to establish long-term strategic relations with its core customer base of NSOEs.

In the reporting period, the outcome of implementation of the NSOE strategy was remarkable. As at the end of the reporting period, the Company had 12,477 NSOE customers with outstanding loan balances, and the outstanding general loans amounted to RMB521,690 million, representing an increase of 9.9% and 7.75% respectively as compared with the end of the previous year. In corporate banking segment, the number of NSOE customers with outstanding general loans accounted for 84.22% and the relevant outstanding general loan amount accounted for 60.29%.



## 2. Corporate loans

In the reporting period, in response to the risks associated with cyclical downturn of economy, the Company enhanced the risk management of key businesses and controlled the growth and extension of loans on a rational basis to optimize the loan structure. The size of corporate loans recorded steady growth and the asset quality remained stable. As at the end of the reporting period, outstanding corporate loans (including discounted bills) of the Company amounted to RMB910,184 million, representing an increase of RMB73,278 million, or 8.76%, as compared with the end of the previous year. Outstanding general corporate loans of the Company amounted to RMB865,366 million, representing an increase of RMB60,349 million, or 7.5%, as compared with the end of the previous year. Non-performing corporate loan ratio of the Company was 0.78%.

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

- (1) According to the direction and guidelines of the 12th Five-Year Plan and the industrial and financial policies of China, the Company focused its attention on consumer industries that would benefit from the economic transformation, manufacturing industry upgrades, technology innovation and strategic emerging industries. The Company strictly restricted the extension of loans to industries with high pollution and energy consumption and excessive production capacity, overlapping construction projects with low quality and government financing platform business based on the requirement of government and regulatory authorities to control credit risks effectively.
- (2) The Company targeted on four major customer groups, namely industry-concentrated customer groups, related customers of core corporate customers, customer groups engaging in resources industries and customer groups with short cycles, and focused on developing customers with outstanding operating results, effective management, sound financial position, high operational efficiency and bright prospects.
- (3) The Company integrated its credit products and promoted the development of self-liquidating credit business to control its risks effectively through closed operation of funds and self-liquidating procedures. The Company also increased its efforts in the innovation of the bill business and the development of bill products, services and processes to satisfy the financial needs of corporate customers. In order to meet the funding demand of customers, the Company strengthened its bill products and services for SMEs, transaction chain finance and their upper and lower stream enterprises and provided flexible credit product portfolios including commercial bills, transaction finance and trade finance as well as integrated credit facilities. In these ways, the Company continued to optimize its credit structure and recorded steady increase in the revenue from credit business. In the reporting period, the business volume of direct discounted bills amounted to RMB449,649 million, of which, the business volume of direct discounted commercial bills amounted to RMB85,547 million, representing an increase of 121.01% and 22.71% respectively as compared with the corresponding period of last year.

# Management Discussion and Analysis

### 3. Corporate deposits

During the reporting period, the Company continued to implement the principle of “taking deposits as the key foundation of the bank”. While consolidating the deposit customer base, the Company also exerted efforts in researching liability business models. Focusing on the cash flows of customers, the Company explored new channels to increase the balance of deposit. Furthermore, the Company enhanced the construction of settlement platform and refined the system for cash management business. The Company continued to increase the balance of its deposits and promoted organic growth of its corporate deposits portfolio through the development of key businesses and services, such as traditional settlement, transaction finance, trade finance and cash management.

For transaction finance business, its core competitiveness continued to be strengthened. The Company formulated specific plans and introduced innovative models for the business development and restructuring, proactively expanded the customer base in a batch-based manner, and boosted the overall sales performance to large customers, SME customers and retail businesses by streamlining industry chains. All businesses of the Company maintained rapid growth. In the reporting period, the transaction finance business volume of the Company amounted to RMB521,101 million with 9,369 stable customers, and the daily average customer deposit balance was RMB214,036 million, representing a significant increase of 74.85%, 71.68% and 58.52% respectively as compared with the corresponding period of the previous year, taking a leading position in the market.

For cash management business, the Company focused on the basic settlement services and refined its product structure and systems effectively. The Company emphasized on the development of core customers in industry chains, major business circles, stock exchanges and electronic settlement platforms, major trading and logistics industries and their upper and lower stream customers. As at the end of the reporting period, the number of customers of key cash management products of the Company was 6,795 customers and the daily average customer deposit amounted to RMB141,689 million.

Attributable to the increasing number of customers and the expansion of services coverage, the liability business of the Company maintained sound growth. As at the end of the reporting period, the balance of the corporate deposits of the Company was RMB1,458,542 million, representing an increase of RMB113,284 million, or 8.42%, as compared with the end of the previous year. The deposits of the Company experienced a significant increase thanks to the contribution of new customers. In the reporting period, 25,956 newly-developed and pure corporate deposit accounts of the Company brought a growth of RMB74,030 million in deposits, which accounted for 65.35% of the increase in corporate deposits.

### 4. Corporate non-interest income business

In the reporting period, the Company integrated the development of intermediary business with organizational restructuring in accordance with applicable laws and regulations. At the same time as the Company strengthened its service oriented intermediary business, through expanding the scale of trade settlement, custody and fund monitoring services so as to secure the stable growth of revenue on basic intermediary business, it also made use of the issue of debt financing instruments, trust wealth management and lead syndicated loans to boost the continuous growth of fees income from its direct financing business. In addition, the Company actively developed its intelligence-orientated





intermediary business, integrating commercial bank's investment banking products and services, and diversifying and enhancing service type and quality through a combination of structural financing and financial advisory business as well as asset management and financial advisory business, resulting in a sophisticated business model focusing on smart financing services.

In respect of the commercial bank's investment banking business, the Company offered customers, particularly strategic NSOEs, comprehensive financial services focusing on investment and financing. The Company continued to improve the product system by broadening varieties of direct financing and asset management products in the capital market and providing more diversified consultation and financial advisory services. The Company improved the quality of its professional teams, and further standardized the business management and operation model. The Company accelerated the replication of well-developed business models and relevant marketing efforts, and focused on the trial operation of "Listing Express" (上市直通車) business to establish a new financial service model.

In respect of the asset custody business, the Company continued to implement the business model of "custody plus comprehensive financial services". Relying on the industry chain and fund chain, the Company made further efforts in carrying out innovation and optimizing product structure. Leveraging the advantage of integration, the Company prioritized the development of major custody products including securities investment funds, equity investment funds, insurance funds and trading funds to secure steady and rapid growth of the asset custody business. As at the end of the reporting period, the assets held by the Company as custodian (including safekeeping) amounted to RMB552,092 million, representing an increase of 44.85% as compared with the end of the previous year.

In respect of the corporate annuity business, the Company placed high emphasis on strengthening research and development of innovative products, capturing opportunities in different market segments, and enhancing cooperation with external institutions, and through leveraging the advantage of such a combination, boosted the steady growth of the corporate annuity business. As at the end of the reporting period, 113,615 annuity accounts were managed by the Company, representing an increase of 6.49% as compared with the end of the previous year. The annuity funds under custody amounted to RMB5,586 million, representing an increase of 20.08% as compared with the end of the previous year.

In respect of debt financing instruments, leveraging the cycle of stabilization, growth and adjustment periods of the direct financing market, the Company targeted on its medium-sized quality customers, particularly strategic NSOEs, and diversified its debt financing instruments and products based on the concept of "expanding scale, developing distinctive operation and controlling risks". In the reporting period, a total of 60 issues of short-term financing bonds and medium-term bills amounting to RMB35,816 million were issued. The Company achieved significant breakthroughs in various products such as super short-term bonds, private placement bonds and regional optimized SME bonds, which satisfied the financing demand of customers and also boosted the steady growth of net non-interest income.

Net fee and commission income of the corporate business segment increased stably in the reporting period. The net fee and commission income amounted to RMB5,301 million, representing an increase of 22.65% as compared with the corresponding period of the previous year, and accounting for 53.56% of the net fee and commission income of the Company.

# Management Discussion and Analysis

## **5. Operation of the SBUs**

In the reporting period, all SBUs of the Company took proactive measures in response to the complicated and ever-changing external environment by enhancing risk prevention, exploring business opportunities in emerging markets, promoting the application of the “Financial Stewardship” service model and implementing NSOE strategies. All lines of business at SBUs achieved steady growth and asset quality continued to improve.

### **(1) Real Estate Finance SBU**

In the reporting period, the Real Estate Finance SBU actively responded to the challenges brought about by the downward industry trends, persisted in maintaining a stable and prudent operation with innovative developments, strengthened market monitoring and risk control, and further optimized customer structure to achieve stable asset quality. In respect of business development and customer service, the Real Estate Finance SBU optimized resources allocation, strengthened the effect on settlements and deposits with products such as fund monitoring system for commodity house pre-sale, and realized remarkable growth of the liability business. It also capitalized on the integration of financial resources to expand merger and acquisition financing, took the lead in collaborating in syndicated loan, real estate fund and trust businesses, enhance comprehensive service capability of “Financial Stewardship” and accelerate the optimization and transformation of business structure.

As at the end of the reporting period, deposit balance and outstanding general loans of the Real Estate Finance SBU amounted to RMB50,282 million and RMB111,998 million, representing an increase of 7.11% and 5.16% as compared with the end of the previous year, respectively. Outstanding NPL amounted to RMB1,044 million, with NPL ratio at 0.93%, both down from the end of the previous year. Intermediary business revenue amounted to RMB249 million.

### **(2) Energy Finance SBU**

In the reporting period, the Energy Finance SBU adhered strictly to its operating principle of providing customer-oriented direct and indirect financing services in a rational manner, such that the balance between capital control and fulfillment of customers’ financing needs, and between specialized smart financing capability and diversity of customer needs is competently dealt with. The Energy Finance SBU carried out transformations in terms of market, product and geographical coverage. Based on in-depth study of the development trend of the industry, it actively explored new business opportunities and identified potential risks. The Energy Finance SBU restructured its business in a number of ways, which included expanding its customer base by acquiring strategic NSOE clients, focusing on provision of loans to coal processing companies in its supply chain financing business, placing equal emphasis on management assets and operating assets in size expansion, and developing investment banking in emerging markets as a new growth point of revenue in income structure. In the reporting period, the Energy Finance SBU issued a total of 9 short-term financing bonds and medium-term bills amounting to RMB9,825 million and successfully issued the first super short term financing bonds of the Company. It also carried out such emerging market businesses as overseas financing guarantees, M&A facilities, trusts and funds.



As at the end of the reporting period, deposit balance and outstanding general loans of the Energy Finance SBU amounted to RMB66,632 million and RMB107,778 million, representing an increase of 6.51% and 7.72% as compared with the end of the previous year, respectively. The NPL ratio was 0.48%, and the intermediary business revenue amounted to RMB531 million.

### **(3) Transportation Finance SBU**

In the reporting period, in light of the slowing growth of the automobile industry and the gloomy conditions of the vessel manufacturing and shipping segments, the Transportation Finance SBU continued to enhance its professional marketing capability and comprehensive risk management capability, and intensify the coordination, planning and management functions of its head office. It also established development strategies for the automobile industry to focus on supporting the group distributors operating high-end brand business and has steady performance growth, the railway industry to focus on supporting the railway materials enterprises and railway locomotive enterprises at the downstream of the industry chain, and the port shipping segment that focus on facilitating port logistics trade financing. The service model of “Financial Stewardship” aiming at NSOE customers has been implemented in stages and shown positive effects. The standards of integrated services such as industry chain financing, group financing, debt financing without taking up risk capital, trust wealth management and matching business have been steadily enhanced. By strengthening the foundation of the liability business, the Company effectively prevented systematic risk of the industry, maintained the stability of asset quality, and enhanced its profitability.

As at the end of the reporting period, balance of deposits of the Transportation Finance SBU amounted to RMB42,847 million, representing an increase of 4.95% as compared with the end of the previous year, and outstanding general loans amounted to RMB45,962 million, representing a decrease of 0.26% as compared with the end of the previous year. The NPL ratio was 0.63%. The revenue from intermediary business amounted to RMB308 million.

### **(4) Metallurgy Finance SBU**

In the reporting period, in the face of the sluggish metallurgy industry, shrinking growth of profitability and increasing losses of operations, the Metallurgy Finance SBU strengthened the relationship with core customers such as the NSOEs and promoted “Financial Stewardship” services through external expansion and organic growth. The Metallurgy Finance SBU also developed trade finance and electronic transaction platform business in the trade chain, expanded business including finance leasing, wealth management, debt issue and funds by making full use of social resources, and expedited the development of mining finance to achieve significant improvement in the provision of comprehensive services for core customers.

As at the end of the reporting period, balance of deposits of the Metallurgy Finance SBU amounted to RMB45,894 million, representing an increase of 2.16% as compared with the end of the previous year, and outstanding general loans of the Metallurgy Finance SBU amounted to RMB38,355 million, representing a decrease of 6.04% as compared with the end of the previous year. The NPL ratio was 0.16%. The revenue from intermediary business amounted to RMB373 million.

# Management Discussion and Analysis

## **(5) SME Finance SBU**

In the reporting period, the SME Finance SBU operated in compliance with requirements pursuant to the three forbidden rules regarding loans and four public disclosure rules regarding services issued by the CBRC. Under the marketing and management concept of “regional specialties, batch development and name list-based sales”, the SME Finance SBU has initially formed a distinctive, batch-based and professional business model to develop the Company as a leading SME financial service provider in the market. It raised customer satisfaction and retained customers by promoting the “Host Bank” services that included premium services and customer care activities to boost healthy and sustainable development of liability business. Besides, it innovated products and services by capitalizing the opportunities arising from the reform and development of the capital market, increased cooperation with over-the-counter market, private equity funds, securities companies and trust companies, exerted efforts in the development of matching business, established the comprehensive financial service platform, and dedicated to meet with the financial needs of the customers by exploring the business development mode of “financing, intelligence and integration” to fully meet the financial needs of customers and grow and develop along with its SME customers. It continued to enhance the level of internal management, accelerated optimization of SME business procedures and development of system platform to improve the operating efficiency and service quality of SME business, so as to develop process-based banking and ensure sustainable development of all businesses in a long run.

As at the end of the reporting period, outstanding loans of the SME Finance SBU amounted to RMB116,102 million, representing an increase of RMB10,885 million, or 10.35% as compared with the end of the previous year. The SME Finance SBU had 12,630 customers, representing an increase of 2,918 customers, or 30.05% as compared with the end of the previous year.

## **(6) Trade Finance SBU**

During the reporting period, the Trade Finance SBU continued to develop with the concept of becoming a professional service provider of distinctive trade finance services, and actively followed the policy of “professional, dedicated and specialized operations”. The Trade Finance SBU expanded room for its business development through distinctive operations and established a stable customer base comprising strategic customers from the top 500 international enterprises and leading domestic NSOEs, and basic customers from medium-sized NSOEs. It has created complete product lines covering international settlement and international and domestic trade finance. It also boasted a correspondent bank network around the world and a smooth clearing channel to provide customers with comprehensive trade finance solutions which mainly included account receivables, import trade chain finance, letters of guarantee, value-added services and structural trade finance so as to satisfy customers’ needs at different stages of the whole procedure of both international and domestic trade.

As at the end of the reporting period, the Trade Finance SBU had 28 branches in 28 cities. In the reporting period, the revenue from intermediary business of the Trade Finance SBU amounted to RMB2,656 million, representing an increase of 48.80% as compared with the corresponding period of the previous year. Balance of deposits denominated in RMB totaled RMB54,635 million. In the reporting period, the rapid and robust growth of the Company’s trade finance business attracted wide attention of domestic and overseas financial media. It was awarded the “2012 Best Trade Finance Bank of China” (2012年中國卓越貿易金融銀行獎) by the UK Financial Times.



In the reporting period, featured business of the Trade Finance SBU including factoring and structural trade finance business continued to take the leading position among domestic banks. The volume of factoring business amounted to RMB64,487 million, representing an increase of 48.78% as compared with the corresponding period of the previous year, and a total of 64,300 transactions were recorded. The transaction volume of international dual factoring amounted to US\$919 million, representing an increase of 85.66% as compared with the corresponding period of the previous year and ranking third among domestic banks, and a total of 2,563 transactions were recorded, ranking second among domestic banks. The Company has established collaborations with 86 factors and the innovative factoring business including structural factoring, refactoring, factoring wealth management and export credit factoring have been well developed and entered into the full promotion stage. The development of a structural trade finance business which mainly comprises long-term orders, shipping, “going international” (走出去) and large commodity financing was gaining momentum. “Going international” financing has achieved remarkable results, and the Company has become the leader in overseas investment financing in China.

In the reporting period, the Trade Finance SBU fully implemented the strategy of “Host Bank” for target NSOE customers. The “Trade Financier Club” (貿易金融家俱樂部), which aims at cultivating leading enterprises in the future segment markets in the PRC, has 30 members, and the NSOE have become the stable core customer base. In the reporting period, 128 new customers of the Trade Finance SBU took the Company as their “Host Bank”, making the total number to 210.

## **6. Team-building for corporate business**

In the reporting period, following the principles of “clearly defined focus, multi-layered organization and flexible application”, the Company actively reformed its training methods by fully utilizing internal and external resources, enriching and improving the training system for its corporate business to integrate the training with development strategies and operational management policies, with strengthening of skills for key businesses and for marketing promotion, with the analysis of typical cases and advanced experience, and with the strengthening of the overall competency and cohesiveness of the business team.

### **(II) Retail Business**

#### **1. Retail loans**

The Company offered various loan products to retail banking customers. In the reporting period, the loans business with MSEs continued to boost the rapid growth and structural reorganization of retail loans of the Company and kept increasing. As at the end of the reporting period, total retail loans increased by RMB22,754 million, or 6.3%, to RMB384,203 million, as compared with the end of the previous year. Out of this amount, outstanding MSE loans reached RMB250,695 million, representing an increase of RMB18,200 million or 7.83% as compared with the end of the previous year, accounting for 65.25% of total retail loans. The total number of MSE customers reached 641,300, and the MSE customer structure was further optimized.

In the reporting period, the Company strengthened and reformed the cooperation structure with MSEs by establishing township commercial cooperatives (城市商業合作社) to further consolidate the cooperation with MSEs. Such cooperatives was formed in a way similar to a chamber of commerce to serve as a national platform for the communication, sharing and collaboration among MSEs. In addition, the Company started to develop special MSE finance sub-branches in 2012, and granted licenses to the first 20 special MSE finance sub-branches.

# Management Discussion and Analysis

In respect of the risk control over the MSEs loans business, the Company persisted in following the principle of the “Law of Large Numbers” (大數法則) to estimate the risk probabilities of specific industries and conduct targeted risk control. As at the end of the reporting period, the NPL ratio of MSEs loans was 0.39%.

## 2. Retail deposits

In the reporting period, retail deposits of the Company increased rapidly. As at the end of the reporting period, the Company’s balance of retail deposits amounted to RMB333,359 million, representing an increase of RMB47,003 million, or 16.41%, as compared with the end of the previous year. The retail deposit ratio was 18.53%, representing an increase of 1.01 percentage points as compared with the end of the previous year.

## 3. Debit card business

As at the end of the reporting period, the Company had a total of 29.639 million debit cards in issue, including 1.6524 million cards issued in the year.

In the reporting period, the Company continued to offer VIP customers the “5+N” VIP service package, covering services at airports, golf clubs, train stations, medical access and roadside rescue services.

## 4. Credit card business

In the reporting period, aiming to enhance management, efficiency, services and to maintain steady growth, the Credit Card Centre further improved the business model of “Operation Group of Three” (「三人小組、聯合作業」) to strengthen the cooperation among sales, merchants and collection units. The Company promoted the development of card issuance, merchant partnership and asset management, the three major business lines of the credit card business, through innovations of products and services, the operation model, sales channels and risk management.

As at the end of the reporting period, the aggregate number of credit cards in issue was 13.02 million. In the reporting period, transaction volume of credit card business was RMB122,561 million, representing an increase of 70.65% as compared with the corresponding period in the previous year. Income from intermediate business amounted to RMB2,106 million, representing an increase of 142.02% as compared with the corresponding period of the previous year.

In February 2012, the Credit Card Centre and Leyou, a leading domestic chain supplier in maternal and child products, jointly introduced Minsheng Leyou Co-branded Credit Card (樂友•民生聯名信用卡), which became the first national co-branded credit card catering mother and child care. Combining quality services of both companies, this card offers exclusive membership benefits including doubled Leyou consumption points, exclusive one-stop shopping service for maternal and children products and various member activities. In April 2012, the Credit Card Centre and Delta Air Lines, the second largest worldwide airline, jointly launched Minsheng-Delta SkyMiles Co-branded Credit Card (民生•達美SKYMILES聯名信用卡), which became the first credit card in China jointly issued with a US airline company. The card is a RMB/USD dual-currency card and can be used globally for domestic and overseas bill settlement and cash advance. It also possesses the functions of both the Minsheng credit card and the “SkyMiles” membership card of Delta. Cardholders can accumulate “SkyMiles” mileage when travelling on applicable flights of Delta or those of its cooperative partners. To celebrate the 7th anniversary of Minsheng credit card issuance, the Credit Card Centre held



a national promotional campaign with the reward of 100 billion credit rewards points. Accompanying this activity, the Company proposed methods to optimize the process of reward point redemption, and expanded the gift offerings for point redemption to advertise the use of points in a flexible and diversified way.

In the reporting period, the brand of Minsheng Credit Card was widely recognized by the social community. The Credit Card Centre won the Best Data Collection and Analysis Awards (最佳數據挖掘和分析項目獎), the highest award for data analysis in the financial industry in Asia-Pacific region. The selection campaign of endorser for Minsheng UnionPay In Card (民生•銀聯in卡) was awarded the Prize for Innovative Cooperation with China UnionPay Card (銀聯卡合作創新獎) in 2011. The promotional activity of “Getting Tickets of the movie “The Flowers of War”, and Watching Movies with Minsheng” was awarded the Top 10 Financial Brand Marketing Activities (十佳金融品牌營銷活動獎) in the China Financial Innovation Awards (中國金融創新獎) by the *Banker* (《銀行家》). It was also honoured with the Comprehensive Strength Awards in the Most Influential Brand in Consumer Market of China by the Committee of the 3rd Session of China Consumer Economy High-level Forum, and was selected as one of the Top 100 Enterprises in Regional Economy in 2011 (2011年度區域經濟百強企業) by the People’s Government of Shunyi District of Beijing, which further enhanced the core competitiveness of the Credit Card Centre.

## 5. Agency business

The Company offers services such as acting as sales agent of wealth management products, funds and insurance. The number of funds sold under its agency business reached 842, a leading number among its peers in the industry. The Company also cooperates with 29 insurance companies to optimize the its insurance selling platform.

## 6. Customers and related activities

As at the end of the reporting period, the Company had 23.1403 million retail customers, with a retail deposit balance of RMB333,359 million. In the reporting period, the financial assets of retail customers had grown rapidly. As at the end of the reporting period, the financial assets of retail customers reached RMB553,579 million, representing an increase of 18.14% as compared with the end of the previous year. Among the retail customers, 206,000 customers had individual financial assets of more than RMB500,000, and their total deposits amounted to RMB204,751 million, accounting for 61.42% of total retail deposits of the Company.

## 7. Private banking business

In the reporting period, the Company combined the private banking and NSOE strategies, intensified the study of an interacting model of corporate and private banking businesses, and, working through external trusts, funds and securities institutions, continuously enriched its product portfolio by focusing on the development of private equity investment funds, collective trust plan, private placement, trust and securities funds by private placement, and capital matching. The Company enhanced its brand image of private banking by providing personalized non-financial services and further refined its customer service system.

In the reporting period, a customer service team mainly consisting of private banking investment consultants with a special workshop was established by the Company to offer customers comprehensive financial services focusing on assets allocation to customers. To build a high-quality private banking brand, the Company provides high-end, private and exclusive services for customers with its professional team and business model.

# Management Discussion and Analysis

As at the end of the reporting period, the size of financial assets, number of customers and revenue of the private banking business of the Company increased rapidly. The number of private banking customers exceeded 7,400, representing an increase of over 60% as compared with the end of the previous year. Income from intermediary business recorded RMB292 million, representing an increase of 137.4% as compared with the corresponding period of the previous year. The size of financial assets under management amounted to RMB115,891 million, representing an increase of 69.43% as compared with the end of the previous year.

## **(III) Treasury business**

### **1. Transactions**

In the reporting period, the transaction volume of RMB bonds of the Company amounted to RMB2,204,338 million, representing an increase of 35.15% as compared with the corresponding period of the previous year. The volume of transactions in cash ranked the fourth in the inter-bank bond market. The volume of bond forward transactions amounted to RMB14,030 million, ranking first in the market.

The volume of spot settlement and sale of exchange business amounted to US\$121,078 million, representing an increase of 385.18% as compared with the corresponding period of the previous year. The total volume of forwards and swaps associated with settlement and sale of foreign exchange and foreign exchange swaps amounted to US\$59,231 million, representing an increase of 122.50% as compared with the corresponding period of the previous year. The volume of foreign exchange transactions on behalf of clients amounted to US\$256 million.

### **2. Investments**

As at the end of the reporting period, the balances of the Company's investment amounted to RMB226,237 million. In the reporting period, the Company's debt securities assets were on a stable growth track. The Company increased the gain from price differences of RMB debt securities investment through band operations based on accurate estimation of the domestic debt securities market trend. In addition, the Company sold part of its foreign currency denominated debt securities by taking advantage of the price hike of international debt securities thus effectively mitigating potential investment risk.

### **3. Wealth management**

The wealth management business of the Company strictly complied with all the relevant regulatory requirements. It focused on the brand building of "Apex Asset Management" and the strengthening of asset management through tracking and study of policies and accurate assessment of market trends so as to seize business opportunities promptly with rapid responses and actions. During the reporting period, the number and size of wealth management products grew significantly. The number of new products launched amounted to 1,381, whilst the sales volume amounted to RMB452,270 million.

### **4. Trading in gold and other precious metals**

In the reporting period, the Company's trading volumes of gold and silver at the Shanghai Gold Exchange amounted to 58.40 tons and 202.18 tons, respectively, and the trading volume of gold at the Shanghai Futures Exchange amounted to 13.81 tons. The total trading amount was RMB25,875 million. The import volume of gold of the Company amounted to 38.00 tons, ranking among the top three in the market. In terms of on-floor trading value, the





Company was the eighth largest dealer at the Shanghai Gold Exchange and also one of the most active dealers at the Shanghai Futures Exchange.

During the reporting period, the Company sold 598.45 kg gold bars of its own brand. It sought to further expand the bullion sales agency business and the outlook of the market remained positive.

#### **(IV) E-banking services**

During the reporting period, the e-banking business of the Company maintained its growth momentum and recorded a total transaction volume of RMB8,242,966 million. Online transaction replacement rate exceeded 85%. The number of corporate online banking customers reached 212,800 with a turnover of RMB5,739,966 million and the number of personal online banking customers reached 5.0594 million with a turnover of RMB2,495,368 million.

During the reporting period, the Company launched the mobile banking applications for iPhone, iPad and Android systems, which offered leading product functions and service experience. In addition to traditional banking services such as account enquiries, transfer and remittance, payment, wealth management and investment, credit card and loan, the new mobile banking applications also provide special services including money transfer via mobile banking, reservation at banking outlets, inter-bank account management, inter-bank funds integration, real-time payment for transfer and remittance and services without log-in in order to satisfy all mobile financial needs of customers. The Company rolled out the innovative inter-bank services, which has become an effective tool for fund integration between banks. As at the end of the reporting period, the customers involved in the transactions of inter-bank fund integration amounted to 125,400 with a total of RMB65,000 million integrated. The Company also expanded e-banking into business circles to promote e-banking products as well as facilitate the settlement of MSEs. As at the end of the reporting period, the coverage of online banking for MSEs with outstanding loans reached 80%, representing a transaction replacement rate of over 90%. In addition, the Company optimized and upgraded the voice menu system of “95568” telephone banking. The menu of the new system was clearer, which provided more convenient and user-friendly operations for customers.

All indicators of customer services of the Company remained at high level during the reporting period. The total incoming-calls through hotlines reached 17.3183 million, among which “95568” hotline received 15.6415 million incoming calls, while “4006895568” corporate customer hotline and “4008695568” MSE customer hotline received 1.3520 million and 324,800 incoming calls, respectively. The Company recorded customer satisfaction rate of 98.15%, 15-second pick up service level of 92.9%, call-in connection rate of 98.5% and VIP call-in connection rate of 99.76%.

During the reporting period, the Company actively promoted the upgrade of “95568” customer hotline services to provide exclusive one-on-one service for customers and introduce wealth management products specially designed for “95568” channel so as to enhance customer value. The Company also conducted after-sales service interviews to collect the feedback from MSE customers in order to improve the service system for MSEs and enhance risk prevention ability. In the 7th “2011–2012 Best Customer Service of China” (第七屆中國最佳客戶服務評選活動), the Company won the prize of “Best Service Management” (中國最佳服務管理) and “Best Customer Service Management Team” (中國最佳客戶服務管理團隊).

# Management Discussion and Analysis

## (V) Performance of subsidiaries

### 1. Minsheng Leasing

Minsheng Leasing, one of the first five financial leasing companies in the banking sector approved by the State Council, was established in April 2008. As at the end of the reporting period, 51.03% equity interest of Minsheng Leasing was held by the Company.

As at the end of the reporting period, total assets of Minsheng Leasing amounted to RMB72,134 million, representing an increase of 17.82% as compared to the end of the previous year. Net assets amounted to RMB7,841 million, representing an increase of 7.84% as compared to the end of the previous year. The net profit of the reporting period amounted to RMB570 million, representing an increase of 5.56% as compared with the corresponding period. There was no non-performing asset and each operation indicator ranked top among domestic peers.

Minsheng Leasing adhered to a professional and characterized development path and has set up a mode of development focusing on featured businesses of aviation and shipping. In the reporting period, Minsheng Leasing acquired 12 business jets and 3 helicopters, increasing its jet fleet to a total of 98 jets. Preliminary investigation and negotiation for the construction of the Minsheng Aviation Base (民生通航基地) and the selection of partners were completed. Minsheng Leasing established the Shanghai Union of China's Business Jets (中國公務機上海聯盟) by allying with major international business jet manufacturers and domestic business jet operators and issued the 2012 Shanghai Declaration of China's Business Jets (中國公務機2012上海宣言), which further strengthened the brand influence of its business jets. In the ship leasing business, Minsheng Leasing explored the niche market of non-business ships and established business models such as the leasing model of pre-approved factoring service with fixed repayment source. It also took the initiative to develop the niche market of financial leasing other than traditional commercial ship leasing, which included leasing and financing products for fishing boats, yachts, LNG and container ships. In respect of financial leasing, Minsheng Leasing pushed ahead with industry expansion and innovation of business models. The development of investment banking business models achieved preliminary success. The leasing centre for energy saving and emission reduction and engineering machinery leasing centre were set up by Minsheng Leasing in the first half year with an aim to build professional brands in the segments of energy saving and emission reduction, environmental protection, engineering machinery and vehicles. According to the "going international" strategy, Minsheng Leasing established two project companies which engaged in shipping and aviation businesses respectively in Hong Kong with the project company in the Dongjiang tax concession area in Tianjin as the head office, representing a milestone in the development of overseas business.

### 2. Minsheng Royal Fund

Minsheng Royal Fund is a sino-foreign fund management joint venture established under the approval of the CSRC. It was established in November 2008 with a registered capital of RMB200 million. As at the end of the reporting period, 60% equity interest of Minsheng Royal Fund was held by the Company.



In the reporting period, operations of Minsheng Royal Fund adhered to the principles of “scale expansion and profit maximization”. In respect of “scale expansion”, it strengthened core competitiveness by maintaining steady investment returns, implemented marketing from time to time through launching new funds, developed other channels and agency business with the support of Minsheng Bank and strengthened the competitiveness of sales and products by formulating in advance plans for brand building and e-commerce business. In respect of “profit maximization”, it focused on exploring new income sources through scale expansion and business innovation and, to a lesser extent, cost control by controlling the costs of channel sales.

As at the end of the reporting period, assets managed under Minsheng Royal Fund amounted to RMB7,718 million, representing an increase of 49.4% as compared with the end of the previous year, which rendered Minsheng Royal Fund as one of the fastest growing fund companies in terms of asset scale in the first half of the year, ranking third among 68 fund companies. Minsheng Royal Fund ranked 50th in terms of asset under management, up from 58th as at the end of 2011.

As at the end of the reporting period, there were eight open-ended funds managed under Minsheng Royal Fund. The net growth rates of five equity funds during the first half year were higher than the average level of the industry. The significant growth of Minsheng Royal Fund was highly recognized within the industry. It was awarded the Best Customer Service of the Year in the 9th China Finance and Economics Ranking of 2011 (2011年度第九屆中國財經風雲榜) by Hexun.com, the Fund Company with Best Potential of the Year by *Financial Money* and the Fund Company with Best Development Potential in China of 2011 by *21st Century Business Herald*.

### 3. Minsheng township banks

Minsheng township banks collectively refer to the township banks initiated and established by the Company. With the support of Minsheng Bank, Minsheng township banks accelerated the establishment of corporate operation and management systems, including risk control, operation management and product and service systems based on the model of “standardized regulation and centralized management”. Seizing the opportunities arising from the economic development in county regions, Minsheng township banks pushed ahead with strategic planning and development and through various measures strengthened its brand and characteristics. In addition, Minsheng township banks benefited from the products, techniques and brand advantages of Minsheng Bank through the provision of market and customer resources to Minsheng Bank. In this way, the intra-group synergistic effects of development and businesses between Minsheng township banks and Minsheng Bank were brought into full play, facilitating the extension of Minsheng Bank’s development strategies of NSOEs and MSEs to county regions.

In the reporting period, the Company established five Minsheng township banks. As at the end of the reporting period, 23 Minsheng township banks, which were established by the Company, had total deposit balance of RMB11,877 million and total outstanding loan balance of RMB8,870 million, and posted a total net profit after tax of RMB130 million.

# Management Discussion and Analysis

## IX. Risk Management and Consolidation Management

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

### (I) Credit risk

Credit risk is the risk that a borrower or a counterparty defaults in making repayments in a timely manner in full amount for whatever reasons.

The credit risks of the Company are governed by the credit policy and technical support platform jointly developed by the Risk Management Department, Credit Assessment Department, Asset Monitoring and Control Department, Legal Affairs and Compliance Department and Asset Custody Department under the coordination of the Risk Management Committee. The risk management system covers the procedures of pre-approval investigation, approval review, post-loan management, collection and preservation of collaterals. Credit risks of on and off-statement items are also strictly controlled.

At the beginning of the year, the Company issued its 2012 Guiding Opinion on Risk Policy (2012年度風險政策指導意見), pursuant to which, the Company formulated the basic strategic direction of "developing distinctive businesses, promoting integration, restructuring, preventing risks, consolidating foundation and maintaining steady development" to improve capital gains and achieve policy objectives of organic capital growth and sustainable development through enhanced risk control and risk management. The risk management policy of this year extended to new segments such as credit policy for distinctive industries and risk policies for bill business, wealth management and bond issuance business, to expand policy coverage and to support and regulate business development more effectively.

In respect of the implementation of the New Basel II Accord in credit risk management, the Company has established and applied a ranking and limit management system for its non-retail customers while daily operation of its debt rating system has been in full swing. For internal rating of retail business, project development has been completed while project examination and associated IT system development are in progress. Development of the internal rating system and IT system for the application of the New Basel II Accord are in smooth progress.

### (II) Liquidity risk

Liquidity risk refers to the risk of a commercial bank where it is unable to obtain sufficient funds at reasonable costs in a timely manner to cope with increase in assets or fund debt obligations despite its ability to settle the debt. The Company's objective in liquidity risk management is to ensure that it is able to meet all payment obligations and fund all operations in accordance with its development strategy. To this end, the Company effectively identifies, measures, monitors and controls its liquidity risk associated with its main business to strike a balance between risk and income.



During the year, the Company revised the Administrative Measures on Liquidity Risk and liquidity contingency plan in accordance with the liquidity management framework of the Group. The newly-established Hong Kong Branch and subsidiaries were included in the liquidity risk management system of the Company.

In view of the changes in the global economy and monetary policies this year, the Company strengthened its forecasts of the global economy and monitoring of future cash flow. From the beginning of the year, the Company has been stepping up the monitoring of liquidity indicators and the management of early-warning and risk limits. The utilization of capital of the Bank was determined based on daily review of changes of future cash flow and market forecasts. The management of future cash flow was further refined. In addition, the Company formulated flexible and differentiated strategies of capital management and allowed dynamic adjustment of liquidity to manage the liquidity of the Company through its treasury business. With reference to the projected cash flow gap, the Company encouraged its branches to expand capital sources through both assets and liabilities by adjusting the scale and structure of asset allocation to maintain the stability of the cash flow gap, thus achieving effective control of liquidity risks and efficient capital utilization.

### **(III) Market risk**

Market risk refers to the risk of market changes having adverse effects on the values of assets and liabilities or the net income. The Company manages its interest rate risk, exchange rate risk and precious metal transaction risk in accordance with the requirements of the Guidelines on Market Risk Management (市場風險管理指引), the Guidelines on Internal Control of Commercial Banks (商業銀行內部控制指引), the Guidelines on Stress Tests of Commercial Banks (商業銀行壓力測試指引), and the Guidelines on Fair Value Supervision of Commercial Banks (商業銀行公允價值監管指引) promulgated by the CBRC and by reference to the New Basel II Accord. The Company has also formulated, and been constantly optimizing a management system for market risk by regulating, monitoring and reporting on the authorization, credit extension and limit of credit.

Interest rate risk is the major market risk in connection with banking accounts. The Company regularly measures the interest rate sensitivity gap position to assess the interest rate exposure. The Company further evaluates the effect of interest rate change on net interest income and net value of the Company under different scenarios.

The Company measures the interest rate risk of its trading accounts by using duration analysis, sensitivity analysis, stress test, risk value and scenario analysis. The Company effectively controls the interest rate risk of its transaction accounts by establishing risk limit in respect of sensitivity, duration, exposure and stop-loss point, etc. With improving methods to measure risk of trading accounts of the Company and after taking into account the development of the trading business, the Company refined and adjusted the risk authorization of trading accounts in 2012 such that market risk limit and authorization could more effectively serve the purpose of monitoring and management of market risk.

The Company measures the exchange rate risk by using foreign exchange exposure analysis, sensitivity analysis, stress test and risk value. The foreign exchange exposure of the Company comprises structural exposure and trading exposure. Structural exposure arises from unavoidable exchange position such as capital in foreign currency, mismatch of assets against liabilities and trading surplus in foreign currency. Trading exposure arises mainly from foreign currency (including bullion) business.

# Management Discussion and Analysis

The Company endeavours to match amounts and duration of loans denominated in different currencies to control structural exposure of foreign exchange in its business operations. Mismatch shall be hedged in the foreign exchange market based on actual needs. With respect to exchange rate risks arising from structural exposure of capital denominated in foreign currencies, the value of such capital can be maintained and enhanced by increasing the utilization of foreign currencies. With respect to trading exposure in foreign exchange transactions, the Company mitigates exchange rate risks by establishing exposure limits and stop-loss limits.

In the reporting period, the Company incorporated the trading business of Hong Kong Branch into the market risk management system of the Bank based on the principle of centralized market risk management. Risk monitoring and capital investment measurement were conducted for the transactions made at Hong Kong Branch, thus achieving full coverage monitoring of capital transaction businesses of all business units of the Company. Besides, the Company also explored the market risk management methodology by optimizing bank accounts' deposit-and-loan business, capital business and securities investment business in order to establish a comprehensive market risk management system.

The market risk management consultation and management information system implementation projects have been duly established in the reporting period, and the market risk management consultation project has started the tendering process. Through implementation of these special projects, the Company further strengthened its co-ordination and management capabilities for market risks and fulfilled relevant requirements of the regulatory bodies in respect of the independence, comprehensiveness and efficiency of market risk management, supporting the rapid development of the investment transaction business.

## **(IV) Operational risk**

Operational risk refers to the risk of loss resulting from incompleteness or faults in internal procedures, human error and IT system failure, or external events. The operational risk of the Company mainly comprises internal and external fraud, employment system, safety of the work environment, events related to customers, products and operation, damages of tangible assets, interruption of business and failure of the IT system.

In the reporting period, pursuant to relevant regulations under the New Basel II Accord, the Company completed the construction of a framework and system for operational risk management, established an operational risk management structure and set up various policies for operational risk management tools, capital measurement, outsourcing risk management and business continuity management. In this regard, the three major management tools for operational risk have been promoted and implemented. As for the management of business continuity, the Company has completed the formulation of relevant systems and plans and established the framework for business continuity management in order to ensure its sustained and sound operation. In addition, management of other operational risks including operational risk capital management has been carried out efficiently in an orderly manner. The Company has launched the construction of an information system for operational risk management so as to enhance the efficiency and quality of operational risk management.



In the reporting period, IT risk management of the Company continued to improve and the structure of IT risk management was refined. The IT risk management committee and the IT risk officer system were put into full operation. The Company endeavoured to establish an effective IT platform with procedural operation and modular management under the leadership and coordination of the technology development department of the head office in the hope of developing core IT competitiveness. In the course of the implementation of the New Basel II Accord, the Company also introduced IT risk identification and assessment tools and applied these in regular IT risk management.

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

The Company continued to adopt anti-money laundering measures based on a risk-oriented concept in order to enhance value and develop brand recognition and achieved significant results. The Company focused on strengthening the following aspects of anti-money laundering management. Firstly, the Company prepared a handbook for anti-money laundering issues applicable to each position in order to provide guidelines on anti-money laundering responsibility to staff of different job nature. Secondly, the Company nurtured and educated a professional anti-money laundering team by way of training, assessment and qualification examinations. Thirdly, through ranking, assessment and reporting and grading, the Company advised branches to report large-sum transactions under suspicion in order to enhance the effectiveness of anti-money laundering. Fourthly, the Company published quarterly anti-money laundering analysis reports, notice of anti-money laundering risks and list of customers susceptible to anti-money laundering risks. Together with its efforts in screening terrorist lists and identifying money laundering risks of staff, the Company paid attention to areas with high money laundering potential and weak prevention of money laundering for better risk inspection and prevention. Fifthly, the Company continued to refine and improve the IT system for anti-money laundering in order to provide strong support to anti-money laundering management of the Company. Sixthly, the Company planned the anti-money laundering measures of the township banks. With thorough research, the Company planned the establishment of an anti-money laundering system for township banks and organized training on the report of data from the system. Seventhly, the Company enhanced external communication with major administrative and regulatory departments regarding anti-money laundering. The anti-money laundering work of the Company was highly recognized by the regulatory departments. It also received several accolades for its anti-money laundering measures from the PBOC at different levels in the first half of the year.

## **(VI) Consolidation Management**

Pursuant to regulatory requirements and development needs of the Company, the Company further strengthened the consolidation management by refining its management structure, improving its management policies, establishing a dedicated work team, preparing regular consolidated financial statements and developing an information reporting system in order to standardize the consolidation management of the Company.

Firstly, the Company established a structure for the management of the consolidated financial statements by setting up a management system, comprising four levels, namely the Board, senior management, a department managing consolidated financial statements and the subsidiaries of the Company.

# Management Discussion and Analysis

Secondly, the Company revised a series of administrative measures including the Measures on Consolidation Management of China Minsheng Bank (《中國民生銀行併表管理辦法》) to ensure appropriate management of the consolidated financial statements based on expressed guidance.

Thirdly, the Company set up a designated team in the Board and included the consolidation management in the annual key performance indicator assessment for relevant departments of the head office. The consolidation management became daily and standardized practice through management training of consolidated financial statements and establishing a system for reporting on material issues of consolidated financial statements.

Fourthly, the Company established a mechanism for regular consolidation reporting to reflect the operating results of the Company and Group as a whole.

Fifthly, the Company developed an information reporting system for the consolidation management covering all subsidiaries to cater for the need to manage different types of consolidated financial statements and enhance the exchange of information. The consolidation management is thus supported and ensured through the use of technology.

## X. Prospects and Measures

The banking industry is now facing new opportunities and challenges in its operation and development. On the one hand, under continual impact of the debt crisis in Europe, global economic development is exposed to various uncertainties. In response, China has taken measures to ensure steady economic growth. Favorable policies, such as innovative reforms in the capital market, trial reform in regional finance and liberalization of the interest rate were carried out to facilitate banking transformation and enhance effectiveness of operation. On the other hand, stricter requirements for management of the Bank due to stringent financial regulations and severe competition among competitors in the banking industry will bring new challenges to the expansion of its banking business and risk management and control.

In the second half of the year, the Company will continue to comply with regulatory requirements. By implementing its operation philosophy of “accentuating characteristics, resolving difficulties, consolidating foundation and strengthening management”, the Company will adhere to its strategic development goal as a “distinctive bank” and “efficient bank”. With its commitment to complete all missions regarding its operation and management for the year, the Company will carry out smooth implementation of the strategic transformation of the “Second Take-off”. The specific measures to be adopted are as follows:

1. The Company will formulate the 2012–2016 Five-year Development Outline (《2012–2016五年發展綱要》) of the Board which will state the development strategy and roadmap of the Bank in the next five years, laying the foundation for continuous scientific development. Based on this new Five-year Development Outline, the Company will formulate a plan for the operation and development of the head office for the next three years with specific operation direction and implementation procedures in the hope of effectively implementing the Five-year Development Outline of the Board.





2. The Company will enhance coordinated development and establish an integrated service system. By integrating resources, introducing innovations in its products and services model, coordinating and expanding its three main strategic businesses focusing on NSOEs, MSEs and high-end customers, the Company will provide customer-oriented, integrated and professional services.
3. The Company will optimize its MSE financial services to raise the competitiveness of MSEs. Catering to the needs of MSEs, the Company will further enhance product innovation and marketing, accelerate the establishment of MSE Finance Version 2.0 (小微金融2.0版) and improve service quality. The Company will push ahead with the setting up of commercial cooperatives in urban areas, “credit factories” (信貸工廠) and “special sub-branches” (特色支行) to strengthen the after-sales service system for MSEs.
4. The Company will develop distinctive businesses in order to offer better services for NSOEs. The Company will coordinate the cooperation among its head office and branches and introduce innovations in its industry chain financial services in order to develop distinctive businesses for specific regions. The Company will continue the launch of the Financial Stewardship and “Host Bank” businesses and provide professional financial services to NSOE customers through smart financing management (“融資 + 融智”) and commercial and investment banking (“商行 + 投行”).
5. The Company will accelerate the building of platforms to expand its high-end retail business. By consolidating internal and external resources and strengthening the coordination between corporate banking and private banking businesses and the interaction among its head office and branches, the Company will enrich its high-end products and satisfy the needs of the private banking customers. The Company will proactively establish platforms for managing the wealth of high-end customers. Marketing efficiency of the high-end retail business will also be enhanced to maximize the influence of the brand image of private banking.
6. The Company will adhere to compliance requirements to facilitate steady development of its intermediary business including wealth management, bills, trade finance and credit cards. The Company will bring into full play the synergy effects of the Hong Kong Branch while strengthening innovations in its investment banking and trade businesses. It will also actively develop the custody business and speed up the establishment of a platform for cash management products and e-commerce for the sustainable and stable development of its intermediary business.
7. The Company will adjust the liability structure to strive for better liability business operation. The Company will strengthen the promotion of key products including transaction finance, cash management, Happy Payment (樂收銀) and wealth management and boost the business deriving from settlement and deposit. The Company will put emphasis on fiscal deposits to facilitate the steady growth of liability scale and further optimize the liability structure to effectively control the cost of liabilities.

# Management Discussion and Analysis

8. The Company will improve its management system to enhance its ability in creating value. It will expedite the reform of its SBUs and further implement cross-selling strategies so as to raise the efficiency of capital utilization and resources allocation. The Company will effectively adopt and promote the three strategic instruments, namely Customers' Feedback, Six Sigma Management and Balanced Scorecard. It will establish IT platforms for key products and major businesses, and steadily implement major projects such as a new core system and a management accounting system.
9. The Company will strengthen risk management and control to ensure a stable asset quality. The Company will further strengthen the research into the risks of the industry by understanding relevant potential risks for better capital control, risk measurement and risk control. With continuous reinforcement of risk inspection and forecast in major areas such as real estate, financing platforms and industries of heavy pollution, high energy consumption and excessive production capacity, the Company will refine its credit structure and carry out recovery measures to ensure asset quality.
10. The Company will improve the establishment and efficiency of operating channels. It will strengthen the management of the channels with optimized work flow to enhance the integrated efficiency of banking outlets. The Company will also continue to carry out the establishment of technological platforms with the updating of electronic channels such as online banking and mobile banking to effectively reduce operating costs and satisfy customers' needs for financial services.

# Changes in Share Capital and Information on Shareholders



## I. Changes in Shares

(Unit: Shares)

	31 December 2011		Changes over the reporting period (+,-)		30 June 2012	
	Number of shares	Percentage (%)	Issue of New Shares	Release of restriction on sales	Number of shares	Percentage (%)
I. Shares subject to restriction on sales	—	—	—	—	—	—
1. State-owned shares	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—
Of which:						
Domestic legal person shares	—	—	—	—	—	—
Domestic natural person shares	—	—	—	—	—	—
4. Foreign investor shares	—	—	—	—	—	—
Of which:						
Foreign legal person shares	—	—	—	—	—	—
Foreign natural person shares	—	—	—	—	—	—
II. Shares not subject to restriction on sales	26,714,732,987	100	—	—	28,365,585,227	100
1. Ordinary shares in RMB	22,587,602,387	84.55	—	—	22,587,602,387	79.63
2. Domestic listed foreign invested shares	—	—	—	—	—	—
3. Overseas listed foreign invested shares	4,127,130,600	15.45	1,650,852,240	—	5,777,982,840	20.37
4. Others	—	—	—	—	—	—
III. Total number of shares	26,714,732,987	100	1,650,852,240	—	28,365,585,227	100

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

# Changes in Share Capital and Information on Shareholders

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

(Unit: shares)

Total number of shareholders		807,149			
Particulars of shareholdings of the top ten shareholders					
Name of shareholders	Type of shareholder	Percentage of shareholdings	Total number of shares held	Shares subject to restriction on sales	
HKSCC Nominees Limited	/	20.21%	5,732,574,195	0	
New Hope Investment Co., Ltd.	Domestic legal person	4.70%	1,333,586,825	0	
China Life Insurance Co., Ltd — Traditional — Common Insurance Products — 005L — CT001, SH	Domestic legal person	4.06%	1,151,307,314	0	
China Shipowners Mutual Assurance Association	Domestic legal person	3.19%	905,764,505	0	
Oriental Group Incorporation	Domestic legal person	3.13%	888,970,224	0	
Shanghai Giant Lifetech Co., Ltd.	Domestic legal person	2.84%	805,600,038	0	
China SME Investment Co., Ltd.	Domestic legal person	2.60%	737,955,031	0	
China Oceanwide Holdings Group Co., Ltd.	Domestic legal person	2.46%	698,939,116	0	
South Hope Industrial Co., Ltd.	Domestic legal person	1.97%	558,306,938	0	
Fuxin Group Co., Ltd.	Domestic legal person	1.94%	550,151,500	0	

# Changes in Share Capital and Information on Shareholders



Shareholdings of top ten holders of shares not subject to restriction on sales		
Name of shareholders	Shares not subject to restriction on sales	Classes of shares
HKSCC Nominees Limited	5,732,574,195	Overseas listed foreign invested shares (H shares)
New Hope Investment Co., Ltd.	1,333,586,825	Ordinary shares dominated in RMB
China Life Insurance Co., Ltd — Traditional — Common Insurance Products — 005L — CT001, SH	1,151,307,314	Ordinary shares dominated in RMB
China Shipowners Mutual Assurance Association	905,764,505	Ordinary shares dominated in RMB
Oriental Group Incorporation	888,970,224	Ordinary shares dominated in RMB
Shanghai Giant Lifetech Co., Ltd.	805,600,038	Ordinary shares dominated in RMB
China SME Investment Co., Ltd.	737,955,031	Ordinary shares dominated in RMB
China Oceanwide Holdings Group Co., Ltd.	698,939,116	Ordinary shares dominated in RMB
South Hope Industrial Co., Ltd.	558,306,938	Ordinary shares dominated in RMB
Fuxin Group Co., Ltd.	550,151,500	Ordinary shares dominated in RMB
Statement on the related relationship or concert actions among the aforesaid shareholders	Both of New Hope Investment Co., Ltd. and South Hope Industrial Co., Ltd are controlled by New Hope Group Co., Ltd. The Company is not aware of any other related relationship among the shareholders.	

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

# Changes in Share Capital and Information on Shareholders

## III. Substantial Shareholders' and Other Persons' Interests or Short Positions in the Shares and Underlying Shares of the Company under Hong Kong Laws and Regulations

As at 30 June 2012, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware:

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,891,893,763	1 & 4	8.38	6.67
New Hope Liuhe Co., Ltd. (formerly known as: Sichuan New Hope Agri-Business Co., Ltd.)	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,333,586,825*	1	5.90	4.70
New Hope Investment Co., Ltd.	A	Long	Beneficial Owner	1,333,586,825*	1	5.90	4.70
Li Wei	A	Long	Interest held by the corporation controlled by the spouse of this substantial shareholder	1,891,893,763	2 & 4	8.38	6.67
Liu Chang	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,891,893,763	3 & 4	8.38	6.67
Morgan Stanley	H	Long	Interest held by the corporation controlled by this substantial shareholder	429,461,595	5	7.43	1.51
		Short	Held by the corporation controlled by this substantial shareholder	420,372,068	5	7.28	1.48

# Changes in Share Capital and Information on Shareholders



Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)	
BlackRock, Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	413,708,056	6	7.16	1.46	
		Short	Held by the corporation controlled by this substantial shareholder	42,358,364	6	0.73	0.15	
UBS AG	H	Long	Beneficial Owner	339,195,819				
		Long	Interest held by the corporation controlled by this substantial shareholder	5,349,180				
					344,544,999	7	5.96	1.21
		Short	Beneficial Owner	181,948,152	7	3.15	0.64	
JPMorgan Chase & Co.	H	Long	Beneficial Owner	68,832,177				
		Long	Investment Manager	91,362,500				
		Long	Custodian	134,413,913				
					294,608,590	8	5.10	1.04
		Short	Beneficial Owner	43,509,000	8	0.75	0.15	
Citigroup Inc.	H	Long	Interest held by the corporation controlled by this substantial shareholder	301,268,066				
		Long	Custodian	127,912,791				
		Long	Person having a security interest	7,454,500				
					436,635,357	9	7.56	1.54
		Short	Held by the corporation controlled by this substantial shareholder	422,544,236	9	7.31	1.49	
Vogel Holding Group Limited	H	Long	Beneficial Owner	344,479,500	10 & 11	5.96	1.21	
		Short	Beneficial Owner	37,600,000	10 & 11	0.65	0.13	

# Changes in Share Capital and Information on Shareholders

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
Shi Jing	H	Long	Interest held by the corporation controlled by this substantial shareholder	344,479,500	10 & 11	5.96	1.21
		Short	Held by the corporation controlled by this substantial shareholder	37,600,000	10 & 11	0.65	0.13
Fosun International Limited	H	Long	Beneficial Owner	240,876,500			
		Long	Interest held by the corporation controlled by this substantial shareholder	104,015,500			
				344,892,000	12 & 13	5.97	1.22
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation controlled by this substantial shareholder	344,892,000	12 & 13	5.97	1.22
Guo Guangchang	H	Long	Interest held by the corporation controlled by this substantial shareholder	344,892,000	12 & 13	5.97	1.22
Waddell & Reed Financial, Inc.	H	Long	Investment Manager	349,543,240	14	6.05	1.23

\* As far as the Company is aware, the above numbers of shares reflected the interests or short positions of the relevant substantial shareholders as at 30 June 2012. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.



# Changes in Share Capital and Information on Shareholders



## Notes:

1. The 1,891,893,763 A shares comprised 558,306,938 A shares directly held by Sichuan South Hope Industrial Co., Ltd. and 1,333,586,825 A shares directly held by New Hope Investment Co., Ltd. Sichuan South Hope Industrial Co., Ltd. was wholly-owned 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. New Hope Group Co., Ltd. held 45.7% of the issued share capital of New Hope Liuhe Co., Ltd.

According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 558,306,938 A shares held by Sichuan South Hope Industrial Co., Ltd. and in the 1,333,586,825 A shares held by New Hope Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,333,586,825 A shares held by New Hope Investment Co., Ltd.

2. Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,891,893,763 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 or Short Positions of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
3. Ms. Liu Chang held 36.35% of the issued share capital of New Hope Group Co., Ltd. (see note (1) above). According to the SFO, Ms. Liu was deemed to have interests in the 1,891,893,763 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).
4. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 1,891,893,763 A shares, as set out in the above table, were from the same block of shares.
5. Morgan Stanley had a long position in 429,461,595 H shares and a short position in 420,372,068 H shares of the Company by virtue of its control over the following corporations:
  - 5.1 Morgan Stanley & Co. International plc., an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 323,200,563 H shares and a short position in 314,355,903 H shares of the Company.
  - 5.2 MSDW Equity Financing Services (Luxembourg) S.a.r.l., an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 45,931,989 H shares and a short position in 45,931,989 H shares of the Company.
  - 5.3 Morgan Stanley & Co. LLC, an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 45,856,176 H shares and a short position in 45,856,176 H shares of the Company.
  - 5.4 Mitsubishi UFJ Morgan Stanley Securities had a long position in 9,333,000 H shares and a short position in 9,068,000 H shares of the Company. Mitsubishi UFJ Morgan Stanley Securities was owned as to 40% by Morgan Stanley Japan Holdings Co., Ltd., which was an indirect wholly-owned subsidiary of Morgan Stanley.
  - 5.5 MSDW Equity Finance Services I (Cayman) Limited, an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 2,400,000 H shares and a short position in 2,400,000 H shares of the Company.
  - 5.6 Morgan Stanley Capital Services Inc., an indirect wholly-owned subsidiary of Morgan Stanley, had a long position in 1,914,447 H shares and a short position in 2,428,500 H shares of the Company.
  - 5.7 Morgan Stanley Smith Barney LLC had a long position in 493,920 H shares of the Company. Morgan Stanley Smith Barney LLC was a wholly-owned subsidiary of Morgan Stanley Smith Barney Holdings LLC, which was owned as to 47% and 4% by Morgan Stanley JV Holdings LLC and MS Gamma Holdings LLC respectively. Morgan Stanley JV Holdings LLC and MS Gamma Holdings LLC were indirect wholly-owned subsidiaries of Morgan Stanley.
  - 5.8 Morgan Stanley Capital (Luxembourg) S.A. had a long position in 331,500 H shares of the Company. Morgan Stanley Capital (Luxembourg) S.A. was owned as to 93.75% by Morgan Stanley International Incorporated, which was an indirect wholly-owned subsidiary of Morgan Stanley.
  - 5.9 Morgan Stanley Capital (Cayman Islands) Limited, a wholly-owned subsidiary of Morgan Stanley, had a short position in 331,500 H shares of the Company.  
Besides, 95,999,467 H shares (Long position) and 8,786,500 H shares (Short position) were held through derivatives as follows:

493,920 H shares (Long position)	— through physically settled derivatives (on exchange)
331,500 H shares (Short position)	— through physically settled derivatives (off exchange)
95,505,547 H shares (Long position) and 8,455,000 H shares (Short position)	— through cash settled derivatives (off exchange)
6. BlackRock, Inc. had a long position in 413,708,056 H shares (in which 732,500 H shares were held through physically settled derivatives (on exchange)) and a short position in 42,358,364 H shares of the Company by virtue of its control over a number of corporations.

# Changes in Share Capital and Information on Shareholders

7. UBS AG had a long position in 344,544,999 H shares and a short position in 181,948,152 H shares of the Company by virtue of its control over a number of corporations. Besides, 52,687,180 H shares (Long position) and 179,648,152 H shares (Short position) were held through derivatives as follows:
- |  |   |
|--|---|
| 1,090 H shares (Long position)   | — through physically settled derivatives (on exchange)  |
| 11,512,000 H shares (Short position)   | — through cash settled derivatives (on exchange)        |
| 11,040,390 H shares (Long position) and<br>10,709,552 H shares (Short position)  | — through physically settled derivatives (off exchange) |
| 41,645,700 H shares (Long position) and<br>157,426,600 H shares (Short position) | — through cash settled derivatives (off exchange)       |
8. JPMorgan Chase & Co. had a long position in 294,608,590 H shares and a short position in 43,509,000 H shares of the Company by virtue of its control over the following corporations:
- 8.1 JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 144,658,413 H shares of the Company.
- 8.2 JF Asset Management Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 12,539,000 H shares of the Company.
- 8.3 JF International Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 2,368,000 H shares of the Company.
- 8.4 JPMorgan Asset Management (Singapore) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 3,868,000 H shares of the Company.
- 8.5 JPMorgan Asset Management (Taiwan) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 4,655,000 H shares of the Company.
- 8.6 JPMorgan Asset Management (UK) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 12,540,500 H shares of the Company.
- 8.7 China International Fund Management Co Ltd had a long position in 8,650,000 H shares of the Company. China International Fund Management Co Ltd was owned as to 49% by JPMorgan Asset Management (UK) Limited (see note (8.6) above).
- 8.8 J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 36,497,500 H shares of the Company.
- 8.9 J.P. Morgan Whitefriars Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 43,602,177 H shares and a short position in 18,279,000 H shares of the Company.
- 8.10 J.P. Morgan Securities Ltd. had a long position in 23,230,000 H shares and a short position in 23,230,000 H shares of the Company. J.P. Morgan Securities Ltd. was owned as to 98.95% by J.P. Morgan Chase International Holdings, which was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..
- 8.11 JPMorgan Chase Bank, N.A. — London Branch, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 2,000,000 H shares and a short position in 2,000,000 H shares of the Company.  
The entire interest and short position of JPMorgan Chase & Co. in the Company included a lending pool of 134,413,913 H shares. Besides, 9,217,553 H shares (Long position) and 18,279,000 H shares (Short position) were held through derivatives as follows:
- |   |   |
|---|---|
| 15,328,500 H shares (Short position)  | — through cash settled derivatives (on exchange)        |
| 7,000,000 H shares (Long position)  | — through physically settled derivatives (off exchange) |
| 2,217,553 H shares (Long position) and<br>2,950,500 H shares (Short position) | — through cash settled derivatives (off exchange)       |

# Changes in Share Capital and Information on Shareholders



9. Citigroup Inc. had a long position in 436,635,357 H shares and a short position in 422,544,236 H shares of the Company by virtue of its control over the following corporations:
  - 9.1 Citigroup Global Markets Financial Products LLC, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 128,135,240 H shares and a short position in 134,693,957 H shares of the Company.
  - 9.2 Citigroup Global Markets Limited, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 60,954,771 H shares and a short position in 168,649,694 H shares of the Company.
  - 9.3 Citigroup Global Markets Inc., an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 119,582,855 H shares and a short position in 119,200,585 H shares of the Company.
  - 9.4 Morgan Stanley Smith Barney Holdings LLC had a long position in 1,490 H shares of the Company. Morgan Stanley Smith Barney Holdings LLC was owned as to 49% by Citigroup Global Markets Inc. (see note (9.3) above).
  - 9.5 Citibank N.A., an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 127,930,271 H shares of the Company.
  - 9.6 Citigroup Trust — Delaware, National Association, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 11,640 H shares of the Company.
  - 9.7 Citicorp Trust, National Association, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 7,210 H shares of the Company.
  - 9.8 Citicorp Trust South Dakota, an indirect wholly-owned subsidiary of Citigroup Inc., had a long position in 11,880 H shares of the Company.

The entire interest and short position of Citigroup Inc. in the Company included a lending pool of 127,912,791 H shares. Besides, 1,844,470 H shares (Long position) and 11,000,000 H shares (Short position) were held through physically settled derivatives (off exchange), 22,000,000 H shares (Short position) were held through cash settled derivatives (off exchange).

10. Vogel Holding Group Limited, wholly-owned by Ms. Shi Jing, had a long position in 344,479,500 H shares (in which 291,750,000 H shares were held through cash settled options) and a short position of 37,600,000 H shares (all the 37,600,000 H shares were held through cash settled options) of the Company. According to the SFO, Ms. Shi Jing was deemed to have interests in the long position of 344,479,500 H shares and short position of 37,600,000 H shares of the Company, in which Vogel Holding Group Limited had interests. Ms. Shi Jing is the daughter of Mr. Shi Yuzhu (a Non-executive Director of the Company). Mr. Shi Yuzhu's interests in shares are disclosed in this interim report in the section headed "Interests or Short Positions of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations".
11. The 344,479,500 H shares (long position) and 37,600,000 H shares (short position) that Vogel Holding Group Limited and Ms. Shi Jing held, as set out in the above table, were from the same block of shares.
12. The 344,892,000 H shares (Long position) held by Fosun International Limited comprised 240,876,500 H shares directly held by itself, 29,660,500 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 74,355,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. and Topper Link Limited were both indirect wholly-owned subsidiaries of Fosun International Limited. Fosun International Limited was owned as to 79.08% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd. Mr. Guo Guangchang held 58% of the issued share capital of Fosun International Holdings Ltd.

According to the SFO, Fosun International Limited was deemed to have interests in the 29,660,500 H shares held by Pramerica-Fosun China Opportunity Fund, L.P. and in the 74,355,000 H shares held by Topper Link Limited. Meanwhile, Fosun International Holdings Ltd. and Mr. Guo Guangchang were also deemed to have interests in the 344,892,000 H shares held by Fosun International Limited.
13. The interests that Fosun International Limited, Fosun International Holdings Ltd. and Mr. Guo Guangchang had in the 344,892,000 H shares, as set out in the above table, were from the same block of shares.
14. Waddell & Reed Financial, Inc. had a long position in 349,543,240 H shares of the Company by virtue of its control over two wholly-owned subsidiaries.

Save as disclosed above and the section headed "Interests or Short Positions 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 2012 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# Changes in Share Capital and Information on Shareholders

## IV. Issuance of Shares and Bonds During the Reporting Period

### 1. Issuance of new overseas listed foreign invested shares (H Shares)

On 26 March 2012, the Company and the underwriting syndicate entered into a placing agreement, pursuant to which 1,650,852,240 new H shares were issued on the Main Board of the Hong Kong Stock Exchange at an offer price of HK\$6.79 per share. The total proceeds amounted to approximately HK\$11,209 million (equivalent to approximately RMB9,087 million) and the net proceeds amounted to approximately HK\$11,114 million (equivalent to approximately RMB9,005 million), after deducting offering expenses. The issued shares commenced listing and trading on 2 April 2012.

The new H Shares issued represented 40% of the total number of existing H Shares and 6.18% of the total number of existing A Shares and H Shares. Immediately after the issue, the total number of A Shares and H shares increased from 26,714,732,987 to 28,365,585,227. The total number of A Shares amounted to 22,587,602,387, representing 79.63% of the total number of shares. The total number of H Shares amounted to 5,777,982,840, representing 20.37% of the total number of shares.

### 2. Issuance of RMB50,000 million special financial bonds for MSEs

During the reporting period, the Company successfully issued special financial bonds for MSEs with a total amount of RMB50,000 million in the interbank bond market in two installments and applied all the proceeds from the issuance for supporting loans to MSEs.

The first installment of the financial bonds of China Minsheng Banking Corp., Ltd. in 2012 of RMB30,000 million was issued on 10 February 2012 with five-year fixed interest rate at a coupon rate of 4.30%. The second installment of the financial bonds of China Minsheng Banking Corp., Ltd. in 2012 of RMB20,000 million was issued on 8 May 2012 with five-year fixed interest rate at a coupon rate of 4.39%. The Company completed the registration and custody of the aforesaid financial bonds at China Central Depository & Clearing Co., Ltd. on 14 February 2012 and 10 May 2012, respectively.

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

As at 30 June 2012, no shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited).

## VI. Controlling Shareholder/Ultimate Controller

As at 30 June 2012, the Company did not have any controlling shareholder or ultimate controller.

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

As at 30 June 2012, no shareholder held 5% or more equity in the Company (other than HKSCC Nominee Limited).



## I. Directors, Supervisors and Senior Management

### (I) Basic information

Name	Gender	Year of Birth	Position	Term of office	Shares held at beginning of the period (share)	Shares held at end of the period (share)
DONG Wenbiao	M	1957	Chairman & Executive Director	2012.4.10–2015.4.10	0	0
HONG Qi	M	1957	Vice Chairman, Executive Director and President of the Bank	2012.4.10–2015.4.10	0	0
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	2012.4.10–2015.4.10	0	0
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	2012.4.10–2015.4.10	0	0
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	2012.4.10–2015.4.10	0	0
LIANG Yutang	M	1958	Vice-Chairman & Executive Director	2012.4.10–2015.4.10	0	0
WANG Yugui	M	1951	Non-executive Director	2012.4.10–2015.4.10	0	0
CHEN Jian	M	1958	Non-executive Director	2012.4.10–2015.4.10	0	0
SHI Yuzhu	M	1962	Non-executive Director	2012.4.10–2015.4.10	0	0
WANG Hang	M	1971	Non-executive Director	2012.4.10–2015.4.10	0	0
WANG Junhui	M	1971	Non-executive Director	2012.4.10–2015.4.10	0	0
WU Di	M	1965	Non-executive Director	2012.6.15–2015.4.10	0	0
WANG Songqi	M	1952	Independent Non-executive Director	2012.4.10–2015.4.10	0	0
QIN Rongsheng	M	1962	Independent Non-executive Director	2012.4.10–2015.4.10	0	0
WANG Lihua	M	1963	Independent Non-executive Director	2012.4.10–2015.4.10	0	0
HAN Jianmin	M	1969	Independent Non-executive Director	2012.4.10–2015.4.10	0	0
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	2012.6.15–2015.4.10	0	0
BA Shusong	M	1969	Independent Non-executive Director	2012.6.15–2015.4.10	0	0
DUAN Qingshan	M	1957	Chairman of the Supervisory Board & Employee Supervisor	2012.4.10–2015.4.10	0	0
LI Huaizhen	M	1957	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10–2015.4.10	0	0
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	2012.4.10–2015.4.10	633,100	633,100
LI Yuan	M	1954	Supervisor	2012.4.10–2015.4.10	0	0
ZHANG Disheng	M	1955	Supervisor	2012.4.10–2015.4.10	0	0
LU Zhongnan	M	1955	Supervisor	2012.4.10–2015.4.10	0	0
WANG Liang	M	1942	External Supervisor	2012.4.10–2015.4.10	0	0
ZHANG Ke	M	1953	External Supervisor	2012.4.10–2015.4.10	0	0
HU Ying	F	1963	Employee Supervisor	2012.4.10–2015.4.10	0	0
XING Benxiu	M	1963	Vice President of the Bank	2012.4.10–2015.4.10	0	0
SHAO Ping	M	1957	Vice President of the Bank	2012.4.10–2015.4.10	0	0
ZHAO Pinzhang	M	1956	Vice President of the Bank	2012.4.10–2015.4.10	0	0

# 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)
MAO Xiaofeng	M	1972	Vice President of the Bank	2012.4.10–2015.4.10	0	0
WAN Qingyuan	M	1965	Board Secretary	2012.4.10–2015.4.10	0	0
BAI Dan	F	1963	Chief Financial Officer	2012.4.10–2015.4.10	0	0
SHI Jie	M	1965	Assistant to President	2012.8.7–2015.4.10	0	0
LI Bin	F	1967	Assistant to President	2012.8.7–2015.4.10	0	0
LIN Yunshan	M	1970	Assistant to President	2012.8.7–2015.4.10	0	0
WONG Hei	F	1962	Resigned as a Non-executive Director of the Sixth Session of the Board of the Directors	2012.4.10–2012.6.15	0	0
LIANG Jinquan	M	1940	Resigned as an Independent Non-executive Director of the Sixth Session of the Board of the Directors	2012.4.10–2012.6.15	0	0
Andrew WONG	M	1957	Resigned as an Independent Non-executive Director of the Sixth Session of the Board of the Directors	2012.4.10–2012.6.15	0	0
QIAO Zhimin	M	1952	Retired as Chairman & Employee Supervisor of the Fifth Session of the Supervisory Board	2009.3.23–2012.3.23	0	0
XING Jijun	M	1964	Retired as Vice Chairman of the Fifth Session of the Supervisory Board	2009.3.23–2012.3.23	0	0
XU Rui	M	1945	Retired as External Supervisor of the Fifth Session of the Supervisory Board	2009.3.23–2012.3.23	0	0
CHEN Jinzhong	M	1960	Retired as Employee Supervisor of the Fifth Session of the Supervisory Board	2009.3.23–2012.3.23	0	0
WANG Lei	F	1961	Retired as Employee Supervisor of the Fifth Session of the Supervisory Board	2009.3.23–2012.3.23	0	0



## Notes:

1. On 10 April 2012, 18 directors of the Sixth Session of the Board of Directors of the Company, namely, Dong Wenbiao, Hong Qi, Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Liang Yutang, Wang Yugui, Chen Jian, Wong Hei, Shi Yuzhu, Wang Hang, Wang Junhui, Liang Jinqun, Wang Songqi, Andrew Wong, Qin Rongsheng, Wang Lihua, and Han Jianmin, were elected at the First Extraordinary General Meeting in 2012;
2. On 10 April 2012, five Shareholder Supervisors and External Supervisors of the Sixth Session of the Supervisory Board were elected at the First Extraordinary General Meeting in 2012, and four Employee Supervisors of the Sixth Session of the Supervisory Board were elected by the Working Committee of the Labor Union in compliance with laws. The Sixth Session of the Supervisory Board consists of 9 supervisors, namely, Duan Qingshan, Li Huaizhen, Wang Jiazhi, Li Yuan, Zhang Disheng, Lu Zhongnan, Wang Liang, Zhang Ke and Hu Ying;
3. On 10 April 2012, the Sixth Session of the Board of Directors of the Company resolved at its First Meeting to appoint Mr. Hong Qi as the President of China Minsheng Bank, Mr. Xing Benxiu, Mr. Shao Ping, Mr. Zhao Pinzhang and Mr. Mao Xiaofeng as Vice Presidents of China Minsheng Bank, Mr. Wan Qingyuan as the Secretary of the Board of Directors of China Minsheng Bank and Ms. Bai Dan as the Chief Financial Officer of China Minsheng Bank; Mr. Liang Yutang no longer served as the Vice President of China Minsheng Bank; Mr. Mao Xiaofeng no longer served as the Secretary of the Board of Directors of China Minsheng Bank; Mr. Duan Qingshan no longer served as the Chief Financial Officer of China Minsheng Bank.
4. On 15 June 2012, Ms. Wong Hei resigned from the position of Non-executive Director of the Company due to personal work commitments;
5. On 15 June 2012, Mr. Liang Jinqun resigned from the position of Independent Non-executive Director of the Company upon the expiry of his 6-year term of office in the Company;
6. On 15 June 2012, Mr. Andrew Wong resigned from the position of Independent Non-executive Director of the Company upon the expiry of his 6-year term of office in the Company;
7. On 15 June 2012, Mr. Wu Di was elected as a Non-executive Director, and Mr. Cheng Hoi-chuen and Ba Shusong as Independent Non-executive Directors of the Sixth Session of the Board of Directors of the Company, at the 2011 Annual General Meeting of the Company.
8. On 7 August 2012, Shi Jie, Li Bin and Lin Yunshan were elected as the assistants to the president of the Company at the second extraordinary meeting of the Sixth Session of the Board.
9. From 30 August 2011, Mr. Lu Zhiqiang, a Non-executive Director of the Company, no longer served as the chairman of the board of directors of Oceanwide Energy Investment Co., Ltd..
10. On 29 November 2011, Mr. Wang Hang, a Non-executive Director of the Company, was appointed as a non-executive director of New Hope Liuhe Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000876).
11. From 4 May 2012, Mr. Wang Lihua, an Independent Non-executive Director of the Company, no longer served as the member of the third session of the Examination Committee for Merger, Acquisitions and Restructurings of Listed Companies under the CSRC upon the expiry of his term of office as the member; on 31 July 2011, Mr. Wang Lihua resigned from the position of managing partner of Beijing Tianyuan Law Firm and was appointed as the chief partner of Beijing Tianyuan Law Firm.

## (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 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 43,133 employees, of which, 41,943 were employees of the Company and 1,190 employees were employees of its subsidiaries. Divided by professional specialties, 4,241 were categorized as management team, 20,106 as marketing team, and 17,596 as technical team. The Group had 38,399 employees with degrees of diploma and above, accounting for 92% of the total. In addition, the Company had 82 retired employees.

# Directors, Supervisors, Senior Management and Employees

## III. Business Network

As at the end of the reporting period, the Company had set up 33 branches in 33 cities across China, with 640 banking entities 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	14,070	709,311	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	52	2,776	447,141	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	56	2,410	357,514	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	35	1,562	97,517	Guangzhou Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	37	1,247	105,974	CMBC Building, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	31	1,327	82,060	CMBC Building, No. 396 Xinhua Road, Jiangnan District, Wuhan
Taiyuan Branch	23	1,092	76,337	No. 2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	32	1,441	73,724	No. 10 Xidajie, Shijiazhuang
Dalian Branch	19	723	51,521	No. 28 Yan'an Road, Zhongshan District, Dalian
Nanjing Branch	38	1,703	139,713	No. 20 Hongwu Bei Road, Nanjing
Hangzhou Branch	28	1,297	112,516	Yuanyang Building, No. 25 Qingchun Road, Hangzhou
Chongqing Branch	20	845	85,941	Tongjiyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	18	839	54,370	CMBC Building, No. 78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	17	623	32,741	Minsheng Bank Building, No. 280 Hudong Road, Gulou District, Fuzhou
Jinan Branch	19	1,098	57,945	No. 229 Leyuan Street, Jinan
Ningbo Branch	17	685	33,394	No. 348 Min'an Road, Jiangdong District, Ningbo
Chengdu Branch	26	966	74,338	No. 6 Building, No. 966, North Section of Tianfu Avenue, Gaoxin District, Chengdu
Tianjin Branch	19	679	33,004	13/F, Xinda Square, No. 188, Jiefang North Road, Heping District, Tianjin
Kunming Branch	16	519	39,164	Chun Tian Yin Xiang Building, No. 331 Huancheng Nan Road, Kunming
Quanzhou Branch	11	413	26,138	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	13	822	61,568	CMBC Financial Building, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	17	735	31,465	No. 18 Fuzhou Nan Road, Shi Nan District, Qingdao
Wenzhou Branch	9	482	27,446	Development Building, No. 335 Xincheng Avenue, Lucheng District, Wenzhou
Xiamen Branch	11	443	61,296	Lixin Plaza, No. 90 Hubin Nan Road, Xiamen



# Directors, Supervisors, Senior Management and Employees



Name of entity	Number of outlets	Headcount	Total assets (RMB million) (excluding deferred income tax assets)	Address
Zhengzhou Branch	20	680	45,328	CMBC Building, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	12	587	41,750	No. 669 Furong Zhong Road 1 Duan, Changsha
Changchun Branch	10	356	22,864	No. 500 Changchun Street, Changchun
Hefei Branch	10	374	19,363	Tian Qing Building, No. 135 Bozhou Road, Hefei
Nanchang Branch	9	394	22,760	No. 237 Xiangshan Bei Road, Dong Hu District, Nanchang
Shantou Branch	7	269	8,754	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	2	174	7,969	Guangxi Development Tower, No. 111-1 Minzu Avenue, Nanning
Hohhot Branch	2	123	29,259	D Tower and 1-3/F of A Tower of Caifu Mansion, Xinhua East Street, Saihan District, Hohhot
Shenyang Branch	2	117	8,488	A Tower, Royal Wanxin International Mansion, No. 390, Qingnian Street, Heping District, Shenyang
Hong Kong Branch	1	72	17,857	36/F, Bank of American Tower, 12 Harcourt Road, Central, Hong Kong
Inter-region adjustment			(592,448)	
<b>Total</b>	<b>640</b>	<b>41,943</b>	<b>2,504,082</b>	

Notes:

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

## I. Corporate Governance Overview

During the reporting period, the Company organized the meetings in compliance with laws and regulations while optimizing the efficiency and transparency of its corporate governance system and structure. The Company further refined its system construction, enhanced risk management, improved internal control system, conducted performance appraisals of the Directors and Senior Management, strengthened its communication with the investors and successfully completed all target works:

1. During the reporting period, the Company had coordinated and prepared a total of 44 meetings, including 3 Shareholders' General Meetings, 6 Board meetings, 23 meetings of the special committees of the Board (3 Strategic Development and Investment Management Committee meetings, 7 Risk Management Committee meetings, 2 Audit Committee meetings, 3 Related-Party Transactions Supervision Committee meetings, 2 Compensation and Remuneration Committee meetings and 6 Nomination Committee meetings), 5 meetings of the Supervisory Board and 7 meetings of the special committees of the Supervisory Board.
2. During the reporting period, the Board and the Supervisory Board had re-elected and formed the new sessions of the Board, the Supervisory Board and all special committees in compliance with the relevant laws and regulations, the principle of stability and qualification requirements, which laid the foundation for the enhancement of corporate governance.
3. With reference to the domestic and overseas regulatory requirements, the Company has formulated the Basic Rules for Internal Control of China Minsheng Banking Corp., Ltd. (中國民生銀行內部控制基本規定), the Rules for Insider Registration and Management of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司內幕信息知情人登記管理規定), Administrative Measures on Risk Evaluation of the Board of Directors of China Minsheng Banking Corp., Ltd. (中國民生銀行董事會風險評估管理辦法) and Operational Risk Management System of China Minsheng Banking Corp., Ltd. (中國民生銀行操作風險管理制度), and amended Terms of Reference of Strategic Development and Investment Management Committee under the Board (董事會戰略發展與投資管理委員會工作細則), Terms of Reference of Audit Committee under the Board (董事會審計委員會工作細則), Terms of Reference of Nomination Committee under the Board (董事會提名委員會工作細則), Terms of Reference of Compensation and Remuneration Committee under the Board (董事會薪酬與考核委員會工作細則), Rules for Investor Relationship Management of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司投資者關係管理工作制度), Provisional Administrative Measures on Consolidation Management of China Minsheng Banking Corp., Ltd. (中國民生銀行併表管理辦法(試行)), Administrative Measures on Liquidity Risk of China Minsheng Banking Corp., Ltd. (中國民生銀行流動性風險管理辦法), Liquidity Contingency Plan of China Minsheng Banking Corp., Ltd. (中國民生銀行流動性應急計劃), Terms of Reference of the Supervisory Board of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司監事會議事規則), Terms of Reference of Nomination and Remuneration Committee under the Supervisory Board of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司監事會提名與薪酬委員會工作細則), and Terms of Reference of Supervisory Committee under the Supervisory Board of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司監事會監督委員會工作細則), to further improve the corporate governance system.
4. During the reporting period, the Company has consolidated the Standards for Compliance Risk Management and Administrative Measures (合規風險管理標準) and the Internal Control Manual (內控手冊) pursuant to the internal control requirements, to improve the compliance level and internal control efficiency. Besides, the Company has exerted all efforts to promote the implementation of the internal control measures by facilitating and supervising all



branches to formulate and promote the implementation plans, organize trainings, carry out localized internal control pursuant to the Internal Control Manual (內控手冊), and identify and rectify internal control defects. The Company also prepared the Three-Year Plan for Internal Control Development (內部控制建設三年規劃) for the improvement of internal control system and procedures.

5. During the reporting period, pursuant to the regulations and rules of the Provisional Measures on Performance Appraisal of Senior Management of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司高級管理人員盡職考評試行辦法), the Company evaluated the performance of Senior Management appointed by the Board under the guidance of the Compensation and Remuneration Committee of the Board, and determined their remunerations and duties in accordance with the results to improve their capabilities in fulfilling duties.

Pursuant to the Provisional Measures on Performance Appraisal of Directors of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司董事履職評價試行辦法), the Compensation and Remuneration Committee of the Board has completed the annual appraisal of Directors' performance to enhance their senses of due diligence and self-discipline.

6. During the reporting period, the Supervisory Board held various meetings to consider relevant resolutions on the Company's major works, attended the meetings of the Board and important business meetings of the Senior Management, supervised and advised on major issues including legal operation, financial reporting and internal control, continued to improve the mechanism of the Supervisory Board and enhanced the supervision and evaluations on the performance of Directors, Supervisors and Senior Management in accordance with the Company Law, Articles of Association and requirements of regulatory authorities. The Supervisory Board has strengthened supervision on the operation, decision-making and implementation of internal control measures of the Company through attending meetings, reviewing performance appraisal reports, conducting inspections and investigations, and prepared and disclosed the relevant evaluation reports in accordance with the applicable rules.
7. During the reporting period, the Board of the Company continued to duly perform its duties of risk guidance, risk evaluation and risk study, promoted the implementation of various risk policies issued by the regulatory authorities and the Board, strengthened supervision and expedited the establishment of a comprehensive risk management system of the Company. The Board has reinforced its risk management functions by formulating the Administrative Measures on Risk Evaluation of the Board (董事會風險評估管理辦法) and Risk Management Guidelines of the Board in 2012 (董事會2012年度風險管理指導意見).
8. A total of 4 issues of Newsletters of the Board of Directors (董事會工作通訊), 25 issues of Internal Circulars (內部參考) and 7 issues of Newsletter of the Supervisory Board (監事會通訊) were published during the reporting period, serving as a convenient and effective communication platform of corporate governance among the Board, the Supervisory Board and the Senior Management, and among the Directors and Supervisors.

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

## II. Shareholders' General Meeting

### (I) The Annual General Meeting ("AGM")

On 15 June 2012, the 2011 AGM of the Company was held physically in Beijing. The following resolutions were considered and passed at the meeting: Resolution on the Annual Report of the Company for 2011, Resolution on the Final Financial Report of the Company for 2011, Resolution on the Annual Budgets of the Company for 2012, Resolution on the Work Report of the Board of Directors of the Company for 2011, Resolution on the Work Report of the Supervisory Board of the Company for 2011, Resolution on the Appointment of and Remuneration to the Accounting Firm in 2012, Resolution on the 2011 Profit Distribution Plan and Distribution Principle for the First Half of 2012, Resolution on the Statement on the Use of Proceeds for the Previous Fund Raising Activities of the Company, Resolution on Issuance Plan of Financial Bonds and Subordinated Bonds of China Minsheng Banking Corp., Ltd. for 2012–2014, Resolution on the Amendments to Certain Provisions of the Articles of Association of China Minsheng Banking Corp., Ltd., Resolution on the Amendments to the Terms of Reference of the Supervisory Board of China Minsheng Banking Corp., Ltd., Resolution on the Election of Certain Directors of China Minsheng Banking Corp., Ltd. and Resolution on the Amendment to Provisions on Dividend Distribution in the Articles of Association of China Minsheng Banking Corp., Ltd..

### (II) The Extraordinary General Meeting ("EGM")

1. On 10 April 2012, the First EGM of the Company in 2012 was held physically in Beijing. The following resolutions were considered and passed at the meeting: Resolution on the Election of the Company's 6th Session of the Board of Directors, Resolution on the Election of the Company's 6th Session of the Supervisory Board and Resolution on the Amendments to Certain Provisions of the Articles of Association of China Minsheng Banking Corp., Ltd..
2. On 3 May 2012, the Second EGM, the First A Share Class Meeting in 2012 and the First H Share Class Meeting in 2012 were convened in Beijing, respectively, and both on-site and online voting were adopted. The following resolutions were considered and passed at the meeting: Resolution on the Extension of the Validity Period of the Resolution in respect of the Public Issuance of A Share Convertible Corporate Bonds by China Minsheng Banking Corp., Ltd. and Authorization period of the Board and the Authorized Person for Handling Related Matters.



### III. Meetings of the Board and its Special Committees

During the reporting period, 6 Board meetings were convened by the Board.

During the reporting period, 23 meetings of the special committees under the Board of the Company were convened, including 3 meetings of the Strategic Development and Investment Management Committee, 7 meetings of the Risk Management Committee, 2 meetings of the Audit Committee, 3 meetings of the Related Party Transaction Supervision Committee, 2 meetings of the Compensation and Remuneration Committee and 6 meetings of the Nomination Committee.

During the reporting period, the Strategic Development and Investment Management Committee under the Board discussed on 9 designated issues and received and considered 2 special work reports; the Risk Management Committee discussed on 10 designated issues and received and considered 1 special work report; the Audit Committee discussed on 11 designated issues; the Related Party Transactions Supervision Committee discussed on 9 designated issues; the Compensation and Remuneration Committee discussed on 5 designated issues; and the Nomination Committee discussed on 13 designated issues and received and considered 1 special work report.

### IV. Meetings of the Supervisory Board and its Special Committees

During the reporting period, 5 Supervisory Board meetings were convened by the Supervisory Board and 7 meetings of the special committees under the Supervisory Board of the Company were convened, including 4 meetings of the Nomination and Remuneration Committee and 3 meetings of the Supervisory Committee.

### V. Internal Control and Internal Audit

#### (I) Adequacy, effectiveness and completeness of internal control

##### 1. Organization structure of internal control system

The Company has established an independent internal control organization structure. The Shareholders' General Meeting, the Board, the Supervisory Board and the management team led by the Board perform their respective duties. The highest authority of the Company is the Shareholders' General Meeting. The Board is the decision-making body while the Supervisory Board is a supervisory unit of the Company. Six special committees are established under the Board as decision-making research units, which include Strategic Development and Investment Management Committee, Audit Committee, Risk Management Committee, Nomination Committee, Compensation and Remuneration Committee and Related Party Transactions Supervision Committee. The President and the management team are responsible for direction, coordination, management and supervision of the Company's daily operational activities according to decisions made by the Board.

The internal control management system works effectively under the comprehensive corporate governance structure of the Company. The Board is responsible for ensuring the integrity and smooth implementation of the internal control system. The Audit Committee under the Board supervises and directs the establishment of the internal control system through review of internal control reports, inspection of internal control of each unit and self-evaluation on a regular basis. Risk Management Committee under the Board supervises risk status of the management by formulating

# Corporate Governance

annual risk management guidance and carrying out evaluation and investigation on risk reports regularly. Through the investigations and the research carried out by the Audit Committee and the Risk Management Committee, the Board grasps the general internal control condition, researches relevant issues concerning the decision-making and suggests constructive ideas to the management. The management of the Company seriously implements the instructions and work plans of the Board on internal control management to make comprehensive improvement on risk management. This includes improving the implementation and authority of the internal control policies and procedures and improving the consistent implementation of internal control management, its involvement in processes and daily operations and its compliance with best practices. The Supervisory Board, as required under the Company Law of PRC, relevant regulatory provisions and the Articles of Association, supervises whether the performances of the Board, senior management and its members are in compliance with the laws and regulations and is accountable to the Shareholders' General Meeting, in order to ensure the compliance and promote sound development of the Company's operation. The Company has formed an effective and standard internal control and management system that incorporates education, early warning, prevention, and incentive and punitive functions, where each department has clearly defined responsibility and cooperates with one another under mutual restriction and supervision.

## 2. Internal control system

In compliance with Commercial Bank Law of the PRC (中華人民共和國商業銀行法), Guidelines for Internal Control of Commercial Banks (商業銀行內部控制指引) and other laws and regulations and regulatory rules, and for the purpose of risk prevention and prudent business operation, the Company has reviewed and improved the internal control system and has gradually formed a set of rational and comprehensive internal control policies. The Company has also formulated a series of internal management rules and internal control mechanisms for risk prevention, control, subsequent supervision and rectification to ensure stringent and controllable risk exposure management.

The internal control system covers corporate governance policies cored on the Articles of Association of the Company and the rules of procedures of Shareholders' General Meeting, the Board and its special committees and the Supervisory Board. It also covers operational systems that involve business regulation such as loans to corporate clients, corporate deposits, loans to individuals, personal deposits, other personal business, treasury, wealth management, trade finance, e-banking, credit card, investment banking and asset custody. Management systems are also covered, including the regulations of accounting management, accounting and audit, financial management, IT, computer system risk control, corporate culture establishment, organization position setting and definition of terms of reference, employment, qualification, compulsory leave, authority management, seal management, physical security, rewards and penalty systems of units and employees, supervision and inspection. The system also covers information control systems, in particular, the Information Disclosure Management System (信息披露管理制度) and the Operation Information Internal Reporting System (經營信息內部報告制度). The existing policies have been embedded into current management departments, business departments, business processes and operating procedures and provide sound and effective protection against financial risks.

## 3. Major internal control measures

The Company strengthened its corporate governance structure and improved the regular communication between the Shareholders' General Meeting, the Board, the Supervisory Board, the management and each special committee of the management and check and balance at decision-making process. It reinforced the authorization management of



all businesses and adopted classified authorization and supervision mechanism that is in line with relevant rights and obligations. The Company improved internal control measures of all business processes and operation procedures by tightening business authorization, approval procedure and authority, and establishing internal control policies and procedures with rational labor division, clearly defined rights and obligations, check and balance and mutual supervision between different job positions and organs. The Company standardized accounting settlement, made adequate financial resources allocation, and satisfied internal control requirements in terms of quality and structure of human resources in accordance with the new accounting standards so as to guarantee the truthfulness and integrity of the accounting information and the truthfulness, reliability and fairness of the financial statements. The Company set up and improved a financial budget management system, specifically defined the process control over the preparation, execution, usage and feedback mechanism of the financial budget, which has played a proactive role in cost control, resources allocation efficiency and reasonable usage of resources. The Company made timely identification and regular evaluation on operational risks and internal control status to ensure the compliance of all business operation and management activities as well as safety and integrity of assets under the principles of comprehensiveness, effectiveness and adaptivity. The Company reinforced the implementation of internal control policies and procedures by linking the execution of internal control with business performance of its organs, adopting strict accountability standards against ineffective internal control while maintaining effective incentive measures to ensure internal control measures in place for all procedures including decision-making, implementation, supervision and feedback.

During the reporting period, the Company refined and improved its internal control system by taking the following measures: (i) the capability of overall risk management of the Company was enhanced by facilitating the implementation of the New Basel III Accord. The Implementation Plan of New Basel III Accord of China Minsheng Banking Corp., Ltd. (中國民生銀行新資本協議項目實施規劃) was formulated and relevant works were conducted pursuant to the targets set out in the plan. The credit risk internal grading system was improved significantly and extended to credit management and utilization of impairment provision. The Company also commenced the market risk management and consultation project, and the planning and construction of market risk system and data were also proceeded in steps. The three major measures against operational risk were implemented and the management of the New Basel III Accord was smooth; (ii) the management levels of internal control and legal compliance were enhanced by promoting the application of Basic Standards for Corporate Internal Control (企業內部控制基本規範). The Company has consolidated the Standards for Compliance Risk Management and Administrative Measures (合規風險管理標準) and Internal Control Manual (內控手冊) which improved the compliance level and internal control efficiency. Besides, the Company has exerted all efforts to promote the implementation of corporate internal control by facilitating and supervising all branches to formulate and promote the implementation plan, organize trainings, carry out internal control pursuant to the Internal Control Manual (內控手冊), and identify and rectify internal control defects. The Company also prepared the Three-Year Plan for Internal Control Development (內部控制建設三年規劃) for the improvement of internal control system and procedures; (iii) the construction of process-based banking with delicacy management was further expedited. The Company strengthened the use of the three advanced management tools, namely Voice of Customers, Six Sigma and Balanced Scorecard, and created the strategic development blueprint of the Company in accordance with the specific development strategies of all businesses to form the strategic indicator mechanism in line with the strategic goals and management features of the Company and the customer-oriented strategy implementation mechanism; (iv) the internal risk prevention system was streamlined by extending the assessment mechanism, division of responsibility and accountability to employees of all levels in order to strengthen the risk control and prevention. The Company strived to

maintain the effectiveness of risk prevention and control by allocating more manpower through appointing designated staff with specified positions and duties. A series of risk prevention measures including the Administrative Measures for Job Rotation of Staff at Major Positions (重要崗位員工輪崗管理辦法) and Implementation Plan of Risk Prevention in 2012 (2012年案件防控實施方案) were formulated, which strengthened the system, refined the measures and promoted the effective implementation of risk prevention; and (v) the inspection on the effectiveness of its internal control and risk management was strengthened. Major business lines and procedures including credits, financial accounting, retail banking, credit cards and electronic banking were assessed through internal evaluation between operating units, examination by the management office of the head office and supervision and assessment by the Audit Department. The Company strengthened investigation on the implementation of the Thirteen Rules in Managing Operational Risk, inspection of newly established units, risk inspection of businesses with high risk exposures and rectification mechanism of risk management and internal control, and further improved the internal control level of the Company.

#### **4. Supervision and evaluation activities of internal control**

The Internal Audit Department of the Company is responsible for supervision and regular evaluation on the establishment and implementation of internal control policies and procedures. It oversees and facilitates the revision and refinement of branches and business departments in response to changes in the laws and regulations of the country, the Company's organizational structure, business performance and market environment.

During the reporting period, the Audit Department of the Company optimized and adjusted internal control evaluation systems in respect of the procedures, reports, criteria and tools of evaluation, grading methods and identification of defects of internal control based on the business transformation of the Company and internal control evaluations in the past years in compliance with the new internal control requirements of the five ministries. The evaluation on the operation results, performance and the execution of strategies of the Board of different departments were improved and the overall effectiveness of internal control evaluation was further enhanced. The Company carried out comprehensive internal control evaluation in the branches in Shijiazhuang, Hefei, Nanchang, Fuzhou and Changchun and the Transportation Finance SBU, so as to continuously enhance their internal control standards. The Company also carried out comprehensive internal audit in the second-tier branches in Gangzhou, Datong, Lvliang, Baoji, Dongying and Nantong, as well as the cross-city sub-branch in Taicang, supervised the internal control and standardized management of newly launched business units so as to improve its compliant operation and internal control systems. Through continuous evaluation on internal control, the Company achieved quantitative management of internal control of business units and enhanced the internal momentum of stable operation. These measures enhanced the effective application of evaluation results and the organic integration of internal audit evaluation with other risk management initiatives, and substantially improved the overall internal control level of the Bank.

#### **5. Culture of internal control**

The Company attaches high importance to create and cultivate an outstanding corporate culture which conforms to requirements of modern commercial bank and has its own characteristics. Having reviewed, concluded, standardized and improved the existing corporate culture, the Company unified all operational management areas, such as internal control, marketing, risk management, incentives and assessment under the mission, vision and core concept set by the corporate culture and brand building. The Company has come up with operation philosophy, code of conduct and positive image of its own. The Company also addresses the establishment of corporate sub-culture focusing on business





development and risk management, which has gradually evolved into a corporate culture system that is consistent to the core value, and helps to introduce all employees to proper business performance values, and prudent risk and compliance awareness.

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

## **6. Working plan and implementation plan for the establishment of a sound internal control system**

According to the new requirements of the Basic Standard for Corporate Internal Control (企業內部控制基本規範) and Application Guidelines for Corporate Internal Control (企業內部控制應用指引) issued by the five ministries, including the Ministry of Finance, the Company formulated and issued the 2012 Promotion Plan for Implementation of Standard Internal Control Practices (2012年度內控規範實施建設項目成果推廣方案) based on the implementation results of internal control last year, which included the training and promotion of the internal control measures, internal control manual and compliance risk management guide, the localization of internal control manual and the inspection, evaluation and rectification of the implementation of internal control manual and targets, so as to push forward the implementation of standard internal control practices at all levels of the Company. In the next stage, the Company will proceed with establishment and implementation of long-term internal control, continue to promote the implementation of the practices and actively explore the application of advanced internal control technique, enhance the cultivation of internal control culture and constantly improve the internal control management system at all management levels and business operation procedures that complies with the actual situation of the Company, so as to enhance its management level and risk prevention capability, and ensure the effective implementation of development strategies of the Company.

### **(II) Internal audit**

The Company has an internal audit organization — Internal Audit Department. Under the leadership of the Audit Committee of the Board, the Company adopts an independent internal audit model with a vertical management structure topped by the head office. Currently, the Company has five regional audit centers in Northern China, Eastern China, Southern China, Mid-China and Northeast China. The Internal Audit Department set up the product business audit center, industry finance audit center, on-site audit center and off-site audit centers according to the specialized operating characteristics of the Company. Business management center, evaluation and accountability center and supervision and coordination center were also established. The Internal Audit Department is responsible for performing independent examination and evaluation on all business operations and management activities of the Company,

monitoring and examining the effectiveness of its internal control and carrying out evaluation and advisory activities for its internal control independently and objectively. To ensure the independence and effectiveness of the audit, material audit findings and internal control defects are directly reported to Senior Management and the Audit Committee of the Board. The Company has set up and improved the standardized internal audit system, and an integrated audit examination system comprising on-site audit and off-site audit. Off-site audit system covers all assets and liability businesses of the Company. Risk-oriented audit on internal control covers all business lines and internal management procedures including corporate banking, retail business, financial market, trade finance, credit card, financial accounting and risk management, etc. The Company has initially achieved full coverage of audit on risk exposures in credit, operation, market and compliance.

The Company performed supervision and examination on internal control of business units through 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 year. During the reporting period, the Audit Department performed 24 on-site audits, 12 off-site special audits and departure audits for 85 persons, including 24 senior management departed. It issued 96 audit reports and research reports, 31 issues of internal audit newsletter of 2011, 15 risk warnings and audit recommendations, and performed its supervision, evaluation and consultation duties effectively. The examinations covered various businesses of the Company, including corporate banking, retail business, operation management, financial management, trade finance, bills, e-banking, credit card and income from intermediary business. The problems identified in the audit were tracked and urged to be rectified, the persons responsible for the problems were held accountable. Collaborations among head office, branches and business management departments in resolving problem were also strengthened. In addition to conducting examination on overall business and process risks, the Bank has notably improved its internal control system and management level.

## **VI. Compliance with the Appendix 14 of the Hong Kong Listing Rules**

The Company has fully complied with the provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Hong Kong Listing Rules and most of the recommended best practices set out therein during the period of 1 January 2012 to 31 March 2012.

Saved as disclosed below, the Company has fully complied with the amended code on Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules and most of the recommended best practices set out therein during the period of 1 April 2012 to the date of this report. For Code A.6.7 of the Corporate Governance Code, two Independent Non-executive Directors did not attend the 2012 First Extraordinary General Meeting held on 10 April 2012 due to business trips. Two Non-executive Directors did not attend the 2012 Second Extraordinary General Meeting, the 2012 First A Share Class Meeting, and the 2012 First H Share Class Meeting held on 3 May 2012 (the “2012 Shareholders’ Meetings”) due to business trips. One Non-executive Director did not attend the 2012 Shareholders’ Meetings due to other work arrangement. A Non-executive Director did not attend the 2011 Annual General Meeting held on 15 June 2012 due to business trip.



## I. Profit Appropriation in 2011

The Board of the Company has distributed bonus and dividend to the shareholders according to the 2011 Profit Appropriation Plan which was passed in the 2011 AGM. On the basis of a total share capital of the Company of 28,365,585,227 shares as at 25 June 2012, the Company distributed cash dividend of RMB3.00 (before tax) for every 10 shares, approximately RMB8,510 million in total, to shareholders registered of the close of the market. The cash dividend of A Shares was denominated and declared in Renminbi and paid to the holders of A Shares in Renminbi whereas the holders of H Shares were paid in Hong Kong dollars. The Company accomplished the cash dividend distribution to the holders of A Shares and H Shares on 29 June 2012 and 10 July 2012, respectively.

## II. Interim Profit Appropriation in 2012

The reviewed profit after income tax of the Company in the first half of 2012 is RMB18,709 million. The Company has proposed its profit distribution preplan for the first half of 2012 as follows: appropriation of 10% of the net profit of the first half of 2012, being RMB1,871 million to the statutory surplus reserve; and appropriation of RMB3,100 million for the general reserve. The profit distributable to shareholders as at the end of June 2012 is RMB43,714 million. The Company plans to distribute cash dividend of RMB1.50 (before tax) for every 10 shares on the basis of total share capital of A shares and H shares on 30 June 2012, being 28,365,585,227 shares, to holders of A Shares and H Shares registered in the Company's register of members on the record date. The cash dividend will be denominated and declared in RMB and the holders of A Shares will be paid in RMB whereas the holders of H Shares will be paid in Hong Kong dollars. The actual amount of dividend to be paid in Hong Kong dollars will be determined based on the basic rate of RMB against Hong Kong dollars as announced by the PBOC as at the date of the board meeting.

## III. Investments

### 1. Investment in Jinghong Minsheng Township Bank Co., Ltd. (景洪民生村鎮銀行股份有限公司)

On 10 August 2010, the 11th meeting of the 5th session of the Board of Directors of the Company resolved to establish Jinghong Minsheng Township Bank Co., Ltd. with a registered capital of RMB30.00 million. The Company made a capital contribution in the amount of RMB15.30 million, representing 51% of the total share capital of such company. Jinghong Minsheng Township Bank Co., Ltd. was established on 11 April 2012.

### 2. Investment in Zhidan Minsheng Township Bank Co., Ltd. (志丹民生村鎮銀行股份有限公司)

On 10 August 2010, the 11th meeting of the 5th session of the Board of Directors of the Company resolved to establish Zhidan Minsheng Township Bank Co., Ltd. with a registered capital of RMB15.00 million. The Company made a capital contribution in the amount of RMB7.65 million, representing 51% of the total share capital of such company. Zhidan Minsheng Township Bank Co., Ltd. was established on 13 April 2012.

# Report of the Board of Directors

### **3. Investment in Puer Minsheng Township Bank Co., Ltd. (普洱民生村鎮銀行股份有限公司)**

On 10 August 2010, the 11th meeting of the 5th session of the Board of Directors of the Company resolved to establish Puer Minsheng Township Bank Co., Ltd. with a registered capital of RMB30.00 million. The Company made a capital contribution in the amount of RMB15.30 million, representing 51% of the total share capital of such company. Puer Minsheng Township Bank Co., Ltd. was established on 18 April 2012.

### **4. Investment in Yulin Yuyang Minsheng Township Bank Co., Ltd. (榆林榆陽民生村鎮銀行股份有限公司)**

On 10 August 2010, the 11th meeting of the 5th session of the Board of Directors of the Company resolved to establish Yulin Yuyang Minsheng Township Bank Co., Ltd. with a registered capital of RMB50.00 million. The Company made a capital contribution in the amount of RMB25.50 million, representing 51% of the total share capital of such company. Yulin Yuyang Minsheng Township Bank Co., Ltd. was established on 24 April 2012.

### **5. Investment in Ningguo Minsheng Township Bank Co., Ltd. (寧國民生村鎮銀行股份有限公司)**

On 10 August 2010, the 11th meeting of the 5th session of the Board of Directors of the Company resolved to establish Ningguo Minsheng Township Bank Co., Ltd. with a registered capital of RMB40.00 million. The Company made a capital contribution in the amount of RMB20.40 million, representing 51% of the total share capital of such company. Ningguo Minsheng Township Bank Co., Ltd. was established on 3 May 2012.

## **IV. Operations and Performances of Major Subsidiaries and Investee Companies**

1. As at 30 June 2012, Minsheng Leasing, a subsidiary of the Company, had total assets of RMB72,134 million and net assets of RMB7,841 million, representing increases of 17.82% and 7.84% as compared with the end of the year, respectively. It posted a net profit of RMB570 million in the reporting period, representing an increase of 5.56% as compared with the corresponding period of the previous year.
2. As at 30 June 2012, Minsheng Royal Fund, a subsidiary of the Company, had total assets of RMB56 million and net assets of RMB46 million, representing a decrease of 23.29% and an increase of 12.2%, as compared with the end of the year, respectively. It posted a net profit of RMB5.68 million in the reporting period, representing an increase of RMB19.41 million as compared with the corresponding period of the previous year.
3. As at 30 June 2012, 23 Minsheng Township Banks, which were established by the Company, had total assets of RMB15,169 million and total net assets of RMB2,025 million, and posted a total net profit of RMB130 million during the reporting period.



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

### 1. Listed companies in which the Company holds equity interests

Nil.

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

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

# Report of the Board of Directors

## VI. 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 as set out in Appendix 10 of the Hong Kong Listing Rules. The Company has made specific enquiries to all Directors and Supervisors to confirm that they have complied with the above-mentioned Code during the reporting period up to 30 June 2012. 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.

## VII. Interests or Short Positions 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 2012, the following Directors of the Company had the following interests in the shares of the Company:

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 corporations	1,891,893,763	1	8.38	6.67
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporations	931,073,370	2	4.12	3.28
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporations	698,939,116	3	3.09	2.46
Shi Yuzhu	Non-executive Director	A	Long position	Interest held by his controlled corporations	805,600,038	4	3.57	2.84
		H	Long position	Interest held by his controlled corporations	344,479,500	4	5.96	1.21
		H	Short position	Interest held by his controlled corporations	37,600,000	4	0.65	0.13

Notes:

- The 1,891,893,763 A shares comprised 558,306,938 A shares directly held by Sichuan South Hope Industrial Co., Ltd. and 1,333,586,825 A shares directly held by New Hope Investment Co., Ltd.. Sichuan South Hope Industrial Co., Ltd. was wholly-owned 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. (formerly known as: Sichuan New Hope Agri-Business Co., Ltd.) respectively. New Hope Group Co., Ltd. held 45.7% of the issued share capital of New Hope Liuhe Co., Ltd.. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 558,306,938 A shares held by Sichuan South Hope Industrial Co., Ltd. and the 1,333,586,825 A shares held by New Hope Investment Co., Ltd..

As Mr. Liu Yonghao held 63.65% (in which 1.31% was personally held by his spouse, Ms. Li Wei) of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,891,893,763 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. Liu Yonghao and the interests held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang, the details of which are disclosed in the section headed "Substantial Shareholders' and Other Persons' Interests or Short Positions in Shares and Underlying Shares of the Company under Hong Kong Laws and Regulations" in this interim report, were the same block of shares.

# Report of the Board of Directors



2. The 931,073,370 A shares comprised 888,970,224 A shares directly held by Orient Group Incorporation and 42,103,146 A shares directly held by Orient Group Industrial Co., Ltd.. 27.98% of the issued share capital of Orient Group Incorporation was held by Orient Group Industrial Co., Ltd., of which 32.58% of the issued share capital was held directly by Mr. Zhang Hongwei and 31.20% of the issued share capital was held by him indirectly through Orient Group Investment Holdings Co., Ltd.. 94% of the issued share capital of Orient Group Investment Holdings Co., Ltd. was held by Mingze Orient Investment Co., Ltd., which is wholly-owned by Mr. Zhang Hongwei.
3. The 698,939,116 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 96.7% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly owned by Oceanwide Holdings Co., Ltd.. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Oceanwide Holdings Co., Ltd..
4. The 805,600,038 A shares were held by Shanghai Giant Lifetech Co., Ltd.. 95.14% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 95% of the issued share capital was held by Mr. Shi Yuzhu.

The 344,479,500 H shares (long position) (in which 291,750,000 H shares were held through cash settled options) and 37,600,000 H shares (short position) (all the 37,600,000 H shares were held through cash settled options) were held by Vogel Holding Group Limited, which 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 344,479,500 H shares (long position) and 37,600,000 H shares (short position) held by Vogel Holding Group Limited.

(II) As at 30 June 2012, the following Director of the Company had the following interests in Pengzhou Minsheng Township Bank Co., Ltd., a subsidiary of the Company:

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

Note:

1. New Hope Group Co., Ltd. is interested in RMB2,000,000 of the registered capital of Pengzhou Minsheng Township Bank Co., Ltd.. As Mr. Liu Yonghao held 63.65% (in which 1.31% was personally held by his spouse, Ms. Li Wei) of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Township Bank Co., Ltd. according to the SFO.

# Report of the Board of Directors

(III) As at 30 June 2012, the following Director of the Company had the following interests in Shanghai Songjiang Minsheng Township Bank Co., Ltd., a subsidiary of the Company:

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

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB6,000,000 of the total share capital of Shanghai Songjiang Minsheng Township Bank Co., Ltd.. 95.14% of the issued share capital of Shanghai Giant Lifetech Co., Ltd.. was held by Giant Investment Co., Ltd., while Mr. Shi Yuzhu in turn held 95% of the issued share capital of Giant Investment Co., Ltd.. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Township Bank Co., Ltd. according to the SFO.

Save as disclosed above, as at 30 June 2012, 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.

## VIII. Major Connected Transactions

In the reporting period, the Company did not conduct any major connected transactions. Please refer to note 41 "Related Parties" of the consolidated financial statements for details in relation to related transactions subject to accounting principles by the end of the reporting period.

## IX. Disciplinary Measures and Penalties to the Company, the Board and Directors of the Company

In the reporting period, none of the Company, the Board or Directors of the Company was subject to any disciplinary measures or penalties.

## X. Contractual Rights and Service Contracts of Directors and Supervisors

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





## I. Material Litigation and Arbitration

In the reporting period, the Company had no litigation or arbitration which has significant impact on its operations. As at 30 June 2012, there were 364 outstanding litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB3,295.6951 million and 48 outstanding litigations involving the Company as defendant for approximately RMB121.8860 million.

## II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Company has strictly complied with the provisions of the Articles of Association, the Basic Accounting Rules and the Administrative Measures on Fixed Assets of the Company 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 of Core Area of Beijing CBD. Currently, the project is under review and the preparation for its development plan is in progress.

The Company participated in and won the bid for the land use right of Plot 2010P26 at the intersection of Douzaiwei Road and Hubin South Road in Xiamen. Currently the Company is applying for the review of project planning and is preparing for commencement of construction.

The execution of contracts and progress of the construction of Shunyi Headquarter Base in Beijing have been satisfactory. For the main construction project, the core construction of outdoor external curtain wall has been completed while construction of interior fixtures is in progress with 50% completed. For specific engineering, the construction of water supply and drainage, fire prevention engineering and installation of air-conditioning, decorative lighting, boiler equipment and elevators have been completed. Most of the electrical engineering of light current and electrical installation has been completed. Kitchen equipment installation is underway. Construction of outdoor pipe network and transformer room is in the process of tendering. Gas engineering contracts are ready for signature.

## IV. Major Guarantees

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

## V. Commitments by the Company

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

# Major Events

## VI. Repurchase, Sale or Redemption of Securities

During the six months ended 30 June 2012, the Group has neither sold any securities of the Company nor repurchased or redeemed any securities of the Company.

## VII. Audit Committee

An Audit Committee has been established in accordance with the requirements of the Hong Kong Listing Rules and its members are Mr. Qin Rongsheng (Chairman), Mr. Cheng Hoi-chuen, Mr. Wang Songqi, Mr. Han Jianmin, Mr. Shi Yuzhu and Mr. Wu Di. The main responsibilities of the Audit Committee include reviewing and providing supervision over the financial reporting procedures and internal controls system of the Company and providing advices to the Board. The Audit Committee of the Company has reviewed and confirmed the interim results announcement for the six months ended 30 June 2012 and the interim report for the first half of 2012.

## VIII. Other Major Events

The Company received a banking license issued by the Hong Kong Monetary Authority and became a licensed bank in Hong Kong.

The Company was approved by the CSRC to issue additional overseas listed foreign invested shares not exceeding 1,650,852,240 shares upon the receipt of the Reply on Approving New Issuance of Overseas Listed Foreign Invested Shares by China Minsheng Banking Corp., Ltd. (Zhengjian Xuke [2012] No.211) (關於核准中國民生銀行股份有限公司增發境外上市外資股的批覆》(證監許可[2012]211號)). On 26 March 2012, the Company entered into a Placing Agreement with an underwriting syndicate for the allotment of 1,650,852,240 H shares which were duly listed and traded on 2 April.

Pursuant to the Reply on Approving Commencement of Business Operation of Yulin Yuyang Minsheng Township Bank Co., Ltd. and Qualification of Its Directors and Senior Management (Yu Yin Jian Fu [2012] No.16) (關於榆林榆陽民生村鎮銀行股份有限公司開業及董事和高管人員任職資格的批覆(榆銀監覆[2012]16號)) issued by the Yulin Branch of the CBRC, the commencement of business operation of Yulin Yuyang Minsheng Township Bank Co., Ltd. was approved.

Pursuant to the Reply on Approving Commencement of Business Operation of Zhidan Minsheng Township Bank Co., Ltd. and Qualification of Its Directors and Senior Management (Yan Yin Jian Fu [2012] No.16) (關於志丹民生村鎮銀行股份有限公司開業及董事和高級管理人員任職資格的批覆(延銀監覆[2012]16號)) issued by the Yan'an Branch of the CBRC, the commencement of business operation of Zhidan Minsheng Township Bank Co., Ltd. was approved.

Pursuant to the Reply on Approving Commencement of Business Operation of Jinghong Minsheng Township Bank Co., Ltd. (Xi Yin Jian Fu [2012] No.8) (關於同意景洪民生村鎮銀行股份有限公司開業的批覆(西銀監覆[2012]8號)) issued by the Xishuangbanna Branch of the CBRC, the commencement of business operation of Jinghong Minsheng Township Bank Co., Ltd. was approved.



Pursuant to the Reply on Approving Commencement of Business Operation of Puer Minsheng Township Bank Co., Ltd. (Pu Yin Jian Fu [2012] No.23) (普洱銀監分局關於核准普洱民生村鎮銀行股份有限公司開業的批覆(普銀監覆[2012]23號)) issued by the Puer Branch of the CBRC, the commencement of business operation of Puer Minsheng Township Bank Co., Ltd. was approved.

Pursuant to the Reply on Approving Commencement of Business Operation of Ningguo Minsheng Township Bank Co., Ltd. (Xuan Yin Jian Fu [2012] No.25) (宣城銀監分局關於甯國民生村鎮銀行股份有限公司開業的批覆(宣銀監覆[2012]25號)) issued by the Xuancheng Branch of the CBRC, the commencement of business operation of Ningguo Minsheng Township Bank Co., Ltd. was approved.

## **IX. Appointment and Removal of Accounting Firms**

The 2011 AGM of the Company resolved to engage KPMG Huazhen (Special General Partnership) and KPMG as the auditors of the Company in 2012.

# Financial Reports

- I. Independent Review Report
- II. Financial Statements (Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows)
- III. Notes to the Unaudited Interim Financial Information
- IV. Unaudited Supplementary 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 84 to 151, which comprises the condensed consolidated statement of financial position as at 30 June 2012, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34.

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

### **Scope of review**

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

### **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 2012 is not prepared, in all material respects, in accordance with International Accounting Standards 34 "Interim Financial Reporting".

A handwritten signature of 'KPMG' in black ink, with a horizontal line underneath.

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

23 August 2012

# Condensed Consolidated Income Statement

For the six months ended 30 June 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2012 (unaudited)	2011 (unaudited)
Interest income		72,581	51,859
Interest expense		(34,710)	(22,314)
<b>Net interest income</b>	5	<b>37,871</b>	<b>29,545</b>
Fee and commission income		10,708	8,181
Fee and commission expense		(678)	(262)
<b>Net fee and commission income</b>	6	<b>10,030</b>	<b>7,919</b>
Net trading gain	7	597	146
Net gain arising from disposals of securities and discounted bills	8	2,871	1,191
Impairment losses on assets	9	(5,406)	(4,337)
Operating expenses	10	(19,418)	(15,659)
Other operating expenses		(846)	(398)
<b>Profit before income tax</b>		<b>25,699</b>	<b>18,407</b>
Income tax expense	11	(6,291)	(4,351)
<b>Net profit</b>		<b>19,408</b>	<b>14,056</b>
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		19,053	13,918
Non-controlling interests		355	138
		<b>19,408</b>	<b>14,056</b>
<b>Basic and diluted earnings per share (expressed in RMB)</b>	12	<b>0.69</b>	<b>0.52</b>

The notes on pages 91 to 151 form part of these financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2012 (unaudited)	2011 (unaudited)
<b>Net profit</b>		<b>19,408</b>	<b>14,056</b>
Other comprehensive income/(loss):			
Net change in fair value of available-for-sale securities	37	824	(113)
Income tax relating to available-for-sale securities	37	(206)	27
<b>Other comprehensive income/(loss), net of tax</b>		<b>618</b>	<b>(86)</b>
<b>Total comprehensive income</b>		<b>20,026</b>	<b>13,970</b>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		19,671	13,832
Non-controlling interests		355	138
		<b>20,026</b>	<b>13,970</b>

The notes on pages 91 to 151 form part of these financial statements.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2012 (unaudited)	31 December 2011 (audited)
<b>ASSETS</b>			
Cash and balances with central bank	13	366,243	332,805
Balances with banks and other financial institutions	14	246,380	232,336
Precious metals		2,395	527
Trading financial assets	15	22,758	20,423
Positive fair value of derivatives	16	570	587
Placements with banks and other financial institutions	17	50,157	37,745
Financial assets held under resale agreements	18	315,522	141,022
Loans and advances to customers	19	1,271,629	1,178,285
Finance lease receivables	21	50,213	44,895
Investment securities:			
— available-for-sale securities	20	96,567	64,857
— held-to-maturity securities	20	89,488	117,886
— loans and receivables	20	13,375	8,319
Property and equipment	22	10,375	9,971
Deferred income tax assets	23	8,567	6,982
Other assets	25	49,827	32,424
<b>Total assets</b>		<b>2,594,066</b>	<b>2,229,064</b>
<b>LIABILITIES</b>			
Borrowings from central bank		100	160
Deposits from customers	27	1,810,963	1,644,738
Deposits and placements from banks and other financial institutions	28	390,430	279,341
Financial assets sold under repurchase agreements	29	49,894	53,794
Borrowings from banks and other financial institutions	30	51,246	40,825
Negative fair value of derivatives	16	516	787
Provisions		3,747	3,061
Debt securities issued	31	74,957	31,030
Current income tax liabilities		2,739	5,770
Other liabilities	32	54,762	35,448
<b>Total liabilities</b>		<b>2,439,354</b>	<b>2,094,954</b>

The notes on pages 91 to 151 form part of these financial statements.



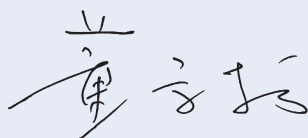
# Condensed Consolidated Statement of Financial Position

As at 30 June 2012

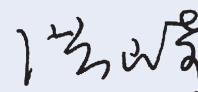
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2012 (unaudited)	31 December 2011 (audited)
<b>EQUITY</b>			
Share capital	33	28,366	26,715
Capital reserve	33	45,714	38,360
Surplus reserve	34	10,518	8,647
General reserve	34	19,843	16,740
Investment revaluation reserve	37	508	(110)
Retained earnings	34	44,814	39,245
Total equity attributable to equity shareholders of the Bank		149,763	129,597
Non-controlling interests	35	4,949	4,513
<b>Total equity</b>		<b>154,712</b>	<b>134,110</b>
<b>Total liabilities and equity</b>		<b>2,594,066</b>	<b>2,229,064</b>

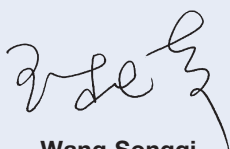
Approved and authorised for issue by the Board of Directors on 23 August 2012.



**Dong Wenbiao**  
Chairman



**Hong Qi**  
Director and President



**Wang Songqi**  
Director



The notes on pages 91 to 151 form part of these financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Note	Attributable to equity shareholders of the Bank							Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Reserve for fair value changes of available-for-sale securities	Retained earnings	Non-controlling interests	
<b>As at 1 January 2012</b>		<b>26,715</b>	<b>38,360</b>	<b>8,647</b>	<b>16,740</b>	<b>(110)</b>	<b>39,245</b>	<b>4,513</b>	<b>134,110</b>
Total comprehensive income		—	—	—	—	618	19,053	355	20,026
Share capital injection by equity shareholders		1,651	7,354	—	—	—	—	81	9,086
Appropriation to surplus reserve	34	—	—	1,871	—	—	(1,871)	—	—
Appropriation to general reserve	34	—	—	—	3,103	—	(3,103)	—	—
Cash dividends of 2011	36	—	—	—	—	—	(8,510)	—	(8,510)
<b>As at 30 June 2012</b>		<b>28,366</b>	<b>45,714</b>	<b>10,518</b>	<b>19,843</b>	<b>508</b>	<b>44,814</b>	<b>4,949</b>	<b>154,712</b>

Unaudited	Note	Attributable to equity shareholders of the Bank							Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Reserve for fair value changes of available-for-sale securities	Retained earnings	Non-controlling interests	
<b>As at 1 January 2011</b>		<b>26,715</b>	<b>38,075</b>	<b>5,903</b>	<b>13,822</b>	<b>(288)</b>	<b>19,881</b>	<b>1,149</b>	<b>105,257</b>
Total comprehensive income		—	—	—	—	(86)	13,918	138	13,970
Share capital injection of non-controlling interests		—	—	—	—	—	—	253	253
Appropriation to general reserve	34	—	—	—	1	—	(1)	—	—
Cash dividends of 2010	36	—	—	—	—	—	(2,672)	—	(2,672)
<b>As at 30 June 2011</b>		<b>26,715</b>	<b>38,075</b>	<b>5,903</b>	<b>13,823</b>	<b>(374)</b>	<b>31,126</b>	<b>1,540</b>	<b>116,808</b>
<b>As at 1 July 2011</b>		<b>26,715</b>	<b>38,075</b>	<b>5,903</b>	<b>13,823</b>	<b>(374)</b>	<b>31,126</b>	<b>1,540</b>	<b>116,808</b>
Total comprehensive income		—	—	—	—	264	14,002	385	14,651
Share capital injection of non-controlling interests		—	—	—	—	—	—	2,051	2,051
Capital premium contribution from non-controlling interests		—	290	—	—	—	—	310	600
Equity dilution of equity shareholders of the Bank		—	(5)	—	(3)	—	(219)	227	—
Appropriation to surplus reserve	34	—	—	2,744	—	—	(2,744)	—	—
Appropriation to general reserve	34	—	—	—	2,920	—	(2,920)	—	—
<b>As at 31 December 2011</b>		<b>26,715</b>	<b>38,360</b>	<b>8,647</b>	<b>16,740</b>	<b>(110)</b>	<b>39,245</b>	<b>4,513</b>	<b>134,110</b>

The notes on pages 91 to 151 form part of these financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2012 (unaudited)	2011 (unaudited)
<b>Cash flows from operating activities</b>			
Profit before income tax		25,699	18,407
Adjustments for:			
– Impairment losses on assets		5,406	4,337
– Depreciation and amortisation		811	559
– Changes in provisions		686	335
– Losses on disposal of property and equipment and other long-term assets		2	–
– (Gains)/losses from changes in fair value		(366)	53
– Net gains on disposal of available-for-sale securities		(125)	(83)
– Interest expense on debt securities issued and other financing activities		1,400	628
– Interest income from investment securities		(4,104)	(2,961)
		29,409	21,275
<i>Changes in operating assets:</i>			
Net increase in balances with central bank, banks and other financial institutions		(75,129)	(92,708)
Net increase in placements with banks and other financial institutions		(12,412)	(3,141)
Net increase in financial assets held under resale agreements		(174,500)	(154,107)
Net increase in loans and advances to customers		(98,606)	(84,857)
Net increase in other operating assets		(38,239)	(31,274)
		(398,886)	(366,087)
<i>Changes in operating liabilities:</i>			
Net increase in deposits from customers		166,225	119,893
Net increase in deposits and placements from banks and other financial institutions		111,089	127,519
Net (decrease)/increase in financial assets sold under repurchase agreements		(3,900)	44,698
Income tax paid		(11,113)	(6,219)
Net increase in other operating liabilities		40,222	29,646
		302,523	315,537
<b>Net cash from operating activities</b>		<b>(66,954)</b>	<b>(29,275)</b>

The notes on pages 91 to 151 form part of these financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2012 (unaudited)	2011 (unaudited)
<b>Cash flows from investing activities:</b>			
Proceeds from sale and redemption of investments		89,858	65,080
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		1	48
Cash payment for purchase of investment securities		(95,335)	(89,544)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(2,060)	(3,920)
<b>Net cash from investing activities</b>		<b>(7,536)</b>	<b>(28,336)</b>
<b>Cash flows from financing activities:</b>			
Capital contribution from non-controlling interests to subsidiaries		81	253
Proceeds from issue of shares		9,005	—
Proceeds from issue of debt securities		49,919	9,975
Repayments of debt securities issued		(6,000)	—
Interest paid on debt securities issued		(1,338)	(706)
Dividends paid		(6,777)	(2,258)
<b>Net cash from financing activities</b>		<b>44,890</b>	<b>7,264</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(29,600)</b>	<b>(50,347)</b>
Cash and cash equivalents at 1 January		268,262	172,217
Effect of foreign exchange rate changes		94	(148)
<b>Cash and cash equivalents at 30 June</b>	38	<b>238,756</b>	<b>121,722</b>

The notes on pages 91 to 151 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 (“PBOC”).

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

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

The Bank obtained the financial service certificate No. B10911000H0001 as approved by the China Banking Regulatory Commission (“CBRC”), and the business licence No. 1000001001898 as approved by the State Administration for Industry and Commerce of the PRC.

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

As at 30 June 2012, the Bank has 33 tier-one branches and 25 subsidiaries in the PRC.

These financial statements were authorised for issue by the Board of Directors on 23 August 2012.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 2 Basis of preparation and accounting policies

This unaudited interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 23 August 2012.

The unaudited interim financial information has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out below.

The Group has adopted new International Financial Reporting Standards (“IFRSs”) and interpretations effective for the current period. There is no early adoption of any new IFRSs not yet effective for the six months ended 30 June 2012. The following developments are relevant to the interim financial information.

- IFRS 7 (amendment), Financial instruments: Disclosures — Transfers of financial assets
- IAS 12 (amendment), Income taxes — Deferred tax: Recovery of underlying assets

The aforesaid amendments of IFRSs have no material impact on the accounting policies of the Group.

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 expenses. Actual results may differ from these estimates.

In preparing this unaudited interim financial information, significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

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 2011 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 2011 are available from the Bank’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2012.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 3 Financial risk management

### (1) Credit risk

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 2012	31 December 2011
Balances with central bank	360,858	327,630
Balances with banks and other financial institutions	246,380	232,336
Placements with banks and other financial institutions	50,157	37,745
Trading financial assets	22,758	20,423
Positive fair value of derivatives	570	587
Financial assets held under resale agreements	315,522	141,022
Loans and advances to customers		
— Corporate loans and advances	895,025	821,348
— Personal loans and advances	376,604	356,937
Investment securities		
— Debt investments	199,291	190,923
Finance lease receivables	50,213	44,895
Other financial assets	40,401	19,920
<b>Total</b>	<b>2,557,779</b>	<b>2,193,766</b>
Credit commitments off the statement of financial position	808,183	670,093
<b>Maximum credit risk exposure</b>	<b>3,365,962</b>	<b>2,863,859</b>

# Notes to the Unaudited Interim Financial Information

(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 2012	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	330,016	35,789	250	188	366,243
Balances with banks and other financial institutions	227,627	16,423	1,278	1,052	246,380
Placements with banks and other financial institutions	47,156	1,652	778	571	50,157
Financial assets held under resale agreements	315,431	—	—	91	315,522
Loans and advances to customers	1,241,530	29,027	903	169	1,271,629
Investment securities	196,924	1,113	1,393	—	199,430
Finance lease receivables	50,213	—	—	—	50,213
Other assets	68,849	9,142	9,992	6,509	94,492
<b>Total assets</b>	<b>2,477,746</b>	<b>93,146</b>	<b>14,594</b>	<b>8,580</b>	<b>2,594,066</b>
Liabilities:					
Deposits from customers	1,763,768	37,554	5,147	4,494	1,810,963
Deposits and placements from banks and other financial institutions	384,962	4,591	321	556	390,430
Financial assets sold under repurchase agreements	49,241	562	—	91	49,894
Borrowings from banks and other financial institutions	51,246	—	—	—	51,246
Debt securities issued	74,957	—	—	—	74,957
Other liabilities	18,027	38,663	1,785	3,389	61,864
<b>Total liabilities</b>	<b>2,342,201</b>	<b>81,370</b>	<b>7,253</b>	<b>8,530</b>	<b>2,439,354</b>
<b>Net position</b>	<b>135,545</b>	<b>11,776</b>	<b>7,341</b>	<b>50</b>	<b>154,712</b>
Foreign currency derivatives	780	(9,467)	5,406	3,341	60
Credit commitments off the statement of financial position	759,266	45,333	1,334	2,250	808,183



# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 3 Financial risk management (Continued)

### (2) Market risk (Continued)

#### (i) Currency risk (Continued)

31 December 2011	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	330,377	1,917	338	173	332,805
Balances with banks and other financial institutions	219,637	8,314	1,318	3,067	232,336
Placements with banks and other financial institutions	37,745	—	—	—	37,745
Financial assets held under resale agreements	141,022	—	—	—	141,022
Loans and advances to customers	1,161,118	16,654	6	507	1,178,285
Investment securities	189,640	1,327	—	95	191,062
Finance lease receivables	44,895	—	—	—	44,895
Other assets	64,235	6,042	10	627	70,914
<b>Total assets</b>	<b>2,188,669</b>	<b>34,254</b>	<b>1,672</b>	<b>4,469</b>	<b>2,229,064</b>
Liabilities:					
Deposits from customers	1,615,673	21,692	3,721	3,652	1,644,738
Deposits and placements from banks and other financial institutions	272,707	6,544	52	38	279,341
Financial assets sold under repurchase agreements	53,262	439	—	93	53,794
Borrowings from banks and other financial institutions	40,825	—	—	—	40,825
Debt securities issued	31,030	—	—	—	31,030
Other liabilities	41,988	1,506	369	1,363	45,226
<b>Total liabilities</b>	<b>2,055,485</b>	<b>30,181</b>	<b>4,142</b>	<b>5,146</b>	<b>2,094,954</b>
<b>Net position</b>	<b>133,184</b>	<b>4,073</b>	<b>(2,470)</b>	<b>(677)</b>	<b>134,110</b>
Foreign currency derivatives	390	(3,813)	2,455	796	(172)
Credit commitments off the statement of financial position	611,601	53,634	1,524	3,334	670,093

# Notes to the Unaudited Interim Financial Information

(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).

30 June 2012	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	360,858	—	—	—	5,385	366,243
Balances with banks and other financial institutions	239,959	5,911	401	109	—	246,380
Placements with banks and other financial institutions	30,140	20,017	—	—	—	50,157
Financial assets held under resale agreements	298,883	15,667	972	—	—	315,522
Loans and advances to customers (i)	972,293	287,802	7,448	4,086	—	1,271,629
Investment securities	15,482	57,519	94,900	31,390	139	199,430
Finance lease receivables	50,213	—	—	—	—	50,213
Other assets	19,841	11,335	6,670	2,066	54,580	94,492
<b>Total assets</b>	<b>1,987,669</b>	<b>398,251</b>	<b>110,391</b>	<b>37,651</b>	<b>60,104</b>	<b>2,594,066</b>
Liabilities:						
Deposits from customers	1,136,457	471,893	196,578	6,035	—	1,810,963
Deposits and placements from banks and other financial institutions	241,263	147,367	1,800	—	—	390,430
Financial assets sold under repurchase agreements	40,691	6,945	2,258	—	—	49,894
Borrowings from banks and other financial institutions	9,650	32,698	7,567	1,331	—	51,246
Debt securities issued	—	2,669	64,981	7,307	—	74,957
Other liabilities	19,894	110	—	—	41,860	61,864
<b>Total liabilities</b>	<b>1,447,955</b>	<b>661,682</b>	<b>273,184</b>	<b>14,673</b>	<b>41,860</b>	<b>2,439,354</b>
<b>Total interest sensitivity gap</b>	<b>539,714</b>	<b>(263,431)</b>	<b>(162,793)</b>	<b>22,978</b>	<b>18,244</b>	<b>154,712</b>

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 3 Financial risk management (Continued)

### (2) Market risk (Continued)

#### (ii) Interest rate risk (Continued)

31 December 2011	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	327,630	–	–	–	5,175	332,805
Balances with banks and other financial institutions	225,546	6,390	400	–	–	232,336
Placements with banks and other financial institutions	–	37,745	–	–	–	37,745
Financial assets held under resale agreements	89,419	49,450	2,153	–	–	141,022
Loans and advances to customers (i)	984,061	179,705	8,869	5,650	–	1,178,285
Investment securities	31,177	53,743	78,123	27,880	139	191,062
Finance lease receivables	44,895	–	–	–	–	44,895
Other assets	16,027	7,330	7,237	2,583	37,737	70,914
<b>Total assets</b>	<b>1,718,755</b>	<b>334,363</b>	<b>96,782</b>	<b>36,113</b>	<b>43,051</b>	<b>2,229,064</b>
Liabilities:						
Deposits from customers	1,101,944	508,692	34,099	3	–	1,644,738
Deposits and placements from banks and other financial institutions	178,278	97,284	3,779	–	–	279,341
Financial assets sold under repurchase agreements	40,529	13,265	–	–	–	53,794
Borrowings from banks and other financial institutions	7,758	27,847	4,583	637	–	40,825
Debt securities issued	1,670	6,998	15,056	7,306	–	31,030
Other liabilities	14,894	160	45	–	30,127	45,226
<b>Total liabilities</b>	<b>1,345,073</b>	<b>654,246</b>	<b>57,562</b>	<b>7,946</b>	<b>30,127</b>	<b>2,094,954</b>
<b>Total interest sensitivity gap</b>	<b>373,682</b>	<b>(319,883)</b>	<b>39,220</b>	<b>28,167</b>	<b>12,924</b>	<b>134,110</b>

- (i) For loans and advances to customers of the Group, the “less than 3 months” category includes overdue amounts (net of allowances for impairment losses) of RMB11,447 million as at 30 June 2012 (31 December 2011: RMB6,393 million).

# Notes to the Unaudited Interim Financial Information

(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.

30 June 2012	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	306,790	59,453	—	—	—	—	—	366,243
Balances with banks and other financial institutions	—	35,595	154,922	49,434	5,911	401	117	246,380
Placements with banks and other financial institutions	—	—	20,127	8,255	20,017	1,758	—	50,157
Financial assets held under resale agreements	—	—	169,356	129,527	15,667	972	—	315,522
Loans and advances to customers (ii)	7,233	4,673	88,159	147,028	601,983	271,589	150,964	1,271,629
Investment securities								
— available-for-sale securities	159	—	1,837	3,486	28,259	48,974	13,852	96,567
— held-to-maturity securities	—	—	1,709	1,751	19,526	48,466	18,036	89,488
— loans and receivables	—	—	—	488	2,862	4,900	5,125	13,375
Finance lease receivables	—	—	2,266	2,356	13,714	29,835	2,042	50,213
Other assets	22,723	2,532	23,963	6,208	25,900	9,630	3,536	94,492
<b>Total assets</b>	<b>336,905</b>	<b>102,253</b>	<b>462,339</b>	<b>348,533</b>	<b>733,839</b>	<b>416,525</b>	<b>193,672</b>	<b>2,594,066</b>
Liabilities:								
Deposits from customers	—	683,480	203,938	222,428	478,656	206,426	16,035	1,810,963
Deposits and placements from banks and other financial institutions	—	29,817	91,377	120,069	147,367	1,800	—	390,430
Financial assets sold under repurchase agreements	—	—	11,205	29,743	6,674	1,991	281	49,894
Borrowings from banks and other financial institutions	—	—	2,093	7,557	32,698	7,567	1,331	51,246
Debt securities issued	—	—	—	—	—	65,979	8,978	74,957
Other liabilities	3,976	14,271	13,520	5,294	11,602	12,222	979	61,864
<b>Total liabilities</b>	<b>3,976</b>	<b>727,568</b>	<b>322,133</b>	<b>385,091</b>	<b>676,997</b>	<b>295,985</b>	<b>27,604</b>	<b>2,439,354</b>
<b>Net position</b>	<b>332,929</b>	<b>(625,315)</b>	<b>140,206</b>	<b>(36,558)</b>	<b>56,842</b>	<b>120,540</b>	<b>166,068</b>	<b>154,712</b>
Notional amount of derivatives	—	—	52,617	47,057	74,192	19,194	7,400	200,460

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 3 Financial risk management (Continued)

### (3) Liquidity risk (Continued)

#### (i) Maturity analysis (Continued)

31 December 2011	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	278,456	54,349	—	—	—	—	—	332,805
Balances with banks and other financial institutions	—	58,435	137,129	29,982	6,390	400	—	232,336
Placements with banks and other financial institutions	—	—	—	—	37,745	—	—	37,745
Financial assets held under resale agreements	—	—	33,215	56,204	49,450	2,153	—	141,022
Loans and advances to customers	(ii) 5,186	2,525	83,195	117,387	561,162	253,764	155,066	1,178,285
Investment securities								
— available-for-sale securities	157	—	1,187	4,717	27,579	24,120	7,097	64,857
— held-to-maturity securities	—	—	9,420	8,522	18,473	61,958	19,513	117,886
— loans and receivables	—	—	—	104	673	1,727	5,815	8,319
Finance lease receivables	—	—	1,742	2,096	11,020	27,978	2,059	44,895
Other assets	29,480	716	2,047	4,066	12,724	15,768	6,113	70,914
<b>Total assets</b>	<b>313,279</b>	<b>116,025</b>	<b>267,935</b>	<b>223,078</b>	<b>725,216</b>	<b>387,868</b>	<b>195,663</b>	<b>2,229,064</b>
Liabilities:								
Deposits from customers	—	697,910	212,552	191,449	382,521	157,837	2,469	1,644,738
Deposits and placements from banks and other financial institutions	—	26,520	111,574	40,184	97,284	3,779	—	279,341
Financial assets sold under repurchase agreements	—	—	25,047	10,243	15,323	2,879	302	53,794
Borrowings from banks and other financial institutions	—	—	617	7,141	27,847	4,583	637	40,825
Debt securities issued	—	—	—	—	6,000	16,054	8,976	31,030
Other liabilities	2,784	19,164	4,155	3,606	8,057	6,526	934	45,226
<b>Total liabilities</b>	<b>2,784</b>	<b>743,594</b>	<b>353,945</b>	<b>252,623</b>	<b>537,032</b>	<b>191,658</b>	<b>13,318</b>	<b>2,094,954</b>
<b>Net position</b>	<b>310,495</b>	<b>(627,569)</b>	<b>(86,010)</b>	<b>(29,545)</b>	<b>188,184</b>	<b>196,210</b>	<b>182,345</b>	<b>134,110</b>
Notional amount of derivatives	—	—	42,287	20,518	23,576	17,140	12,700	116,221

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

(ii) For loans and advances to customers, 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

(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 2012	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	Total
Financial assets:						
Cash and balances with central bank	59,454	–	–	–	306,804	366,258
Balances with banks and other financial institutions	191,056	50,099	6,191	407	117	247,870
Placements with banks and other financial institutions	20,288	8,726	20,872	1,842	–	51,728
Financial assets held under resale agreements	169,394	129,561	15,782	1,048	–	315,785
Loans and advances to customers	107,040	161,531	656,156	359,720	228,834	1,513,281
Investment securities	3,996	6,887	56,458	117,621	42,977	227,939
Finance lease receivables	2,693	2,800	16,297	35,455	2,427	59,672
Other financial assets	21,040	3,368	22,706	11,143	3,565	61,822
<b>Total financial assets (expected maturity date)</b>	<b>574,961</b>	<b>362,972</b>	<b>794,462</b>	<b>527,236</b>	<b>584,724</b>	<b>2,844,355</b>
Financial liabilities:						
Deposits from customers	887,419	244,671	531,308	247,711	19,723	1,930,832
Deposits and placements from banks and other financial institutions	122,212	122,328	152,933	1,940	–	399,413
Financial assets sold under repurchase agreements	11,704	31,315	7,039	2,240	316	52,614
Borrowings from banks and other financial institutions	2,392	8,091	33,390	8,464	1,516	53,853
Debt securities issued	–	–	3,480	79,073	10,466	93,019
Other financial liabilities	10,039	1,480	6,395	3,123	976	22,013
<b>Total financial liabilities (contractual maturity date)</b>	<b>1,033,766</b>	<b>407,885</b>	<b>734,545</b>	<b>342,551</b>	<b>32,997</b>	<b>2,551,744</b>

# Notes to the Unaudited Interim Financial Information

(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 2011	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	Total
Financial assets:						
Cash and balances with central bank	54,350	—	—	—	278,469	332,819
Balances with banks and other financial institutions	196,265	30,521	6,638	419	—	233,843
Placements with banks and other financial institutions	—	42	39,725	—	—	39,767
Financial assets held under resale agreements	35,402	56,207	49,452	2,186	—	143,247
Loans and advances to customers	97,921	130,323	600,971	327,512	234,404	1,391,131
Investment securities	9,824	18,008	48,711	101,771	37,820	216,134
Finance lease receivables	2,087	2,501	13,119	33,338	2,455	53,500
Other financial assets	2,615	2,779	10,190	17,423	6,407	39,414
<b>Total financial assets (expected maturity date)</b>	<b>398,464</b>	<b>240,381</b>	<b>768,806</b>	<b>482,649</b>	<b>559,555</b>	<b>2,449,855</b>
Financial liabilities:						
Deposits from customers	912,878	195,366	397,965	192,920	3,159	1,702,288
Deposits and placements from banks and other financial institutions	139,573	43,866	97,581	3,824	—	284,844
Financial assets sold under repurchase agreements	25,432	10,538	16,028	2,879	302	55,179
Borrowings from banks and other financial institutions	763	7,517	27,597	6,678	809	43,364
Debt securities issued	—	848	6,711	21,125	10,720	39,404
Other financial liabilities	1,117	355	3,083	4,259	748	9,562
<b>Total financial liabilities (contractual maturity date)</b>	<b>1,079,763</b>	<b>258,490</b>	<b>548,965</b>	<b>231,685</b>	<b>15,738</b>	<b>2,134,641</b>

# Notes to the Unaudited Interim Financial Information

(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 2012	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(1)	1	9	(14)	(1)	(6)
Credit derivatives	—	—	—	—	—	—
<b>Total</b>	<b>(1)</b>	<b>1</b>	<b>9</b>	<b>(14)</b>	<b>(1)</b>	<b>(6)</b>

31 December 2011	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	—	2	21	(20)	—	3
Credit derivatives	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>2</b>	<b>21</b>	<b>(20)</b>	<b>—</b>	<b>3</b>



# Notes to the Unaudited Interim Financial Information

(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: currency forwards, currency swaps and currency options;
- Precious metal derivatives: precious metal forwards and 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 2012	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
— Cash outflow	(50,499)	(35,201)	(38,223)	(461)	—	(124,384)
— Cash inflow	50,550	35,207	38,233	461	—	124,451
Precious metal derivatives						
— Cash outflow	(879)	—	(707)	—	—	(1,586)
— Cash inflow	872	—	708	—	—	1,580
Total cash outflow	(51,378)	(35,201)	(38,930)	(461)	—	(125,970)
Total cash inflow	51,422	35,207	38,941	461	—	126,031

31 December 2011	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
— Cash outflow	(37,629)	(15,492)	(15,300)	(189)	—	(68,610)
— Cash inflow	37,628	15,488	15,309	189	—	68,614
Precious metal derivatives						
— Cash outflow	(1,278)	(1,544)	—	—	—	(2,822)
— Cash inflow	1,241	1,405	—	—	—	2,646
Total cash outflow	(38,907)	(17,036)	(15,300)	(189)	—	(71,432)
Total cash inflow	38,869	16,893	15,309	189	—	71,260

# Notes to the Unaudited Interim Financial Information

(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 the items off the statement of financial position, unless an objective evidence of default is identified.

30 June 2012	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	578,454	—	—	578,454
Trade refinancing*	72,581	542	—	73,123
Letters of credit	66,429	1,265	—	67,694
Guarantees	32,661	19,778	15,097	67,536
Unused credit card commitments	15,579	—	—	15,579
Capital commitments	3,607	5,448	773	9,828
Finance lease commitments	3,481	—	—	3,481
Operating lease commitments	1,297	4,185	1,764	7,246
Irrevocable loan commitments	523	46	1,747	2,316
<b>Total</b>	<b>774,612</b>	<b>31,264</b>	<b>19,381</b>	<b>825,257</b>

31 December 2011	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	462,638	—	—	462,638
Trade refinancing*	55,601	733	—	56,334
Letters of credit	65,752	616	—	66,368
Guarantees	33,077	23,866	10,378	67,321
Unused credit card commitments	12,578	—	—	12,578
Capital commitments	7,187	2,881	—	10,068
Finance lease commitments	2,443	365	—	2,808
Operating lease commitments	1,331	3,572	1,646	6,549
Irrevocable loan commitments	435	271	1,340	2,046
<b>Total</b>	<b>641,042</b>	<b>32,304</b>	<b>13,364</b>	<b>686,710</b>

\* Trade refinancing refers to the arrangement that the Bank, at the request of its customer, authorises a paying bank to refinance trade transactions of the customer on its behalf.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 4 Segment information

Following the management approach of IFRS 8, 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, retail banking, treasury and others. The Group primarily provides financial services through these four business lines.

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

Operating segments are presented as the following geographical and business segments:

Geographical segments:

- (1) Northern China: including Minsheng Financial Leasing Co., Ltd. ("Minsheng Leasing"), Ningjin Minsheng Township Bank Co., Ltd. ("Ningjin Township Bank"), Headquarter and the branches in Beijing, Taiyuan, Shijiazhuang and Tianjin.
- (2) Eastern China: including Cixi Minsheng Township Bank Co., Ltd. ("Cixi Township Bank"), Shanghai Songjiang Minsheng Township Bank Co., Ltd. ("Songjiang Township Bank"), Shanghai Jiading Minsheng Township Bank Co., Ltd. ("Jiading Township Bank"), Penglai Minsheng Township Bank Co., Ltd. ("Penglai Township Bank"), Funing Minsheng Township Bank Co., Ltd. ("Funing Township Bank"), Taicang Minsheng Township Bank Co., Ltd. ("Taicang Township Bank"), Ningguo Minsheng Township Bank Co., Ltd. ("Ningguo Township Bank") and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang.
- (3) Southern China: including Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund Management"), Anxi Minsheng Township Bank Co., Ltd. ("Anxi Township Bank"), Zhangpu Minsheng Township Bank Co., Ltd. ("Zhangpu Township Bank") and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou, Xiamen and Nanning.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 4 Segment information (Continued)

- (4) Others: including Pengzhou Minsheng Township Bank Co., Ltd. (“Pengzhou Township Bank”), Qijiang Minsheng Township Bank Co., Ltd. (“Qijiang Township Bank”), Tongnan Minsheng Township Bank Co., Ltd. (“Tongnan Township Bank”), Meihekou Minsheng Township Bank Co., Ltd. (“Meihekou Township Bank”), Ziyang Minsheng Township Bank Co., Ltd. (“Ziyang Township Bank”), Wuhan Jiangxia Minsheng Township Bank Co., Ltd. (“Jiangxia Township Bank”), Changyuan Minsheng Township Bank Co., Ltd. (“Changyuan Township Bank”), Yidu Minsheng Township Bank Co., Ltd. (“Yidu Township Bank”), Zhongxiang Minsheng Township Bank Co., Ltd. (“Zhongxiang Township Bank”), Puer Minsheng Township Bank Co., Ltd. (“Puer Township Bank”), Jinghong Minsheng Township Bank Co., Ltd. (“Jinghong Township Bank”), Zhidan Minsheng Township Bank Co., Ltd. (“Zhidan Township Bank”), Yulin Yuyang Minsheng Township Bank Co., Ltd. (“Yuyang Township Bank”) and the branches in Xi’an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou, Changchun, Hohhot, Shenyang and Hong Kong.

Six months ended 30 June 2012	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	Total
External net interest income	11,556	11,524	4,594	10,197	—	37,871
Inter-segment net interest (expense)/income	(1,017)	780	185	52	—	—
Net interest income	10,539	12,304	4,779	10,249	—	37,871
Fee and commission income	6,443	1,938	915	1,412	—	10,708
Fee and commission expense	(265)	(206)	(100)	(107)	—	(678)
Net fee and commission income	6,178	1,732	815	1,305	—	10,030
Operating expenses	(9,545)	(4,775)	(1,988)	(3,110)	—	(19,418)
Impairment losses on assets	(1,795)	(2,007)	(442)	(1,162)	—	(5,406)
Net other income	2,006	128	500	(12)	—	2,622
Total profit	7,383	7,382	3,664	7,270	—	25,669
Depreciation and amortisation	474	148	75	114	—	811
Capital expenditure	1,200	152	74	119	—	1,545
<b>As at 30 June 2012</b>						
Segment assets	1,431,328	860,291	335,556	550,772	(592,448)	2,585,499
Deferred income tax assets						8,567
Total assets						2,594,066
Segment liabilities/total liabilities	(1,295,657)	(859,012)	(333,671)	(543,462)	592,448	(2,439,354)
Credit commitments	176,777	320,031	80,782	230,593	—	808,183

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 4 Segment information (Continued)

Six months ended 30 June 2011	Northern China	Eastern China	Southern China	Other locations	Inter- segment elimination	Total
External net interest income	8,896	11,108	3,559	5,982	—	29,545
Inter-segment net interest (expense)/income	(683)	122	232	329	—	—
Net interest income	8,213	11,230	3,791	6,311	—	29,545
Fee and commission income	5,848	1,239	397	697	—	8,181
Fee and commission expense	(117)	(79)	(32)	(34)	—	(262)
Net fee and commission income	5,731	1,160	365	663	—	7,919
Operating expenses	(8,207)	(3,764)	(1,546)	(2,142)	—	(15,659)
Impairment losses on assets	(1,073)	(1,658)	(506)	(1,100)	—	(4,337)
Net other income	344	260	175	160	—	939
Total profit	5,008	7,228	2,279	3,892	—	18,407
Depreciation and amortisation	296	110	67	86	—	559
Capital expenditure	3,567	139	100	114	—	3,920
<b>As at 31 December 2011</b>						
Segment assets	1,299,472	754,749	278,661	470,410	(581,210)	2,222,082
Deferred income tax assets						6,982
Total assets						2,229,064
Segment liabilities/total liabilities	(1,219,088)	(736,461)	(272,312)	(448,303)	581,210	(2,094,954)
Credit commitments	179,143	269,122	74,873	146,955	—	670,093

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 4 Segment information (Continued)

Business segments:

The Group provides services through four business segments: corporate banking, retail 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.

Retail 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

(Expressed in millions of Renminbi, unless otherwise stated)

## 4 Segment information (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.

Six months ended 30 June 2012	Corporate banking business	Retail banking business	Treasury business	Other business	Total
Net interest income	14,733	11,123	11,215	800	37,871
Include: inter-segment net interest (expense)/income	(42)	(2,880)	2,918	4	—
Net fee and commission income	5,317	2,500	2,097	116	10,030
Include: inter-segment net fee and commission income/(expense)	—	—	—	—	—
Operating expenses	(8,099)	(5,706)	(5,536)	(77)	(19,418)
Impairment losses on assets	(1,269)	(4,027)	—	(110)	(5,406)
Net other income	2,018	(1)	727	(122)	2,622
<b>Total profit</b>	<b>12,700</b>	<b>3,889</b>	<b>8,503</b>	<b>607</b>	<b>25,699</b>
Depreciation and amortisation	228	191	188	204	811
Capital expenditure	959	193	190	203	1,545
<b>As at 30 June 2012</b>					
Segment assets	1,193,591	383,933	921,178	86,797	2,585,499
Deferred income tax assets					8,567
Total assets					2,594,066
Segment liabilities/total liabilities	(1,474,370)	(364,428)	(511,738)	(88,818)	(2,439,354)
Credit commitments	789,123	15,579	—	3,481	808,183

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 4 Segment information (Continued)

Six months ended 30 June 2011	Corporate banking business	Retail banking business	Treasury business	Other business	Total
Net interest income	13,948	7,948	7,030	619	29,545
Include: inter-segment net interest (expense)/income	(2,524)	(2,161)	4,683	2	—
Net fee and commission income	4,320	1,379	1,820	400	7,919
Include: inter-segment net fee and commission income/(expense)	5	—	—	(5)	—
Operating expenses	(7,366)	(3,918)	(4,297)	(78)	(15,659)
Impairment losses on assets	(1,370)	(2,845)	—	(122)	(4,337)
Net other income	(609)	—	1,570	(22)	939
<b>Total profit</b>	<b>8,923</b>	<b>2,564</b>	<b>6,123</b>	<b>797</b>	<b>18,407</b>
Depreciation and amortisation	183	110	125	141	559
Capital expenditure	1,714	966	1,093	147	3,920
<b>As at 31 December 2011</b>					
Segment assets	961,612	364,499	830,410	65,561	2,222,082
Deferred income tax assets					6,982
Total assets					2,229,064
Segment liabilities/total liabilities	(1,362,023)	(321,634)	(339,917)	(71,380)	(2,094,954)
Credit commitments	654,707	12,578	—	2,808	670,093



# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 5 Net interest income

	Six months ended 30 June	
	2012	2011
<b>Interest income arising from:</b>		
— Loans and advances to customers		
— corporate loans and advances	31,882	25,370
— personal loans and advances	14,451	9,917
— discounted bills	1,682	1,254
— Financial assets held under resale agreements	7,397	5,379
— Balances with banks and other financial institutions	6,956	2,824
— Debt investment securities	4,104	2,961
— Balances with central bank	2,574	2,004
— Finance lease receivables	2,400	1,532
— Placements with banks and other financial institutions	1,135	618
Subtotal	72,581	51,859
<b>Interest expense arising from:</b>		
— Deposits from customers	(19,679)	(13,628)
— Deposits and placements from banks and other financial institutions	(10,562)	(6,653)
— Financial assets sold under repurchase agreements	(1,642)	(783)
— Borrowings from banks and other financial institutions	(1,427)	(622)
— Debt securities issued	(1,400)	(628)
Subtotal	(34,710)	(22,314)
<b>Net interest income</b>	<b>37,871</b>	<b>29,545</b>
<b>Of which:</b>		
Interest income from impaired financial assets identified	150	108

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 6 Net fee and commission income

	Six months ended 30 June	
	2012	2011
<b>Fee and commission income</b>		
– Trust and other fiduciary services	3,115	2,259
– Financial advisory services	1,092	1,593
– Credit commitments	1,367	1,436
– Bank card services	2,271	972
– Settlement services	1,693	891
– Agency services	1,017	374
– Finance lease services	137	406
– Others	16	250
Fee and commission income	10,708	8,181
Fee and commission expense	(678)	(262)
Net fee and commission income	10,030	7,919

## 7 Net trading gain

	Six months ended 30 June	
	2012	2011
(Loss)/gain on exchange rate instruments	(113)	179
Gain/(loss) on precious metals and other products	379	(72)
Gain on interest rate instruments	331	39
Total	597	146

## 8 Net gain arising from disposals of securities and discounted bills

	Six months ended 30 June	
	2012	2011
Net gain arising from disposals of discounted bills	2,731	1,110
Net gain arising from disposals of securities	140	81
Total	2,871	1,191

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

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 9 Impairment losses on assets

	Six months ended 30 June	
	2012	2011
Loans and advances to customers	5,296	4,217
Finance lease receivables	40	136
Other assets	70	(16)
Total	5,406	4,337

## 10 Operating expenses

	Six months ended 30 June	
	2012	2011
Staff costs, including directors' emoluments		
— Salaries and bonuses	7,540	6,427
— Social insurance	1,068	750
— Other benefits	914	716
Business tax and surcharges	3,849	2,833
Business development expenses	1,014	838
Office expenses	832	759
Rental expenses	825	663
Electronic equipment operating expenses	715	581
Depreciation and amortisation	742	559
Automobile expenses	234	199
Mailing and telegraph expenses	176	167
Travelling expenses	120	97
Conference expenses	107	82
CBRC supervisory charges	69	61
Others	1,213	927
Total	19,418	15,659

Auditors' remuneration included in the operating expenses for the period ended 30 June 2012 was RMB3 million (for the six months ended 30 June 2011: RMB3 million).

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 11 Income tax expense

Taxation in the condensed consolidated income statement represents the income tax in mainland China:

	Six months ended 30 June	
	2012	2011
Current tax for the period	8,075	5,678
Adjustment for prior years	7	(2)
Subtotal	8,082	5,676
Changes in deferred tax (Note 23)	(1,791)	(1,325)
Total	6,291	4,351

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

	Six months ended 30 June	
	2012	2011
Profit before income tax	25,699	18,407
Income tax at the applicable tax rates	6,444	4,600
Effect of non-taxable income (i)	(287)	(327)
Effect of non-deductible expenses (ii)	127	83
Others	7	(5)
Income tax expense	6,291	4,351

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

(ii) The non-deductible expenses mainly represent non-deductible entertainment expenses.

The applicable income tax rate of the Group is 25% for the six months ended 30 June 2012 (for the six months ended 30 June 2011 (except for Shenzhen branch): 25%, Shenzhen branch: 24%).

## 12 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. The Group has no potentially dilutive ordinary shares for the period ended 30 June 2012.

	Six months ended 30 June	
	2012	2011
Net profit attributable to ordinary equity shareholders of the Bank	19,053	13,918
Weighted average number of ordinary shares in issue (in millions)	27,522	26,715
Basic/diluted earnings per share (in RMB)	0.69	0.52

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 13 Cash and balances with central bank

	30 June 2012	31 December 2011
Cash	5,385	5,175
Balances with central bank		
– Statutory deposit reserves	305,476	278,045
– Surplus deposit reserves	54,068	49,174
– Fiscal deposits	1,314	411
<b>Total</b>	<b>366,243</b>	<b>332,805</b>

The Group places statutory deposit reserves with the PBOC. The statutory deposit reserves are not available for use in the Group's daily business. As at 30 June 2012, the statutory deposit reserve rate applicable to the Bank for RMB deposits is 18% and the reserve rate for foreign currency deposits is 5% (31 December 2011: 19% of RMB deposits and 5% of foreign currency deposits).

The 23 township banking subsidiaries of the Bank are subject to statutory RMB deposit reserve rates as determined by the PBOC.

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

## 14 Balances with banks and other financial institutions

	30 June 2012	31 December 2011
Mainland China		
– Banks	238,213	221,500
– Other financial institutions	3,769	2,076
Overseas		
– Banks	4,398	8,760
<b>Total</b>	<b>246,380</b>	<b>232,336</b>

## 15 Trading financial assets

	30 June 2012	31 December 2011
Government and quasi-government bonds		
– Listed outside Hong Kong	6,517	13,851
Corporate bonds		
– Listed outside Hong Kong	16,061	6,572
– Unlisted	180	–
<b>Total</b>	<b>22,758</b>	<b>20,423</b>

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

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 16 Derivatives

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

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

30 June 2012	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	65,209	291	(308)
Foreign exchange forwards	33,044	59	(38)
Currency swaps	85,922	209	(158)
Precious metal derivatives	1,601	11	(12)
Credit derivatives	6,384	—	—
Extension options	8,300	—	—
Total		570	(516)

31 December 2011	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	37,069	351	(371)
Foreign exchange forwards	38,183	106	(85)
Currency swaps	29,719	129	(150)
Precious metal derivatives	2,818	—	(180)
Credit derivatives	132	1	(1)
Extension options	8,300	—	—
Total		587	(787)

## 17 Placements with banks and other financial institutions

	30 June 2012	31 December 2011
Mainland China		
— Banks	12,098	3,450
— Other financial institutions	28,188	26,695
— Others*	6,600	7,600
Overseas		
— Banks	3,271	—
Total	50,157	37,745

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

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 18 Financial assets held under resale agreements

	30 June 2012	31 December 2011
Discounted bills	286,123	129,508
Government and quasi-government bonds	29,399	9,361
Finance lease receivables	—	2,153
<b>Total</b>	<b>315,522</b>	<b>141,022</b>

## 19 Loans and advances to customers

	30 June 2012	31 December 2011
Corporate loans and advances		
— Corporate loans	870,107	808,823
— Discounted bills	23,453	13,960
— Others	22,152	18,335
<b>Subtotal</b>	<b>915,712</b>	<b>841,118</b>
Personal loans and advances		
— Micro lending*	253,041	234,230
— Residential mortgage	76,980	83,337
— Credit cards	50,122	38,551
— Others	7,402	7,985
<b>Subtotal</b>	<b>387,545</b>	<b>364,103</b>
<b>Gross balance</b>	<b>1,303,257</b>	<b>1,205,221</b>
Less: allowance for impairment losses		
— Individual assessment	(3,596)	(3,283)
— Collective assessment	(28,032)	(23,653)
<b>Subtotal</b>	<b>(31,628)</b>	<b>(26,936)</b>
<b>Net balance</b>	<b>1,271,629</b>	<b>1,178,285</b>

\* Micro lending is a line of loan products offered to the small micro enterprise owners and proprietors.

# Notes to the Unaudited Interim Financial Information

(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 2012	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance					
— Corporate loans and advances	908,627	—	7,085	7,085	915,712
— Personal loans and advances	385,654	1,891	—	1,891	387,545
Allowance for impairment losses	(26,963)	(1,069)	(3,596)	(4,665)	(31,628)
Net balance	1,267,318	822	3,489	4,311	1,271,629

31 December 2011	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					
— Corporate loans and advances	834,577	—	6,541	6,541	841,118
— Personal loans and advances	363,105	998	—	998	364,103
Allowance for impairment losses	(23,033)	(620)	(3,283)	(3,903)	(26,936)
Net balance	1,174,649	378	3,258	3,636	1,178,285

(i) Loans and advances for which allowance is collectively assessed include those graded pass or special mention.

(ii) Impaired loans and advances include those with objective evidence of impairment and are assessed:

- individually (including corporate loans and advances which are graded substandard, doubtful or loss); or
- collectively; these are portfolios of homogeneous loans (including personal loans and advances which are graded substandard, doubtful or loss).



# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 19 Loans and advances to customers (Continued)

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

(iii) According to the CBRC Guidelines for Risk Classification of Loans (the "Guidelines"), the definitions of the loan classifications are as follows:

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

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

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

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

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

(iv) As at 30 June 2012, the loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB7,085 million (31 December 2011: RMB6,541 million). The covered portion and uncovered portion of these loans and advances were RMB4,602 million (31 December 2011: RMB4,164 million) and RMB2,483 million (31 December 2011: RMB2,377 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB2,938 million (31 December 2011: RMB2,781 million). As at 30 June 2012, the individual impairment allowances made for these loans and advances were RMB3,596 million (31 December 2011: RMB3,283 million).

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 19 Loans and advances to customers (Continued)

### (2) Loans and advances to customers analysed by industries

	30 June 2012		31 December 2011	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Manufacturing	203,396	15.61	186,664	15.49
Real estate	147,345	11.31	129,740	10.76
Wholesale and retail	118,231	9.07	94,756	7.86
Leasing and commercial services	106,015	8.13	116,510	9.67
Mining	82,308	6.32	64,586	5.36
Transportation, storage and postal service	63,387	4.86	62,208	5.16
Construction	37,960	2.91	31,202	2.59
Water, environment and public utilities management	33,440	2.57	36,578	3.03
Public administration and social organisations	32,482	2.49	28,972	2.40
Production and supply of electric power, gas and water	25,817	1.98	26,818	2.23
Financial services	23,197	1.78	19,331	1.60
Education and community services	12,672	0.97	19,904	1.65
Information transmission, computer service and software	6,439	0.49	4,574	0.38
Others	23,023	1.77	19,275	1.61
Subtotal	915,712	70.26	841,118	69.79
Personal loans and advances	387,545	29.74	364,103	30.21
Total	1,303,257	100.00	1,205,221	100.00

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

	30 June 2012		31 December 2011	
	Amount	(%)	Amount	(%)
Unsecured loans	194,421	14.92	179,185	14.87
Guaranteed loans	407,461	31.27	368,321	30.56
Loans secured by				
— tangible assets other than monetary assets	540,118	41.44	519,191	43.08
— monetary assets	161,257	12.37	138,524	11.49
Total	1,303,257	100.00	1,205,221	100.00

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 19 Loans and advances to customers (Continued)

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

30 June 2012	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	2,413	516	85	266	3,280
Guaranteed loans	1,575	635	933	724	3,867
Loans secured by					
— tangible assets other than monetary assets	3,062	3,792	945	603	8,402
— monetary assets	1,196	43	36	25	1,300
<b>Total</b>	<b>8,246</b>	<b>4,986</b>	<b>1,999</b>	<b>1,618</b>	<b>16,849</b>
% of total loans and advances	0.63%	0.38%	0.15%	0.13%	1.29%

31 December 2011	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	1,911	291	88	332	2,622
Guaranteed loans	195	716	338	876	2,125
Loans secured by					
— tangible assets other than monetary assets	2,482	1,877	469	630	5,458
— monetary assets	44	13	36	25	118
<b>Total</b>	<b>4,632</b>	<b>2,897</b>	<b>931</b>	<b>1,863</b>	<b>10,323</b>
% of total loans and advances	0.39%	0.24%	0.08%	0.15%	0.86%

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

(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 2012	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,283	16,487	7,166	26,936
Charge for the period	991	681	4,040	5,712
Release during the period	(416)	—	—	(416)
Reclassification	77	(77)	—	—
Transfer out	—	—	—	—
Write-offs	(217)	—	(353)	(570)
Recoveries	4	—	111	115
Unwinding of discount	(127)	—	(23)	(150)
Exchange gain or loss	1	—	—	1
At 30 June	3,596	17,091	10,941	31,628

Year ended 31 December 2011	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,583	13,194	3,071	19,848
Charge for the year	1,345	3,385	4,318	9,048
Release during the year	(1,075)	—	—	(1,075)
Reclassification	89	(89)	—	—
Transfer out	—	—	(2)	(2)
Write-offs	(557)	—	(304)	(861)
Recoveries	119	—	103	222
Unwinding of discount	(214)	—	(20)	(234)
Exchange gain or loss	(7)	(3)	—	(10)
At 31 December	3,283	16,487	7,166	26,936

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 20 Investment securities

		30 June 2012	31 December 2011
Available-for-sale securities	(1)	96,567	64,857
Held-to-maturity securities	(2)	89,488	117,886
Loans and receivables	(3)	13,375	8,319
<b>Total</b>		<b>199,430</b>	<b>191,062</b>
Analysed as follows:			
– Listed in Hong Kong		2,086	788
– Listed outside Hong Kong		183,227	181,219
– Unlisted		14,117	9,055
<b>Total</b>		<b>199,430</b>	<b>191,062</b>

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

		30 June 2012	31 December 2011
Debt securities at fair value			
Government and quasi-government bonds			
– listed in Hong Kong		2,020	722
– listed outside Hong Kong		65,224	43,559
Financial institution bonds			
– listed outside Hong Kong		7,602	1,235
– unlisted		139	135
Corporate bonds			
– listed in Hong Kong		66	66
– listed outside Hong Kong		21,377	19,001
<b>Subtotal</b>		<b>96,428</b>	<b>64,718</b>
Equity investment			
Corporate securities			
– listed outside Hong Kong		14	14
Financial institution securities			
– unlisted		125	125
<b>Total</b>		<b>96,567</b>	<b>64,857</b>

The book value of the Group's impaired available-for-sale securities amounted to RMB886 million as at 30 June 2012 (31 December 2011: RMB882 million) and the provision amounted to RMB866 million (31 December 2011: RMB864 million).

The Group did not reclassify the investment securities for the period ended 30 June 2012 and for the year ended 31 December 2011.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 20 Investment securities (Continued)

### (2) Held-to-maturity securities

	30 June 2012	31 December 2011
Government and quasi-government bonds		
— listed outside Hong Kong	72,950	98,508
Financial institution bonds		
— listed outside Hong Kong	326	328
— unlisted	478	476
Corporate bonds		
— listed outside Hong Kong	15,734	18,574
<b>Total</b>	<b>89,488</b>	<b>117,886</b>
Fair value of listed securities	89,441	117,348

### (3) Loans and receivables

	30 June 2012	31 December 2011
Government and quasi-government bonds	1,178	1,684
Financial institution bonds	5,745	6,435
Corporate bonds	200	200
Trust beneficiary rights	6,252	—
<b>Total</b>	<b>13,375</b>	<b>8,319</b>

All of the above receivables are unlisted.

## 21 Finance lease receivables

	30 June 2012	31 December 2011
Finance lease receivables	59,672	53,500
Less: unearned finance lease income	(8,595)	(7,781)
Present value of minimum finance lease receivables	51,077	45,719
Less: allowance for impairment losses — collective assessment (Note 26)	(864)	(824)
<b>Net balance</b>	<b>50,213</b>	<b>44,895</b>

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 21 Finance lease receivables (Continued)

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

	30 June 2012			31 December 2011		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance income	Minimum finance lease receivables
Less than 1 year	22,036	(3,174)	18,862	17,706	(3,611)	14,095
1 year to 5 years	35,181	(5,067)	30,114	33,338	(3,443)	29,895
More than 5 years	2,455	(354)	2,101	2,456	(727)	1,729
	<b>59,672</b>	<b>(8,595)</b>	<b>51,077</b>	<b>53,500</b>	<b>(7,781)</b>	<b>45,719</b>

## 22 Property and equipment

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

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Operating lease fixed assets	Construction in progress	Total
	30 June 2012						
Original cost	7,275	2,758	3,953	336	661	579	15,562
Accumulated depreciation	(1,178)	(1,577)	(2,226)	(193)	(13)	–	(5,187)
Net value	<b>6,097</b>	<b>1,181</b>	<b>1,727</b>	<b>143</b>	<b>648</b>	<b>579</b>	<b>10,375</b>
31 December 2011							
Original cost	7,238	2,641	3,756	299	282	511	14,727
Accumulated depreciation	(1,064)	(1,493)	(2,018)	(177)	(4)	–	(4,756)
Net value	<b>6,174</b>	<b>1,148</b>	<b>1,738</b>	<b>122</b>	<b>278</b>	<b>511</b>	<b>9,971</b>

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 22 Property and equipment (Continued)

(2) Movements in property and equipment:

	At 1 January 2012	Increase	Decrease	At 30 June 2012
Original cost				
Buildings	7,238	37	—	7,275
Leasehold improvements	2,641	117	—	2,758
Office equipment	3,756	244	(47)	3,953
Motor vehicles	299	42	(5)	336
Operating lease fixed assets	282	379	—	661
Construction in progress	511	94	(26)	579
<b>Total</b>	<b>14,727</b>	<b>913</b>	<b>(78)</b>	<b>15,562</b>
Accumulated depreciation				
Buildings	(1,064)	(114)	—	(1,178)
Leasehold improvements	(1,493)	(84)	—	(1,577)
Office equipment	(2,018)	(252)	44	(2,226)
Motor vehicles	(177)	(20)	4	(193)
Operating lease fixed assets	(4)	(9)	—	(13)
<b>Total</b>	<b>(4,756)</b>	<b>(479)</b>	<b>48</b>	<b>(5,187)</b>
Net value				
Buildings	6,174	(77)	—	6,097
Leasehold improvements	1,148	33	—	1,181
Office equipment	1,738	(8)	(3)	1,727
Motor vehicles	122	22	(1)	143
Operating lease fixed assets	278	370	—	648
Construction in progress	511	94	(26)	579
<b>Total</b>	<b>9,971</b>	<b>434</b>	<b>(30)</b>	<b>10,375</b>



# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 22 Property and equipment (Continued)

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

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Original cost				
Buildings	6,855	413	(30)	7,238
Leasehold improvements	1,881	761	(1)	2,641
Office equipment	3,215	894	(353)	3,756
Motor vehicles	252	64	(17)	299
Operating lease fixed assets	300	282	(300)	282
Construction in progress	355	403	(247)	511
<b>Total</b>	<b>12,858</b>	<b>2,817</b>	<b>(948)</b>	<b>14,727</b>
Accumulated depreciation				
Buildings	(831)	(242)	9	(1,064)
Leasehold improvements	(1,191)	(302)	—	(1,493)
Office equipment	(1,858)	(422)	262	(2,018)
Motor vehicles	(161)	(33)	17	(177)
Operating lease fixed assets	(8)	(14)	18	(4)
<b>Total</b>	<b>(4,049)</b>	<b>(1,013)</b>	<b>306</b>	<b>(4,756)</b>
Net value				
Buildings	6,024	171	(21)	6,174
Leasehold improvements	690	459	(1)	1,148
Office equipment	1,357	472	(91)	1,738
Motor vehicles	91	31	—	122
Operating lease fixed assets	292	268	(282)	278
Construction in progress	355	403	(247)	511
<b>Total</b>	<b>8,809</b>	<b>1,804</b>	<b>(642)</b>	<b>9,971</b>

As at 30 June 2012 and 31 December 2011, 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

(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 2012	31 December 2011
Held in mainland China		
on long-term lease (more than 50 years)	1,543	1,544
on medium-term lease (10–50 years)	5,566	5,633
on short-term lease (less than 10 years)	169	145
<b>Total</b>	<b>7,278</b>	<b>7,322</b>

As at 30 June 2012, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB281 million (31 December 2011: RMB285 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.

## 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 2012		31 December 2011	
	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	6,865	27,460	5,754	23,019
Employee benefits payable	1,826	7,306	1,048	4,190
Fair value losses of				
— available-for-sale securities	69	278	116	469
— derivatives	131	516	197	787
— trading financial assets	3	11	9	36
Others	86	344	92	382
<b>Total</b>	<b>8,980</b>	<b>35,915</b>	<b>7,216</b>	<b>28,883</b>
Deferred income tax liabilities				
Fair value gains of				
— available-for-sale securities	(236)	(943)	(77)	(310)
— derivatives	(143)	(570)	(145)	(587)
— trading financial assets	(34)	(136)	(12)	(49)
<b>Total</b>	<b>(413)</b>	<b>(1,649)</b>	<b>(234)</b>	<b>(946)</b>

# Notes to the Unaudited Interim Financial Information

(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 2012	5,754	322	1,140	7,216	(234)	(234)
Recognised in profit or loss	1,111	(72)	772	1,811	(20)	(20)
Recognised in other comprehensive income	—	(47)	—	(47)	(159)	(159)
At 30 June 2012	6,865	203	1,912	8,980	(413)	(413)
At 1 January 2011	3,784	250	595	4,629	(174)	(174)
Recognised in profit or loss	1,970	108	545	2,623	(36)	(36)
Recognised in other comprehensive income	—	(36)	—	(36)	(24)	(24)
At 31 December 2011	5,754	322	1,140	7,216	(234)	(234)

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

	30 June 2012	31 December 2011
Deferred income tax assets	—	—
Deferred income tax liabilities	(413)	(234)

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

	30 June 2012		31 December 2011	
	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	8,567	34,266	6,982	27,937
Deferred income tax liabilities	—	—	—	—

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 24 Investment in subsidiaries

	30 June 2012	31 December 2011
Minsheng Leasing	2,600	2,600
Minsheng Royal Fund Management	120	120
Pengzhou Township Bank	20	20
Cixi Township Bank	35	35
Songjiang Township Bank	70	70
Qijiang Township Bank	30	30
Tongnan Township Bank	25	25
Meihekou Township Bank	26	26
Ziyang Township Bank	41	41
Jiangxia Township Bank	41	41
Changyuan Township Bank	25	25
Yidu Township Bank	25	25
Jiading Township Bank	102	102
Zhongxiang Township Bank	36	36
Penglai Township Bank	51	51
Anxi Township Bank	51	51
Funing Township Bank	31	31
Taicang Township Bank	51	51
Ningjin Township Bank	20	20
Zhangpu Township Bank	25	25
Puer Township Bank	15	—
Jinghong Township Bank	15	—
Zhidan Township Bank	8	—
Ningguo Township Bank	20	—
Yuyang Township Bank	26	—
<b>Total</b>	<b>3,509</b>	<b>3,425</b>

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 24 Investment in subsidiaries (Continued)

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Leasing	Tianjin China	Leasing	5,095	Limited company	51.03%	51.03%
Minsheng Royal Fund Management	Guangdong China	Fund raising, sales and assets management	200	Limited company	60%	60%
Pengzhou Township Bank	Sichuan China	Commercial bank	55	Limited company	36.36%*	36.36%*
Cixi Township Bank	Ningbo China	Commercial bank	100	Limited company	35%*	35%*
Songjiang Township Bank	Shanghai China	Commercial bank	150	Limited company	35%*	35%*
Qijiang Township Bank	Chongqing China	Commercial bank	60	Limited company	50%*	50%*
Tongnan Township Bank	Chongqing China	Commercial bank	50	Limited company	50%*	50%*
Meihoukou Township Bank	Jilin China	Commercial bank	50	Limited company	51%	51%
Ziyang Township Bank	Sichuan China	Commercial bank	80	Limited company	51%	51%
Jiangxia Township Bank	Hubei China	Commercial bank	80	Limited company	51%	51%
Changyuan Township Bank	Henan China	Commercial bank	50	Limited company	51%	51%
Yidu Township Bank	Hubei China	Commercial bank	50	Limited company	51%	51%
Jiading Township Bank	Shanghai China	Commercial bank	200	Limited company	51%	51%
Zhongxiang Township Bank	Hubei China	Commercial bank	70	Limited company	51%	51%
Penglai Township Bank	Shandong China	Commercial bank	100	Limited company	51%	51%
Anxi Township Bank	Fujian China	Commercial bank	100	Limited company	51%	51%
Funing Township Bank	Jiangsu China	Commercial bank	60	Limited company	51%	51%
Taicang Township Bank	Jiangsu China	Commercial bank	100	Limited company	51%	51%
Ningjin Township Bank	Hebei China	Commercial bank	40	Limited company	51%	51%
Zhangpu Township Bank	Fujian China	Commercial bank	50	Limited company	51%	51%
Puer Township Bank	Yunnan China	Commercial bank	30	Limited company	51%	51%
Jinghong Township Bank	Yunnan China	Commercial bank	30	Limited company	51%	51%
Zhidan Township Bank	Shanxi China	Commercial bank	15	Limited company	51%	51%
Ningguo Township Bank	Anhui China	Commercial bank	40	Limited company	51%	51%
Yuyang Township Bank	Shanxi China	Commercial bank	50	Limited company	51%	51%

All interests in subsidiaries are directly held by the Bank.

\* Although the Bank holds half or less than half of the voting rights in five township banks, it has the majority of the seats in their boards of directors, which enables it to govern their major operating policies. These companies are treated as the Bank's subsidiaries and have been consolidated in these financial statements.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 25 Other assets

		30 June 2012			31 December 2011		
		Gross balance	Allowance for impairment losses (Note 26)	Net balance	Gross balance	Allowance for impairment losses (Note 26)	Net balance
Prepayments for leased assets	(1)	14,656	(166)	14,490	9,610	(105)	9,505
Interest receivable	(2)	7,740	—	7,740	7,210	—	7,210
Intangible assets	(3)	4,818	—	4,818	4,770	—	4,770
Investment properties		3,011	—	3,011	2,723	—	2,723
Items in the process of clearance and settlement		12,233	—	12,233	2,339	—	2,339
Accrued fee and commission income		1,749	—	1,749	1,471	—	1,471
Prepayment of properties		1,649	(27)	1,622	1,089	(27)	1,062
Repossessed assets	(4)	1,571	(90)	1,481	1,072	(90)	982
Prepayment of decoration		1,149	—	1,149	1,001	—	1,001
Prepayment of equipment		320	—	320	207	—	207
Prepayment of rent and deposits		164	—	164	129	—	129
Prepayment of land use rights		121	—	121	121	—	121
Long-term deferred expenses		116	—	116	109	—	109
Claims and legal fees recoverable		93	(37)	56	69	(28)	41
Others		778	(21)	757	783	(29)	754
<b>Total</b>		<b>50,168</b>	<b>(341)</b>	<b>49,827</b>	<b>32,703</b>	<b>(279)</b>	<b>32,424</b>

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

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 25 Other assets (Continued)

### (2) Interest receivable

	30 June 2012	31 December 2011
Loans and advances to customers	3,517	3,582
Debt securities	2,880	2,526
Others	1,343	1,102
<b>Total</b>	<b>7,740</b>	<b>7,210</b>

### (3) Intangible assets

	At 1 January 2012	Increase	Decrease	At 30 June 2012
Cost				
Land use right	4,431	—	—	4,431
Others	907	216	—	1,123
<b>Total</b>	<b>5,338</b>	<b>216</b>	<b>—</b>	<b>5,554</b>
Less: Accumulated amortisation				
Land use right	(132)	(55)	—	(187)
Others	(436)	(113)	—	(549)
<b>Total</b>	<b>(568)</b>	<b>(168)</b>	<b>—</b>	<b>(736)</b>
Carrying amounts				
Land use right	4,299	(55)	—	4,244
Others	471	103	—	574
<b>Total</b>	<b>4,770</b>	<b>48</b>	<b>—</b>	<b>4,818</b>

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 25 Other assets (Continued)

### (3) Intangible assets (Continued)

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Cost				
Land use right	1,345	3,086	—	4,431
Others	435	473	(1)	907
<b>Total</b>	<b>1,780</b>	<b>3,559</b>	<b>(1)</b>	<b>5,338</b>
Less: Accumulated amortisation				
Land use right	(23)	(109)	—	(132)
Others	(238)	(199)	1	(436)
<b>Total</b>	<b>(261)</b>	<b>(308)</b>	<b>1</b>	<b>(568)</b>
Carrying amounts				
Land use right	1,322	2,977	—	4,299
Others	197	274	—	471
<b>Total</b>	<b>1,519</b>	<b>3,251</b>	<b>—</b>	<b>4,770</b>

- (4) Repossessed assets include buildings, machinery and equipment. The disposal of repossessed assets made by the Group during the period ended 30 June 2012 amounted to RMB12 million at cost (2011: RMB40 million). Repossessed assets are sold as soon as practicable after balance sheet date.

## 26 Movements in allowances for impairment losses

	Note	Six months ended 30 June 2012				At 30 June
		At 1 January	Charge	Transfer in/(out)	Write-offs	
Loans and advances to customers	19	26,936	5,296	(34)	(570)	31,628
Available-for-sale securities	20	864	—	2	—	866
Finance lease receivables	21	824	40	—	—	864
Other assets	25	279	70	—	(8)	341
<b>Total</b>		<b>28,903</b>	<b>5,406</b>	<b>(32)</b>	<b>(578)</b>	<b>33,699</b>



# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 26 Movements in allowances for impairment losses (Continued)

	Note	Year ended 31 December 2011				At 31 December
		At 1 January	Charge	Transfer out	Write-offs	
Loans and advances to customers	19	19,848	7,973	(24)	(861)	26,936
Available-for-sale securities	20	879	—	(15)	—	864
Finance lease receivables	21	428	396	—	—	824
Other assets	25	275	7	(3)	—	279
<b>Total</b>		<b>21,430</b>	<b>8,376</b>	<b>(42)</b>	<b>(861)</b>	<b>28,903</b>

## 27 Deposits from customers

	30 June 2012	31 December 2011
Demand deposits		
— Corporate deposits	588,446	609,850
— Personal deposits	95,034	85,198
Time deposits (including call and notice deposits)		
— Corporate deposits	878,639	743,141
— Personal deposits	241,463	203,424
Outward remittance and remittance payables	6,747	3,125
Certificates of deposit	634	—
<b>Total</b>	<b>1,810,963</b>	<b>1,644,738</b>

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

	30 June 2012	31 December 2011
Pledged deposits for bank acceptances	283,095	195,870
Pledged deposits for letters of credit and guarantees	19,972	19,240
Other pledged deposits	51,391	68,800
<b>Total</b>	<b>354,458</b>	<b>283,910</b>

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 28 Deposits and placements from banks and other financial institutions

	30 June 2012	31 December 2011
Mainland China		
– Banks	256,366	191,267
– Other financial institutions	131,384	88,074
Overseas		
– Banks	2,680	–
Total	390,430	279,341

## 29 Financial assets sold under repurchase agreements

	30 June 2012	31 December 2011
Finance lease receivables	4,259	6,361
Discounted bills	43,832	35,565
Investment securities	1,803	11,868
Total	49,894	53,794

As at 30 June 2012, the balances under repurchase agreements include bills transactions with the PBOC amounting to RMB2,389 million (31 December 2011: RMB1,763 million).

## 30 Borrowings from banks and other financial institutions

	30 June 2012	31 December 2011
Credit borrowings	48,251	39,303
Secured borrowings		
– by monetary assets	1,586	1,231
– by tangible assets other than monetary assets	1,409	291
Total	51,246	40,825

As at 30 June 2012, the secured borrowings by monetary assets of RMB1,586 million (31 December 2011: RMB1,231 million) were secured by the finance lease receivables of RMB2,281 million (31 December 2011: RMB1,377 million). The secured borrowings of RMB1,409 million (31 December 2011: RMB291 million) were secured by property and equipment of RMB459 million (31 December 2011: RMB186 million), other assets of RMB191 million (31 December 2011: RMB184 million) and the finance lease receivables of RMB325 million (31 December 2011: nil). There was no remaining credit limit under such secured borrowings (31 December 2011: nil).

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 31 Debt securities issued

		30 June 2012	31 December 2011
Financial bonds	(1)	49,924	6,000
Subordinated bonds	(2)	15,755	15,753
Hybrid capital bonds	(3)	9,278	9,277
<b>Total</b>		<b>74,957</b>	<b>31,030</b>

### (1) Financial bonds

		30 June 2012	31 December 2011
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	29,951	—
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	19,973	—
RMB6.0 billion — 5-year floating rate financial bonds 2007	(iii)	—	6,000
<b>Total</b>		<b>49,924</b>	<b>6,000</b>

- (i) RMB30.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.30% per annum.
- (ii) RMB20.0 billion worth of fixed-rate financial bonds were issued in 2012, with a term of five years, and a fixed coupon rate of 4.39% per annum.
- (iii) RMB6.0 billion worth of floating-rate financial bonds were issued in 2007, with a term of five years. The floating interest rate is based on the one-year time deposit rate published by the PBOC plus a spread of 0.76% per annum, payable annually.

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

### (2) Subordinated bonds

		30 June 2012	31 December 2011
RMB5.8 billion — 10-year subordinated fixed rate bonds 2010	(i)	5,777	5,776
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(ii)	5,987	5,986
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(iii)	3,991	3,991
<b>Total</b>		<b>15,755</b>	<b>15,753</b>

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

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 31 Debt securities issued (Continued)

### (2) Subordinated bonds (Continued)

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

According to the issuance terms, these bonds are subordinated to all other claims on the Bank's assets, except those of the hybrid capital bond holders and shareholders. According to relevant regulations, these bonds qualify for inclusion as supplementary capital in the calculation of the Bank's capital adequacy ratio.

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

### (3) Hybrid capital bonds

		30 June 2012	31 December 2011
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(i)	3,293	3,294
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(ii)	998	998
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(iii)	3,316	3,315
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(iv)	1,671	1,670
Total		9,278	9,277

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

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 31 Debt securities issued (Continued)

### (3) Hybrid capital bonds (Continued)

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

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

According to relevant regulations, these bonds qualify for inclusion as supplementary capital in the calculation of the Bank's capital adequacy ratio.

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

## 32 Other liabilities

		30 June 2012	31 December 2011
Interest payable	(1)	19,863	14,894
Employee benefits payable	(2)	8,532	5,335
Guarantee deposits for finance lease		5,480	4,478
Other tax payable	(3)	2,716	2,644
Deferred fee and commission income		2,451	2,422
Suspense balance of wealth management products		1,710	1,003
Receipt in advance		1,754	934
Accrued expenses		602	601
Payable of equipment purchase		385	578
Items in the process of clearance and settlement		6,701	531
Withholding tax payable		61	249
Dividend payable		1,787	54
Others		2,720	1,725
<b>Total</b>		<b>54,762</b>	<b>35,448</b>

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 32 Other liabilities (Continued)

### (1) Interest payable

	30 June 2012	31 December 2011
Deposits from customers	14,804	12,002
Deposits from banks and other financial institutions	3,466	1,537
Debt securities issued	982	928
Borrowings from banks and other financial institutions	508	367
Others	103	60
<b>Total</b>	<b>19,863</b>	<b>14,894</b>

### (2) Employee benefits payable

	At 1 January 2012	Increase	Decrease	At 30 June 2012
Salaries, bonuses, allowances	4,841	7,540	4,446	7,935
Staff welfare fees	—	477	477	—
Social insurance	392	1,068	1,014	446
Housing fund	63	294	251	106
Labour union fee, staff and workers' education fee	39	143	137	45
<b>Total</b>	<b>5,335</b>	<b>9,522</b>	<b>6,325</b>	<b>8,532</b>

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Salaries, bonuses, allowances	2,591	11,644	9,394	4,841
Staff welfare fees	—	1,348	1,348	—
Social insurance	531	1,741	1,880	392
Housing fund	47	534	518	63
Labour union fee, staff and workers' education fee	30	336	327	39
<b>Total</b>	<b>3,199</b>	<b>15,603</b>	<b>13,467</b>	<b>5,335</b>

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 32 Other liabilities (Continued)

### (3) Other tax payable

	30 June 2012	31 December 2011
Business tax payable	2,049	1,927
Others	667	717
<b>Total</b>	<b>2,716</b>	<b>2,644</b>

## 33 Share capital and capital reserve

	30 June 2012	31 December 2011
Common shares listed in mainland China (A share)	22,588	22,588
Common shares listed in Hong Kong (H share)	5,778	4,127
<b>Total</b>	<b>28,366</b>	<b>26,715</b>

On 2 April 2012, the Bank offered 1,650,852,240 ordinary shares (H Shares) on the Stock Exchange of Hong Kong Limited, and the total issued share capital increased to RMB28,366 million.

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

The Group's capital reserve is RMB45,714 million as at 30 June 2012 (31 December 2011: RMB38,360 million), which mainly comprises capital premium.

## 34 Surplus reserve, general reserve and retained earnings

### (1) Surplus reserve

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

The Bank appropriated 10% of its net profit under CAS to the statutory surplus reserve, which amounts to RMB1,871 million for the period ended 30 June 2012 (2011: RMB2,744 million). The Bank did not appropriate discretionary surplus reserve during the period ended 30 June 2012 and the year ended 31 December 2011.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

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

### (2) General reserve

Pursuant to the *Measures for Managing the Appropriation of Provisions for Doubtful Debts of Financial Enterprises* (Cai Jin [2005] No. 49) 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% of the period-end balance of risk-bearing assets.

In accordance with the board resolution on 23 August 2012, the Bank appropriated RMB3,100 million of profits to the general reserve during the period ended 30 June 2012 (2011: RMB2,900 million).

In addition, 23 township banking subsidiaries of the Group also appropriated 1% of the period-end balance of risk-bearing assets to the general reserve following the same requirement as above. Pursuant to the *Financial Rules for Financial Enterprises – Implementation Guidelines* (Cai Jin [2007] No. 23) issued by the MOF, Minsheng Leasing appropriated 1% of its net profits to the general reserve. Minsheng Royal Fund Management appropriated 10% of its monthly fee income from managing securities investment funds in accordance with the *Decision to Revise the Circular on Issues related to the Appropriation of General Reserve by Fund Management Companies* (Zheng Jian Ji Jin Zi [2006] No. 154) issued by the China Securities Regulatory Commission (“CSRC”).

In total, the subsidiaries appropriated RMB5 million (2011: RMB47 million) to the general reserve for the period ended 30 June 2012, including RMB3 million (2011: RMB21 million) attributable to the Bank.

### (3) Retained earnings

As at 30 June 2012, the retained earnings included the statutory surplus reserve of RMB85 million contributed by the subsidiaries and attributable to the Bank (31 December 2011: RMB85 million). There was no appropriation made by the subsidiaries for the period ended 30 June 2012 (The appropriation made by the subsidiaries for the year ended 31 December 2011 was RMB47 million). The statutory surplus reserve in the retained earnings which is contributed by subsidiaries cannot be further distributed.



# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 35 Non-controlling interests

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

	30 June 2012	31 December 2011
Tianjin Port Free Trade Zone Investment Corp., Ltd.	923	857
Beijing Dayixingye Real Estate Development Corp., Ltd.	692	642
Shanghai Guozhijie Investment Development Corp., Ltd.	616	571
Jiangsu Sunshine Group Corp., Ltd.	462	428
Shanghai Guozheng Investment Management Corp., Ltd.	462	428
Guangzhou Ziquan Real Estate Development Corp., Ltd.	308	285
China Century Investment Corp., Ltd.	308	285
Shengjinda Investment Corp., Ltd.	69	64
Shanghai Sheshan National Holiday Resort Development Corp., Ltd. (2010: Shanghai Sheshan National Holiday Resort Development Corporation)	33	30
Shanghai Zhongliang Industry Corp., Ltd. (2010: Shanghai Songjiang Food & Oil Corporation)	33	30
Shanghai Songjiang Merchant Development Corp., Ltd. (2010: Shanghai Songjiang Merchant Corporation)	33	30
Shanghai Songjiang Water Company	33	30
Shanghai Songjiang Economic Development and Construction Corporation	33	30
Shanghai Jiadingguangwo Asset Operation Corp., Ltd.	22	21
Shanghai Zhongke High Technology Industrial Park Development Corp., Ltd.	22	21
Cixi Supply & Marketing Cooperatives Association	17	15
Cixi Financial Investment Management Corporation	15	13
Royal Bank of Canada	14	12
Others	854	721
<b>Total</b>	<b>4,949</b>	<b>4,513</b>

## 36 Dividends

The Board of Directors approved the cash dividend distribution plan on 23 August 2012. The cash dividends declared was RMB1.50 (before tax) for every 10 shares of the Bank's total equity stock as at 30 June 2012, totalling RMB4,255 million. The dividend approved after the reporting period is not recognized as a liability in this interim financial information.

The shareholders approved the 2011 cash dividend distribution plan during the Annual General Meeting held on 16 May 2012. The cash dividends declared was RMB3.00 (before tax) for every 10 shares of the Bank's total equity stock as at 25 June 2012, totalling RMB8,510 million.

The shareholders approved the 2010 cash dividend distribution plan during the Annual General Meeting held on 26 May 2011. The cash dividends declared was RMB1.00 (before tax) for every 10 shares of the Bank's total equity stock as at the market close on 31 December 2010, totalling RMB2,672 million.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 37 Investment revaluation reserve

	Six months ended 30 June 2012	Year ended 31 December 2011
At 1 January	(110)	(288)
Changes in fair value of available-for-sale securities	636	44
Less: deferred income tax	(159)	(11)
Transfer to profit or loss upon disposal	124	50
Less: deferred income tax	(31)	(13)
Transfer to profit or loss due to reclassification	64	144
Less: deferred income tax	(16)	(36)
At 30 June/31 December	508	(110)

## 38 Cash and cash equivalents

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

	30 June 2012	30 June 2011
Cash (Note 13)	5,385	6,247
Surplus deposit reserve with central bank (Note 13)	54,068	38,229
Original maturity within 3 months:		
– Balances with banks and other financial institutions	179,303	77,246
Total	238,756	121,722

## 39 Contingent liabilities and commitments

### (1) Credit commitments

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

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

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 39 Contingent liabilities and commitments (Continued)

### (1) Credit commitments (Continued)

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	30 June 2012	31 December 2011
Bank acceptances	578,454	462,638
Trade refinancing	73,123	56,334
Letters of credit	67,694	66,368
Guarantees	67,536	67,321
Unused credit card commitments	15,579	12,578
Irrevocable loan commitments		
— original maturity date within 1 year	523	435
— original maturity date over 1 year (inclusive)	1,793	1,611
Finance lease commitments	3,481	2,808
<b>Total</b>	<b>808,183</b>	<b>670,093</b>

### (2) Capital commitments

	30 June 2012	31 December 2011
Contracted but not paid for	9,327	10,047
Authorised but not contracted for	501	21
<b>Total</b>	<b>9,828</b>	<b>10,068</b>

### (3) Operating lease commitments

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

	30 June 2012	31 December 2011
Within 1 year	1,297	1,331
After 1 year but within 5 years	4,185	3,572
After 5 years	1,764	1,646
<b>Total</b>	<b>7,246</b>	<b>6,549</b>

### (4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments which were made as at 31 December 2011.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 39 Contingent liabilities and commitments (Continued)

### (5) Assets pledged

	30 June 2012	31 December 2011
Discounted bills	43,760	35,384
Investment securities	2,702	6,381
Finance lease receivables	9,447	8,223
Property and equipment	459	186
Other assets	191	184
Balances with banks and other financial institutions	—	30
Trading financial assets	—	5,609
Total	56,559	55,997

Some of the Group's assets are pledged as collateral under repurchase agreements, derivative contracts, loan agreements with other financial institutions and for obtaining credit quotas.

The Group maintains statutory deposit reserves with the PBOC as required (Note 13). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. The fair value of such pledged assets was RMB286,123 million as at 30 June 2012 (31 December 2011: RMB129,508 million). As at 30 June 2012, the Group sold or repledged RMB42,764 million of pledged assets which it has an obligation to repurchase on due dates (31 December 2011: RMB34,895 million).

### (6) Underwriting of securities

	30 June 2012	31 December 2011
Medium- and short-term finance bills	29,049	21,752

### (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 2012 was RMB4,497 million (31 December 2011: RMB3,548 million). The bonds' original maturities vary from one to five years.

### (8) Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 30 June 2012. After considering professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 40 Fiduciary activities

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

The Group's balances of investment fund custodian operations were RMB42,325 million as at 30 June 2012 (31 December 2011: RMB33,051 million). The Group's balances of corporate annuity funds custodian operations were RMB5,586 million as at 30 June 2012 (31 December 2011: RMB4,652 million). The Group's balances of credit assets entrusted management were RMB7,850 million as at 30 June 2012 (31 December 2011: RMB12,707 million). And the Group's balances of entrusted loans were RMB76,347 million as at 30 June 2012 (31 December 2011: RMB61,463 million).

## 41 Related party transactions

### (1) Related parties

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

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

### (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

(Expressed in millions of Renminbi, unless otherwise stated)

## 41 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 2012	31 December 2011
Legend Holdings Ltd.	Guaranteed	1,640	1,970
Tianjin Tax-free Zone Investment Co., Ltd.	Unsecured	750	750
Orient Group Corporation Ltd.	Pledged	400	400
Wuxi Jiante Pharmaceutical Co., Ltd.	Pledged	400	—
	Guaranteed	—	400
CSPC Group Ltd.	Guaranteed	300	—
	Pledged	—	105
East Hope (San Men Xia) Aluminum Co., Ltd.	Guaranteed	200	220
Shandong Xinha Orient Aluminum Co., Ltd.	Guaranteed	200	100
Orient Group Industrial Co., Ltd	Pledged	200	—
Good First Group Ltd.	Pledged	173	54
	Collateralised	—	100
Wuxi Jiante Bioengineering Co., Ltd.	Guaranteed	100	—
	Pledged	—	100
CSPC Group Hebei Zhongcheng Pharmaceutical Co.,Ltd	Guaranteed	100	—
Sichuan Minjiang Snow Salinization Co., Ltd	Guaranteed	50	60
	Collateralised	48	48
Sichuan Hope West Construction Co., Ltd.	Guaranteed	90	90
Chengdu Huaxi Hope Group Co., Ltd	Guaranteed	50	—
East Hope Baotou Rare Earth and Aluminum Co., Ltd.	Pledged	50	—
Jinan Ward Auto Parts Co., Ltd.	Guaranteed	20	20
Sichuan Tequ Investment Co., Ltd.	Guaranteed	15	15
Chengdu Mayflower Computer School	Guaranteed	10	10
Jinan Qilipu Market Co., Ltd.	Guaranteed	10	10
Sichuan Xiwang Shenlan Energy Chemical Industry Co., Ltd	Guaranteed	10	—
Chengdu Beautiful Home Commercial Management Co., Ltd.	Guaranteed	—	20
Individuals	Collateralised	29	14
<b>Total</b>		<b>4,845</b>	<b>4,486</b>
<b>Ratio to similar transactions (%)</b>		<b>0.38</b>	<b>0.38</b>

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 41 Related party transactions (Continued)

### (2) Related party transactions (Continued)

#### (ii) Loans to related parties (Continued)

Amount of transactions:

	Six months ended 30 June	
	2012	2011
Interest income from loans	122	190
Ratio to similar transactions (%)	0.17	0.37

As at 30 June 2012, none of the above loans are found to be impaired (31 December 2011: nil).

#### (iii) Other transactions with related parties

Balances outstanding as at the end of the reporting period:

	30 June 2012		31 December 2011	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Balances with banks and other financial institutions	5,800	2.35	1,763	0.76
Trading financial assets	313	1.38	200	0.98
Placements with banks and other financial institutions	200	0.40	100	0.26
Investment securities:				
— available-for-sale securities	196	0.20	694	1.07
— held-to-maturity securities	—	—	179	0.15
— loans and receivables	100	0.75	100	1.20
Finance lease receivables	504	1.00	544	1.21
Other assets	22	0.04	29	0.09
Deposits from customers	34,740	1.92	46,220	2.81
Deposits and placements from banks and other financial institutions	5,549	1.42	5,235	1.87
Other liabilities	861	1.57	678	1.91

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

# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 41 Related party transactions (Continued)

### (2) Related party transactions (Continued)

#### (iii) Other transactions with related parties (Continued)

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

	30 June 2012		31 December 2011	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	496	0.09	877	0.19
Guarantees	295	0.44	95	0.14
Trade refinancing	50	0.07	—	—
Operating lease commitments	7	0.10	3	0.05

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

	30 June 2012		31 December 2011	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	2,001	0.16	1,453	0.12
Discounted bills issued by related parties	16	0.07	10	0.07

#### (iv) 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 personnel amounted to RMB19 million as at 30 June 2012 (31 December 2011: RMB2 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits before tax for the key management personnel during their service amounted to RMB34 million for the six months ended 30 June 2012 (for the six months ended 30 June 2011: RMB35 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 2012 and 30 June 2011.



# Notes to the Unaudited Interim Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 41 Related party transactions (Continued)

### (2) Related party transactions (Continued)

#### (v) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	30 June 2012	31 December 2011
Balances with banks and other financial institutions	91	90
Other assets	16	5
Deposits and placements from banks and other financial institutions	2,146	3,296
Other liabilities	12	42

Amount of transactions:

	Six months ended 30 June	
	2012	2011
Interest income	2	26
Interest expense	39	28
Fee and commission income	1	6
Operating expenses	54	53

For the period ended 30 June 2012, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 30 June 2012, the balance of the above transactions was RMB20 million.

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

## 42 Subsequent events

The 141th meeting of the Public Offering Review Committee of CSRC held on 25 July 2012 approved the application for the issuance of A share convertible corporate bonds of the Bank.

In addition, details of interim dividend distribution of 2012 are set out in Note 36.

## 43 Comparative figures

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

# Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 1 Liquidity ratios

	30 June 2012	31 December 2011
RMB current assets to RMB current liabilities	61%	40%
Foreign currency current assets to foreign currency current liabilities	83%	117%

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

## 2 Currency concentrations

	30 June 2012			
	USD	HKD	Others	Total
Spot assets	93,864	14,678	8,627	117,169
Spot liabilities	(82,120)	(7,337)	(8,577)	(98,034)
Forward purchases	56,461	7,994	5,197	69,652
Forward sales	(65,928)	(2,588)	(1,856)	(70,372)
Net long/(short) position*	2,277	12,747	3,391	18,415

	31 December 2011			
	USD	HKD	Others	Total
Spot assets	34,943	1,672	4,480	41,095
Spot liabilities	(30,870)	(4,142)	(5,156)	(40,168)
Forward purchases	33,113	2,605	3,416	39,134
Forward sales	(36,926)	(150)	(2,620)	(39,696)
Net long/(short) position*	260	(15)	120	365

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

The Group has no structural position in the reported periods.

# Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 3 Loans and advances to customers

### (1) Impaired loans by geographical area

	30 June 2012				Total
	Northern China	Eastern China	Southern China	Others	
Impaired loans	4,064	4,178	349	385	8,976
Allowance for impairment losses					
— Individual assessment	2,270	1,162	53	111	3,596
— Collective assessment	398	432	126	113	1,069

	31 December 2011				Total
	Northern China	Eastern China	Southern China	Others	
Impaired loans	4,826	2,268	264	181	7,539
Allowance for impairment losses					
— Individual assessment	2,459	745	26	53	3,283
— Collective assessment	269	176	112	63	620

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

	30 June 2012				Total
	Northern China	Eastern China	Southern China	Others	
Overdue loans	3,895	4,002	346	360	8,603
Allowance for impairment losses					
— Individual assessment	2,179	1,029	44	67	3,319
— Collective assessment	412	513	135	124	1,184

	31 December 2011				Total
	Northern China	Eastern China	Southern China	Others	
Overdue loans	3,736	1,465	306	184	5,691
Allowance for impairment losses					
— Individual assessment	2,195	512	21	45	2,773
— Collective assessment	578	207	131	70	986

# Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

## 4 Cross-border claims

	30 June 2012				
	Asia pacific excluding mainland China	North America	Europe	Others	Total
Banks and other financial institutions	4,319	2,027	1,717	—	8,063
Public sector entities	1,229	—	—	—	1,229
Others	7,307	166	759	324	8,556
<b>Total</b>	<b>12,855</b>	<b>2,193</b>	<b>2,476</b>	<b>324</b>	<b>17,848</b>

	31 December 2011				
	Asia pacific excluding mainland China	North America	Europe	Others	Total
Banks and other financial institutions	2,896	4,040	2,133	—	9,069
Public sector entities	66	9	—	—	75
Others	2,558	17	—	682	3,257
<b>Total</b>	<b>5,520</b>	<b>4,066</b>	<b>2,133</b>	<b>682</b>	<b>12,401</b>

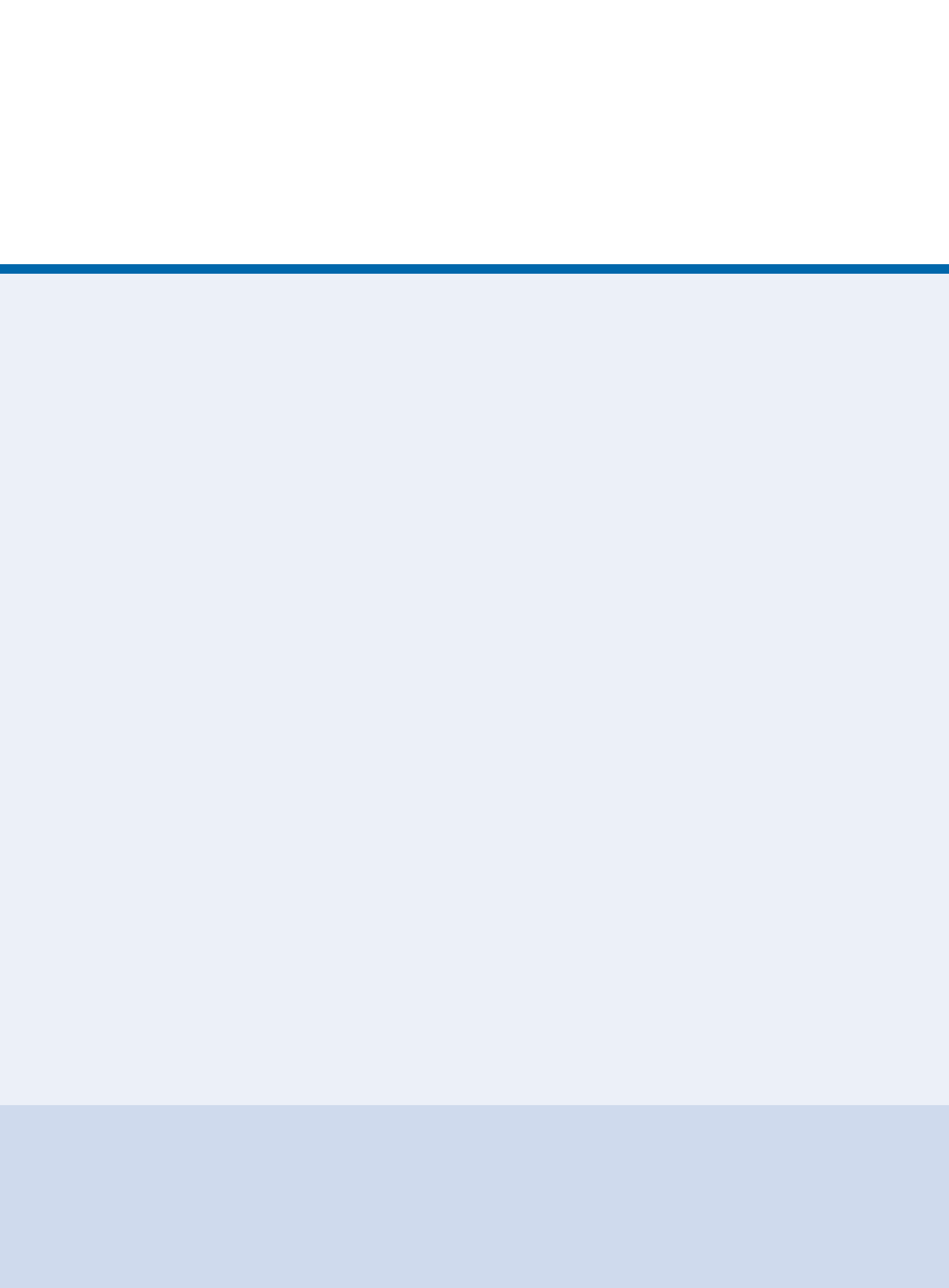


In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Bank” or “Company” or “China Minsheng Bank” or “Minsheng Bank”:	China Minsheng Banking Corp., Ltd.
“Board”:	Board of directors
“CAS”:	China Accounting Standards
“CBD”:	Central Business District
“CBRC”:	China Banking Regulatory Commission
“CSRC”:	China Securities Regulatory Commission
“Group”:	the Bank and its subsidiaries
“Hong Kong Listing Rules”:	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange
“Hong Kong Stock Exchange”:	The Stock Exchange of Hong Kong Limited
“IFRS”:	International Financial Reporting Standards
“IT”:	Information Technology
“LNG”:	Liquefied natural gas
“Minsheng Leasing”:	Minsheng Financial Leasing Co., Ltd.
“Minsheng Royal Fund”:	Minsheng Royal Fund Management Co., Ltd.
“Model Code”:	Model Code for Securities Transactions by Directors of Listed Issuers, appendix 10 to the Hong Kong Listing Rules
“MSE”:	Small Micro Enterprises
“NPL”:	Non-performing Loans
“NSOE(s)”:	non-state-owned enterprise(s)

# Definitions

“PBOC”:	People’s Bank of China
“RMB”:	Renminbi
“SBU”:	Strategic Business Unit
“SFO”:	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SME”:	Small and Medium Enterprise
“Supervisory Board”:	Supervisory Board of the Company





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