

Important Notice

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

This interim report was considered and approved on 29 August 2016 at the 28th meeting of the sixth session of the Board of the Company. Of the 18 Directors who were entitled to attend the meeting, 11 Directors attended the meeting in person, Zhang Hongwei, the vice chairman, and Guo Guangchang, our Director, attended by teleconference; Lu Zhiqiang, the vice chairman, and Wang Junhui, our Director, entrusted Hong Qi, our chairman, in writing, to exercise their voting rights at the meeting; and Qin Rongsheng, Ba Shusong and You Lantian, our Directors, did not attend the meeting.

According to the interim profit distribution plan for 2016 passed by the Board, on the basis of the total share capital of the Company as at the record date for the purpose of profit distribution, a cash dividend of RMB1.15 (before tax) for every 10 shares will be distributed to shareholders of the Company.

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

The financial data and indicators contained in this interim report are prepared in accordance with the IFRS. Unless otherwise specified, all amounts are the consolidated data of the Group and are denominated in RMB.

The interim financial report of the Company was not audited.

Board of Directors
China Minsheng Banking Corp., Ltd.

Hong Qi (Chairman), Zheng Wanchun (President), Bai Dan (Senior Management responsible for finance and accounting) and Li Wen (Person in charge of the accounting department) warrant the truthfulness, accuracy and completeness of the financial statements included in this interim report.

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Definitions

In this interim report, unless the context otherwise requires, the following expressions have the meanings set out below:

“ACFIC”	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
“Bank” or “Company” or “China Minsheng Bank” or “Minsheng Bank”	China Minsheng Banking Corp., Ltd.
“Board”	board of directors of the Company
“CBRC”	China Banking Regulatory Commission
“CIRC”	China Insurance Regulatory Commission
“CMBC International”	CMBC International Holdings Limited
“CPPCC”	The National Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議全國委員會)
“CSRC”	China Securities Regulatory Commission
“Director”	a director of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on SEHK
“Minsheng Financial Leasing”	Minsheng Financial Leasing Co., Ltd.
“Minsheng Royal Asset Management”	Minsheng Royal Asset Management Co., Ltd.
“Minsheng Royal Fund”	Minsheng Royal Fund Management Co., Ltd.

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“NSOE(s)”	non-state-owned enterprise(s)
“PBOC”	People’s Bank of China
“Phoenix Project” (鳳凰計劃)	a comprehensive customer-oriented project for strategic transformation and restructuring of the Company in response to the liberalization of interest rate
“Reporting Period”	the period from 1 January 2016 to 30 June 2016
“SBU”	strategic business unit
“SEHK”	The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SSE”	Shanghai Stock Exchange
“Supervisor”	a supervisor of the Company

Bank Profile

- | | |
|---|--|
| 1. Registered Chinese Name of the Company:
Registered English Name of the Company: | 中國民生銀行股份有限公司
(Abbreviation:「中國民生銀行」)
CHINA MINSHENG BANKING CORP., LTD.
(Abbreviation: “CMBC”) |
| 2. Legal Representative of the Company: | Hong Qi |
| 3. Authorized Representatives of the Company: | Han Jianmin
Soon Yuk Tai |
| 4. Board Secretary:
Joint Company Secretaries:

Representative of Securities Affairs: | Wan Qingyuan
Wan Qingyuan
Soon Yuk Tai
Wang Honggang |
| 5. Mailing Address:

Postal Code:
Telephone:
Facsimile:
Email: | China Minsheng Bank Building,
No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
100031
86-10-58560975
86-10-58560720
cmbc@cmbc.com.cn |
| 6. Registered Address:
Postal Code:
Website:
Email: | No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
100031
www.cmbc.com.cn
cmbc@cmbc.com.cn |
| 7. Branch Office and Place of Business in Hong Kong: | 40/F, International Finance Centre Phase II, 8 Finance Street,
Central, Hong Kong |
| 8. Newspapers Selected by the Company for Information Disclosure:
Website for Publishing the A Share Interim Report Designated by the CSRC:
Website for Publishing the H Share Interim Report Designated by the SEHK: | China Securities Journal, Shanghai Securities News and
Securities Times

www.sse.com.cn

www.hkexnews.hk |

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

9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office
 Legal Adviser as to Clifford Chance
 Hong Kong Law:
10. Domestic Accounting Firm: KPMG Huazhen LLP
 Office Address: 8th Floor, KPMG Tower Oriental Plaza,
 No. 1 East Chang An Avenue, Beijing, China
 International Accounting Firm: KPMG Certified Public Accountants
 Office Address: 8th Floor, Prince's Building, 10 Chater Road,
 Central, Hong Kong
11. A Share Registrar: China Securities Depository and Clearing Corporation Limited
 (Shanghai Branch)
 Office Address: 36/F, China Insurance Building,
 No. 166 Lujiazui East Road, New Pudong District,
 Shanghai, China
 H Share Registrar: Computershare Hong Kong Investor Services Limited
 Office Address: Shops 1712–1716, 17 Floor, Hopewell Centre,
 183 Queen's Road East, Wanchai, Hong Kong
12. Places of Listing, Stock Names and Stock Codes:
- | | | |
|----------|----------------|-------------|
| A Share: | Stock Name: | Stock Code: |
| SSE; | MINSHENG BANK; | 600016 |
| H Share: | Stock Name: | Stock Code: |
| SEHK; | MINSHENG BANK; | 01988 |
13. Initial Date of Registration: 7 February 1996
 Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14. Date of Registration for 20 November 2007
 Subsequent Change:
 Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Unified Social Credit Code: 91110000100018988F

Summary of Financial Data and Indicators

I. Major Accounting Data and Financial Indicators

	January to June 2016	January to June 2015	Changes of the Reporting Period over the corresponding period of the previous year	January to June 2014
Operating results (RMB million)			Increase/ decrease (%)	
Net interest income	47,438	46,994	0.94	43,600
Net non-interest income	29,951	29,618	1.12	21,352
Operating income	77,389	76,612	1.01	64,952
Operating expenses	21,446	26,072	-17.74	23,337
Impairment losses on loans and advances	20,816	14,342	45.14	6,805
Profit before income tax	35,181	35,529	-0.98	34,397
Net profit attributable to equity shareholders of the Company	27,223	26,778	1.66	25,570
Net cash flow from operating activities	728,563	77,083	845.17	104,544
Data per share (RMB)				
Basic earnings per share	0.75	0.78	-3.85	0.75
Diluted earnings per share	0.75	0.74	1.35	0.71
Net cash flow per share from operating activities	19.97	2.11	846.45	3.07
Profitability indicators (%)			Changes in Percentage points	
Return on average assets (annualized)	1.13	1.31	-0.18	1.54
Return on average shareholders' equity (annualized)	17.56	20.58	-3.02	24.36
Cost-to-income ratio	23.20	27.44	-4.24	29.20
Net fee and commission income to operating income ratio	36.26	32.82	3.44	28.39
Net interest spread	1.88	2.19	-0.31	2.42
Net interest margin	2.01	2.35	-0.34	2.62

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



Return on average assets (annualized, %)



	30 June 2016	31 December 2015	Changes from the end of the previous year to the end of the Reporting Period	31 December 2014
Scale indicators (RMB million)			Increase/decrease (%)	
Total assets	5,250,162	4,520,688	16.14	4,015,136
Total balance of loans and advances to customers	2,274,710	2,048,048	11.07	1,812,666
Total liabilities	4,922,507	4,210,905	16.90	3,767,380
Deposits from customers	2,934,633	2,732,262	7.41	2,433,810
Share capital	36,485	36,485	—	34,153
Total equity attributable to equity shareholders of the Company	318,774	301,218	5.83	240,142
Net assets per share attributable to equity shareholders of the Company (RMB)	8.74	8.26	5.81	7.03
			Changes in percentage points	
Assets quality indicators (%)				
Impaired loans ratio	1.67	1.60	0.07	1.17
Provision coverage ratio	152.55	153.63	-1.08	182.20
Provision for total loans ratio	2.55	2.46	0.09	2.12
			Changes in percentage points	
Capital adequacy ratio indicators (%)				
Core tier-one capital adequacy ratio	9.34	9.17	0.17	8.58
Tier-one capital adequacy ratio	9.36	9.19	0.17	8.59
Capital adequacy ratio	11.52	11.49	0.03	10.69
Total equity to total assets ratio	6.24	6.85	-0.61	6.17

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

II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicators	Benchmark	30 June	31 December	31 December	
		2016	2015	2014	
Liquidity ratios	Consolidated in RMB	≥25	42.14	44.72	36.00

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

I. Review of Economic and Financial Conditions and Government Policies

In the first half of 2016, the global economic growth relied heavily on the highly aggressive quantitative easing monetary policies, such as negative interest rate, while the global economy had been increasingly complicated and challenging and geopolitical conflicts broke out frequently. The banking industry was subject to a lot more uncertainties. Despite complicated internal and external environment and sustained downward pressure, China's economy saw signs of stability with moderate growth. Supply-side structural reform is the primary focus of economic development with five major objectives, including "addressing overcapacity, reducing inventory, deleveraging, lowering costs and bolstering areas of weakness". Besides the contribution to the moderate expansion in overall demands, the fiscal and monetary policies also provided support for the supply-side structural reforms by developing the new engine of "mass entrepreneurship and innovation" (大眾創業·萬眾創新). As a result, the economic structure showed positive changes. Under the "New Normal" economic environment, the banking industry will face new challenges of slowdown in profit growth and business restructuring. The development potential of the traditional businesses is limited and the asset quality is under higher pressure. The rapid development of internet finance and intensified regulation are also challenges for the banking industry. In response to the changes in operating environment and to effectively support the development of real economy, the Company has taken the following measures:

- (i) The Board attached great importance to the key roles that corporate governance and corporate culture play in the sustainable and healthy development of the Company. The Bank pressed ahead with the formulation of General Regulations of China Minsheng Bank (中國民生銀行基本法), aiming to establish Minsheng Bank as a time-honoured brand through continuous improvement in corporate governance and strictly regulated business operation.
- (ii) The Company highly valued the strategic guidelines. It actively pressed ahead with the formulation of Medium to Long-term Development Strategies of China Minsheng Bank for 2016–2025 (中國民生銀行中長期發展戰略 (2016–2025)) and put forward the Three-Year Business Plan for 2017–2020 (業務發展三年規劃(2017–2020)) so as to strengthen the strategic management system of the Company.
- (iii) The Company further pushed forward the strategic transformation by carrying out various reforms, mainly including the Phoenix Project. The marketing system consisting of three headquarters was established and advanced management tools such as Voice of Customers (客戶之聲), Lean Six Sigma (精益六西格瑪) and balanced scorecards (平衡計分卡) were adopted to strengthen the implementation of strategies and promote the steady and healthy development of various businesses.

- (iv) The Company refined the supportive measures to facilitate the reform by establishing professional committees and enhancing the systematic decision-making process. Reforms in various areas such as management of rural banks, integration of information technology systems and categorized management of branches were implemented in an orderly manner.
- (v) The Company continued to enhance the comprehensive risk management by formulating new independent risk management systems featured with customer segment, risk classification and centralized management. In order to maintain stable asset quality, disposal of non-performing assets as well as the risk management and control in key areas were strengthened.
- (vi) The Company further optimized its customer strategies by strengthening its customer base of private enterprises and expanding services to state-owned enterprises. It developed a new financial service model of “small business finance and community finance”. Coordination among various business lines was strengthened through the application of Internet. Under the guidance of “mass entrepreneurship and innovation” (大眾創業·萬眾創新), the Company actively explored new value growth points. Moreover, the Company also supported major infrastructure projects and development of emerging industries in active response to national strategies such as “the Belt and Road Initiative” (一帶一路), the integrated development of Beijing, Tianjin and Hebei and development of Yangtze River Economic Zone. The structures of customers and credit assets were further optimized to promote steady growth of the Company.
- (vii) The Company promoted innovation in key products and business models. Customer base and transaction volumes of mobile banking and direct banking grew rapidly while other businesses including cash management, asset management, transaction banking, investment banking, internet finance and credit card businesses experienced stable growth.
- (viii) The Company optimized the resources allocation and enhanced the overall management by strengthening the management of assets and liabilities, human resources, finance and IT resources. Platform construction was also under solid progress with improved system and efficient data applications.

II. Overview of Operations

In the first half of 2016, under the proper leadership of the Board, the Company coped with and actively responded to the changes in economic environment by speeding up the implementation of strategic reform and operation restructuring under Phoenix Project. Under the guidelines of strengthening corporate business, expanding retail business and optimizing financial markets business, the Company pressed ahead with reforms and business innovation, improved its risk management system and enhanced the asset quality management, contributing to sustainable and steady development of the Company.

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

During the Reporting Period, the Group's net profit attributable to equity shareholders of the Company amounted to RMB27,223 million, representing an increase of RMB445 million, or 1.66%, as compared with the corresponding period of the previous year. Operating income amounted to RMB77,389 million, representing an increase of RMB777 million, or 1.01%, as compared with the corresponding period of the previous year. Net interest margin and net interest spread were 2.01% and 1.88%, respectively, representing decreases of 0.34 percentage point and 0.31 percentage point, respectively, as compared with the corresponding period of the previous year. Return on average assets and return on average shareholders' equity of the Group were 1.13% and 17.56%, respectively, representing decreases of 0.18 percentage point and 3.02 percentage points, respectively, as compared with the corresponding period of the previous year. Basic earnings per share were RMB0.75, representing a decrease of RMB0.03, or 3.85%, as compared with the corresponding period of the previous year. As at the end of the Reporting Period, net assets per share attributable to equity shareholders of the Company amounted to RMB8.74, representing an increase of RMB0.48, or 5.81%, as compared with the end of the previous year.

(II) Rapid expansion of assets scale and constant adjustments in business structure and customer base

As at the end of the Reporting Period, total assets of the Group exceeded RMB5 trillion and amounted to RMB5,250,162 million, representing an increase of RMB729,474 million, or 16.14%, as compared with the end of the previous year. Total balance of loans and advances to customers amounted to RMB2,274,710 million, representing an increase of RMB226,662 million, or 11.07%, as compared with the end of the previous year. Among others, personal loans and advances to customers amounted to RMB802,598 million, representing an increase of RMB74,570 million, or 10.24%, as compared with the end of the previous year. Under the category of personal loans and advances to customers, the loans to small and micro enterprises amounted to RMB355,701 million, representing a decrease of RMB22,476 million, or 5.94%, as compared with the end of the previous year; the personal consumption loans (including residential mortgage) amounted to RMB266,893 million, representing an increase of RMB87,952 million, or 49.15%, as compared with the end of the

previous year. Net investment balance of trading and banking books amounted to RMB1,600,712 million, representing an increase of RMB687,150 million, or 75.22%, as compared with the end of the previous year. Balances and placements with banks and other financial institutions and financial assets held under resale agreements amounted to RMB637,770 million, representing a decrease of RMB263,532 million, or 29.24%, as compared with the end of the previous year. Total liabilities of the Group amounted to RMB4,922,507 million, representing an increase of RMB711,602 million, or 16.90%, as compared with the end of the previous year. Among others, total deposits amounted to RMB2,934,633 million, representing an increase of RMB202,371 million, or 7.41%, as compared with the end of the previous year. Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB1,331,003 million, representing an increase of RMB291,099 million, or 27.99%, as compared with the end of the previous year.

The Company made continuous efforts in adjusting the business structure and the structure of customer base with the booming assets scale. In respect of business structure, as at the end of the Reporting Period, the balance of loans and advances to customers of the Company accounted for 44.52% of its total assets, a decrease of 2.10 percentage points as compared with the end of the previous year. Personal consumption loans (including residential mortgage) accounted for 33.38% of personal loans and advances, an increase of 8.97 percentage points as compared with the end of the previous year. Net investment balance of trading and banking books accounted for 31.41% of the total assets, an increase of 10.55 percentage points as compared with the end of the previous year. Balances and placements with banks and other financial institutions and financial assets held under resale agreements accounted for 12.40% of the total assets, a decrease of 8.15 percentage points as compared with the end of the previous year. In respect of the structure of customer base, as at the end of the Reporting Period, the number of domestic corporate customers with outstanding balance was 761.1 thousand, an increase of 69.1 thousand or 9.99% as compared with the end of the previous year; the number of retail customers with deposits was 27,985.3 thousand, an increase of 2,371.4 thousand or 9.26% as compared with the end of the previous year. The number of eligible private banking customers was 15,517, an increase of 345 or 2.27% as compared with the end of the previous year.

(III) Expansion of transaction channel and customer base

In response to the development of its business and the changing market, the Company took initiative to improve the operation management of its branches, and actively developed innovative online financial products and services to improve customer experience. As at the end of the Reporting Period, the number of sub-branches was 1,083, representing an increase of 22 as compared with the end of the previous year; the number of direct banking customers was 3,609.2 thousand, representing an increase of 742.0 thousand as compared with the end of the previous

year; the number of personal mobile banking customers was 21,775.4 thousand, representing an increase of 2,749.7 thousand as compared with the end of the previous year. The number of personal online banking customers was 15,431.1 thousand, representing an increase of 923.0 thousand as compared with the end of previous year. The number of customers using “Interbank Transaction Products” (跨行通) was 2,225.4 thousand, representing an increase of 332.3 thousand as compared with the end of the previous year. The number of WeChat banking customers was 13,052.1 thousand.

(IV) Further optimization in income structure and improvement in operation efficiency

The Group further optimized its income structure by increasing the proportion of net non-interest income. The Group also enhanced cost management for higher efficiency in terms of input and output. During the Reporting Period, the Group had net non-interest income of RMB29,951 million, representing an increase of RMB333 million, or 1.12%, as compared with the corresponding period of the previous year and accounting for 38.70% of the operating income, representing an increase of 0.04 percentage point as compared with the corresponding period of the previous year. The Group had operating expenses of RMB21,446 million, representing a decrease of RMB4,626 million, or 17.74%, as compared with the corresponding period of the previous year. The cost-to-income ratio of the Group was 23.20%, representing a decrease of 4.24 percentage points as compared with the corresponding period of the previous year.

(V) Enhanced risk management and integral controllability of asset quality

The Group continued to strengthen asset quality and risk management and reinforce the disposal of non-performing assets in order to effectively control asset quality. As at the end of the Reporting Period, impaired loan ratio of the Group was 1.67%, representing an increase of 0.07 percentage point as compared with the end of the previous year. Provision coverage ratio and provision for total loans ratio were 152.55% and 2.55%, respectively, representing a decrease of 1.08 percentage points and an increase of 0.09 percentage point as compared with the end of the previous year, respectively.

III. Analysis of Major Items of Income Statement

During the Reporting Period, the Group realized a net profit attributable to equity shareholders of the Company of RMB27,223 million, representing an increase of RMB445 million, or 1.66% as compared with the corresponding period of the previous year. The slower growth rate is caused by various factors, including narrowed net interest margin, increase in provisions and the value-added tax reform.

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

(Unit: RMB million)

Item	January to June 2016	January to June 2015	Increase (%)
Operating income	77,389	76,612	1.01
Of which: Net interest income	47,438	46,994	0.94
Net non-interest income	29,951	29,618	1.12
Operating expenses	21,446	26,072	-17.74
Impairment losses on assets	20,762	15,011	38.31
Profit before income tax	35,181	35,529	-0.98
Less: Income tax expense	7,479	8,257	-9.42
Net profit	27,702	27,272	1.58
Of which: Net profit attributable to equity shareholders of the Company	27,223	26,778	1.66
Profit or loss attributable to non-controlling interests	479	494	-3.04

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

(Unit: RMB million)

Item	January to June 2016		January to June 2015		Increase (%)
	Amount	% of total	Amount	% of total	
Net interest income	47,438	61.30	46,994	61.34	0.94
Of which: Interest income from loans and advances to customers	57,115	73.79	60,043	78.38	-4.88
Interest income from investment balances of trading and banking books	21,437	27.70	15,531	20.27	38.03
Interest income from financial assets held under resale agreements	7,226	9.34	13,461	17.57	-46.32
Interest income from placements with banks and other financial institutions	3,889	5.03	5,127	6.69	-24.15
Interest income from balances with the central bank	3,381	4.37	3,381	4.41	—
Interest income from long-term receivables	2,946	3.81	2,944	3.84	0.07
Interest income from balances with banks and other financial institutions	2,056	2.66	2,380	3.11	-13.61
Interest expenses	-50,612	-65.40	-55,873	-72.93	-9.42
Net non-interest income	29,951	38.70	29,618	38.66	1.12
Net fee and commission income	28,059	36.26	25,145	32.82	11.59
Other net non-interest income	1,892	2.44	4,473	5.84	-57.70
Total	77,389	100.00	76,612	100.00	1.01

(I) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group was RMB47,438 million, representing an increase of RMB444 million, or 0.94%, as compared with the corresponding period of the previous year. Among others, the business expansion contributed to an increase of RMB8,547 million in net interest income and the changes in interest rate led to a decrease of RMB8,103 million in the net interest income.

During the Reporting Period, the net interest margin of the Group was 2.01%, representing a decrease of 0.34 percentage point as compared with the corresponding period of the previous year.

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

(Unit: RMB million)

Item	January to June 2016			January to June 2015		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Interest-earning assets						
Total balance of loans and advances to customers	2,213,333	57,115	5.16	1,899,556	60,043	6.32
Of which: Corporate loans and advances	1,466,559	35,344	4.82	1,221,297	37,077	6.07
Personal loans and advances	746,774	21,771	5.83	678,259	22,966	6.77
Investment balance of trading and banking books	1,107,157	21,437	3.87	643,692	15,531	4.83
Financial assets held under resale agreements	446,057	7,226	3.24	566,710	13,461	4.75
Placements with banks and other financial institutions	239,936	3,889	3.24	231,841	5,127	4.42
Balances with the central bank	447,091	3,381	1.51	443,016	3,381	1.53
Long-term receivables	104,028	2,946	5.66	92,564	2,944	6.36
Balances with banks and other financial institutions	163,421	2,056	2.52	117,322	2,380	4.06
Total	4,721,023	98,050	4.15	3,994,701	102,867	5.15
Item	January to June 2016			January to June 2015		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	2,802,225	25,500	1.82	2,469,180	28,898	2.34
Of which: Corporate deposits	2,256,015	20,812	1.85	1,926,607	22,600	2.35
Demand	831,094	2,719	0.65	648,276	2,576	0.79
Time	1,424,921	18,093	2.54	1,278,331	20,024	3.13
Personal deposits	546,210	4,688	1.72	542,573	6,298	2.32
Demand	151,357	299	0.40	132,180	261	0.39
Time	394,853	4,389	2.22	410,393	6,037	2.94
Deposits from banks and other financial institutions	1,071,191	15,249	2.85	878,804	17,454	3.97
Debt securities issued	184,478	3,974	4.31	159,684	3,923	4.91
Borrowings from central bank and other financial institutions and others	258,995	4,187	3.23	162,504	3,658	4.50
Financial assets sold under repurchase agreements	55,855	758	2.71	59,855	1,186	3.96
Placements from banks and other financial institutions	91,332	944	2.07	45,009	754	3.35
Total	4,464,076	50,612	2.27	3,775,036	55,873	2.96
Net interest income		47,438			46,994	
Net interest spread			1.88			2.19
Net interest margin			2.01			2.35

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

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

(Unit: RMB million)

Item	Increase/ Decrease due to changes in scale from January to June 2015 to January to June 2016	Increase/ Decrease due to changes in interest rate from January to June 2015 to January to June 2016	Net increase/ decrease
Changes in interest income:			
Total balance of loans and advances			
to customers	9,918	-12,846	-2,928
Investment balance of trading and banking books	11,182	-5,276	5,906
Financial assets held under resale agreements	-2,866	-3,369	-6,235
Placements with banks and other financial institutions	179	-1,417	-1,238
Balances with the central bank	31	-31	—
Long-term receivables	365	-363	2
Balances with banks and other financial institutions	935	-1,259	-324
Subtotal	19,744	-24,561	-4,817
Changes in interest expenses:			
Deposits from customers	3,898	-7,296	-3,398
Deposits from banks and other financial institutions	3,821	-6,026	-2,205
Debt securities issued	609	-558	51
Borrowings from the central bank and other financial institutions and others	2,172	-1,643	529
Financial assets sold under repurchase agreements	-79	-349	-428
Placements from banks and other financial institutions	776	-586	190
Subtotal	11,197	-16,458	-5,261
Changes in net interest income	8,547	-8,103	444

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

1. Interest income

During the Reporting Period, interest income of the Group was RMB98,050 million, representing a decrease of RMB4,817 million, or 4.68%, as compared with the corresponding period of the previous year. The decrease in interest income was mainly due to various factors including narrowed net interest margin and the value-added tax reform. In respect of interest income structure, interest income from loans and advances to customers accounted for 58.25% of the total interest income. Interest income from investment balance of trading and banking books accounted for 21.86% of the total interest income.

(1) Interest income from loans and advances to customers

During the Reporting Period, interest income from loans and advances to customers of the Group recorded RMB57,115 million, representing a decrease of RMB2,928 million, or 4.88%, as compared with the corresponding period of the previous year. In particular, interest income from corporate loans and advances amounted to RMB35,344 million, representing a decrease of RMB1,733 million, or 4.67%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances amounted to RMB21,771 million, representing a decrease of RMB1,195 million, or 5.20%, as compared with the corresponding period of the previous year.

(2) Interest income from investment balance of trading and banking books

During the Reporting Period, interest income from investment balance of trading and banking books of the Group was RMB21,437 million, representing an increase of RMB5,906 million, or 38.03%, as compared with the corresponding period of the previous year. The increase was mainly due to the expansion of investment scales of the Group.

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

During the Reporting Period, interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements was RMB13,171 million, representing a decrease of RMB7,797 million, or 37.19%, as compared with the corresponding period of the previous year.

(4) Interest income from balances with the central bank

During the Reporting Period, interest income from balances with the central bank was RMB3,381 million, at the similar level to corresponding period of previous year.

(5) Interest income from long-term receivables

During the Reporting Period, interest income of the Group from long-term receivables amounted to RMB2,946 million, representing an increase of RMB2 million, or 0.07%, as compared with the corresponding period of the previous year.

2. Interest expenses

During the Reporting Period, interest expenses of the Group was RMB50,612 million, representing a decrease of RMB5,261 million, or 9.42%, as compared with the corresponding period of the previous year. The decrease was mainly due to the lower cost ratio of interest-bearing liabilities. As to the components of interest expenses, the interest expenses on deposits from customers accounted for 50.38% of the total interest expenses, while interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements accounted for 33.49% of the total interest expenses.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses of the Group on deposits from customers amounted to RMB25,500 million, representing a decrease of RMB3,398 million, or 11.76%, as compared with the corresponding period of the previous year.

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

During the Reporting Period, interest expenses of the Group on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to RMB16,951 million, representing a decrease of RMB2,443 million, or 12.60%, as compared with the corresponding period of the previous year.

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses of the Group on debt securities issued amounted to RMB3,974 million, representing an increase of RMB51 million, or 1.30%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the scale of the bonds issued.

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

During the Reporting Period, interest expenses of the Group on borrowings from the central bank and other financial institutions and other interest expenses amounted to RMB4,187 million, representing an increase of RMB529 million, or 14.46%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the scale of borrowings from the central bank.

(II) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB29,951 million, representing an increase of RMB333 million, or 1.12%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January to June 2016	January to June 2015	Increase (%)
Net fee and commission income	28,059	25,145	11.59
Other net non-interest income	1,892	4,473	-57.70
Total	29,951	29,618	1.12

1. Net fee and commission income

During the Reporting Period, net fee and commission income of the Group amounted to RMB28,059 million, representing an increase of RMB2,914 million, or 11.59%, as compared with the corresponding period of the previous year, which was mainly due to the increases in income from agency services, trust and other fiduciary services.

(Unit: RMB million)

Item	January to June 2016	January to June 2015	Increase (%)
Agency services	9,293	5,815	59.81
Bank card services	7,945	7,318	8.57
Trust and other fiduciary services	7,411	6,195	19.63
Credit commitments	2,929	3,353	-12.65
Settlement services	1,333	1,465	-9.01
Financial advisory services	392	2,485	-84.23
Others	484	391	23.79
Fee and commission income	29,787	27,022	10.23
Less: Fee and commission expenses	1,728	1,877	-7.94
Net fee and commission income	28,059	25,145	11.59

2. Other net non-interest income

During the Reporting Period, other net non-interest income of the Group was RMB1,892 million, representing a decrease of RMB2,581 million, or 57.70%, as compared with the corresponding period of the previous year, which was mainly due to various factors such as the decrease in trading income from bills.

(Unit: RMB million)

Item	January to June 2016	January to June 2015	Increase (%)
Net gains arising from disposals of securities and discounted bills	978	2,842	-65.59
Net trading gains	59	479	-87.68
Other operating income	855	1,152	-25.78
Total	1,892	4,473	-57.70

(III) Operating expenses

During the Reporting Period, operating expenses of the Group amounted to RMB21,446 million, representing a decrease of RMB4,626 million, or 17.74%, as compared with the corresponding period of the previous year. The cost-to-income ratio of the Group was 23.20%, representing a decrease of 4.24 percentage points as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January to June 2016	January to June 2015	Increase (%)
Staff costs (including Director's emoluments)	8,740	11,214	-22.06
Business tax and surcharges	3,494	5,047	-30.77
Rental and property management expenses	2,301	2,357	-2.38
Depreciation and amortization	1,719	1,889	-9.00
Office expenses	780	1,224	-36.27
Business expenses and others	4,412	4,341	1.64
Total	21,446	26,072	-17.74

(IV) Impairment losses on assets

During the Reporting Period, the Group recorded impairment losses on assets of RMB20,762 million, representing an increase of RMB5,751 million, or 38.31%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January to June 2016	January to June 2015	Increase (%)
Loans and advances to customers	20,816	14,342	45.14
Loans and receivables	326	336	-2.98
Long-term receivables	280	206	35.92
Others	-660	127	Negative for the period
Total	20,762	15,011	38.31

(V) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB7,479 million, representing a decrease of RMB778 million as compared with the corresponding period of the previous year. The income tax rate was 21.26%.

IV. Analysis of Major Items of Balance Sheet

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB5,250,162 million, representing an increase of RMB729,474 million, or 16.14%, as compared with the end of the previous year. The assets of the Group continued to grow.

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

(Unit: RMB million)

Item	30 June 2016		31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total
Total balance of loans and advances to customers	2,274,710	43.33	2,048,048	45.30	1,812,666	45.15
Less: Allowance for impairment losses on loans	58,086	1.11	50,423	1.11	38,507	0.96
Net balance of loans and advances to customers	2,216,624	42.22	1,997,625	44.19	1,774,159	44.19
Net investment balance of trading and banking books	1,600,712	30.49	913,562	20.21	598,164	14.90
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	637,770	12.15	901,302	19.94	927,756	23.11
Cash and balances with the central bank	498,931	9.50	432,831	9.57	471,632	11.75
Long-term receivables	101,720	1.94	92,579	2.05	88,824	2.21
Property and equipment	40,649	0.77	41,151	0.91	36,936	0.92
Derivative financial assets	14,315	0.27	5,175	0.11	3,231	0.08
Others	139,441	2.66	136,463	3.02	114,434	2.84
Total	5,250,162	100.00	4,520,688	100.00	4,015,136	100.00

Note: Net investment balance of trading and banking books include financial assets at fair value through the profit or loss, available-for-sale securities, held-to-maturity securities as well as loans and receivables.

1. Loans and advances to customers

As at the end of the Reporting Period, total balance of loans and advances to customers of the Group amounted to RMB2,274,710 million, representing an increase of RMB226,662 million, or 11.07%, as compared with the end of the previous year, and accounted for 43.33% of total assets, representing a decrease of 1.97 percentage points as compared with the end of the previous year.

Breakdown of loans and advances by means of products is as the following:

(Unit: RMB million)

Item	30 June 2016		31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	1,472,112	64.72	1,320,020	64.45	1,157,985	63.88
Of which: Discounted bills	82,026	3.61	79,084	3.86	26,930	1.49
Personal loans and advances	802,598	35.28	728,028	35.55	654,681	36.12
Total	2,274,710	100.00	2,048,048	100.00	1,812,666	100.00

Breakdown of personal loans and advances is as the following:

(Unit: RMB million)

Item	30 June 2016		31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	355,701	44.32	378,177	51.95	410,139	62.65
Residential mortgage	194,842	24.28	114,328	15.70	69,606	10.63
Credit card overdrafts	180,004	22.43	170,910	23.48	147,678	22.56
Others	72,051	8.97	64,613	8.87	27,258	4.16
Total	802,598	100.00	728,028	100.00	654,681	100.00

2. Investment on trading and banking books

As at the end of the Reporting Period, net investment balance of trading and banking books of the Group amounted to RMB1,600,712 million, representing an increase of RMB687,150 million, or 75.22%, as compared with the end of the previous year, mainly attributable to the restructuring of asset portfolio of the Group.

(1) The structure of investment on trading and banking books

Investment on trading and banking books of the Group structured by holding purpose is as the following:

(Unit: RMB million)

Item	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Loans and receivables	800,823	50.03	451,239	49.39
Held-to-maturity securities	530,691	33.15	278,364	30.47
Available-for-sale securities	231,705	14.48	157,000	17.19
Financial assets at fair value through the profit or loss	37,493	2.34	26,959	2.95
Total	1,600,712	100.00	913,562	100.00

(2) Holdings of financial bonds

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

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Impairment allowances
2012 financial bonds	4,200	4.19	2017-02-28	—
2013 financial bonds	3,000	4.37	2018-07-29	—
2014 financial bonds	1,500	5.44	2019-07-24	—
2013 financial bonds	1,400	4.30	2018-03-04	—
2013 financial bonds	1,100	5.22	2018-04-11	—
2016 financial bonds	1,000	3.07	2019-03-07	—
2014 financial bonds	1,000	5.71	2019-01-14	—
2014 financial bonds	1,000	5.48	2017-01-14	—
2014 financial bonds	1,000	5.37	2019-03-05	—
2014 financial bonds	1,000	5.09	2017-01-14	—
Total	16,200			

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

As at the end of the Reporting Period, balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB637,770 million, representing a decrease of RMB263,532 million, or 29.24%, as compared with the end of the previous year, and accounted for 12.15% of the total assets, representing a decrease of 7.79 percentage points as compared with the end of the previous year.

4. Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	436,485	10,954	8,475
Interest rate swaps	380,102	254	226
Precious metal derivatives	87,836	2,069	6,249
Foreign exchange forwards	41,182	858	487
Currency options	18,914	81	74
Extension options	8,300	—	—
Credit derivatives	829	—	44
Others	242	99	3
Total		14,315	15,558

(II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB4,922,507 million, representing an increase of RMB711,602 million, or 16.90%, as compared with the end of the previous year.

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

(Unit: RMB million)

Item	30 June 2016		31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	2,934,633	59.62	2,732,262	64.89	2,433,810	64.60
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,331,003	27.04	1,039,904	24.70	975,010	25.88
Borrowings from the central bank and other financial institutions	336,201	6.83	171,015	4.06	149,592	3.97
Debt securities issued	224,809	4.57	181,233	4.30	129,279	3.43
Others	95,861	1.94	86,491	2.05	79,689	2.12
Total	4,922,507	100.00	4,210,905	100.00	3,767,380	100.00

1. Deposits from customers

As at the end of the Reporting Period, total balance of deposits from customers of the Group amounted to RMB2,934,633 million, representing an increase of RMB202,371 million, or 7.41%, as compared with the end of the previous year, accounting for 59.62% of the total liabilities. In respect of customer structure, the proportion of corporate deposits, personal deposits and other deposits in total deposits were 80.06%, 19.62% and 0.32%, respectively. In respect of maturity structure, the proportion of demand deposits, time deposits and other deposits in total deposits were 36.71%, 62.97% and 0.32%, respectively.

(Unit: RMB million)

Item	30 June 2016		31 December 2015		31 December 2014	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	2,349,562	80.06	2,148,159	78.62	1,884,081	77.41
Demand	913,511	31.13	803,352	29.40	707,374	29.06
Time	1,436,051	48.93	1,344,807	49.22	1,176,707	48.35
Personal deposits	575,848	19.62	572,053	20.94	539,173	22.15
Demand	163,861	5.58	159,682	5.84	137,342	5.64
Time	411,987	14.04	412,371	15.10	401,831	16.51
Outward remittance and remittance payables	5,139	0.18	5,865	0.21	4,858	0.20
Certificates of deposit	4,084	0.14	6,185	0.23	5,698	0.24
Total	2,934,633	100.00	2,732,262	100.00	2,433,810	100.00

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

As at the end of the Reporting Period, total deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,331,003 million, representing an increase of RMB291,099 million, or 27.99%, as compared with the end of the previous year.

3. Debt securities issued

As at the end of the Reporting Period, total debt securities issued by the Group amounted to RMB224,809 million, representing an increase of RMB43,576 million, or 24.04%, as compared with the end of the previous year.

(III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB327,655 million, representing an increase of RMB17,872 million, or 5.77%, as compared with the end of the previous year. Total equity attributable to the equity shareholders of the Company amounted to RMB318,774 million, representing an increase of RMB17,556 million, or 5.83%, as compared with the end of previous year. The increase in the shareholders' equity was mainly due to the increase of net profit of the Group.

(Unit: RMB million)

Item	30 June 2016	31 December 2015	Increase (%)
Share capital	36,485	36,485	—
Capital reserve	64,744	64,744	—
Surplus reserve	28,045	25,361	10.58
General reserve	64,443	56,351	14.36
Investment revaluation reserve	141	1,291	-89.08
Retained earnings	124,699	116,826	6.74
Exchange reserve	217	160	35.63
Total equity attributable to equity shareholders of the Company	318,774	301,218	5.83
Non-controlling interests	8,881	8,565	3.69
Total	327,655	309,783	5.77

(IV) Off-balance sheet items

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

(Unit: RMB million)

Item	30 June 2016	31 December 2015	Increase (%)
Bank acceptances	640,201	694,294	-7.79
Guarantees	239,208	267,341	-10.52
Letters of credit	101,233	107,950	-6.22
Unused credit card commitments	51,338	50,385	1.89
Irrevocable loan commitments	3,308	2,762	19.77
Capital commitments	20,079	20,262	-0.90
Operating lease commitments	17,984	16,916	6.31
Finance lease commitments	4,243	5,142	-17.48

(V) Market share of major products and services

According to the Summary of Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) (《金融機構本外幣信貸收支月報表》) released by the PBOC in June 2016, among nine national joint-stock commercial banks in China, as at the end of the Reporting Period, the market share of total deposits of the Company was 13.68%. Among nine national joint-stock commercial banks in China, the market share of the Company in terms of total loans and total personal loans was 12.97% and 13.31%, respectively, as at the end of the Reporting Period. (Note: Nine national joint-stock commercial banks in China referred to China Merchants Bank, CITIC Bank, Industrial Bank, China Everbright Bank, Shanghai Pudong Development Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank and the Company. The above data was based on the information of the domestic institutions of the Company. According to the Notice on Adjusting the Statistical Standards of Loans and Deposits for Financial Institutions (Yin Fa [2015] No. 14) (《中國人民銀行關於調整金融機構存貸款統計口徑的通知》(銀發[2015]14號)) released by the PBOC, with effect from 2015, the deposit-taking financial institutions shall include deposits from and placements with non-deposit-taking financial institutions in “Total Deposits” and “Total Loans”, respectively, for statistical purpose.)

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	295,060	12.97	257,157	12.56
Real estate	244,715	10.76	243,983	11.91
Leasing and commercial services	204,598	8.99	164,557	8.03
Wholesale and retail	200,748	8.83	181,659	8.87
Mining	120,218	5.28	115,682	5.65
Transportation, storage and postal service	80,626	3.54	72,867	3.56
Water, environment and public utilities management	68,210	3.00	52,502	2.56
Construction	63,071	2.77	54,000	2.64
Financial services	61,848	2.72	58,564	2.86
Production and supply of electric power, heat, gas and water	35,654	1.57	30,588	1.49
Public administration, social security and social organizations	25,327	1.11	26,235	1.28
Agriculture, forestry, animal husbandry and fishery	13,461	0.59	12,393	0.61
Accommodation and catering	10,374	0.46	9,411	0.46
Others	48,202	2.13	40,422	1.97
Subtotal	1,472,112	64.72	1,320,020	64.45
Personal loans and advances	802,598	35.28	728,028	35.55
Total	2,274,710	100.00	2,048,048	100.00

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

Item	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Northern China	688,106	30.25	624,249	30.48
Eastern China	708,670	31.15	610,632	29.82
Southern China	290,577	12.77	247,295	12.07
Other regions	587,357	25.83	565,872	27.63
Total	2,274,710	100.00	2,048,048	100.00

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

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

Item	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Unsecured loans	439,910	19.34	378,198	18.47
Guaranteed loans	642,046	28.22	601,837	29.38
Loans secured by				
– tangible assets other than monetary assets	901,224	39.62	789,273	38.54
– monetary assets	291,530	12.82	278,740	13.61
Total	2,274,710	100.00	2,048,048	100.00

(IV) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of the Group's top ten loan customers sorted by the loan balance were RMB52,697 million, accounting for 2.32% of the gross loans and advances. The top ten loan customers of the Group were as follows:

(Unit: RMB million)

Top ten loan customers	Balance	% of gross loans
A	7,838	0.34
B	6,977	0.31
C	6,822	0.30
D	4,776	0.21
E	4,733	0.21
F	4,630	0.20
G	4,499	0.20
H	4,205	0.19
I	4,178	0.18
J	4,039	0.18

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

(Unit: %)

Major indicator	Benchmark	30 June 2016	31 December 2015	31 December 2014
Percentage of loans to the single largest loan customer	≤10	1.96	1.75	2.11
Percentage of loans to the top ten loan customers	≤50	13.16	13.11	13.60

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

2. Percentage of loans to top ten loan customers = Total loans to top ten loan customers/net capital base.

(V) Five-category classification of credit assets

As at the end of the Reporting Period, the impaired loans ratio of the Group was 1.67%, representing an increase of 0.07 percentage point as compared with the end of previous year.

(Unit: RMB million)

Item	30 June 2016		31 December 2015		
	Amount	% of total	Amount	% of total	Increase (%)
Performing loans	2,236,633	98.33	2,015,227	98.40	10.99
Of which: Pass	2,145,509	94.32	1,939,680	94.71	10.61
Special-mention	91,124	4.01	75,547	3.69	20.62
Impaired loans	38,077	1.67	32,821	1.60	16.01
Of which: Substandard	21,563	0.95	20,595	1.00	4.70
Doubtful	11,988	0.53	8,536	0.42	40.44
Loss	4,526	0.19	3,690	0.18	22.66
Total	2,274,710	100.00	2,048,048	100.00	11.07

(VI) Migration ratio of loans

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

(Unit: %)

Item	30 June 2016	31 December 2015	31 December 2014
Pass	2.55	4.59	3.05
Special-mention	17.03	27.19	16.67
Substandard	22.12	23.69	12.30
Doubtful	29.10	52.01	14.57

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, the balance of the restructured loans of the Group was RMB7,276 million, representing an increase of RMB1,708 million as compared with the end of the previous year. The percentage of restructured loans to total loans and advances to customers was 0.32%, representing an increase of 0.05 percentage point as compared with the end of the previous year. The balance of overdue loans was RMB105,537 million, representing an increase of RMB24,822 million as compared with the end of the previous year. The percentage of overdue loans to total loans and advances to customers was 4.64%, representing an increase of 0.70 percentage point as compared with the end of the previous year.

(Unit: RMB million)

Item	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Restructured loans	7,276	0.32	5,568	0.27
Overdue loans	105,537	4.64	80,715	3.94

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

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

(VIII) Repossessed assets*(Unit: RMB million)*

Item	30 June 2016		31 December 2015	
	Balance	Allowances for impairment losses	Balance	Allowances for impairment losses
Repossessed assets	12,950	90	13,221	81
Of which: Real estate and land use rights	12,024	84	12,296	75
Motor vehicles	218	—	218	—
Others	708	6	707	6

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

Item	30 June 2016	31 December 2015
Opening balance	50,423	38,507
Charge for the period	22,098	35,528
Release during the period	-1,282	-2,499
Transfer out	-4,800	-9,065
Write-offs	-8,761	-12,255
Recoveries	856	1,165
Unwinding of discount	-481	-1,032
Exchange gain or loss	33	74
Ending balance	58,086	50,423

Method for assessing allowances for impairment losses on loans:

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

(X) Impaired loans and related measures

As at the end of the Reporting Period, the Group had impaired loan balance of RMB38,077 million, representing an increase of RMB5,256 million, or 16.01%, as compared with the end of the previous year.

1. Industry concentration of impaired loans

(Unit: RMB million)

Item	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	10,433	27.39	9,657	29.42
Wholesale and retail	7,297	19.16	7,176	21.86
Mining	2,025	5.32	483	1.47
Construction	670	1.76	697	2.12
Transportation, storage and postal service	662	1.74	609	1.86
Real estate	346	0.91	346	1.05
Leasing and commercial services	337	0.89	133	0.41
Agriculture, forestry, animal husbandry and fishery	138	0.36	192	0.58
Production and supply of electric power, heat, gas and water	110	0.29	110	0.34
Accommodation and catering	80	0.21	70	0.21
Water, environment and public utilities management	35	0.09	40	0.12
Financial services	25	0.07	45	0.14
Others	186	0.49	152	0.47
Subtotal	22,344	58.68	19,710	60.05
Personal loans and advances	15,733	41.32	13,111	39.95
Total	38,077	100.00	32,821	100.00

2. Geographical distribution of impaired loans

(Unit: RMB million)

Item	30 June 2016		31 December 2015	
	Amount	% of total	Amount	% of total
Northern China	18,614	48.88	14,505	44.19
Eastern China	8,795	23.10	7,544	22.99
Southern China	3,197	8.40	3,585	10.92
Other regions	7,471	19.62	7,187	21.90
Total	38,077	100.00	32,821	100.00

Note: The geographical distribution is in line with the distribution shown in "V. Qualitative Analysis of Loans – (II) Geographical distribution of loans" in this report.

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

- (1) Proactively adjusting loan distribution, and continuously optimizing asset structure in line with the requirements of macroeconomic policies and changing economic environment;
- (2) Further improving the risk management policies and imposing multidimensional risk limit management for various industries and regions;
- (3) Optimizing post-loan management procedures, strengthening the management of credit approval, conducting various risk identification and special examination and improving the system of risk monitoring and early-warning in order to identify potential risk factors and promptly formulate and implement collection and disposal plans so as to strictly control the impairment and overdue loans;
- (4) Further enhancing collection and disposal of impaired loans by concurrently implementing various measures, comprehensively utilizing all available recovery and disposal measures such as repayment collection, restructuring, assignment, foreclosing, legal action and writing-off and conducting specific recovery and disposal activities;
- (5) Promoting innovative management by actively exploring and implementing new recovery methods and establishing exchange platforms for innovative recovery and disposal approaches in order to improve the efficiency of collection and disposal;
- (6) Further speeding up the development and application of monitoring and management systems to effectively improve the asset monitoring and management, strengthening training programs to improve the professional skills and the comprehensive qualities of the risk management team and foster the philosophy of compliant operation.

VI. Analysis of Capital Adequacy Ratio

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

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

(Unit: RMB million)

Item	June 30 2016	
	The Group	The Company
Net core tier-one capital	324,566	307,423
Net tier-one capital	325,264	307,423
Total net capital base	400,317	380,384
Core tier-one capital	325,672	313,695
Core tier-one capital deductions	-1,106	-6,272
Other tier-one capital	698	—
Other tier-one capital deductions	—	—
Tier-two capital	75,053	72,997
Tier-two capital deductions	—	-36
Total risk-weighted assets	3,473,614	3,286,142
Of which: Credit risk-weighted assets	3,206,418	3,029,480
Market risk-weighted assets	15,817	14,551
Operational risk-weighted assets	251,379	242,111
Core tier-one capital adequacy ratio (%)	9.34	9.36
Tier-one capital adequacy ratio (%)	9.36	9.36
Capital adequacy ratio (%)	11.52	11.58

Capital instruments entitled for the preferential policy during the transitional period: According to the applicable requirements under the New Measures, non-qualified tier-two capital instruments issued by commercial banks before 12 September 2010 may be entitled to preferential policy of a progressive deduction of book value by 10% per annum starting from 1 January 2013. As at the end of the Reporting Period, the balance of non-qualified tier-two capital instruments of the Company was RMB13.3 billion, which can be put into the calculation.

As at the end of the Reporting Period, the net tier-one capital and on- and off-balance sheet assets after adjustment increased by RMB8,973 million and RMB321,564 million respectively and the leverage ratio decreased by 0.14 percentage point, as compared with the end of March 2016. The leverage ratio of the Group is as follow:

(Unit: RMB million)

Item	30 June 2016	31 March 2016	31 December 2015	30 September 2015
Leverage ratio (%)	5.33	5.47	5.60	5.51
Net tier-one capital	325,264	316,291	307,360	298,622
On- and off-balance sheet assets after adjustment	6,101,941	5,780,377	5,488,943	5,415,173

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

VII. Segment Report

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

(I) Segment operating results by geographical region*(Unit: RMB million)*

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Northern China	4,106,574	40,240	21,066
Eastern China	1,356,861	15,215	4,739
Southern China	778,230	8,776	4,230
Other regions	1,000,248	13,158	5,146
Inter-segment elimination	-2,010,955	—	—
Total	5,230,958	77,389	35,181

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

(II) Segment operating results by business line*(Unit: RMB million)*

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate banking business	1,587,325	41,546	24,696
Personal banking business	794,020	24,792	3,659
Treasury business	2,683,994	8,701	5,322
Other businesses	165,619	2,350	1,504
Total	5,230,958	77,389	35,181

VIII. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

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

2. Items measured at fair value

The Company's financial instruments measured at fair value include: financial assets/liabilities at fair value through the profit or loss, derivative financial instrument, available-for-sale securities and precious metals. In particular, the valuation methods of financial assets at fair value through the profit or loss and the bond investment of the available-for-sale security investments were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply; for bonds denominated in foreign currencies, market value was determined through a combination of BLOOMBERG, DATASCOPE, quotes and enquiries; and the fair value of most derivative financial instruments was obtained directly from quotes of market prices and assessment model, while the fair value of certain derivative financial instruments in which customers are interested was obtained from market enquiries. Derivative financial instruments mainly consisted of interest rate swap contracts to which customers are parties and proprietary interest rate swap contracts, the market risks of which had been hedged. The changes in fair value had little impact on the profit of the Company. Changes in fair value of available-for-sale securities were considered when calculating shareholders' equity.

(Unit: RMB million)

Item	Opening balance	Gain/loss from fair value changes for the period	Accumulated fair value changes charged to equity	Impairment allowance for the period	Ending balance
Financial assets					
Of which:					
Precious metals	18,187	-4,763	—	—	28,095
Financial assets at fair value through the profit or loss	26,959	51	—	—	37,493
Positive fair value of derivatives	5,175	9,140	—	—	14,315
Available-for-sale securities	156,853	—	791	-975	231,558
Total	207,174	4,428	791	-975	311,461
Financial liabilities					
Of which:					
Financial liabilities at fair value through the profit or loss	337	-68	—	—	324
Negative fair value of derivatives	3,326	12,232	—	—	15,558
Total	3,663	12,164	—	—	15,882

(II) Overdue and outstanding liabilities

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

IX. Performance of Key Business Lines

(I) Corporate and investment banking

During the Reporting Period, in response to new challenges and opportunities, the Company expedited the transformation of the development of corporate banking business and further adjusted its product and customer structure so as to optimize the composition of industries, geographical distribution and customer structure. The Company seized the business opportunities arising from investment banking business, strengthened the development of transaction banking and pushed forward the international business development so as to enhance the diversification of operation.

1. Customer base of corporate banking

During the Reporting Period, the Company focused on strategic customers and expanded the institutional customer base through three major customer sources, including the platforms, industry chain and wealth management business. Focusing on major customer groups of third-party payment agents, vertical e-commerce and trading markets, the Company provided personalized payment and settlement services and all-round comprehensive services so as to acquire more settlement customers. As at the end of the Reporting Period, the number of domestic corporate customers with deposits of the Company increased by 69.1 thousand to 761.1 thousand, representing an increase of 9.99% as compared with the end of previous year. The number of domestic customers with general loans balance of the Company was 12,952.

During the Reporting Period, the Company took an initiative to adjust corporate customer structure. As at the end of the Reporting Period, the Company had 8,024 domestic NSOE customers with outstanding general loans of RMB668,432 million. In domestic corporate banking business, the number of NSOE customers with outstanding general loans accounted for 61.95% and the relevant general loan amount accounted for 49.59%.

2. Corporate deposits and loans

During the Reporting Period, to effectively cope with the impacts and challenges brought by the liberalization of interest rate and the Internet Finance to the corporate deposit business of commercial banks, the Company strengthened the development of its settlement business platform and online transaction financing platform while substantially expanding core low-cost-related liabilities. As at the end of the Reporting Period, the balance of corporate deposits of the Company amounted to RMB2,331,052 million, representing an increase of RMB200,285 million, or 9.40%, as compared with the end of the previous year.

During the Reporting Period, the credit business of the Company focused on the emerging industries, healthcare industry and consumption industry and reduced investment in industries with excessive production. The Company adjusted the geographical coverage of credit business to a credit business layout focused in areas with the abundant natural resources with suitable development objective and economic structure. As at the end of the Reporting Period, the outstanding corporate loans (including discounted bills) of the Company amounted to RMB1,467,043 million, representing an increase of RMB152,641 million, or 11.61%, as compared with the end of the previous year. In particular, the outstanding general corporate loans amounted to RMB1,387,190 million, representing an increase of RMB149,953 million, or 12.12%, as compared with the end of the previous year. The impaired corporate loan (including discounted bills) ratio was 1.52%.

3. Investment banking

In respect of the investment banking business of commercial banks, the Company focused on the following four areas: (1) comprehensive financial services for the multi-layered capital market; (2) bond issuance, underwriting, investment and transaction; (3) mergers and acquisitions relating to integration of industries, regions and enterprises as well as reforms of mixed-ownership; and (4) structured finance pillared by securitization. The four segments offered numerous opportunities as they are in line with the major development directions and market trends of the current economic and financial areas. Concentrating on such four areas, the Company has been and will continue to focus on, among others, the expansion of merger and acquisition finance, listing finance, structured finance, cross-border finance, investment management and securitization businesses in the next few years.

The growth momentum of the capital market business of the Company remained strong. By focusing on strategically important regions, industries, customers and products as well as establishing business cooperation platforms, the Company completed a number of significant projects such as ST Chaori (ST超日) restructuring and backdoor listing of Focus Media, which had great influence on the market and fostered brand effects in areas like mergers and acquisitions, industry consolidation and homecoming of China concept stocks. In respect of the securitization business, the Company continued to lead the industry and achieved a breakthrough in business model innovation. In addition to the existing credit and corporate asset securitization products such as “Qi Fu” (企富) and “Hui Fu” (匯富), the Company developed “He Fu” (合富) asset securitization brand and effectively improved its services for quality customers. During the Reporting Period, a total of RMB67 billion asset securitization products were launched, including credit assets with a transfer value of RMB41 billion and corporate securitization financing of RMB26 billion. In respect of the bond underwriting business, the Company actively seized market opportunities by prioritizing its customer base of large and medium-sized state-owned enterprises. It actively adjusted marketing strategies and carried out delayering assessment and management systems to significantly boost its business efficiency and market competitiveness. During the Reporting Period, the Company issued 185 short-term commercial papers, medium-term notes (including medium-term notes with long-term rights), super short-term commercial papers, private placement notes and other financing instruments for 156 enterprises in total with an aggregate value of RMB127.5 billion, representing a year-on-year growth of 17%. This growth rate ranked top of major joint-equity commercial banks.

During the Reporting Period, the investment banking business of the Company was widely recognized among all sectors. The brand image was further enhanced as the business was granted two awards, including the Top Ten Investment Banks of China in 2016 (2016年中國區十大投資銀行家) and the Best Cross-Border Financing Bank of China in 2016 (2016中國區最佳跨境融資銀行) awarded by the Securities Times (證券時報).

4. Transaction Banking

During the Reporting Period, the Company strengthened its competitiveness in the international market and promoted the restructuring of its transaction banking service model by setting up new integrated online finance service platform for the corporate banking business, focusing on strategic customers and maximizing the value of corporate settlement customers.

Firstly, the Bank focused on B2B2C transactions and launched various new payment and settlement products, including “Tender Express” (招標通), “Market Express” (市場通), “Witness Payment” (見證支付), “Cross-Bank Service” (跨行寶) and “E-Payment” (e支付). It also focused on group credit-extension customers and strategic customers of branches for the promotion of “Cash Pools” (現金池) and “Bank & Corporate Express” (銀企直聯). Leveraging the liquidity income and certificates of deposit, the corporate deposit and wealth management businesses of the Bank were steadily expanded. As at the end of the Reporting Period, the number of customers of the new settlement and cash management business was 8,793, representing an increase of 979 as compared with the end of previous year. The balance of deposits from the new settlement and cash management products amounted to RMB440,475 million, representing an increase of RMB76,794 million as compared with the end of previous year.

Secondly, online development and trial operation were carried out for basic credit products such as working capital loans and bank’s acceptance bills, which made real-time or timely grant of loans a reality. The automobile supply chain online financing product was successfully launched. The control over information, capital and products flow was effectively improved. Data sharing was achieved between the industry chain system and external price websites, regulatory institutions and some core enterprises. Moreover, online financing platform serving the entities began to establish its presence in the market.

Thirdly, marketing strategy of international business was determined with focus on key customers. The international business regained its growth momentum. During the Reporting Period, cross border settlement amounted to RMB44,463 million, representing an increase of 12.37% as compared with the corresponding period of previous year. In addition, the Company further expanded overseas investment, overseas merger and acquisition as well as international syndicate business. The Company achieved remarkable results and successfully secured various overseas merger and acquisition projects and international syndicate projects.

Fourthly, the factoring business of the Company maintained its steady growth and the Company continuously fostered the innovation of factoring business. During the Reporting Period, the Company managed to consolidate its leading position of factoring business. The Company put great effort in promoting characteristics products, such as domestic dual factoring, non-recourse factoring, cross-border factoring and “N+1” factoring. In addition, the Company also launched innovative factoring products for specific industries, including pharmaceutical factoring, engineering factoring, lease factoring. During the Reporting Period, the volume of factoring business of the Company amounted to RMB117,779 million, representing an increase of 7.01% as compared with the corresponding period of previous year.

(II) Retail banking

1. Personal finance

During the Reporting Period, the Company endeavoured to expand the customer base and enhance the ability of customer development, management and control and profit making. The Company continued to promote consumer loan and wealth management products; refine the management structure, allocation of assets and the integrated marketing efforts. The Company further improved the structure of products, service team and target customers to facilitate a stable growth in financial assets scale and income from personal finance.

The customer base and financial assets recorded steady growth. During the Reporting Period, the Company launched a marketing campaign known as Referral Reward (呼朋喚友 • 薦者有禮) to attract quality customers and to promote cross selling of credit card business. As at the end of the Reporting Period, the number of retail customers with existing deposits reached 27,985.3 thousand, increased by 2,371.4 thousand as compared with the end of the previous year. Financial assets of retail customer under management amounted to RMB1,246,355 million, representing an increase of RMB76,223 million as compared with the end of the previous year.

The Company strengthened the development of wealth management business to increase its income. During the Reporting Period, to cope with the changes in market condition, the Company managed to speed up the introduction and promotion of investment and wealth management insurance products and mid-to-long term insurance products amid a weak capital market environment and various unfavorable factors. The Company focused on the sales of principal-guaranteed funds and bond funds and the promotion of “Hui Ding Tou”(慧定投), a fixed-income bond, and the “Hui Bao”(慧保), a principal-guaranteed fund. During the Reporting Period, its insurance business recorded rapid growth and the sales volume and the fee and commission income of the agency sale of insurance products increased by 10.6 and 10 times, respectively, as compared with the same period of the previous year. During the Reporting Period, the amount and the fee and commission income of brokered insurance increased by 4.00% and 12.89%, respectively, as compared with the corresponding period of the previous year.

The Company adopted various measures to promote the exponential growth of the consumer credit service. During the Reporting Period, the Company made great efforts in the development of online innovative products and made use of automatic consumer credit service platform to process “self-served application and automatic approval”(自助申請+自動審批) through online and mobile banking. The successful rate of marketing was improved through the use of cross selling and the introduction of customized consumer credit service products. The introduction of consumer credit line calculator and property valuation measurement apps facilitated online sales and customer acquisition. As at the end of the Reporting Period, outstanding consumer loans amounted to RMB263.931 billion, increasing by RMB88,830 million or 50.73% as compared with the end of the previous year.

Continuous innovation was made in products and businesses: firstly, the Company introduced three new online personal deposit products including “Salary Package” (薪悦寶), “Deposit Package” (存管寶) and “Fund Collecting Package” (歸集寶) to satisfy the demands of our customers in salary payment service, third-party deposit and interbank fund collecting services; secondly, the Company established personal foreign currency product service system by introducing “offshore financial centre” (出國金融中心) to serve customers while they are outside China; thirdly, to facilitate the payments of highways and parking fees of car owners in urban areas, the Company introduced IC card payment service including “corporate to corporate” (總對總) and “point to point”(分對分) ETC services to target car owners in urban area; fourthly, the Company made innovations in consumption credit products based on scientific data analysis of certain customer groups and by enhancing the application of Internet and data analysis tools. Customized consumption credit products with automatic credit approval were provided to explore the niche market of high net-worth mortgage customers as well as mortgage customers enjoying salary payment and wealth management services of the Company.

2. Small and micro business finance

During the Reporting Period, the Company continued the implementation of its “small and micro business finance” strategy. Based on the reform and enhancement of small and micro business and assets structure, the Company promoted cross selling and increased the contribution of small and micro business customers in accordance with the development strategy of “diversified operation”.

Firstly, the Company classified its small and micro business customers into three smaller types, such as core, valuable and general groups according to their contribution and key products held by them. The Company also established different operation structures, sales channels, products and services, marketing teams and business models accordingly. The Company strived to improve the overall operation scale and risk management ability on the basis of diversified operation for different customer bases.

Secondly, the Company has introduced “speed mortgage” (優房閃貸), a WeChat online mortgage application and real time valuation app, in order to enhance the efficiency of service and experience of customers and to provide convenient financial services to small and micro business customers. The enhancement and upgrade of operation and products resulted in the increase in amount and the proportion of the secured loans, the further improvement in the structure of assets management business. The small and micro finance business were further strengthened to resist any risks arising from economy downturn. As at the end of the Reporting Period, the loans secured by tangible assets other than monetary assets and loans secured by monetary assets accounted for 56.57% of the total loans to small and micro enterprises, representing an increase of 6.34 percentage points as compared with the end of the previous year.

Thirdly, the Company had reviewed its long-term development objectives and philosophy of small and micro financial business and decided to continue the development of “Phoenix Project — Optimization project of small and micro finance business model” (鳳凰計劃 — 小微金融商業模式優化項目). According to the practice of leading international banks and its development history, the Company further enhanced the development of small and micro finance business and modified the super structure of the business to cope with the future operation environment.

During the Reporting Period, the total loans of the Company to small and micro enterprises amounted to RMB198,769 million. As at the end of the Reporting Period, the balance of loans to small and micro enterprises amounted to RMB346,815 million and the number of small and micro business customers was 3,536.8 thousand.

3. Credit card business

During the Reporting Period, adhering to its philosophy to maintain customer-oriented and market-oriented operation based on market conditions through technology and innovation, the Company recorded stable growth in the business of credit cards. In respect of innovation of products, the Company successfully issued “Baidu Takeaway Credit Card” (百度外賣聯名卡) through strengthened cooperation with the internet platform. The Company also issued a series of EMV-compliant all-currency credit cards with networks including Visa, Mastercard, AE and JCB for customers’ overseas consumption. The Mastercard, a high-end credit card with world rewards, is the first of its kind in China which comprehensively enhances the security and convenience of overseas consumption. In respect of marketing, the Company has launched “Every Day, Minsheng Day” (天天民生日) in 2016 through collaboration with popular premium brands and leading O2O enterprises to offer fabulous benefits for cardholders for every day in a week. Various online and offline marketing campaigns were launched, such as Win for a Japan Trip (東「贏」之旅), instant rebates for certain purchase amounts at Walmart, mobile payment rewards at McDonald’s and Starbucks, premium gifts for reward points and super givebacks. Significant progress was made in

mobile-internet marketing. The installment business of the Bank was diversified through the launch of new services such as “Joyful Home” (居家樂) and “Car Owner Delight” (車主樂). These products were customized and introduced through the channels of its business partners.

During the Reporting Period, the “Solution of automatic approval for online credit card application — Application processing” (信用卡網絡申請審批自動化解決方案 — 客戶進件管理項目) of the Company’s Credit Card Center was selected from over one hundred international decision management projects and awarded the 2015 FICO Decision Management Award.

As at the end of the Reporting Period, the aggregate number of issued credit cards of the Company was 25,272.2 thousand, of which, 1,677.6 thousand were newly issued during the Reporting Period. Transaction volume of credit card business was RMB579,893 million, representing an increase of 7.29% as compared with the corresponding period of the previous year. Account receivables amounted to RMB180,004 million, representing an increase of 5.32% as compared with the end of the previous year. Net non-interest income amounted to RMB7,303 million, representing an increase of 9.10% as compared with the corresponding period of the previous year.

4. Private banking business

During the Reporting Period, in view of the economic downturn, the deleveraging and the flourishing innovative industry, the private banking business of the Company, based on its sound understanding of our clients, established “One Major and Three Accessibility” philosophy, majored in the wealth management business, and supported by “investment banking +” (投行+), globalization and “internet +” (互聯網+). The Company introduced various new products of its assets management business and special investment funds business to enrich its offering of customized products and to meet the needs of wealth management customers. The Company provided cross business advisory services in respect of investment, financing, merger and acquisition and restructuring for high net worth customers. The Company worked closely with overseas institutions for the provision of overseas trust and insurance services with online functions. The Company had its unique wealth management business and provide one-stop services including wealth management, advisory, private banking products and VIP non-financial services.

During the Reporting Period, the business development and high-level services of private banking of the Company were well-recognized by the authoritative media and were awarded a number of awards, including the 2016 Top Ten Innovative Wealth Management Award (2016十佳財富管理創新獎) by the Banker magazine, the 2016 Best Potential Private Bank (2016最具成長力私人銀行) on the Annual Conference for 21st Century Asian Finance and the 2016 Best Brand Building (2016最佳品牌建設) by 21st Century Business Herald.

As at the end of the Reporting Period, the private banking financial assets under the management of the Company amounted to RMB299,739 million, representing an increase of RMB26,731 million, or 9.79%, as compared with the end of the previous year. The number of qualified customers of private banking business reached 15,517, representing an increase of 345, or 2.27%, as compared with the end of the previous year.

5. Innovation of Personal Internet Finance and Services

During the Reporting Period, the Company seized the great opportunities arising from the national policy of “Internet +” (互聯網+) and focused on the innovation of internet financial products and services such as direct banking, mobile banking, online payment, mobile payment and online banking according to the customers’ needs. Through enriching the product offerings and special services, the customers’ experience has been further improved. The Company is one of the top commercial banks in terms of market share.

(1) Direct banking

During the Reporting Period, the Company seized the opportunities to develop internet finance business in order to further consolidate its leading position of direct banking services and enhance the awareness and reputation of its brand of “Simple Banking”. The Company modified its website, mobile apps, Wechat banking and 10100123 hotline to enhance customers’ experience and service efficiency by conforming to the needs and practice of internet users, and introduced the H5 account opening and product purchase channel. The Company expanded the business scale of “Ru Yi Bao” (如意寶), “Ding Huo Bao” (定活寶) and “Minsheng Gold” (民生金) and also launched new products, including “Ji Jin Tong” (基金通), bank financing and “Hao Fang Dai” (好房貸), and launched direct banking e-payment function in accordance with the new requirement of the central bank so as to refine the offerings of internet financial services. The Company proactively conducted research on services of account opening through ATM and salary payment through electronic accounts, and cooperated with third-party companies and capitalized on their retail customers sources to expand customer base by providing wealth management products and basic account services.

As at the end of the Reporting Period, the number of direct banking customers reached 3,609.2 thousand, and the total subscription amount of “Ru Yi Bao” (如意寶) amounted to RMB1,190,221 million.

(2) Mobile banking

During the Reporting Period, the Company promptly and frequently innovated its mobile banking to respond to the market demands. The Company launched 95568 online wealth management to satisfy customers' financial needs of purchase order handling, gold wealth management, special deposit, foreign currency fund, account trading, agency insurance, pay day loan and micro loan, etc. The Company continued to develop products by taking the lead to introduce Apple Pay business. Various marketing campaigns were also rolled out such as Weekly Brands (週週名品), Minsheng Shopping Spree (民生嗨購季) and Time Offer (限時搶購).

As at the end of the Reporting Period, the number of the Company's individual mobile banking customers reached 21,775.4 thousand, representing an increase of 2,749.7 thousand as compared with the end of the previous year. The number of transactions for the Reporting Period was 201 million, representing an increase of 33.11% as compared with the corresponding period of the previous year, while the transaction turnover for the Reporting Period amounted to RMB3.88 trillion, representing an increase of 40.07% as compared with the corresponding period of the previous year. The Company ranked top among all peers in terms of transaction activity of customers.

(3) Online payment

During the Reporting Period, to further refine the online payment service system, the Company exerted greater efforts in the online payment business through establishing platforms, innovating products and updating Interbank Transaction Products (跨行通), Minsheng Payment (民生付), Easy Collection and Payment (收付易), UnionPay Payment (銀聯代付), interbank payment and supervision of fund sales, etc. .

As at the end of the Reporting Period, active customers using the Company's Interbank Transaction Products totalled 2,225.4 thousand, representing an increase of 332.3 thousand as compared with the end of the previous year, and the total fund integrated amounted to RMB235,106 million. Total personal online payment transactions of the year amounted to RMB292,062 million. Total transaction amount of fund sales supervisory business amounted to RMB219,313 million. The Company has established supervision relationship with 230 fund sales agencies, 79 of which have obtained the fund sales licence issued by the CSRC and have a market share of over 59%.

(4) Mobile payment

During the Reporting Period, the Company seized opportunities to innovate and explore mobile payment services through introducing additional payment methods and their application so as to provide secured and convenient mobile payment services with various functions for its customers. Apart from the introduction of mobile payment products such as Apple Pay, Yun Shan Fu (雲閃付), the Company also proactively explored emerging payment products including smart wearables payment and barcode payment, thus laying a foundation for the future development of retail business.

During the Reporting Period, total personal mobile payment transactions amounted to RMB37.10 million.

(5) WeChat banking

During the Reporting Period, the Company launched WeChat banking 2.0 to meet customer needs with improved functions displayed in financial service, investment and wealth management and daily service. The Company improved the functions of instant WeChat account update and broadened service coverage through featured services such as smart customer services, fast loans for premium houses and convenient services in an attempt to satisfy various financial and daily needs of customers to improve customer loyalty. The Company established an official WeChat account as the integrated operation and management platform to form the social circle of Minsheng. With intensified social marketing across industries and active integration of resources, the Company incorporated various resources to expand the recognition and position of its major products and further attracted users following the WeChat account.

As at the end of the Reporting Period, the number of customers of WeChat banking business amounted to 13,052.1 thousand, ranking top among all peers.

(6) Online banking

During the Reporting Period, the Company upgraded and optimized its personal online banking. The Company launched type II personal online accounts in accordance with applicable requirements for new account of the central bank. The Company also launched 95568 online wealth management to satisfy customers' financial needs through functions of direct purchase, gold wealth management, special deposit, foreign currency fund, account trading, agency insurance and pay day loan.

As at the end of the Reporting Period, the number of personal online banking customers was 15,431.1 thousand, representing an increase of 923.0 thousand as compared with the end of the previous year. The number of transactions was 574 million. The transaction turnover amounted to RMB5.90 trillion. Transaction replacement rate of personal online banking was 99.03%. The Company's sales of personal wealth management products via electronic channels maintained a rapid growth and amounted to RMB1.32 trillion during the Reporting Period, accounting for 98.87% of the total sales of the Company's personal wealth management products.

(III) Treasury business

1. Investments

As at the end of the Reporting Period, the investment balance of the banking books of the Company amounted to RMB1,557,389 million, representing an increase of RMB674,427 million, or 76.38%, as compared with the end of the previous year. The investment balance of the trading books of the Company amounted to RMB35,874 million, representing an increase of RMB9,708 million, or 37.10%, as compared with the end of the previous year. In the first half of 2016, the bond market was relatively stable, and the Company mainly increased its investments in mid-to long-term interest rate-related bonds and non-standard investments with reference to its yield rate, liquidity and overall assets and liabilities structure. As at the end of the Reporting Period, the percentage of the Company's trading and banking books in the total assets of the Company increased by 10.55 percentage points as compared with the end of the previous year.

2. Interbank business

During the Reporting Period, the Company strictly complied with the regulatory policies, deepened the centralized management of interbank customers and further facilitated the rapid development of interbank business through deepening of the "3+1" business model comprising unified management, centralized planning, transaction and operation by the headquarters and decentralized sales management at branches. The Company classified interbank customers and adopted differentiated management strategy accordingly based on the platform of strategic customers. With the aim of informatizing and digitalizing the interbank business, a series of achievements were obtained in enriching interbank products and services and the system platform as well, which substantially improved the comprehensive interbank financial services of the Company and generated huge profits.

During the Reporting Period, the Company established four platforms for strategic customers, including rural commercial banks, urban commercial banks, financial companies and leasing companies, and the number of platforms increased to twelve. The number of strategic customers of the head office increased to 325, representing an increase of 56, or 20.82%, as compared with the end of the previous year. The TCMS system was successfully launched to centralize the accounting function of interbank lending and borrowing business. The credit risk management system for interbank customers was further improved to accelerate the centralized credit management of interbank customers and the interbank asset management system was refined to further systemize and informatize the processing of interbank business transactions.

As at the end of the Reporting Period, the balance of interbank assets of the Company amounted to RMB628,724 million, representing a decrease of RMB266,874 million, or 29.80%, as compared with the end of the previous year, mainly due to the contraction of bills business. The balance of interbank liabilities amounted to RMB1,332,907 million, representing a steady increase of RMB290,540 million, or 27.87%, as compared with the end of the previous year.

3. Custody business

In the face of increasingly intense market competition, the Company integrated internal resources and established cooperation platforms for its asset custody business so as to ride the trend of asset management. The Company has established cooperation models including “custody+agency sales”, “custody+credit building” and “custody+investments” for the funds, assets and asset management platforms so as to accelerate the development of asset custody business. As at the end of the Reporting Period, asset custody business amounted to RMB6,112,926 million. Revenue from the custody business was RMB1,788 million.

In respect of pension business, the Company provided comprehensive pension financial services including corporate annuity and secured pension management products for institutional and personal customers. As at the end of the Reporting Period, the Company had RMB43,676 million of annuity funds under custody and managed 156.1 thousand corporate annuity accounts.

4. Wealth management

During the Reporting Period, the wealth management business of the Company strictly complied with requirements of regulatory policies. Adhering to the principle of supporting the real economy with financial services, the Company further diversified its business development by building the brand of “Apex Asset Management” (非凡資產管理). The Company strengthened its asset management and seized opportunities to expand sales channels and promote the healthy and sound growth of wealth management business. As at the end of the Reporting Period, the scale of wealth management products amounted to RMB1,334,590 million, representing an increase of 26.08% as compared with the end of the previous year.

5. Precious metals and foreign exchange trading

During the Reporting Period, the on-floor trading volume of gold, including agency sales for legal persons and individuals, of the Company in the precious metals market (the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 648.93 tons, and the trading volume of silver, including agency sales for legal persons and individuals, amounted to 2,913.47 tons. Total trading value amounted to RMB178,481 million. In terms of on-floor trading value, the Company was the ninth largest dealer at the Shanghai Gold Exchange, one of the most active proprietary dealers at the Shanghai Futures Exchange and one of the most important gold importers in the PRC.

During the Reporting Period, the Company leased 123.95 tons of gold to its corporate customers, ranking the seventh in the market. It sold physical gold of 647 kilograms to individual customers. The Company satisfied the needs of customer with various products. The outlook of further progress in the market remained bright.

During the Reporting Period, the transaction volume of domestic spot settlement amounted to US\$113,391 million, representing an increase of 159.14% as compared with the corresponding period of previous year. The forward settlement and RMB exchange swap of the Company amounted to US\$242,999 million, representing an increase of 127.61% as compared with the corresponding period of previous year. The Company actively introduced option and its related portfolios and recorded RMB-Forex option trading volume of US\$6,569 million, representing an increase of 73.62% as compared with the corresponding period of the previous year.

(IV) Overseas business

The Company steadily expanded its overseas institutions. According to its international development strategy, the Hong Kong Branch, the first overseas branch of the Company, implemented the commercial model with focus on the three major business segments, namely corporate banking business, financial market business (treasury business and interbank business) and private banking and wealth management business so as to actively embrace challenges and opportunities under the New Normal and improve the comprehensive financial services of the branch in cross-border transactions. The Hong Kong Branch has become an important overseas platform of the Company and plays an important role in promoting cross-border collective trade financing business of the Company. During the Reporting Period, the cross-border collective trading finance business contributed HK\$209 million to the net fee and commission income of the Hong Kong Branch. The balance of collective deposits amounted to HK\$35.2 billion.

During the Reporting Period, the Hong Kong Branch timely adjusted and determined the development for the next three to five years, which will be characterized by differentiation, distinction and professionalism, through reshuffle of its development philosophy and pattern for the strategic businesses of the three segments. Firstly, the branch will be restructured for higher operation efficiency. Secondly, it will follow the market strategies of the Company to focus on quality customers and vigorously develop businesses with advantages or features such as bond investments, syndicate loans, credits to non-banking financial institutions and overseas bonds issuance. Thirdly, it will improve the cross-border collective model for a stronger cross-border business platform to drive the cross-border collective business of the Company. Fourthly, it will focus on asset qualities and risk management, enhance risk compliance with various measures and build more specialized risk teams to ensure the steady development of the branch. By virtue of its extraordinary performance in Hong Kong financial market, the branch won the 2016 Enterprise Financing Award (2016企業融資項目大獎) from Bloomberg Businessweek.

As at the end of the Reporting Period, the Hong Kong Branch of the Company had total assets of HK\$122,588 million, among which, balances and placements with other banks, corporate loans and investment bonds amounted to HK\$64,642 million, HK\$45,931 million and HK\$11,308 million, respectively. It had total liabilities of HK\$122,033 million, among which deposits and placements from other banks, corporate deposits, issuance of certificates of deposit and medium term notes amounted to HK\$57,233 million, HK\$52,361 million, HK\$4,767 million and HK\$4,632 million, respectively. The net non-interest income and net interest income amounted to HK\$404 million and HK\$311 million, respectively.

(V) Channel management and operating services

1. Establishment and optimization of sub-branches

As at the end of the Reporting Period, the Company had 1,083 sub-branches (including business departments) and its channel network basically covered all provinces, autonomous regions and municipalities in China. During the Reporting Period, the Company adopted a systematic approach for the management of its channel structure. A business management system was established to determine different positions of branches. Cost control of channels was strengthened and the resources allocation standards for branches were reasonably adjusted. The Company continued to simplify the structure of branches and introduce more smart functions. The Company has customized an addition of 70 branches. There are a total of 137 customized branches, representing 12.65% of its branches in China as at the end of the Reporting Period.

2. Optimization of community network and increase in capacity

During the Reporting Period, the Company redefined the business mode of community finance and accelerated the progress for license application of community sub-branches. As at the end of the Reporting Period, 1,605 community sub-branches had obtained licenses, representing an increase of 29 community or 1.84% as compared with the end of previous year. The management of community outlets was enhanced significantly and the capacity of the community outlets also increased rapidly. As at the end of the Reporting Period, financial assets of the community outlets amounted to RMB155,436 million, representing an increase of RMB36,427 million or 30.61% as compared to the end of previous year, which included personal deposits of RMB56,292 million, representing an increase of RMB19,158 million compared to the end of last year. Number of customers of community outlets reached 4,209.5 thousand, representing an increase of RMB220.8 thousand as compared with the end of previous year.

The Company developed the self-service banks from trading to integrated sales and expanded the business chain of channels. As at the end of the Reporting Period, the Company had 7,070 self-service banks, an increase of 136, or 1.96%, compared with the end of previous year, and the number of self-service machines was 11,367.

3. Channel services

The Company has established a service quality supervising system based on customers' experience. The Company not only tried to provide outstanding services but also emphasized service value creation and customers' experience to satisfy diversified demands of customers so as to become a professional and reliable provider of financial services and create an excellent customer experience.

During the Reporting Period, the Company conducted quality survey of 1,018 branches, covering 94% of the branches of the Bank.

4. Operation management

In order to adapt to the new demand of bank operation and development, the Company continued to reform its operation model and enhanced the operation and service support of the Bank. Firstly, credit factory was set up to centralize credit approval and loan disbursement for loans to retail small and micro enterprises in order to enhance working efficiency. Secondly, a new operation model was established to introduce remote banking services and enrich the mobile operation functions in order to reduce the resources required by front office and simplified the structure of branches. Thirdly, the Company launched "cloud account" (雲賬戶), a system including account opening, contract signing, ledger compilation, and integrated on-and-off line account services, to small and micro business customers to facilitate their expansion of business.

(VI) Major equity investments**1. Particulars of major equity investments****(1) Shareholdings in listed companies**

No.	Stock Code	Stock Name	Initial Investment (RMB'000)	Percentage of shareholding as at the beginning of the period (%)	Percentage of shareholding as at the end of the period (%)	Book value at the end of the period (RMB'000)
1	400061	Changyou 5	497,659	4.63	4.07	564,085
2	000520	Changhangfenghuang	366,250	3.22	3.22	284,417
3	400062	Erzhong 3	467,503	2.66	2.66	265,125
4	03698.HK	Huishang Bank	264,841	0.77	0.77	259,250
5	00866.HK	China Qinfa	117,078	16.76	16.76	65,282
Total			1,713,331			1,438,159

Notes: 1. The top equity investments in terms of book value at the end of the period.

2. The shares in Huishang Bank held by the Group are non-listing domestic shares.

(2) Shareholdings in unlisted financial enterprises

No.	Name of investee	Initial Investment (RMB'000)	Percentage of shareholding as at the beginning of the period (%)	Percentage of shareholding as at the end of the period (%)	Book value at the end of the period (RMB'000)
1	Minsheng Life Insurance Company Limited	2,598,000	13.13	13.13	2,324,600
2	Huaxi Securities	476,075	2.99	2.99	476,075
3	China UnionPay Co., Ltd.	125,000	2.73	2.73	125,000
Total			3,199,075		2,925,675

Note: The table sets forth the shareholding of unlisted financial enterprises with initial investment of no less than RMB100 million and in which the Group held shareholding of no less than 1%.

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

(1) *Minsheng Financial Leasing*

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

As at the end of the Reporting Period, the total assets and net assets of Minsheng Financial Leasing amounted to RMB151,632 million, representing an increase of RMB12,613 million, or 9.07%, and RMB14,010 million, representing an increase of RMB731 million, or 5.50%, compared with the end of the previous year, respectively. During the Reporting Period, net profit amounted to RMB680 million, representing an increase of RMB76 million, or 12.58% as compared with the corresponding period of previous year. Annualized return on average shareholders' equity was 9.97%, representing an increase of 0.13 percentage point compared with the corresponding period of previous year.

In order to further implement the Company's strategies, Minsheng Financial Leasing actively pushed forward the strategy of "One Body and Two Wings", implemented comprehensive reform and enhanced the synergy with the Company's strategies for the sound development of the Company so as to further improve the professional and international level of the Company. In respect of jet leasing, Minsheng Financial Leasing focused on building industry chain finance of the sales, purchase and consultancy service of second-handed business jets so as to provide value-added services in the business jet industry chain to customers. In respect of commercial jets, an innovative cooperation model of "leasing instead of purchasing" was introduced jointly with West Air and other airlines. In respect of ship leasing, business cooperation with Mediterranean Shipping, CMA CGM and other world-class shipping companies was further expanded and business cooperation with Singapore Pacific International Lines (新加坡太平船務), a global renowned Chinese shipping giant, was initiated. Operating leases of 11 asphalt vessels were operated with Trafigura, the world's third largest trader. In respect of automobiles business, by exploring bulk purchase model for new energy vehicles, Minsheng Financial Leasing strived to fulfil the financing demand of customers and consolidate and enhance the competitiveness in the area of new energy vehicles. By implementing comprehensive reforms, organization structure, operation platforms, risk management system and channel establishment were improved so as to further strengthen the core competitiveness of the Company. Through strengthening the strategic synergy of the Company, synergistic products were developed, synergistic network was established and synergistic apps were introduced in order to enhance the synergy mechanism of the Company.

The healthy and sustainable development of Minsheng Financial Leasing was highly recognized by the industry. During the Reporting Period, Minsheng Financial Leasing was awarded the Top Financial Leasing Company of the Year (年度金牌金融租賃公司).

(2) Minsheng Royal Fund

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

During the Reporting Period, net profit of Minsheng Royal Fund amounted to RMB220 million. As at the end of the Reporting Period, a total of 29 public equity products were managed under Minsheng Royal Fund, with net value of fund asset under its management of RMB60,239 million and shares of 56,849 million. Products of Minsheng Royal Fund covered major fund types with high, medium and low risks such as stock funds, hybrid funds, index funds, bond funds and monetary market funds. According to the Fund Research Centre of Galaxy Securities, Minsheng Royal Fund ranked 33rd among 108 fund companies in China in terms of scale, maintaining a leading position among medium-sized fund management companies. The account management business of Minsheng Royal Fund continued to grow steadily, and assets under its management amounted to RMB28,685 million as at the end of the Reporting Period.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013 and held 40% equity interest of it. Minsheng Royal Asset Management's registered capital was RMB125 million and the scope of business included asset management business for specific customers, other business approved by the CSRC and investment consultancy. In addition to investment in traditional secondary markets, its specific scope of investment also includes managing and advising on investments in equities, bonds and other property rights not traded in any stock exchange. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB847,469 million. It achieved satisfactory business interaction and mutual supplement with the operations of Minsheng Royal Fund and has gradually emerged as an important strategic platform of the Company. As the businesses and risk of Minsheng Royal Asset Management and the Company were highly correlated, the Company further optimized and enhanced the corporate governance system of Minsheng Royal Asset Management through Minsheng Royal Fund in accordance with the regulatory requirements, and for the interest of strategic synergy, business coordination and risk control. It also achieved the cross-level management of consolidated financial statements of Minsheng Royal Asset Management in compliance with the regulatory requirements.

During the Reporting Period, with the outstanding performance in 2015, Minsheng Royal Fund had four awards under the categories of corporate business, equity business and fixed-yield business in the Golden Bull Awards, the most credible award in the industry. The four awards were Golden Bull Progress Award (金牛進取獎), the Golden Bull Fixed Yield Bond Investment Fund Company (固定收益投資金牛基金公司), Golden Bull Open-end Mixed Type Fund of 2015 (2015年度開放式混合型金牛基金) and the Most Popular Golden Bull Fund Manager of 2015 (2015年度最佳人氣金牛基金經理).

(3) CMBC International

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

As a holding company, CMBC International intends to apply for and obtain relevant business licenses from the regulatory authorities in Hong Kong through the subsidiaries established by it. As at the end of the Reporting Period, CMBC International had total assets and net loss of RMB1,611 million and RMB81 million, respectively. The loss was mainly due to the cost and expenses relating to the application of business licenses and the acquisition of Quam Limited, a company listed on the Main Board in Hong Kong and the limited income as limited investment banking business could be carried out by CMBC International before the receipt of the business licenses.

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

(4) Minsheng rural banks

Minsheng rural banks collectively refer to the rural banks initiated and established by the Company as a major promoter. As at the end of the Reporting Period, the Company established a total of 29 Minsheng rural banks with 85 business outlets. Total assets amounted to RMB31,143 million, representing an increase of RMB848 million, or 2.80%, as compared with the end of the previous year. Balance of deposits amounted to RMB24,856 million, representing an increase of RMB495 million, or 2.03%, as compared with the end of the previous year. The total loans balance amounted to RMB16,925 million, representing an increase of RMB514 million, or 3.13%, as compared with the end of the previous year. During the Reporting Period, the net profit amounted to RMB94 million, representing an increase of RMB11 million, or 13.25%, as compared with the corresponding period of previous year.

During the Reporting Period, the Company aimed to establish the Board's objective of effective risk control, sound business growth and ordered internal management. The Company developed Minsheng rural banks and focused on small and micro business finance and regional characteristics business for sustainable development. The Company also gradually established a management model of rural banks featured with proper management, standardized operation and unique management.

During the Reporting Period, the Company further improved the management system of Minsheng rural banks and strengthened the management and service quality of rural banks in order to refine the risk control system and business development model of Minsheng rural banks and facilitate the robust and sustainable development of Minsheng rural banks.

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

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

As at 30 June 2016, the total equity attributable to the holders of the asset management plans under the management of and consolidated to the financial statements of the Group amounted to RMB6,955 million (2015: RMB6,677 million), which are presented under the total balance of deposits from customers of the Group. No individual asset management plan had material impact on the financial position of the Group.

(6) Management of consolidated financial statements

In the first half of 2016, to comply with the regulatory requirements of consolidated financial statements, the Company continued to refine the daily management of consolidated financial statements and implemented a specific management of consolidated financial statements for the smooth operation of the Group.

The Group continued to strengthen the daily management of consolidated financial statements. Efforts had been made on reporting system of significant events, system maintenance and operation of consolidated financial statements as well as the analysis on and feedback from the regulatory authorities. The responsible management departments of the subsidiaries managed their respective consolidated financial statements.

Management Report on the Group Consolidated Financial Statements of China Minsheng Bank for 2015 (《中國民生銀行2015年集團併表管理報告》) has been prepared in accordance with the regulatory requirement and submitted to the regulatory authority, the Board and the Supervisory Board of the Company for a comprehensive review of the management of consolidated financial statements.

Assessment on the management of consolidated financial statements of the Group for 2015 was conducted to comprehensively evaluate the management of consolidated financial statements. The annual assessment results of the management of consolidated financial statements was one of the major supervision and assessments of the Group.

The management of consolidated financial statements has been a part of the management of the Group in various aspects and become an effective part of the management of the Group.

X. Risk Management

The guiding principle of the Company's risk management is "Creating Value by Managing Risks". It focuses on the coordinated development of quality, profit and scale. The objective of the risk management of the Company is to enhance its risk management by actively implementing the Basel III and establishing a comprehensive risk management system.

During the Reporting Period, in response to the changing economic condition and the liberalization of interest rates, the Company implemented a comprehensive reform of the risk management system. After the reform, the Risk Management & Assets Monitoring and Control Department, Legal Affairs and Compliance Department, Assets Operation and Disposal Department, Corporate Business Risk Management Department, Retail Business Risk Management Department and Financial Markets Risk Management Department have been established for risk management. The Risk Management & Assets Monitoring and Control Department is responsible for the management of all the risks of the Bank. The Legal Affairs and Compliance Department is responsible for the management of compliance risk, legal risk, operation risk and the establishment of internal control system of the Bank. The Assets Operation and Disposal Department is responsible for management of corporate non-performing assets of the Bank. The risk management departments of corporate business, retail business and financial markets are responsible for the comprehensive risk management of their business sectors, respectively.

(I) Credit risk

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

During the Reporting Period, in face of increasing risks, the Company proactively took a series of measures to ensure the sustainable and prudent development of all business lines, such as tightening the standards for credit approval, business restructuring, application of risk measurement tools, innovation in risk management approaches and strengthening asset quality management.

Firstly, the Company carried out strategic transformation and structural adjustment. The Company issued the 2016 General Guidelines and Portfolio Management Guidelines of Risk Policy (《2016年風險政策總體導向及組合管理指引》), which restated the risk policy and collective management direction for all business lines including corporate, retail and financial market, and adjusted and refined the portfolio management objectives to “exit, stop, restrict, control and eliminate” from various dimensions such as industries, regions, customers and products and so forth, so as to centralize risks and further optimize and improve the asset portfolio risk. Secondly, the Company improved its corporate credit approval progress and strengthened its risk warning ability. Through carrying out reform of credit approval system on digital platform, the Company fully utilized internet and big data technology in the credit approval process. The Company also optimized its credit approval process by setting up a new digital platform to support corporate credit approval. The risk warning system was established as planned. The Company optimized the philosophy, regime, organization, procedures and system of its risk warning management so as to fully support its business growth. Thirdly, the Company further refined its risk policies on retail business. Through carrying out various measures, the retail asset structure was optimized and the proportion of high-quality customers and mortgage assets increased. In addition, the Company strived to achieve business growth by utilizing “big data”, measurement tools and advanced information technology. The Company optimized its operation mode and strengthened its decision-making efficiency in relation to risks, so as to improve its work efficiency and enhance customers’ experience. Fourthly, the Company implemented its financial market risk-oriented policies and refined the evaluation standard and methods. Efforts were made to improve management of investment portfolio by controlling leverage ratio and concentration. With an aim to attract interbank customers, the Company increased its investment in interbank business. Effective policy and market analysis was carried out to increase the scale of its bond investment portfolios. Risk management was incorporated into front office business through strengthened risk control of capital market. Fifthly, the Company launched the program of “Year of Asset Quality Enhancement” (資產質量攻堅年), in order to enhance its asset management through strengthening business line accountability, market mechanism, resource allocation, control and incentives, structural adjustment, investigation and inspection, inventory management and innovation management. As such, the consistent credit asset quality of the Company was ensured. Lastly, risk measurement tools were introduced and upgraded. In addition to refining its internal credit risk rating system covering legal corporations, financial institutions and retail banking businesses, the Company adjusted its strategies in response to the economic environment. Results of risk measurement were extensively applied to risk management policy-making, credit approval, post-loan management and evaluation, which enhanced credit risk management.

(II) Liquidity risk

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

During the Reporting Period, the liquidity risk management policies of the Company included the followings: The Company enhanced the measurement and monitoring levels and refined the management system of liquidity risk. In addition to the restructuring of assets and liabilities and allocation of assets, the Company thoroughly studied the changes in future cash flows of capital business and monitored and managed deposits and loans business with different approaches, in particular during sensitive periods, so as to be well-prepared for the risk hedging or risk overlay resulting from the fluctuation in capital business and deposit and loan business. The Company also refined liquidity risk indicators for accurate measurement of liquidity risk. The Company closely monitored the changes in monetary policies and put effort in analyzing interest rate in the market. The Company also proactively participated in the operation of various monetary tools in open market launched by the central bank. In addition, the Company enhanced the stress testing on liquidity and refined its risk warning and contingency plan. The Company paid close attention to changes in policies and markets and its own major operation policies, including the effect on liquidity of the changes in asset and liability management policies in addition to carrying out existing risk management policies. The Company also evaluated liquidity risk periodically and made adjustment when necessary.

(III) Market risk

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, share prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. The Company manages its interest rate risk, exchange rate risk, stock risk and commodity risk in accordance with the regulatory requirements and the rules of Basel III. The Company further improved its market risk management system in the areas of limit management, measurement, middle office supervision, stress test and contingency management to cope with the fast-changing and innovative banking industry.

During the Reporting Period, in face of the intensified market fluctuation and the New Normal macro economic conditions, the Company initiated various market risk management tasks under its comprehensive market risk management system. The Company also expanded the coverage of market risk management and optimized the market risk management of off-balance-statement items. Through enhancing valuation management and the accuracy of market risk measurement, the Company deepened the application of valuation result from market risk management platform in daily management, risk reports, stress testing and capital measurement. The Company further optimized the function of information platform of market risk management and widened the application of analysis of risk sources and other tools, so as to apply market risk management into its treasury business and manage market risk proactively.

(IV) Operational risk

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

During the Reporting Period, with an aim to enhance its management of operational risk and ensure its continuous operation, the Company formulated and implemented a working plan. Firstly, the Company further improved the effectiveness of three major operational risk management tools. The Company optimized its management system in specific aspect based on its strategic change and focus of its operation, which laid solid foundation for operational risk control and self-evaluation, key risk indicators and collection of data of losses. Secondly, the Company significantly improved its management of the continuity of operation. On the basis of the existing management of operation continuity, the Company launched an emergency and disaster recovery system and conducted a comprehensive evaluation to identify the areas for improvement. Thirdly, the Company launched an agreement-based management system to deal with the special risks associated with outsourcing business. The Company strengthened the management, identification and elimination of risks in outsourcing projects. The Company also improved the information security management of outsourcing services providers and personnel.

The Company further strengthened its internal compliance inspection and put great effort in dealing with problems and risks. Firstly, the Company issued Plan for Internal Control and Inspection on Compliance for 2016 (《2016年合規內控檢查計劃》), which set out the key inspection items and requirements, so as to coordinate, manage and supervise such inspection. Secondly, the Company focused on the inspection, examination and investigation of five main aspects, namely bills, off-balance-statement items, investment banking service, new illegal activities of telecommunications network, and individual risks in order to enhance prevention and control of major risks. Thirdly, the Company continued the special inspection, rectification and reporting of “two enhancements and two controls” as well as “special review”.

(V) Country risk

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

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

(VI) Reputation risk

Reputation risk refers to the risk of negative evaluation of commercial banks and the overall banking industry by relevant interested parties, the media and the society as a result of the poor operation or management and other actions in breach of the national laws and regulations, social ethical standards or applicable internal rules by the commercial banks or their staff, or due to other external customers or events.

Reputation risk management of the Company refers to daily management of reputation risk and proper handling of incidents with reputation risk through establishing and formulating reputation risk management mechanisms and rules to eliminate the adverse impacts by various methods, so as to prevent reputation risk actively and minimise the losses and negative impacts on the public to the possible extent, and thereby achieving the general objective of reputation risk management.

During the Reporting Period, the Company fully implemented the Guidelines for the Management of Reputation Risk of Commercial Banks (《商業銀行聲譽風險管理指引》) and the Administrative Measures for Management on Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險管理辦法》). It continued to carry out external promotion, establish and improve internal reputation risk management mechanism by integrating with the establishment of risk linkage system. Preventive analysis and judgment of information regarding risk exposure was conducted to identify risks and their development trend. In the course of operation, it improved the communication and coordination between the departments at head office, between the head office and branches and between the Company and third parties so as to promptly alert each other of the potential risks. Completion reviews were conducted to evaluate the effectiveness of the entire reputation risk management mechanism and system.

(VII) Anti-money laundering

Adhering to the risk-oriented regulatory philosophy, the Company strived to comply with regulatory requirements and meet the demand for risk control from customers. Internally, the Company extensively managed its domestic and overseas institutions, staff and business. With its comprehensive management philosophy, the Company conveyed and implemented regulatory requirements in a timely manner so as to strengthen the anti-money laundering efforts of all departments. The entire staff was committed to preventing money laundering risk arising from customers, employees and business development so as to enhance the effectiveness of internal control of the Company over anti-money laundering.

During the Reporting Period, the Company effectively performed regulatory duties and fulfilled reporting obligation by fully implementing self-evaluation on anti-money laundering. Efforts were made to further improve the establishment of internal control system to prevent money laundering and carry out comprehensive assessment of anti-money laundering department of each level. Risk assessment of new products and high risk business segments was formulated to clarify the management requirements on anti-money laundering of overseas institutions. The Company's employees continued to work on money laundering risk monitoring and customers' money laundering risk classification to ensure effective control from the source. The Company enhanced its promotion on anti-money laundering to strengthen the awareness of compliance regarding anti-money laundering and enhance the prevention and management of money laundering effectively.

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

XI. Prospects and Measures

(I) Competition and development of the banking industry

In the second half of 2016, the domestic and international economic and financial conditions will be more complicated. From an international perspective, the global economy is slowly recovering with increasing downward pressure. Growth in developed economies will be weakened as non-economic factors remain a threat to their economic activities. Events such as Brexit have disturbed the global financial economy and aggravated the overall risks of the global economy and finance. Emerging economies will encounter more challenges due to intensified internal polarization. In the face of stagflation in Russia, Brazil and South Africa, structural reform will play an important role. Geopolitical risks will further hinder global economic development and increase the uncertainties of growth prospects around the world. In China, the overall economy and financial market will be stable with satisfactory progress in supply-side structural reform. New economy, consumption and service industry will become important driving forces. Economic transformation will start to reap fruitful results. However, cyclical and structural conflicts will prevail. There will continue to be diversified economic trends. Features of the New Normal will emerge. The transition of the new and old economic dynamics will take time. The government is determined to carry out supply-side reform to develop new economic structure, generate new driving forces for economic surge as well as expand the overall demand. Under the guideline of reducing overcapacity, destocking and deleveraging, reducing costs and shoring up weak growth areas, the government will adopt proactive fiscal policy and prudent monetary policy to secure a moderate economic growth expectation in the years to come.

In face of the New Normal, the banking industry will face various challenges in terms of profitability in the second half of the year. Firstly, economic recovery will continue to be slow, which will result in limited development of traditional credit business of banks. Secondly, industry risks accumulated and assets quality deteriorated with high corporate leverage ratio, increasing debt defaults and growing number of zombie enterprises with over productivity in China. Thirdly, liberalization of interest rate will weaken the pricing ability of banks. Asset and liability management of the banks will be facing severe challenges with the rigid cost of liabilities and the decrease in assets return. Fourthly, the imbalanced economic recovery around the world and aggravated risks of the international financial market will also exert negative effect in cross-border operation of the banking industry. Fifthly, internet technology will speed up the breakthrough for new financial institutions characterized by internet finance, and impose great impacts on operation mode of traditional banks. Sixthly, increasingly stringent regulation of banks and higher requirements in capital funds, liquidity, assets and liabilities will raise operation costs.

Meanwhile, there are numerous opportunities for the development of the banking industry as well. Firstly, under the ongoing supply-side structural reform as well as the implementation of key strategies and various reforms in China, there will be room for business expansion. Differentiated demands for banking services will be met through corporate strategic restructuring, expanding overseas market, developing new finance channels and lowering finance costs. Secondly, with the rapid development of the financial market and continuous expansion of business scope of banks, the banking industry is expected to experience expansion of investment banking businesses, including asset securitization, synergy between investment and lending as well as bond underwriting and issuance. Mixed business operation will become a new trend for banking industry. Thirdly, demands for financial investments related to consumption and people's livelihood in China will remain buoyant. Business such as consumer finance and asset management will have strong development potential; inclusive finance will enjoy a rapid development with continuous improvements. Fourthly, the rapid technological development of the internet will continue to create new development frontiers for various business segments.

During the period of the 13th Five-Year Plan, China will establish a modern financial system, under which, access and exit of the banking industry will be further liberalized to gradually refine the banking system with greater coverage, diversity and quality. With the rapid growth of financial disintermediation, mixed operation in financial industry will become a trend. As the process of interest rate liberalization and RMB internationalization accelerates, interest rate pricing, risk aversion, research and development of new products and the structure of talents will be crucial for future development. A uniform and comprehensive regulatory system will be formed to handle risk regulatory issues across different fields, industries, markets and regions. Under the Basel III framework, regulatory skills and requirements will be further improved and a macro-scale prudent regulatory framework will be gradually refined to verify the risk management ability of the banking industry. The banking industry will accelerate the process of digital transformation.

(II) Development strategies of the Company

To cope with changes in external conditions and internal development needs, the Company has formulated mid-to-long-term development strategies for the next decade in order to accelerate the implementation of the Phoenix Project. In accordance with the Company's mid-to long-term development strategies, the Company is committed to becoming a “distinctive and globally competitive platform-based financial service provider with cross-sector and win-win vision and intelligence”. Adhering to the Company's development philosophies of “continuous innovation, excellence, global networking and intelligence”, the Company will develop a new business model that combines financing, strategic consultation, commercial advisory and internet financing, in order to explore new markets and diversify growth points of income.

With the implementation of the new strategies and the Phoenix Project, taking asset and liability management as the leading role, the Company will endeavor to conduct a coordinated development among corporate banking business, retail business and financial markets business and achieve synergy between the Company and its subsidiaries. All these efforts contribute to creating an upgraded China Minsheng Bank featured with digitalization, group management and internationalization. In particular, by adopting strategic asset and liability management model, the Company will strive to ensure a healthy development covering all business lines. The Company will deepen the SBU reform to strengthen corporate finance and optimize the industry and geographical layout as well as the customer base. It will also seize business opportunities in investment banking and transaction banking and achieve a sound development in bills business with compliance operation. Taking advantage of the business features in small business finance and community finance, the Company will create a new pan-retail system to expand retail banking, steadily develop small and micro business finance and improve community finance services. Striving for income growth, the Company will attain breakthrough in key businesses to enhance segment customer with the target of “boosting revenue, optimizing assets and increasing the number of customers” (「增收、優資產、多客戶」). The Company will proactively facilitate and optimize segment development of the financial markets business by establishing a first-class cross-market, cross-industry and cross-border platform that provides integrated services for financial markets. The Company will accelerate the development of the Minsheng Internet finance ecological circle which combines traditional vertical businesses with emerging horizontal businesses. Digital and intelligence business reform is expedited through the establishment of the Minsheng e-platform series as a fundamental platform for research and development of online products. In line with development trends, the Company will obtain licences in key business lines to create a group-based comprehensive financial service platform. Meanwhile, in accordance with the strategy of following market trend, the Company will endeavor to expand its global network to enhance global competitiveness. Branches with distinctive features will also be established to build regional core competitiveness. Intelligence financing business will be developed as new and unique core competitiveness. Risk management will be enhanced by establishing a long-term and effective risk management mechanism. The

risk management system of business lines will be refined while a liberalized clearing mechanism will be established for risk prevention in key areas. Extensive portfolio management will also be implemented to enhance internal compliance control and mitigate risks.

In the future, to adapt to, seize opportunities from and lead the “New Normal”, the Company will always adhere to its major principles and formulate strategic plans, take action and work according to the actual situations. In pursuit of serving the real economy, the Company will focus on enhancing quality and efficiency of business development. It will keep abreast of economic and financial situations when accelerating its strategic transformation and business restructuring. Emphasis will be placed on asset quality and risk management. It will also proactively develop new businesses, strengthen fundamental management and implement reform and innovation to foster a collective corporate culture under its new blueprint of sustainable and stable development.

(III) Potential risks

At present, China’s economy has ushered in the “New Normal”. Shock waves have been sent to commercial banks from five fronts: mounting downward pressure from macro economic growth, racing up of the liberalization of interest rate, widening market access, a more deregulated capital market and the rising of internet finance. As illustrated by worldwide experience, after the liberalization of interest rate, there is high probability that bank will experience a hard time with narrowed interest margin and profit decline. Meanwhile, the downward trend on macro economy will affect asset quality and add more pressure on provisions, creating challenges for both the operation profitability and asset quality of the Bank.

Facing the in-depth transformation of the financial environment, the Company will proactively cope with the economic downward pressure, continue to improve risk management and spare no efforts to strictly safeguard asset quality. With the Phoenix Project, the Company will navigate the challenges posed by the liberalization of interest rate, accelerate the transformation of business and management model and seize new market opportunities brought about by the New Normal.

Changes in Share Capital and Information on Shareholders

I. Changes in Shares

(Unit: Share)

	31 December 2015		Changes over the Reporting Period (+,-)	30 June 2016	
	Number of shares	Percentage (%)	Number of shares	Number of shares	Percentage (%)
I. Shares subject to restriction on sales					
1. State-owned shares					
2. State-owned legal person shares					
3. Other domestic shares					
Of which:					
Held by domestic legal person					
Held by domestic natural person					
4. Foreign investor shares					
Of which:					
Held by overseas legal person					
Held by overseas natural person					
II. Shares not subject to restriction on sales	36,485,348,752	100.00	—	36,485,348,752	100.00
1. Ordinary shares in RMB	29,551,769,344	81.00	—	29,551,769,344	81.00
2. Domestic listed foreign invested shares	—	—	—	—	—
3. Overseas listed foreign invested shares	6,933,579,408	19.00	—	6,933,579,408	19.00
4. Others	—	—	—	—	—
III. Total number of shares	36,485,348,752	100.00	—	36,485,348,752	100.00

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

(Unit: Share)

Particulars of shareholdings of the top ten shareholders						
Name of shareholders	Type of shareholder	Shareholdings percentage (%)	Number of shares held as at the end of the period	Changes over the Reporting Period (+,-)	Number of shares subject to restriction on sales	Number of shares pledged or locked-up
Total number of shareholders as at the end of the Reporting Period						333,255
HKSCC Nominees Limited	Others	18.91	6,898,514,107	116,400	—	Unknown
Anbang Life Insurance Inc.	Domestic non state-owned legal person	6.49	2,369,416,768	—	—	Nil
— Steady Investment Portfolio						
Anbang Property Insurance Inc.	Domestic non state-owned legal person	4.56	1,665,225,632	—	—	Nil
— Traditional products						
Anbang Insurance Group Co., Ltd.	Domestic non state-owned legal person	4.49	1,639,344,938	—	—	Nil
— Traditional Insurance Products						
China Securities Finance Corporation Limited	Domestic non state-owned legal person	4.37	1,595,491,431	71,885,296	—	Nil
New Hope Investment Co., Ltd.	Domestic non state-owned legal person	4.18	1,523,606,135	—	—	300,690,000
Shanghai Giant Lifetech Co., Ltd.	Domestic non state-owned legal person	3.15	1,149,732,989	—	—	1,149,732,989
China Shipowners Mutual Assurance Association	Domestic non state-owned legal person	2.98	1,086,917,406	—	—	Nil
Orient Group Incorporation	Domestic non state-owned legal person	2.92	1,066,764,269	—	—	940,466,240
Huaxia Life Insurance Co., Ltd.	Domestic non state-owned legal person	2.56	935,521,804	-120,393,271	—	Nil
— Universal Life Insurance Product						

Shareholdings of top ten holders of shares not subject to restriction on sales		
Name of shareholders	Number of shares not subject to restriction on sales	Class of shares
HKSCC Nominees Limited	6,898,514,107	Overseas listed foreign invested shares (H shares)
Anbang Life Insurance Inc. — Steady Investment Portfolio	2,369,416,768	Ordinary shares denominated in RMB
Anbang Property Insurance Inc. — Traditional Products	1,665,225,632	Ordinary shares denominated in RMB
Anbang Insurance Group Co., Ltd. — Traditional Insurance Products	1,639,344,938	Ordinary shares denominated in RMB
China Securities Finance Corporation Limited	1,595,491,431	Ordinary shares denominated in RMB
New Hope Investment Co., Ltd.	1,523,606,135	Ordinary shares denominated in RMB
Shanghai Giant Lifetech Co., Ltd.	1,149,732,989	Ordinary shares denominated in RMB
China Shipowners Mutual Assurance Association	1,086,917,406	Ordinary shares denominated in RMB
Orient Group Incorporation	1,066,764,269	Ordinary shares denominated in RMB
Huaxia Life Insurance Co., Ltd. — Universal Life Insurance Product	935,521,804	Ordinary shares denominated in RMB
Statement on the related relationship or concert actions among the aforesaid shareholders	Anbang Insurance Group Co., Ltd. is the controlling shareholder of Anbang Life Insurance Inc. and Anbang Property Insurance Inc. During the Reporting Period, Orient Group Incorporation entered into an acting in concert agreement with Huaxia Life Insurance Co., Ltd. Save as disclosed above, the Company is not aware of any related relationship among other shareholders.	

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

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 2016, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware of:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
Anbang Insurance Group Co., Ltd.	A	Long	Beneficial Owner	1,673,502,001			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	4,453,401,906			
				6,126,903,907	1	20.73	16.79
	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	358,908,500	2 and 19	5.18	0.98
Orient Group Incorporation	A	Long	A party acting in concert	2,002,286,073	3	6.78	5.49
Huaxia Life Insurance Co., Ltd.	A	Long	A party acting in concert	2,002,286,073	3	6.78	5.49
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,822,968,401*	4 and 7	6.17	5.00
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,523,606,135*	4	5.16	4.18
New Hope Investment Co., Ltd.	A	Long	Beneficial Owner	1,523,606,135*	4	5.16	4.18
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,822,968,401*	5 and 7	6.17	5.00

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 (%)
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,822,968,401*	6 and 7	6.17	5.00
The Goldman Sachs Group, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	826,004,872	8	11.91	2.26
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	725,095,457	8	10.46	1.99
Fosun International Limited	H	Long	Beneficial Owner	695,179,800			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	113,432,600			
				808,612,400	9 and 10	11.66	2.22
Fosun International Holdings Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	808,612,400	9 and 10	11.66	2.22
JPMorgan Chase & Co.	H	Long	Beneficial Owner	569,471,909			
		Long	Investment Manager	15,348,500			
		Long	Custodian	103,695,022			
				688,515,431	11	9.93	1.89
		Short	Beneficial Owner	143,173,000	11	2.06	0.39
Guotai Junan International Holdings Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,740	12 and 13	9.07	1.72
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,711	12 and 13	9.07	1.72

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 (%)
Guotai Junan Securities Co. Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,740	12 and 13	9.07	1.72
	H	Short	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,711	12 and 13	9.07	1.72
Shanghai International Group Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,740	12 and 13	9.07	1.72
	H	Short	Interest held by the corporation(s) controlled by this substantial shareholder	629,126,711	12 and 13	9.07	1.72
JH International Investment Company Limited	H	Long	Other situation	556,012,211	14 and 15	8.02	1.52
Wong Pui Hoi	H	Long	Other situation	556,012,211	14 and 15	8.02	1.52
Xu Jingjing	H	Long	Other situation	556,012,211	14 and 15	8.02	1.52
UBS Group AG	H	Long	Person having a security interest in shares	339,546,475			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	104,563,026			
				444,109,501	16	6.41	1.22
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	62,674,034	16	0.90	0.17
BlackRock, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	423,478,829	17	6.11	1.16
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	3,964,500	17	0.06	0.01

Changes in Share Capital and Information on Shareholders

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
Ge Weidong	H	Long	Beneficial Owner	333,641,500			
			Interest held by the corporation(s) controlled by this substantial shareholder	79,642,700			
				413,284,200	18	5.96	1.13
Anbang Property Insurance Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	358,908,500	2 and 19	5.18	0.98
Macquarie Group Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	348,077,388	20	5.02	0.95
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	8,817,700	20	0.13	0.02

* 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 2016. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Notes:

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

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

3. The interests that Orient Group Incorporation (holding 1,066,764,269 A shares of the Company) and Huaxia Life Insurance Co., Ltd. (holding 935,521,804 A shares of the Company) had in the 2,002,286,073 A shares, as set out in the above table, were the interests in such shares to be deemed to be jointly held by them after becoming parties acting in concert.

4. The 1,822,968,401 A shares comprised 299,362,266 A shares directly held by South Hope Industrial Co., Ltd. and 1,523,606,135 A shares directly held by New Hope Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively.

According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 299,362,266 A shares held by South Hope Industrial Co., Ltd. and in the 1,523,606,135 A shares held by New Hope Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,523,606,135 A shares held by New Hope Investment Co., Ltd.

5. 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 1,822,968,401 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this interim report in the section headed "Interests of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
6. Ms. Liu Chang held 37.66% of the issued share capital of New Hope Group Co., Ltd. (see note 4 above). According to the SFO, Ms. Liu was deemed to have interests in the 1,822,968,401 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).
7. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 1,822,968,401 A shares, as set out in the above table, were from the same block of shares.
8. The Goldman Sachs Group, Inc. was deemed to have a long position in 826,004,872 H shares and a short position in 725,095,457 H shares of the Company by virtue of its control over a number of corporations, which were indirectly wholly-owned by The Goldman Sachs Group, Inc., except the following corporations:
 - 8.1 Goldman Sachs International held a long position in 766,799,080 H shares and a short position in 596,864,681 H shares of the Company. 97.21% interests in Goldman Sachs International was indirectly held by Goldman Sachs (UK) L.L.C., which was a wholly owned subsidiary of The Goldman Sachs Group, Inc..
 - 8.2 Goldman Sachs (Asia) Finance held a long position in 57,022,416 H shares and a short position in 123,045,870 H shares of the Company. 60.26% interests in Goldman Sachs (Asia) Finance was indirectly held by Goldman Sachs (Cayman) Holding Company and The Goldman Sachs Group, Inc. held 97% interests in Goldman Sachs (Cayman) Holding Company.
 - 8.3 Goldman Sachs Asset Management, L.P. held a long position in 2,182,636 H shares of the Company. 99% interests in Goldman Sachs Asset Management, L.P. was held by GSAM Holdings L.L.C., which was a wholly owned subsidiary of The Goldman Sachs Group, Inc..

In addition, 632,922,128 H shares (Long position) and 690,351,086 H shares (Short position) were held through derivatives as follows:

1,787,500 H shares (Long position) and 106,385,000 H shares (Short position)	— through physically settled derivatives (on exchange)
150,647,600 H shares (Long position) and 579,856,586 H shares (Short position)	— through physically settled derivatives (off exchange)
480,487,028 H shares (Long position) and 4,109,500 H shares (Short position)	— through cash settled derivatives (off exchange)
9. The 808,612,400 H shares (Long position) (in which 390,000,000 H shares were held through other derivatives) held by Fosun International Limited comprised 695,179,800 H shares directly held by itself, 35,592,600 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 77,840,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 82.63% by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd.. Mr. Guo Guangchang (a Non-executive Director of the Company) held 64.45% of the issued share capital of Fosun International Holdings Ltd..

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

11. JPMorgan Chase & Co. was deemed to have a long position in 688,515,431 H shares and a short position in 143,173,000 H shares of the Company by virtue of its control over a number of corporations, all of which were directly or indirectly wholly-owned by JPMorgan Chase & Co..

The entire interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 103,695,022 H shares. Besides, 35,128,500 H shares (Long position) and 143,173,000 H shares (Short position) were held through derivatives as follows:

37,500 H shares (Long position) and 2,517,500 H shares (Short position)	— through physically settled derivatives (on exchange)
764,000 H shares (Short position)	— through cash settled derivatives (on exchange)
35,091,000 H shares (Long position) and 139,891,500 H shares (Short position)	— through cash settled derivatives (off exchange)

12. The long position in 629,126,740 H shares and the short position in 629,126,711 H shares were directly held by Guotai Junan Financial Products Limited. Guotai Junan Financial Products Limited was an indirectly wholly-owned subsidiary of Guotai Junan International Holdings Limited and 65.13% interests in Guotai Junan International Holdings Limited were indirectly held by Guotai Junan Securities Co. Ltd.. 36.36% of issued share capital of Guotai Junan Securities Co. Ltd. was held by Shanghai International Group Co., Ltd..

According to the SFO, Guotai Junan International Holdings Limited, Guotai Junan Securities Co. Ltd. and Shanghai International Group Co., Ltd. were deemed to have a long position in 629,126,740 H shares and a short position in 629,126,711 H shares held by Guotai Junan Financial Products Limited.

In addition, 629,126,740 H shares (Long position) and 629,126,711 H shares (Short position) were held through derivatives as follows:

100,000,000 H shares (Long position)	— through physically settled derivatives (on exchange)
428,936,215 H shares (Long position) and 100,000,000 H shares (Short position)	— through physically settled derivatives (off exchange)
100,190,525 H shares (Long position) and 529,126,711 H shares (Short position)	— through cash settled derivatives (off exchange)

13. The interests that Guotai Junan International Holdings Limited, Guotai Junan Securities Co. Ltd. and Shanghai International Group Co., Ltd. had in the 629,126,740 H shares (Long position) and 629,126,711 H shares (Short position), as set out in the above table, were from the same block of shares.

14. Each of Mr. Wong Pui Hoi and Ms. Xu Jingjing held 50% of the issued share capital of JH International Investment Company Limited. According to the SFO, Mr. Wang and Ms. Xu were deemed to have interests in the 556,012,211 H shares held by JH International Investment Company Limited (all interests were held through cash settled derivatives (off exchange)).

15. The interests that JH International Investment Company Limited, Mr. Wong Pui Hoi and Ms. Xu Jingjing had in the 556,012,211 H shares (Long position), as set out in the above table, were from the same block of shares.

16. UBS Group AG had a long position in 444,109,501 H shares and a short position in 62,674,034 H shares of the Company through a number of wholly-owned subsidiaries. Besides, 46,192,815 H shares (Long position) and 8,921,209 H shares (Short position) were held through derivatives as follows:

1,359,427 H shares (Long position) and 234,916 H shares (Short position)	— through physically settled derivatives (on exchange)
1,411 H shares (Long position) and 368,260 H shares (Short position)	— through cash settled derivatives (on exchange)
7,957,318 H shares (Long position) and 7,875,000 H shares (Short position)	— through physically settled derivatives (off exchange)
36,874,659 H shares (Long position) and 443,033 H shares (Short position)	— through cash settled derivatives (off exchange)

17. BlackRock, Inc. had a long position in 423,478,829 H shares (in which 308,000 H shares were held through cash settled derivatives (off exchange)) and a short position in 3,964,500 H shares (in which 88,000 H shares were held through cash settled derivatives (off exchange)) of the Company by virtue of its control over a number of corporations, which were indirect wholly-owned subsidiaries of BlackRock, Inc., except the following corporations:

17.1 BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc.. BR Jersey International Holdings L.P. had interests in the Company through the following indirect wholly-owned corporations:

17.1.1 BlackRock Japan Co., Ltd. held 6,761,600 H shares (Long position) of the Company.

17.1.2 BlackRock Asset Management Canada Limited held 792,100 H shares (Long position) in the Company.

17.1.3 BlackRock Investment Management (Australia) Limited held 992,600 H shares (Long position) in the Company.

17.1.4 BlackRock Asset Management North Asia Limited held 31,466,795 H shares (Long position) in the Company.

- 17.2 BlackRock Group Limited was owned as to 90% by BR Jersey International Holdings L.P. (see note 17.1 above). BlackRock Group Limited had interests and short positions in the Company through the following direct or indirect wholly-owned corporations:
- 17.2.1 BlackRock (Netherlands) B.V. held 1,350,000 H shares (Long position) in the Company.
- 17.2.2 BlackRock Advisors (UK) Limited held 114,115,495 H shares (Long position) in the Company.
- 17.2.3 BlackRock International Limited held 2,240,351 H shares (Long position) in the Company.
- 17.2.4 BlackRock Asset Management Ireland Limited held 38,338,055 H shares (Long position) in the Company.
- 17.2.5 BLACKROCK (Luxembourg) S.A. held 927,500 H shares (Long position) and 46,000 H shares (Short position) in the Company.
- 17.2.6 BlackRock Investment Management (UK) Limited held 23,554,136 H shares (Long position) in the Company.
- 17.2.7 BlackRock Asset Management Deutschland AG held 347,600 H shares (Long position) in the Company.
- 17.2.8 BlackRock Fund Managers Limited held 2,994,624 H shares (Long position) in the Company.
- 17.2.9 BlackRock Life Limited held 311,000 H shares (Long position) in the Company.
- 17.2.10 BlackRock Asset Management (Schweiz) AG held 30,000 H shares (Long position) in the Company.
18. The 413,284,200 H shares (Long position) comprised 333,641,500 H shares directly held by Mr. Ge Weidong and 79,642,700 H shares directly held by Chaos Investment Co., Ltd., which was wholly-owned by Mr. Ge.
19. The interests that Anbang Insurance Group Co., Ltd. and Anbang Property Insurance Inc. had in the 358,908,500 H shares (Long position), as set out in the above table, were from the same block of shares.
20. Macquarie Group Limited had a long position in 348,077,388 H shares and a short position in 8,817,700 H shares of the Company through a number of wholly-owned subsidiaries. Besides, 162,465,500 H shares (Long position) and 6,092,500 H shares (Short position) were held through derivatives as follows:
- | | |
|--|--|
| 2,352,500 H shares (Long position) and 4,012,500 H shares (Short position) | – through physically settled derivatives (on exchange) |
| 799,000 H shares (Short position) | – through cash settled derivatives (on exchange) |
| 160,113,000 H shares (Long position) and 1,281,000 H shares (Short position) | – through cash settled derivatives (off exchange) |

Save as disclosed above and the section headed “Interests of the Directors, Supervisors and Chief Executives in the Securities 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 2016 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

IV. Early Redemption of the Subordinated Bonds of the Company during the Reporting Period

Pursuant to the approval of the CBRC (Yin Jian Fu [2010] No. 625) (銀監覆[2010]第625號) and the approval of the PBOC in the administrative permit (Yin Shi Chang Zhun Yu Zi [2011] No. 64) (銀市場准予字[2011]第64號), the Company issued a total of RMB10,000 million subordinated bonds (hereinafter referred to as “2011 Minsheng Subordinated Bonds”) through a public offering in the national interbank bond market on 18 March 2011. The 2011 Minsheng Subordinated Bonds were issued for terms of 10 years and 15 years respectively. The 10-year bonds amounting to RMB6,000 million in total were issued at the nominal interest rate of 5.50%, while the 15-year bonds amounting to RMB4,000 million in total were issued at the nominal interest rate of 5.70%. The 2011 Minsheng Subordinated Bonds granted the issuer a one-off early redemption option, that is, subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of the 10-year bonds or after the expiry of the tenth year but before the maturity date of the 15-year bonds. The exercise of the early redemption option by the issuer is not subject to the consent of bond holders.

On 16 March 2016, the Company received the “Opinion Letter regarding Early Redemption of Subordinated Bonds” (Gu Fen Zhi Yin Hang Bu [2016] No. 18) (《關於提前贖回次級債券意見的函》(股份制銀行部[2016]18號)) from the CBRC, pursuant to which, the Company was approved to exercise its right of early redemption of the 10-year subordinated bonds issued in 2011. The Company issued the Announcement on the Exercise of the Early Redemption Option by the Issuer of the 10-year Subordinated Bonds of China Minsheng Bank in 2011 (《2011年中國民生銀行次級債券品種一發行人贖回選擇權行使公告》) on 17 March 2016 on the website of the China Bond, and redeemed the 10-year 2011 Minsheng Bank Subordinated Bonds in the amount of RMB6,000 million on 18 March 2016.

V. Controlling Shareholder and Ultimate Controller

The Company does not have any controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top ten shareholders of the Company (other than HKSCC Nominees Limited) held an aggregate of 38.00% of the shares of the Company. Anbang Life Insurance Inc. — Steady Investment Portfolio, the single largest shareholder of the Company, held 6.49% of its shares. There was no shareholder who could control not less than half of the voting rights of the Board or at general meetings in accordance with its shareholding, Articles of Association or by agreements.

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

As at the end of the Reporting Period, Anbang Life Insurance Inc. — Steady Investment Portfolio held 2,369,416,768 A shares of the Company, representing 6.49% of the total share capital of the Company. No any other single shareholder held 5% or more equity in the Company (other than HKSCC Nominees Limited). Anbang Life Insurance Inc. has a registered capital of RMB11.79 billion and its legal representative is Mr. Yao Dafeng. The business scope of the company includes various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance business of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the CIRC.

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

I. Directors, Supervisors and Senior Management

(I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)
HONG Qi	M	1957	Vice Chairman, Executive Director & President of the Company	10 April 2012-18 August 2014	0	0
			Vice Chairman, Executive Director, President of the Company & Acting Chairman	18 August 2014-28 August 2014		
			Chairman & Executive Director	28 August 2014-31 January 2015		
			Chairman, Executive Director & Acting President	31 January 2015-19 November 2015		
			Chairman & Executive Director	19 November 2015-present		
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	10 April 2012-present	0	0
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	10 April 2012-present	0	0
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	10 April 2012-present	0	0
LIANG Yutang	M	1958	Vice Chairman & Executive Director	10 April 2012-present	0	0
WANG Yugui	M	1951	Non-executive Director	10 April 2012-present	0	0
WANG Hang	M	1971	Non-executive Director	10 April 2012-present	0	0
WANG Junhui	M	1971	Non-executive Director	10 April 2012-present	0	0
WU Di	M	1965	Non-executive Director	15 June 2012-present	0	0
GUO Guangchang	M	1967	Non-executive Director	17 December 2012-present	0	0
YAO Dafeng	M	1962	Non-executive Director	23 December 2014-present	0	0
QIN Rongsheng	M	1962	Independent Non-executive Director	10 April 2012-present	0	0
WANG Lihua	M	1963	Independent Non-executive Director	10 April 2012-present	0	0
HAN Jianmin	M	1969	Independent Non-executive Director	10 April 2012-present	0	0
CHENG Hoi-chuen	M	1948	Independent Non-executive Director	15 June 2012-present	0	0
BA Shusong	M	1969	Independent Non-executive Director	15 June 2012-present	0	0
YOU Lantian	F	1951	Independent Non-executive Director	17 December 2012-present	0	0
ZHENG Wanchun	M	1964	President of the Company	19 November 2015-1 February 2016	0	0
			Executive Director & President of the Company	1 February 2016-present		
DUAN Qingshan	M	1957	Chairman of the Supervisory Board & Employee Supervisor	10 April 2012-present	0	0
WANG Jiazhi	M	1959	Vice Chairman of the Supervisory Board & Employee Supervisor	10 April 2012-present	759,720	759,720

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)
Guo Dong	M	1961	Employee Supervisor	18 March 2016-30 March 2016	0	0
			Vice Chairman of the Supervisory Board & Employee Supervisor	30 March 2016-present		
ZHANG Ke	M	1953	External Supervisor	10 April 2012-present	0	0
ZHANG Disheng	M	1955	Supervisor	10 April 2012-present	0	0
LU Zhongnan	M	1955	Supervisor	10 April 2012-present	0	0
WANG Liang	M	1942	External Supervisor	10 April 2012-present	0	0
WAN Qingyuan	M	1965	Board Secretary	10 April 2012-present	0	0
BAI Dan	F	1963	Chief Financial Officer	10 April 2012-present	0	0
SHI Jie	M	1965	Assistant President	7 August 2012-present	0	0
LI Bin	F	1967	Assistant President	7 August 2012-present	0	0
LIN Yunshan	M	1970	Assistant President	7 August 2012-present	0	0
XING Benxiu	M	1963	Former Vice President	10 April 2012-9 June 2016	0	0

- Notes:
- On 4 March 2015, the Board resolved to postpone the election of the new session of the Board and the Supervisory Board resolved to postpone the election of the new session of the Supervisory Board. The postponement was considered and approved at the first extraordinary general meeting for 2015;
 - On 8 June 2016, the Board resolved to dismiss Mr. Xing Benxiu's title as Vice President;
 - From March 2016, Mr. Wang Yugui, a Non-executive Director of the Company, was appointed as an independent director of Asia-Pacific Property & Casualty Insurance Co., Ltd.;
 - Mr. Guo Guangchang, a Non-executive Director of the Company, no longer served as a director of Shanghai Forte Land Co., Ltd. (the shares of which were withdrawn from listing on the SEHK in May 2011);
 - From 22 March 2016, Mr. Yao Dafeng, a Non-executive Director of the Company, was appointed as a non-executive director of Sino-Ocean Group Holding Limited (listed on the SEHK (stock code: 03377));
 - Mr. Wang Lihua, an Independent Non-executive Director of the Company, was appointed as an independent director of Shandong Buchang Pharmaceutical Co., Ltd. and no longer served as an executive council member of the All-China Lawyers Association;
 - Mr. Han Jianmin, an Independent Non-executive Director of the Company, no longer served as an independent director of Tianjin Bohai Commodity Exchange Ltd.;
 - Mr. Cheng Hoi-chuen, an Independent Non-executive Director of the Company, no longer served as the chairman of the council of the Chinese University of Hong Kong;
 - You Lantian, Ba Shusong and Qin Rongsheng ceased to be the Directors since 31 January 2015, 9 May 2015 and 1 January 2016, respectively.

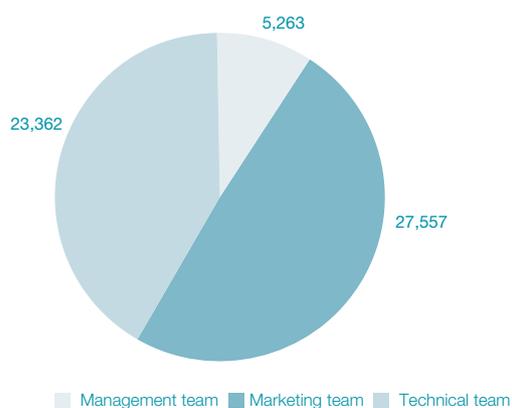
(II) Service Contracts of Directors and Supervisors

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

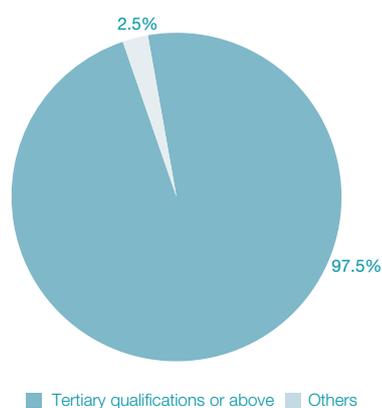
II. Employees

As at the end of the Reporting Period, the Group had 58,666 employees, of which 56,182 were employees of the Company and 2,484 were employees of the subsidiaries of the Company. Divided by professional specialties, 5,263 employees were categorized as management team, 27,557 as marketing team, and 23,362 as technical team. The Company had 54,780 employees with tertiary qualifications or above, accounting for 97.5% of the total number of employees. 185 employees of the Company have retired.

**Employee Structure – By work nature
(Unit: person)**



**Employee Structure –
By qualification**



III. Business Network

As at the end of the Reporting Period, the Company had set up 42 branches in 41 cities across China, with 2,886 banking outlets in total.

During the Reporting Period, Xining Branch and Yinchuan Branch of the Company had commenced its operation.

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

Name of entity	Number of outlets	Headcount	Total assets (RMB in millions) (excluding deferred income tax assets)	Address
Head Office	1	14,716	2,796,133	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	230	3,523	911,529	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	84	2,611	401,164	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	126	2,232	196,590	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	119	1,764	254,164	Minsheng Bank Tower, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	122	1,523	115,595	China Minsheng Bank Tower, No. 396 Xinhua Road, Jiangnan District, Wuhan
Dalian Branch	88	1,436	78,713	No. 4A Wuwu Road, Zhongshan District, Dalian
Taiyuan Branch	111	2,272	98,310	No. 2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	169	1,008	107,863	Minsheng Bank Tower, No. 197 Yu Hua Road East, Chang'an District, Shijiazhuang
Hangzhou Branch	80	2,697	124,279	Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Nanjing Branch	170	1,698	328,542	No. 20 Hongwu Bei Road, Nanjing
Chongqing Branch	102	1,059	75,263	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	68	1,123	68,552	China Minsheng Bank Tower, No. 78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	55	1,022	59,834	No. 282 Hudong Road, Fuzhou
Jinan Branch	156	1,997	120,235	No. 229 Luoyuan Street, Jinan
Ningbo Branch	43	760	42,915	No. 815 Ju Xian Road, Gaoxin District, Ningbo
Chengdu Branch	125	1,433	107,346	Block 6, No. 966 North Section of Tianfu Avenue, Gaoxin District, Chengdu
Shantou Branch	40	910	15,057	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Tianjin Branch	49	866	51,560	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	129	480	66,453	Chuntian Yinxiang Building, No. 331 Huancheng Nan Road, Kunming
Quanzhou Branch	43	1,120	42,485	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	37	1,035	102,547	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	85	580	51,294	No. 18 Fuzhou Nan Road, Shinan District, Qingdao
Wenzhou Branch	32	517	64,071	Hengha Building, No. 1707 Wenzhou Avenue, Wenzhou

Name of entity	Number of		Total assets (RMB in millions) (excluding deferred income tax assets)	Address
	outlets	Headcount		
Xiamen Branch	23	1,552	123,407	7/F, Lixin Plaza, No. 90 Hubin Nan Road, Xiamen
Zhengzhou Branch	132	884	126,226	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	66	648	51,398	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha
Changchun Branch	32	717	56,867	Minsheng Tower, No. 500 Changchun Street, Nanguan District, Changchun
Hefei Branch	70	591	50,145	Tian Qing Building, No. 135 Bozhou Road, Hefei
Nanchang Branch	59	436	29,011	No. 237 Xiangshan Bei Road, Nanchang
Nanning Branch	48	517	38,596	1, 8-12/F, East Tower, Guangxi Development Mansion, No. 111-1 Minzu Avenue, Nanning
Hohhot Branch	30	390	32,698	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia
Shenyang Branch	75	529	30,637	No. 65 Nanjing North Street, Heping District, Shenyang
Hong Kong Branch	1	165	99,835	40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	40	367	36,529	No. 28 Yangguan Avenue, Guanshanhu District, Guiyang
Sanya Branch	21	128	37,530	No. 128 Xinfeng Street, Jiyang District, Sanya
Lhasa Branch	5	163	10,094	Global Plaza, No. 8 Beijing West Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	3	110	27,278	1/F, No. 188 Yesheng Road, Pudong New District, Shanghai
Harbin Branch	4	172	8,175	1-6/F, Olympic Centre Area 1, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	7	202	16,198	1-4/F, Gansu daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Urumqi Branch	2	101	7,791	No. 314, Yangtze River Road, Saybagh District, Urumqi
Xining Branch	2	72	1,577	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining
Yinchuan Branch	2	56	150	1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai West Road, Jinfeng District, Yinchuan
Inter-region adjustment			(2,010,955)	
Total	2,886	56,182	5,053,681	

Notes: 1. The number of institutions takes into account all types of banking establishments, including the Head Office, 42 tier-one branches and 41 business departments of tier-one branches (excluding Hong Kong Branch), tier-two branches, remote sub-branches, county sub-branches, local sub-branches, small and micro business sub-branches, and community outlets.

2. Total headcount of the Head Office includes the total number of the employees in Corporate and Investment Banking Department, Credit Card Centre and Financial Markets Department.

3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

1. Corporate Governance Overview

During the Reporting Period, the Company further refined its system construction for corporate governance, effectively promoted the risk management guidance and improved the effectiveness of risk management of the Board to strengthen its internal control system. It also duly performed the supervisory duties of the Supervisory Board and enhanced the communication among the Board, the Supervisory Board and the senior management through the communication platform of corporate governance. Details are as follows:

1. During the Reporting Period, the Company had organized, prepared and convened a total of 37 meetings, including two shareholders' general meetings, seven Board meetings, 21 meetings of the special committees of the Board, two meetings of the Supervisory Board and five meetings of the special committees of the Supervisory Board. 145 material resolutions, including the Company's annual report, working reports of the Board and the Supervisory Board, working report of the President, financial budgets and final account reports, profit distribution proposals, related party transactions and assessment report of the Supervisory Board, were considered and approved at these meetings.
2. In accordance with the domestic and overseas regulatory requirements, the Company has formulated and amended the Administrative Measures for Outsourcing Risk Management (《外包風險管理辦法》), Administrative Measures for Stress Tests Management (《壓力測試管理辦法》), Implementation Rules of Stress Tests on Trading Market Risk (《交易性市場風險壓力測試實施細則》), Administrative Measures for Internal Rating Models of Non-retail Credit Risk (《非零售信用風險內部評級模型管理辦法》), Administrative Measures for Verification of Non-retail Internal Rating Systems (《非零售內部評級體系驗證管理辦法》), Administrative Measures for Internal Rating Models of Retail Credit Risk (《零售信用風險內部評級模型管理辦法》), Administrative Measures for Verification of Retail Internal Rating Systems (《零售內部評級體系驗證管理辦法》), Administrative Measures for Default Determination of Internal Credit Risk Rating Systems (《信用風險內部評級違約認定管理辦法》), Implementation Rules of Stress Tests on Credit risk (《信用風險壓力測試實施細則》), Implementation Rules of Verification of Market Risk Model (《市場風險模型驗證實施細則》), Management Measures for Consolidated Financial Statements (《併表管理辦法》) and Guiding Opinion on Risk Management by the Board of Directors in 2015 (《董事會2015年風險管理指導意見》), which further improved the corporate governance system of the Company.

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

Pursuant to the Provisional Measures on Performance Appraisal of Directors (《董事履職評價試行辦法》), the Company completed the annual appraisal of Directors' performance for 2015 commenced at the beginning of the year under the guidance of the Compensation and Remuneration Committee of the Board to promote due diligence and self-discipline of the Directors.

4. During the Reporting Period, in compliance with the Company Law of the PRC, the Articles of Association and the requirements of regulatory authorities and according to the development strategies of the Company, the Supervisory Board held seven meetings to consider 15 resolutions including but not limited to the annual report of the Company and the working report of the Supervisory Board. The Supervisory Board attended the meetings of the Board and important business meetings of the senior management, conducted investigation and research on risk management, asset quality and key business development of the Company, and fulfilled the duties of supervising the operation management and business development of the Company. It also supervised and advised on major issues including legal operation, financial reporting and internal control. It carried out the supervision and evaluations on the performance of Directors, Supervisors and senior management, and conducted specific study on certain new private commercial banks in respect of the new development trend of the financial industry. During the Reporting Period, with the orderly implementation of supervisory measures as planned, the Supervisory Board orderly completed its regular supervision and strengthened its supervision on the Company's asset quality management, risk management and internal control management. It also fully performed its duties in corporate governance to promote the rationalized operation and steady development of the Company.
5. During the Reporting Period, the Supervisory Board conducted investigation and research on the non-performing asset management, operation of certain corporate customers under alert warning and bond business management according to its work plan. The researches were mainly conducted through onsite inspection, information collection and data analysis. The Supervisory Board carried out approximately over 100 onsite visits in total with relevant departments of the head office, some branches and certain key customers, as well as

interviewed and investigated a total of over 600 personnel. The Supervisory Board compiled three research reports based on the information and data collected, and provided a number of supervisory opinions and suggestions on relevant works of the Company.

6. During the Reporting Period, pursuant to supervisory requirement, the Board duly performed the duties of risk guidance and management by implementing various effective measures regarding the risk guidelines for the Board, risk research, risk assessment, business review and risk report, which effectively enhanced the prevention and control for risk management of the Company. The formulation of the Guiding Opinion on Risk Management by the Board of Directors in 2016 (《董事會2016年風險管理指導意見》) helped identify major problems of operation and risk management, specified the guiding principles of risk management of the Board, adopted the risk preference and annual risk management objectives of the Board, which effectively instructed the head office in formulating and implementing the annual risk management policies and plans. Through semi-annual risk assessment, the Board ensured its overall control over the risk management of the Company, strengthened its duties in risk supervision and enhanced the effectiveness of risk management. The risk management principles of the Board were adopted through approving business projects beyond risk limits. In the meantime, it has also conducted various types of researches on risk to provide references for the decision making on risks.
7. During the Reporting Period, the Company continually strengthened its internal control and comprehensive audit. It enhanced the compliance awareness of all staff, strengthened internal control management and risk prevention, and improved the effectiveness of internal control and operation management.
8. A total of three issues of Newsletter of the Board of Directors (《董事會工作通訊》), 14 issues of Express Weekly (《每周快報》) and 26 issues of Investor Relations Weekly (《投資者關係周報》) were published during the Reporting Period, which effectively served as a communication platform among the Board, the Supervisory Board and the senior management for refining the corporate governance system.

9. During the Reporting Period, in order to ensure all shareholders and investors can access material information of the Company in a timely, accurate and complete manner, the Company published 34 A share announcements and 74 H share announcements, including 24 overseas regulatory announcements. The Company has completed the interim and annual dividend distribution for 2015, and the preparation of the Annual Report for 2015 and the First Quarterly Report of 2016. In order to consolidate its influence in the capital market, during the Reporting Period, the Company came into contact with over 200 investors in aggregate through organizing on-site visits, teleconferences, emails and E-interaction platform of SSE (上交所e互動平台). Six special issues of Investors (《投資者》) were published and the column of “Investor Relations” on the website of the Company has been further enriched and improved with regular updates of contents and information. The management of both Chinese and English version of the website has been improved to provide access for investors to know more about the Company.

During the Reporting Period, the Company has conducted a thorough internal inspection and no information has been provided to substantial shareholders or beneficial owners before its publication.

2. Shareholders' General Meeting

On 1 February 2016, the first extraordinary general meeting for 2016, the first A share class meeting for 2016 and the first H share class meeting for 2016 of the Company were held in Beijing with on-site and online voting. The Proposal in respect of the 2015 Interim Profit Distribution Plan of the Company (《關於本公司2015年中期利潤分配預案的議案》), the Proposal in respect of Change of Registered Capital of the Company (《關於變更公司註冊資本的議案》), the Proposal in respect of Amendments to the Articles of Association of the Company (《關於修訂<公司章程>的議案》), the Proposal in respect of the Election of Mr. Zheng Wanchun as an Executive Director of the Sixth Session of the Board of Directors of the Company (《關於選舉鄭萬春先生為公司第六屆董事會執行董事的議案》), the Proposal in respect of the Qualification of the Company in relation to the Non-public Issuance of Preference Shares (《關於本公司符合非公開發行優先股條件的議案》), the Proposal in respect of Non-public Issuance of Domestic Preference Shares of the Company (《關於本公司境內非公開發行優先股方案的議案》), the Proposal in respect of Non-public Issuance of Offshore Preference Shares of the Company (《關於本公司境外非公開發行優先股方案的議案》), the Proposal in respect of Feasibility Analysis Report of the Use of Proceeds from Non-public Issuance of Preference Shares of the Company (《關於本公司非公開發行優先股募集資金使用可行性分析報告的議案》), the Proposal in respect of Authorization to the Board and its Authorized Persons by the General Meeting to Exercise Full Power to Deal with Matters Relating to the Issuance of Preference Shares (《關於提請股東大會授權董事會及其獲授權人士全權處理與發行優先股有關事項的議案》), the Proposal in respect of Formulation of Capital Management Plan of the Company for 2016 to 2018 (《關於制定<本公司2016-2018年資本管理規劃>的議案》), the Proposal in

respect of Formulation of Shareholder Return Plan of the Company for 2016 to 2018 (《關於制定〈本公司2016–2018年股東回報規劃〉的議案》), the Proposal in respect of Impacts on Dilution of Current Returns of Non-public Issuance of Preference Shares and the Remedial Measures (《關於非公開發行優先股攤薄即期回報及填補措施的議案》), the Proposal in respect of the Amendments to the Articles of Association (Preference Shares) (《關於修訂〈公司章程(優先股)〉的議案》), the Proposal in respect of Amendments to the Rules of Procedures for Shareholders' General Meeting (Preference Shares) (《關於修訂〈股東大會議事規則(優先股)〉的議案》) and the Proposal in respect of Amendments to the Rules of Procedures for the Meeting of the Board of Directors (Preference Shares) (《關於修訂〈董事會議事規則(優先股)〉的議案》) were considered and approved at the meeting. Please refer to the announcement published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange on 1 February 2016.

On 7 June 2016, the 2015 annual general meeting of the Company was held in Beijing with on-site and online voting. The resolutions on the Annual Report for 2015 of the Company, the Final Financial Report for 2015 of the Company, the Proposed Profit Distribution Plan for the Second Half of 2015 of the Company, the Proposal in respect of the Authorization for Interim Profit Distribution for 2016 of the Company, the Annual Budgets for 2016 of the Company, the Work Report of the Board for 2015 of the Company, the Work Report of the Supervisory Board for 2015 of the Company, the Re-appointment and Remuneration of the Auditing Firm for 2016 and the Granting of General Mandate to Issue Shares to the Board were considered and approved at the meeting. Please refer to the announcement published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange on 7 June 2016.

3. Meetings of the Board and its Special Committees

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

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

During the Reporting Period, the Strategic Development and Investment Management Committee under the Board discussed 18 designated issues, and received and considered five special working reports. The Risk Management Committee discussed six designated issues, received and considered four special working reports, and handled 40 business projects beyond risk limits totalling RMB248,909 million. The Audit Committee discussed 13 designated issues, and received and considered two special working reports. The Related Party Transactions Supervision Committee discussed 14 designated issues. The Compensation and Remuneration Committee discussed six designated issues, and received and considered one special working report, and the Nomination Committee discussed nine designated issues.

4. Meetings of the Supervisory Board and its Special Committees

During the Reporting Period, two Supervisory Board meetings were convened by the Supervisory Board and five meetings of the special committees under the Supervisory Board were convened, including four meetings of the Nomination and Examination Committee and one meeting of the Supervisory Committee.

5. Internal Control and Internal Audit

(1) Internal control evaluation

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

The Company duly performed the supervisory and evaluation functions of its internal audit, constantly improved the supervisory system of internal control evaluation and optimized its internal control evaluation procedures by using techniques of Lean Six Sigma (精益六西格瑪), so as to improve the internal control system and enhance the refinement of internal control management. During the Reporting Period, in accordance with the principles of internal control evaluation and annual audit plan, the Company conducted internal control evaluations on five tier-one branches, eight tier-two branches and three Minsheng rural banks which effectively covered major businesses and risks. The Company supervised the implementation of internal control measures, as well as the rectification of risks issues through various measures, including regular monitoring, subsequent audits and effectiveness assessment of internal control, and adopted audit accountability on major risks according to the Company's regulations. Through constant internal control evaluation, the Company was able to effectively improve the internal control system and management standard.

(2) Internal audit

The Company has an internal audit organization — Audit Department. Under the leadership of the Audit Committee of the Board, the Company adopted an independent internal audit model with a vertical management structure topped by the head office. Currently, the Company has five regional audit centers in Northern China, Eastern China, Southern China, Central China and Northeast China. The Audit Department set up the corporate business audit center, retail business audit center, financial market business audit center, information technology audit center, public service audit center, systematic risk audit and data application center, planning and project management center, supervision and coordination and evaluation supervision center according to the specialized operation characteristics of the Company. The Audit Department is responsible for performing independent examination and evaluation on all business operations and management activities of the Company, monitoring and examining the effectiveness of its internal control and carrying out evaluation and advisory activities for its internal control independently and objectively. To ensure the independence and effectiveness of the internal audit, a system is put in place through which 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 policies and systems for internal audit, and an integrated audit examination system comprising on-site audit and off-site audit. Off-site audit system covers all asset and liability businesses of the Company. Risk-oriented audit on internal control covers all business lines and internal management procedures including corporate banking, retail business, financial market, trade financing, credit card, financial accounting and risk management. The Company has initially achieved full coverage of audit on risk exposures in credit, operation, market and compliance.

The Company performed supervision and examination on internal control of business units through comprehensive audits, special audits, off-site audits and departure audits. During the Reporting Period, the Audit Department performed a total of 20 special audits and issued 54 special audit and investigation reports. It also issued 165 departure reports and 20 risk reminders and audit comments. Moreover, 69 investigation and analysis reports, reports on major concerns and other reports were issued. The Audit Department has prepared 28 internal audit bulletins for 2015 and fully performed its audit supervision, evaluation and consultation duties. The problems identified in the audit were tracked and urged to be rectified and the persons responsible for the non-compliance were held accountable for audit, which have notably improved the internal control and management of the Bank.

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

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

I. Profit Distribution for the Second Half of 2015

The Board has distributed dividends to the shareholders according to the Profit Distribution Plan for the Second Half of 2015 which was passed at the 2015 annual general meeting. On the basis of the total share capital of the Company on the record date, the Company distributed cash dividends for the second half of 2015 of RMB1.60 (tax inclusive) for every 10 shares to all shareholders whose names appear on the register of members on the record date. The total cash dividends for A shares and H shares amounted to approximately RMB4,728 million and RMB1,110 million, respectively. The cash dividend was denominated and declared in RMB and paid to the holders of A shares in RMB and the holders of H shares in Hong Kong dollars.

The Company completed the cash dividend distribution to the holders of A shares and H shares on 24 June 2016 and 18 July 2016, respectively. For details, please refer to the relevant announcements of the Company dated 7 June 2016 and 18 June 2016 on the websites of Hong Kong Stock Exchange and SSE, respectively.

II. Interim Profit Distribution Plan for 2016

The net profit for the first half of 2016 was RMB26,841 million. In accordance with the authorization obtained at the 2015 annual general meeting, the Board has approved its interim profit distribution plan for 2016 as follows:

10% of the total net profit for the first half of 2016 amounting to RMB2,684 million was allocated to the statutory surplus reserve. A general provision for risks of RMB8,043 million was made at a rate of 1.5% of the balance of the risky assets as at the end of June 2016. As at the end of the Reporting Period, the profits distributable to shareholders of the Company was RMB121,106 million.

According to relevant provisions of the Articles of Association in respect of profit distribution, having considered such factors as the capital adequacy required by the regulatory authorities and the sustainable development of the Company, the Company plans to distribute cash dividends of RMB1.15 (tax inclusive) for every 10 shares to holders of A shares and H shares registered in the Company's register of members on the record date. Based on 36,485 million shares of the Company in issue as at 30 June 2016, the total cash dividend was approximately RMB4,196 million.

The cash dividend is currently expected to be distributed to H Shareholders on Friday, 21 October 2016. In order to determine the entitlement of H Shareholders to the 2016 interim dividend, the register of members of H Shares of the Company will be closed from Wednesday, 14 September 2016 to Monday, 19 September 2016 (both days inclusive). H Shareholders whose names appear on the register of members of H Shares of the Company on Monday, 19 September 2016 shall be entitled to the 2016 interim dividend.

The cash dividend will be denominated and declared in RMB and will be declared in RMB to the holders of A shares and in Hong Kong dollars for holders of H shares. The actual amount of dividends to be paid in Hong Kong dollars shall be determined based on the benchmark exchange rate of RMB against Hong Kong dollars (RMB0.86191 in exchange for HK\$1.00) on 29 August 2016 (the date of the meeting on which the distribution of interim dividend is declared) as announced by the PBOC, representing cash dividends of HK\$0.13342460 per H share (tax inclusive).

The formulation and implementation of the cash dividend policy by the Company are in compliance with the stipulations of the Articles of Association and the requirements stated in the resolutions approved by shareholders' general meeting of the Company. The basis and proportion of dividend distribution are clearly specified. Effective determination and approval procedures and mechanisms are in place. The said distribution shall be considered and approved by independent Directors, namely Wang Lihua, Han Jianmin and Cheng Hoi-chuen. The resolution on the authorization for interim profit distribution for 2016 has been approved by the annual general meeting for 2015 of the Company and the legitimate rights and interests of minority shareholders have been well protected.

Taxation

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

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited, the Company's H Share registrar, in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知》) (the “Notice”) issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general.

However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual shareholders of H shares whose names appear on the H share register of members of the Company on the Record Date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

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

Profit Distribution to Investors of Northbound Trading

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

Profit Distribution to Investors of Southbound Trading

For investors of SSE (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the “Southbound Trading”), the Company has entered into the Agreement on Distribution of Cash Dividends of H Shares for Southbound Trading (《港股通H股股票現金紅利派發協議》) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the H shareholders for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depository and clearing system. The cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the H Shareholders.

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

Please see “Major Equity Investment” in Section (6) “IX. Performance of Key Business Lines” in Chapter 3.

IV. Securities Transactions by Directors, Supervisors and Relevant Employees

The Company has adopted its own code of conduct regarding Directors’ and Supervisors’ dealings in the securities on terms no less exacting than the Model Code. The Company has made specific enquiries to all Directors and Supervisors to confirm that their actions and behaviours are in line with the Model Code during the Reporting Period. The Company also formulated guidelines on dealings in securities of the Company by relevant employees, which are no less strict than the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

V. Interests of the Directors, Supervisors and Chief Executives in the Securities of the Company or Its Associated Corporations under Hong Kong Laws and Regulations

(i) As at 30 June 2016, the following Directors/Supervisors had the following interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware of:

Name	Position	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued shares (%)
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,822,968,401	1	6.17	5.00
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,066,764,269	2	3.61	2.92
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	838,726,939	3	2.84	2.30
		H	Long position	Interest held by his controlled corporation(s)	6,864,600	4	0.10	0.02
Guo Guangchang	Non-executive Director	H	Long position	Interest held by his controlled corporation(s)	808,612,400	5	11.66	2.22
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	759,720		0.003	0.002

Notes:

- The 1,822,968,401 A shares comprised 299,362,266 A shares directly held by South Hope Industrial Co., Ltd. and 1,523,606,135 A shares directly held by New Hope Investment Co., Ltd.. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 23.98% and 29.41% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 299,362,266 A shares held by South Hope Industrial Co., Ltd. and the 1,523,606,135 A shares held by New Hope Investment Co., Ltd.

As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,822,968,401 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.
- The 1,066,764,269 A shares were directly held by Orient Group Incorporation. 27.98% of the issued share capital of Orient Group Incorporation was held by Orient Group Industrial Co., Ltd., of which 32.59% of the issued share capital was held by Mr. Zhang Hongwei. As 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, Orient Group Incorporation was a party acting in concert.
- The 838,726,939 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 97.43% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly owned by Oceanwide Holdings Co., Ltd.. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Oceanwide Holdings Co., Ltd..

4. The 6,864,600 H shares were held by China Oceanwide International Investment Company Limited, which was wholly-owned by China Oceanwide Holdings Group Co., Ltd. (see note 3 above).
5. The 808,612,400 H shares (Long position) (in which 390,000,000 H shares were held through other derivatives) comprised 695,179,800 H shares directly held by Fosun International Limited, 35,592,600 H shares directly held by Pramerica-Fosun China Opportunity Fund, L.P. and 77,840,000 H shares directly held by Topper Link Limited. Pramerica-Fosun China Opportunity Fund, L.P. was a fund company managed by Fosun International Limited whereas Topper Link Limited was an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited was owned as to 82.63% of the issued share capital by Fosun Holdings Limited, which in turn was a wholly-owned subsidiary of Fosun International Holdings Ltd.. Mr. Guo Guangchang held 64.45% of the issued share capital of Fosun International Holdings Ltd..

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

(ii) As at 30 June 2016, the following Director of the Company had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

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

Note:

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

Save as disclosed above, as at 30 June 2016, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

I. Material Litigation and Arbitration

During the Reporting Period, the Company had no litigation or arbitration which might have significant impact on its operations. As of the end of the Reporting Period, there were 6,608 outstanding litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB35,676.43 million and 264 outstanding litigations involving the Company as defendant for approximately RMB4,622.99 million.

II. Purchase and Disposal of Assets and Mergers & Acquisitions

The Company has strictly complied with the Articles of Association, the Basic Accounting Rules (《基本財務規則》) and the Administrative Measures for Fixed Assets (《固定資產管理辦法》) of the Company. The Company has made accounting arrangements for writing off the residual value of fixed assets which were suitable for disposal. The shareholders' interest has not been prejudiced and the Company has not experienced any loss of assets.

III. Material Contracts and Their Performance

The Company participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing, obtained approval for the project and completed the scientific report on energy saving. The Company also obtained the approval for the traffic impact assessment, and environmental impact assessment and the construction land planning permit, and preliminarily calculated the construction volume of foundation pit integration in the north side. The project design is currently in process.

The Company participated in and won the bid for the land use right of Plot 2010P26 at the intersection of Douzaiwei Road and Hubin South Road in Xiamen, and has completed the construction of superstructure and internal construction of parcel No. 1. Installation of fire service facilities, air conditioning system, public utilities and curtain wall is in progress. The foundation, piling and construction of basement of parcel No. 2 were completed. Internal construction, installation of electrical and mechanical facilities, and construction of curtain wall are expected to be completed by the end of this year.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai Sub-district, Quanzhou, and has completed the design of the master construction plan for the main body and the foundation supporting wall. The contractor tendering of civil engineering was also completed. On 6 May 2016, the Company obtained the permission of construction. The construction foundation supporting wall, piling and civil engineering works are in progress.

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

The construction of Shunyi Base in Beijing has been completed and put into operation. The audit of construction has completed and submitted to the relevant authorities for review.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No. 4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou. Civil engineering works and piling have been completed. The construction is currently suspended until completion of design adjustment.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 1 on the west of East Fourth Ring Road and the south of Lianhu Road in Zhengdong New District, Zhengzhou. The project design is currently in process.

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 3 on the south of Shangding Road and the west of Mingli Road in Zhengdong New District, Zhengzhou. The project design is currently in process.

IV. Major Guarantees

During the Reporting Period, no major guarantees are required to be disclosed except for the financial guarantees provided in the course of business operation and approved by the PBOC.

V. Commitments of the Company

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

VI. Purchase, Sale or Redemption of Securities

Save as the early redemption of the Company's subordinated debts disclosed in chapter 4 of this report, during the Reporting Period, the Group has neither sold any securities of the Company nor purchased or redeemed any securities of the Company.

VII. Audit Committee

As at the end of the Reporting Period, the members of the Audit Committee of the Company are Han Jianmin (chairman), Wu Di and Cheng Hoi-chuen. A resolution on the change of the chairman of the Audit Committee of the sixth session of the Board of Directors of the Company was considered and approved at the 14th extraordinary meeting of the sixth session of the Board of Directors on 15 January 2016. Han Jianmin was appointed as the chairman of the Audit Committee of the Company, and the members of the Audit Committee included Wu Di and Cheng Hoi-chuen. The main responsibilities of the Audit Committee include reviewing and supervising the financial reporting procedures and internal control system of the Company and providing advice to the Board. The Audit Committee of the Company reviewed and confirmed the 2016 Interim Report and the 2016 interim results announcement for the six months ended 30 June 2016.

VIII. Appointment and Removal of Accounting Firms

The 2015 annual general meeting of the Company resolved to engage KPMG Huazhen LLP and KPMG Certified Public Accountants as the domestic and international auditors of the Company for 2016, respectively.

IX. Major Related Party Transactions

There are no related parties that have controlling interest in the Company.

There was no major related party transaction of the Company. For details of related party transactions under relevant accounting standards as at the end of the Reporting Period, please refer to Note 45 to the Consolidated Financial Statements.

X. Restriction Commitments regarding on Disposal of Additional Shares of Shareholders holding 5% or more interest in the Company

Not applicable.

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

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

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

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

XIII. Other Major Events

The Company received the Approval on the Issuance of Financial Bonds of Minsheng Bank (Yin Jian Fu [2015] No. 683) (《中國銀監會關於民生銀行發行金融債券的批覆》(銀監覆[2015]683號)) from CBRC, which authorized the Company to issue financial bonds of up to RMB50 billion in the inter-bank bond market in China. The issuance of the bond is also subject to the approval of the PBOC. For details, please refer to the announcement published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange on 7 January 2016.

The Company received the Approval on the Appointment of Zheng Wanchun of Minsheng Bank (Yin Jian Fu [2016] No. 5) (《中國銀監會關於民生銀行鄭萬春任職資格的批覆》(銀監覆[2016]5號)) from CBRC. The appointment of Zheng Wanchun as the President of China Minsheng Banking Corp., Ltd. was approved. For details, please refer to the announcement published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange on 12 January 2016.

The Company received the Approval on the Appointment of Zheng Wanchun of Minsheng Bank (Yin Jian Fu [2016] No. 78) (《中國銀監會關於民生銀行鄭萬春任職資格的批覆》(銀監覆[2016]78號)) from CBRC. The appointment of Zheng Wanchun as a Director of China Minsheng Banking Corp., Ltd. was approved. For details, please refer to the announcement published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange on 24 March 2016.

The Company received the Approval on the Operation of Xining Branch of China Minsheng Bank (Qing Yin Jian Fu [2016] No. 26) (《關於中國民生銀行西寧分行開業的批覆》(青銀監覆[2016]26號)) from the Qinghai Branch of CBRC, the operation of the Xining Branch of the Company was approved. For details, please refer to the announcement published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange on 20 May 2016.

The Company received the Approval on the Operation of Yinchuan Branch of China Minsheng Banking Corp., Ltd. (Ning Yin Jian Fu [2016] No. 29) (《寧夏銀監局關於中國民生銀行股份有限公司銀川分行開業的批覆》(寧銀監覆[2016]29號)) from the Ningxia Branch of CBRC, the operation of the Yinchuan Branch of the Company was approved. For details, please refer to the announcement published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange on 16 June 2016.

The Company received the Approval on the Non-public Issuance of Preference Shares and Amendments to the Articles of Association of Minsheng Bank (Yin Jian Fu [2016] No. 168) (《中國銀監會關於民生銀行非公開發行優先股及修改公司章程的批覆》(銀監覆[2016]168號)) from CBRC, the domestic and offshore non-public issuance of up to 300 million preference shares by the Company and the amended Articles of Association were approved. For details, please refer to the announcement and the Articles of Association of the Company published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange on 19 June 2016.

Orient Group Incorporation and Huaxia Life Insurance Co., Ltd., two shareholders of the Company, entered into an acting in concert agreement on 29 June 2016. For details, please refer to the announcement published on the website of the Company and the HKEXnews website of the Hong Kong Stock Exchange on 29 June 2016.

- I. Independent Review Report
- II. Financial Statements (Condensed Consolidated Statement of Profit or Loss, Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows)
- III. Notes to the Unaudited Interim Financial Information
- IV. Unaudited Supplementary Financial Information

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

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

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 115 to 221, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "*Interim Financial Reporting*". The directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standards 34 “*Interim Financial Reporting*”.

The logo for KPMG, consisting of the letters 'KPMG' in a stylized, handwritten font.

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

29 August 2016

Consolidated Statement of Profit or Loss

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For the six months ended 30 June 2016
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016 (unaudited)	2015 (unaudited)
Interest income		98,050	102,867
Interest expense		(50,612)	(55,873)
Net interest income	5	47,438	46,994
Fee and commission income		29,787	27,022
Fee and commission expense		(1,728)	(1,877)
Net fee and commission income	6	28,059	25,145
Net trading gain	7	59	479
Net gain arising from disposals of securities and discounted bills	8	978	2,842
Impairment losses on assets	9	(20,762)	(15,011)
Operating expenses	10	(21,446)	(26,072)
Other operating income		855	1,152
Profit before income tax		35,181	35,529
Income tax expense	11	(7,479)	(8,257)
Net profit		27,702	27,272
Net profit attributable to:			
Equity shareholders of the Bank		27,223	26,778
Non-controlling interests		479	494
		27,702	27,272
Earnings per share (expressed in RMB)	12		
Basic earnings per share		0.75	0.78
Diluted earnings per share		0.75	0.74

The notes on pages 123 to 221 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016 (unaudited)	2015 (unaudited)
Net profit		27,702	27,272
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale securities	37	(1,575)	396
Less: Income tax relating to available-for-sale securities	37	394	(100)
Exchange difference on translating foreign operations		113	(32)
Other comprehensive income, net of tax		(1,068)	264
Total comprehensive income		26,634	27,536
Total comprehensive income attributable to:			
Equity shareholders of the Bank		26,130	27,011
Non-controlling interests		504	525
		26,634	27,536

The notes on pages 123 to 221 form part of these financial statements.

Consolidated Statement of Financial Position

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As at 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2016 (unaudited)	31 December 2015 (audited)
ASSETS			
Cash and balances with central bank	13	498,931	432,831
Balances with banks and other financial institutions	14	166,109	101,428
Precious metals		28,370	18,425
Financial assets at fair value through profit or loss	15	37,493	26,959
Positive fair value of derivatives	16	14,315	5,175
Placements with banks and other financial institutions	17	157,612	229,217
Financial assets held under resale agreements	18	314,049	570,657
Loans and advances to customers	19	2,216,624	1,997,625
Investment securities:			
– Available-for-sale securities	20	231,705	157,000
– Held-to-maturity securities	20	530,691	278,364
– Loans and receivables	20	800,823	451,239
Long-term receivables	21	101,720	92,579
Property and equipment	22	40,649	41,151
Deferred income tax assets	23	19,204	15,863
Investments in associates		26	13
Other assets	25	91,841	102,162
Total assets		5,250,162	4,520,688
LIABILITIES			
Borrowings from central bank		215,403	62,477
Deposits from customers	27	2,934,633	2,732,262
Deposits and placements from banks and other financial institutions	28	1,252,462	990,775
Financial liabilities at fair value through profit or loss		324	337
Negative fair value of derivatives	16	15,558	3,326
Financial assets sold under repurchase agreements	29	78,541	49,129
Borrowings from banks and other financial institutions	30	120,798	108,538
Provisions		1,133	1,925
Debt securities issued	31	224,809	181,233
Current income tax liabilities		6,196	6,170
Other liabilities	32	72,650	74,733
Total liabilities		4,922,507	4,210,905

The notes on pages 123 to 221 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

As at 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

	Note	30 June 2016 (unaudited)	31 December 2015 (audited)
EQUITY			
Share capital	33	36,485	36,485
Capital reserve	33	64,744	64,744
Surplus reserve	34	28,045	25,361
General reserve	34	64,443	56,351
Investment revaluation reserve	37	141	1,291
Retained earnings	34	124,699	116,826
Exchange reserve		217	160
Total equity attributable to equity shareholders of the Bank		318,774	301,218
Non-controlling interests	35	8,881	8,565
Total equity		327,655	309,783
Total liabilities and equity		5,250,162	4,520,688

Approved and authorised for issue by the Board of Directors on 29 August 2016.



Hong Qi
Chairman



Zheng Wanchun
Director and president



Han Jianmin
Director



(Company Chop)

The notes on pages 123 to 221 form part of these financial statements.

Consolidated Statement of Changes in Equity

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For the six months ended 30 June 2016
(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Note	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve			Sub-total
At 1 January 2016		36,485	64,744	25,361	56,351	1,291	116,826	160	301,218	8,565	309,783
Net profit		-	-	-	-	-	27,223	-	27,223	479	27,702
Other comprehensive income, net of tax		-	-	-	-	(1,150)	-	57	(1,093)	25	(1,068)
Total comprehensive income		-	-	-	-	(1,150)	27,223	57	26,130	504	26,634
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	20	20
Appropriation to surplus reserve	34	-	-	2,684	-	-	(2,684)	-	-	-	-
Appropriation to general reserve	34	-	-	-	8,092	-	(8,092)	-	-	-	-
Cash dividends for the year of 2015	36	-	-	-	-	-	(8,574)	-	(8,574)	(208)	(8,782)
At 30 June 2016		36,485	64,744	28,045	64,443	141	124,699	217	318,774	8,881	327,655

The notes on pages 123 to 221 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2016

(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Note	Attributable to equity shareholders of the Bank							Sub-total	Non-controlling interests	Total equity
		Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Retained earnings	Exchange reserve			
At 1 January 2015		34,153	49,949	17,077	49,344	(392)	90,019	(8)	240,142	7,614	247,756
Net profit		—	—	—	—	—	26,778	—	26,778	494	27,272
Other comprehensive income, net of tax		—	—	—	—	265	—	(32)	233	31	264
Total comprehensive income		—	—	—	—	265	26,778	(32)	27,011	525	27,536
Conversion of convertible bonds		2,332	18,129	—	—	—	—	—	20,461	—	20,461
Appropriation to surplus reserve	34	—	—	6,383	—	—	(6,383)	—	—	—	—
Appropriation to general reserve	34	—	—	—	3,658	—	(3,658)	—	—	—	—
Cash dividend for the second half of 2014		—	—	—	—	—	(4,013)	—	(4,013)	(105)	(4,118)
Equity component of convertible bonds		—	(3,322)	—	—	—	—	—	(3,322)	—	(3,322)
At 30 June 2015		36,485	64,756	23,460	53,002	(127)	102,743	(40)	280,279	8,034	288,313
At 1 July 2015		36,485	64,756	23,460	53,002	(127)	102,743	(40)	280,279	8,034	288,313
Net profit		—	—	—	—	—	19,333	—	19,333	417	19,750
Other comprehensive income, net of tax		—	—	—	—	1,418	—	200	1,618	110	1,728
Total comprehensive income		—	—	—	—	1,418	19,333	200	20,951	527	21,478
Capital injection by non-controlling shareholders		—	—	—	—	—	—	—	—	28	28
Conversion of convertible bonds		—	17	—	—	—	—	—	17	—	17
Appropriation to surplus reserve	34	—	—	1,901	—	—	(1,901)	—	—	—	—
Appropriation to general reserve	34	—	—	—	3,349	—	(3,349)	—	—	—	—
Cash dividend for the year of 2015		—	—	—	—	—	—	—	—	(24)	(24)
Equity component of convertible bonds		—	(29)	—	—	—	—	—	(29)	—	(29)
At 31 December 2015		36,485	64,744	25,361	56,351	1,291	116,826	160	301,218	8,565	309,783

The notes on pages 123 to 221 form part of these financial statements.

Consolidated Statement of Cash Flows

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For the six months ended 30 June 2016
(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Cash flows generated from operating activities:		
Profit before income tax	35,181	35,529
<i>Adjustments for:</i>		
– Impairment losses on assets	20,762	15,011
– Depreciation and amortisation	2,223	2,357
– Changes in provisions	(792)	64
– (Gains)/losses on disposal of property and equipment and other long-term assets	(46)	2
– Losses/(gains) from changes in fair value	3,188	(577)
– Net gains on disposal of investment securities	(656)	(150)
– Interest expense on debt securities issued	3,974	3,923
– Interest income from investment securities	(20,751)	(14,551)
	43,083	41,608
<i>Changes in operating assets:</i>		
Net increase in balances with central bank, banks and other financial institutions	(70,931)	(57,558)
Net decrease/(increase) in placements with banks and other financial institutions	111,649	(37,141)
Net decrease in financial assets held under resale agreements	255,829	106,729
Net increase in loans and advances to customers	(240,719)	(148,030)
Net increase in other operating assets	(17,757)	(13,323)
	38,071	(149,323)
<i>Changes in operating liabilities:</i>		
Net increase in deposits from customers	202,371	198,870
Net increase in deposits and placements from banks and other financial institutions	261,687	9,378
Net increase in financial assets sold under repurchase agreements	29,318	19,232
Income tax paid	(10,387)	(10,225)
Net increase/(decrease) in borrowings from central bank	152,926	(44,313)
Net increase in other operating liabilities	11,494	11,856
	647,409	184,798
Net cash generated from operating activities	728,563	77,083

The notes on pages 123 to 221 form part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2016
(Expressed in millions of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2016 (unaudited)	2015 (unaudited)
Cash flows from investing activities:			
Proceeds from sale and redemption of investments		693,726	238,852
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		1,169	6
Cash payment for purchase of investment securities		(1,350,899)	(364,017)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(3,048)	(4,066)
Cash payment for investment in associates		(13)	—
Net cash used in investing activities		(659,065)	(129,225)
Cash flows from financing activities:			
Capital contribution from non-controlling interests to subsidiaries		20	—
Proceeds from issue of debt securities		171,219	95,434
Repayment of debt securities issued		(128,859)	(27,930)
Interest paid on debt securities issued		(5,460)	(4,763)
Dividends paid		(7,600)	(2,667)
Net cash generated from financing activities		29,320	60,074
Net increase in cash and cash equivalents		98,818	7,932
Cash and cash equivalents at 1 January		126,460	132,132
Effect of foreign exchange rate changes		1,337	168
Cash and cash equivalents at 30 June	38	226,615	140,232

The notes on pages 123 to 221 form part of these financial statements.

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 obtained the financial service certificate No. B0009H111000001 as approved by the China Banking Regulatory Commission (“CBRC”), and the business licence as approved by the Beijing Administration for Industry and Commerce, the uniform social credit code is No. 91110000100018988F.

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

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

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

As at 30 June 2016, the Bank had 42 tier-one branches and 32 subsidiaries.

2 Basis of preparation and accounting policies

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

The unaudited interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in *Changes in accounting policies* in note 2.

There is no early adoption of any new IFRSs not yet effective for the six months ended 30 June 2016.

The preparation of an interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates.

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

The financial information relating to the financial year ended 31 December 2015 that is included in the unaudited interim financial information as being previously reported information does not constitute the Group’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Bank’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2016.

2 Basis of preparation and accounting policies (Continued)

Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the group. Of these, the following amendments are relevant to the group:

- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time.

The amendments do not have an impact on the group's interim financial report as the group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements.

The amendments do not have a material impact on the presentation and disclosure of the group's interim financial report.

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management

(1) Credit risk

(i) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	30 June 2016	31 December 2015
Balances with central bank	490,769	423,549
Balances with banks and other financial institutions	166,109	101,428
Placements with banks and other financial institutions	157,612	229,217
Financial assets at fair value through profit or loss	37,294	26,941
Positive fair value of derivatives	14,315	5,175
Financial assets held under resale agreements	314,049	570,657
Loans and advances to customers	2,216,624	1,997,625
Investment securities		
– Debt securities	1,558,480	881,053
Long-term receivables	101,720	92,579
Other financial assets	66,679	77,264
Total	5,123,651	4,405,488
Off-balance sheet credit commitments	1,039,531	1,127,874
Maximum credit risk exposure	6,163,182	5,533,362

3 Financial risk management (Continued)**(1) Credit risk (Continued)****(ii) Loans and advances to customers**

	30 June 2016	31 December 2015
Gross balance of loans and advances to customers		
Neither past due nor impaired	2,168,303	1,966,934
Past due but not impaired	68,330	48,293
Impaired	38,077	32,821
	2,274,710	2,048,048
Less: allowance for impairment loss		
Neither past due nor impaired	(31,754)	(30,060)
Past due but not impaired	(8,078)	(6,748)
Impaired	(18,254)	(13,615)
	(58,086)	(50,423)
Net balance		
Neither past due nor impaired	2,136,549	1,936,874
Past due but not impaired	60,252	41,545
Impaired	19,823	19,206
	2,216,624	1,997,625

a Neither past due nor impaired

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

	30 June 2016	31 December 2015
Corporate loans and advances	1,395,844	1,270,677
Personal loans and advances	772,459	696,257
Total	2,168,303	1,966,934

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)**(1) Credit risk (Continued)****(ii) Loans and advances to customers (Continued)****a Neither past due nor impaired (Continued)**

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

	30 June 2016	31 December 2015
Unsecured loans	424,775	365,994
Guaranteed loans	596,797	565,381
Loans secured by		
— Tangible assets other than monetary assets	868,148	764,451
— Monetary assets	278,583	271,108
Total	2,168,303	1,966,934

b Past due but not impaired

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

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

3 Financial risk management (Continued)

(1) Credit risk (Continued)

(ii) Loans and advances to customers (Continued)

b Past due but not impaired (Continued)

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

	30 June 2016				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	16,726	6,653	6,965	23,580	53,924
Personal loans and advances	5,841	3,218	3,589	1,758	14,406
Total	22,567	9,871	10,554	25,338	68,330

	31 December 2015				Total
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	
Corporate loans and advances	8,274	2,815	3,326	15,218	29,633
Personal loans and advances	6,708	5,062	5,035	1,855	18,660
Total	14,982	7,877	8,361	17,073	48,293

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)**(1) Credit risk (Continued)****(ii) Loans and advances to customers (Continued)***c Impaired loans*

	30 June 2016	31 December 2015
Corporate loans and advances	22,344	19,710
Personal loans and advances	15,733	13,111
Total	38,077	32,821
% of total loans and advances	1.67%	1.60%
Allowance for impairment losses		
— Corporate loans and advances	(9,472)	(6,725)
— Personal loans and advances	(8,782)	(6,890)
Total	(18,254)	(13,615)

3 Financial risk management (Continued)**(1) Credit risk (Continued)****(ii) Loans and advances to customers (Continued)****c Impaired loans (Continued)**

Impaired loans and advances by type of collateral:

	30 June 2016	31 December 2015
Unsecured loans	7,579	7,247
Guaranteed loans	17,650	15,370
Loans secured by		
– Tangible assets other than monetary assets	10,616	7,631
– Monetary assets	2,232	2,573
Total	38,077	32,821
Fair value of collateral held against impaired loans	8,619	7,656

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

(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 2016				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	459,829	38,674	198	230	498,931
Balances with banks and other financial institutions	83,504	78,757	1,257	2,591	166,109
Financial assets at fair value through profit or loss	34,738	2,712	43	—	37,493
Placements with banks and other financial institutions	112,054	34,422	4,781	6,355	157,612
Financial assets held under resale agreements	314,049	—	—	—	314,049
Loans and advances to customers	2,105,438	97,773	6,473	6,940	2,216,624
Investment securities	1,531,324	16,935	1,757	13,203	1,563,219
Long-term receivables	87,810	13,910	—	—	101,720
Other assets	126,144	10,524	11,270	46,467	194,405
Total assets	4,854,890	293,707	25,779	75,786	5,250,162
Liabilities:					
Borrowings from central bank	215,403	—	—	—	215,403
Deposits from customers	2,785,025	77,832	9,827	61,949	2,934,633
Deposits and placements from banks and other financial institutions	1,181,797	57,999	3,707	8,959	1,252,462
Financial assets sold under repurchase agreements	78,541	—	—	—	78,541
Borrowings from banks and other financial institutions	91,450	28,610	—	738	120,798
Debt securities issued	220,842	3,967	—	—	224,809
Other liabilities	86,710	7,410	1,054	687	95,861
Total liabilities	4,659,768	175,818	14,588	72,333	4,922,507
Net position	195,122	117,889	11,191	3,453	327,655
Foreign currency derivatives	(909)	(289)	(45)	—	(1,243)
Off-balance sheet credit commitments	989,872	40,039	7,089	2,531	1,039,531

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)**(2) Market risk (Continued)****(i) Currency risk (Continued)**

	31 December 2015				Total
	RMB	USD	HKD	Others	
Assets:					
Cash and balances with central bank	396,432	35,765	416	218	432,831
Balances with banks and other financial institutions	66,959	21,555	9,426	3,488	101,428
Financial assets at fair value through profit or loss	25,749	1,192	18	—	26,959
Placements with banks and other financial institutions	189,694	31,811	2,161	5,551	229,217
Financial assets held under resale agreements	570,657	—	—	—	570,657
Loans and advances to customers	1,911,469	74,896	4,952	6,308	1,997,625
Investment securities	874,102	6,792	888	4,821	886,603
Long-term receivables	80,631	11,948	—	—	92,579
Other assets	159,968	3,179	712	18,930	182,789
Total assets	4,275,661	187,138	18,573	39,316	4,520,688
Liabilities:					
Borrowings from central bank	62,477	—	—	—	62,477
Deposits from customers	2,591,603	80,029	15,550	45,080	2,732,262
Deposits and placements from banks and other financial institutions	963,279	21,287	2,399	3,810	990,775
Financial assets sold under repurchase agreements	49,129	—	—	—	49,129
Borrowings from banks and other financial institutions	78,315	28,591	—	1,632	108,538
Debt securities issued	177,361	3,872	—	—	181,233
Other liabilities	81,463	3,447	722	859	86,491
Total liabilities	4,003,627	137,226	18,671	51,381	4,210,905
Net position	272,034	49,912	(98)	(12,065)	309,783
Foreign currency derivatives	1,516	126	207	—	1,849
Off-balance sheet credit commitments	1,069,784	54,558	1,473	2,059	1,127,874

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)**(2) Market risk (Continued)****(ii) Interest rate risk**

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

	Note	30 June 2016					Total
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	
Assets:							
Cash and balances with central bank		490,769	—	—	—	8,162	498,931
Balances with banks and other financial institutions		103,555	62,434	107	—	13	166,109
Placements with banks and other financial institutions		84,397	69,218	3,997	—	—	157,612
Financial assets held under resale agreements		310,905	1,994	1,150	—	—	314,049
Loans and advances to customers	(i)	1,690,361	352,718	146,515	27,030	—	2,216,624
Investment securities		341,661	493,793	461,862	259,181	6,722	1,563,219
Financial assets at fair value through profit or loss		9,315	15,741	10,537	1,318	582	37,493
Long-term receivables		101,720	—	—	—	—	101,720
Other assets		9,782	—	—	—	184,623	194,405
Total assets		3,142,465	995,898	624,168	287,529	200,102	5,250,162
Liabilities:							
Borrowings from central bank		115,109	100,294	—	—	—	215,403
Deposits from customers		2,081,373	656,191	197,007	62	—	2,934,633
Deposits and placements from banks and other financial institutions		1,089,374	162,581	507	—	—	1,252,462
Financial assets sold under repurchase agreements		76,424	1,718	399	—	—	78,541
Borrowings from banks and other financial institutions		49,623	50,998	13,142	7,035	—	120,798
Debt securities issued		6,141	163,629	4,476	50,563	—	224,809
Other liabilities		324	—	—	—	95,537	95,861
Total liabilities		3,418,368	1,135,411	215,531	57,660	95,537	4,922,507
Total interest sensitivity gap		(275,903)	(139,513)	408,637	229,869	104,565	327,655

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)**(2) Market risk (Continued)****(ii) Interest rate risk (Continued)**

	Note	31 December 2015				Non-interest bearing	Total
		Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years		
Assets:							
Cash and balances with central bank		423,549	—	—	—	9,282	432,831
Balances with banks and other financial institutions		79,208	22,014	200	—	6	101,428
Placements with banks and other financial institutions		110,795	108,128	10,294	—	—	229,217
Financial assets held under resale agreements		454,423	114,084	2,150	—	—	570,657
Loans and advances to customers	(i)	1,596,638	296,821	88,835	15,331	—	1,997,625
Investment securities		252,016	199,167	300,362	129,507	5,551	886,603
Financial assets at fair value through profit or loss		5,696	12,754	7,310	831	368	26,959
Long-term receivables		92,579	—	—	—	—	92,579
Other assets		10,123	—	—	—	172,666	182,789
Total assets		3,025,027	752,968	409,151	145,669	187,873	4,520,688
Liabilities:							
Borrowings from central bank		17,650	44,827	—	—	—	62,477
Deposits from customers		1,886,391	636,007	209,797	67	—	2,732,262
Deposits and placements from banks and other financial institutions		721,374	269,401	—	—	—	990,775
Financial assets sold under repurchase agreements		45,745	2,484	900	—	—	49,129
Borrowings from banks and other financial institutions		36,815	48,114	14,147	9,462	—	108,538
Debt securities issued		28,709	41,621	54,353	56,550	—	181,233
Other liabilities		337	—	—	—	86,154	86,491
Total liabilities		2,737,021	1,042,454	279,197	66,079	86,154	4,210,905
Total interest sensitivity gap		288,006	(289,486)	129,954	79,590	101,719	309,783

(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 RMB79,707 million as at 30 June 2016 (31 December 2015: RMB60,544 million).

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)

(3) Liquidity risk

(i) Maturity analysis

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

	Note	30 June 2016						Total
		Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	
Assets:								
Cash and balances with central bank		415,229	83,702	–	–	–	–	498,931
Balances with banks and other financial institutions		–	39,139	48,235	16,225	61,949	561	166,109
Placements with banks and other financial institutions		–	–	39,965	44,432	69,218	3,997	157,612
Financial assets held under resale agreements		23	–	308,339	2,543	1,994	1,150	314,049
Loans and advances to customers	(ii)	59,412	20,663	271,427	178,096	896,237	505,600	2,216,624
Investment securities								
– Available-for-sale securities		4,923	315	20,984	21,617	104,167	56,851	231,705
– Held-to-maturity securities		82	–	1,702	8,969	25,926	275,441	530,691
– Loans and receivables		482	407	63,641	193,693	364,151	154,516	800,823
Financial assets at fair value through profit or loss		582	928	2,486	5,468	15,788	10,923	37,493
Long-term receivables		18,884	2,455	1,978	3,711	18,406	52,111	101,720
Other assets		63,624	28,963	11,761	8,301	32,282	28,784	194,405
Total assets		563,241	176,572	770,518	483,055	1,590,118	1,089,934	5,250,162
Liabilities:								
Borrowings from central bank		–	–	60,000	55,109	100,294	–	215,403
Deposits from customers		–	1,081,866	650,527	349,233	655,963	196,981	2,934,633
Deposits and placements from banks and other financial institutions		–	206,853	246,588	633,981	164,533	507	1,252,462
Financial assets sold under repurchase agreements		–	–	51,106	25,318	1,718	399	78,541
Borrowings from banks and other financial institutions		–	–	17,658	31,965	50,998	13,142	120,798
Debt securities issued		–	–	594	5,547	160,957	4,476	224,809
Other liabilities		1,351	14,130	18,028	18,394	24,946	16,357	95,861
Total liabilities		1,351	1,302,849	1,044,501	1,119,547	1,159,409	231,862	4,922,507
Net position		561,890	(1,126,277)	(273,983)	(636,492)	430,709	858,072	327,655
Notional amount of derivatives		430	–	240,023	211,416	456,170	65,011	973,890

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)**(3) Liquidity risk (Continued)****(i) Maturity analysis (Continued)**

	31 December 2015								
	Note	Indefinite (i)	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:									
Cash and balances with central bank		392,422	40,409	—	—	—	—	—	432,831
Balances with banks and other financial institutions		—	30,896	33,367	14,766	22,069	330	—	101,428
Placements with banks and other financial institutions		—	—	40,235	70,560	108,128	10,294	—	229,217
Financial assets held under resale agreements		23	—	345,656	108,744	114,084	2,150	—	570,657
Loans and advances to customers	(ii)	47,217	13,534	250,260	171,345	876,297	452,352	186,620	1,997,625
Investment securities									
— Available-for-sale securities		5,710	—	10,326	22,393	44,866	54,278	19,427	157,000
— Held-to-maturity securities		82	—	3,352	3,062	20,114	151,386	100,368	278,364
— Loans and receivables		1,623	56	59,426	133,201	122,331	119,156	15,446	451,239
Financial assets at fair value through profit or loss		368	—	1,796	3,642	12,643	7,577	933	26,959
Long-term receivables		4,507	855	4,148	3,780	16,079	57,103	6,107	92,579
Other assets		68,361	32,599	16,930	19,289	39,552	4,568	1,490	182,789
Total assets		520,313	118,349	765,496	550,782	1,376,163	859,194	330,391	4,520,688
Liabilities:									
Borrowings from central bank		—	—	—	17,650	44,827	—	—	62,477
Deposits from customers		—	971,620	501,324	342,560	668,932	247,759	67	2,732,262
Deposits and placements from banks and other financial institutions		—	236,412	245,464	239,445	269,454	—	—	990,775
Financial assets sold under repurchase agreements		—	—	26,541	19,204	2,484	900	—	49,129
Borrowings from banks and other financial institutions		—	—	8,845	27,970	48,114	14,147	9,462	108,538
Debt securities issued		—	—	10,983	17,726	38,950	54,353	59,221	181,233
Other liabilities		2,291	28,112	19,189	6,130	16,045	11,735	2,989	86,491
Total liabilities		2,291	1,236,144	812,346	670,685	1,088,806	328,894	71,739	4,210,905
Net position		518,022	(1,117,795)	(46,850)	(119,903)	287,357	530,300	258,652	309,783
Notional amount of derivatives		—	—	100,700	189,180	400,200	52,212	—	742,292

(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, the indefinite period amounts represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

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

(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 2016					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	83,703	—	—	—	415,247	498,950
Balances with banks and other financial institutions	82,057	21,701	62,744	602	—	167,104
Placements with banks and other financial institutions	40,082	44,561	69,384	4,024	—	158,051
Financial assets held under resale agreements	308,489	3,080	2,051	1,246	—	314,866
Loans and advances to customers	376,122	194,976	947,841	632,573	520,788	2,672,300
Investment securities	112,025	229,742	532,989	567,100	298,732	1,740,588
Financial assets at fair value through profit or loss	3,956	5,540	16,651	12,251	2,135	40,533
Long-term receivables	2,703	4,344	23,693	65,062	24,793	120,595
Other financial assets	31,126	2,272	10,685	16,338	11,098	71,519
Total financial assets (expected maturity date)	1,040,263	506,216	1,666,038	1,299,196	1,272,793	5,784,506
Financial liabilities:						
Borrowings from central bank	60,096	55,363	101,454	—	—	216,913
Deposits from customers	1,735,428	350,734	663,755	213,338	76	2,963,331
Deposits and placements from banks and other financial institutions	459,706	639,282	168,741	535	—	1,268,264
Financial assets sold under repurchase agreements	51,138	25,472	1,732	410	—	78,752
Borrowings from banks and other financial institutions	17,695	32,150	51,833	14,312	9,394	125,384
Debt securities issued	600	5,600	167,442	24,141	56,372	254,155
Other financial liabilities	15,156	926	2,321	1,001	800	20,204
Total financial liabilities (expected maturity date)	2,339,819	1,109,527	1,157,278	253,737	66,642	4,927,003

(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 2015					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Financial assets:						
Cash and balances with central bank	40,410	—	—	—	392,439	432,849
Balances with banks and other financial institutions	64,340	14,837	22,466	359	—	102,002
Placements with banks and other financial institutions	40,379	71,010	108,611	10,363	—	230,363
Financial assets held under resale agreements	345,964	109,460	115,639	2,310	23	573,396
Loans and advances to customers	330,081	187,817	930,197	542,550	297,978	2,288,623
Investment securities	75,145	162,820	209,513	373,621	159,181	980,280
Financial assets at fair value through profit or loss	1,827	3,730	13,384	8,518	1,412	28,871
Long-term receivables	5,520	4,223	17,987	67,154	14,798	109,682
Other financial assets	33,844	12,461	22,254	1,794	6,842	77,195
Total financial assets (expected maturity date)	937,510	566,358	1,440,051	1,006,669	872,673	4,823,261
Financial liabilities:						
Borrowings from central bank	—	17,756	45,035	—	—	62,791
Deposits from customers	1,476,299	349,231	695,536	286,899	79	2,808,044
Deposits and placements from banks and other financial institutions	483,300	241,488	271,799	—	—	996,587
Financial assets sold under repurchase agreements	26,554	19,303	2,501	980	—	49,338
Borrowings from banks and other financial institutions	8,864	28,197	49,054	15,291	12,272	113,678
Debt securities issued	10,999	19,703	43,440	70,578	72,748	217,468
Other financial liabilities	13,219	418	2,758	1,587	350	18,332
Total financial liabilities (expected maturity date)	2,019,235	676,096	1,110,123	375,335	85,449	4,266,238

(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 2016					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	3	2	5	14	—	24
Credit derivatives	—	—	—	—	—	—
Total	3	2	5	14	—	24

	31 December 2015					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	(4)	5	(2)	(12)	—	(13)
Credit derivatives	—	—	—	—	—	—
Total	(4)	5	(2)	(12)	—	(13)

3 Financial risk management (Continued)**(3) Liquidity risk (Continued)****(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)****b Derivatives settled on a gross basis**

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

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

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

	30 June 2016					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
— Cash outflow	(163,489)	(94,928)	(208,658)	(2,199)	—	(469,274)
— Cash inflow	164,645	95,245	210,214	2,196	—	472,300
Precious metal derivatives						
— Cash outflow	(17,398)	(27,808)	(40,535)	—	—	(85,741)
— Cash inflow	17,123	27,003	37,540	—	—	81,666
Others						
— Cash outflow	(14)	(1)	(442)	—	—	(457)
— Cash inflow	14	7	630	—	—	651
Total cash outflow	(180,901)	(122,737)	(249,635)	(2,199)	—	(555,472)
Total cash inflow	181,782	122,255	248,384	2,196	—	554,617

	31 December 2015					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
— Cash outflow	(67,923)	(67,675)	(245,358)	(1,082)	—	(382,038)
— Cash inflow	68,199	67,604	244,920	1,284	—	382,007
Precious metal derivatives						
— Cash outflow	(7,316)	(8,230)	(21,393)	—	—	(36,939)
— Cash inflow	7,435	8,645	21,978	—	—	38,058
Others						
— Cash outflow	—	—	—	—	—	—
— Cash inflow	69	—	—	196	—	265
Total cash outflow	(75,239)	(75,905)	(266,751)	(1,082)	—	(418,977)
Total cash inflow	75,703	76,249	266,898	1,480	—	420,330

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)**(3) Liquidity risk (Continued)****(iv) Analysis on contractual undiscounted cash flows of commitments**

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	30 June 2016			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	640,201	—	—	640,201
Letters of credit	101,057	176	—	101,233
Guarantees	174,733	57,911	6,564	239,208
Unused credit card commitments	51,338	—	—	51,338
Capital commitments	1,960	18,119	—	20,079
Operating lease commitments	3,208	8,410	6,366	17,984
Irrevocable loan commitments	14	2,034	1,260	3,308
Finance lease commitments	4,202	41	—	4,243
Total	976,713	86,691	14,190	1,077,594

	31 December 2015			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	694,294	—	—	694,294
Letters of credit	107,872	78	—	107,950
Guarantees	185,904	74,067	7,370	267,341
Unused credit card commitments	50,385	—	—	50,385
Capital commitments	6,873	13,389	—	20,262
Operating lease commitments	3,559	9,213	4,144	16,916
Irrevocable loan commitments	81	2,159	522	2,762
Finance lease commitments	4,264	878	—	5,142
Total	1,053,232	99,784	12,036	1,165,052

3 Financial risk management (Continued)

(4) Operational risk

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

The Bank devoted to promoting the implementation of the three major operational risk management tools in the Bank and the establishment of operational risk management information system, according to the regulatory requirements of operational risk. The Bank has carried out Risk Control Self Assessment (RCSA), established key risk indicator monitoring system and internal loss issue management system regarding operational risk. Besides, the Bank conducted operational risk cost measurement and enhanced the outsourcing risk management, and promoted the establishment of business continuity management. Furthermore, the Bank focused on investigation of the risk on business field systematically.

(5) Capital management

In managing capital, the Group aims to ensure compliance with regulatory requirements, continuously improve its ability to mitigate risks and enhance the return on its capital. On this basis, the Group has set its capital adequacy objectives, and taken a range of measures, including budgeting/planning and performance measurement and limit management, to ensure the realisation of management objectives. This helps meet the requirements for regulatory compliance, credit rating, risk compensation and shareholder return; promote the Group’s risk management; ensure an orderly expansion of asset bases; and improve business structures and models.

In recent years, the Group increased capital utilisation. To ensure the capital adequacy ratio (“CAR”) is in line with regulatory requirements etc., the Group commits itself to establishing and fostering discipline for economically efficient capital management. There is continuous improvement of locked-in capital accounting and an introduction of planning and performance assessments that have return on capital as a primary performance indicator. At the same time, the use of capital is better managed, and management policies have been implemented to guide coordinated asset growth with reduced capital requirements in business entities.

3 Financial risk management (Continued)

(5) Capital management (Continued)

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

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

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

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

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

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

(Expressed in millions of Renminbi, unless otherwise stated)

3 Financial risk management (Continued)**(5) Capital management (Continued)**

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the *Measures for Administration of Capital of Commercial Banks (Trial Implementation)* and relevant requirements promulgated by the CBRC as below:

	Note	30 June 2016	31 December 2015
Core tier-one capital adequacy ratio		9.34%	9.17%
Tier-one capital adequacy ratio		9.36%	9.19%
Capital adequacy ratio		11.52%	11.49%
Components of capital base			
Core tier-one capital:			
Share capital		36,485	36,485
Valid portion of capital reserve		64,744	64,744
Surplus reserve		28,045	25,361
General reserve		64,443	56,351
Retained earnings		124,699	116,826
Valid portion of non-controlling interests		6,898	6,821
Others	(1)	358	1,451
Total core tier-one capital		325,672	308,039
Total core tier-one capital		325,672	308,039
Core tier-one capital deductions		(1,106)	(1,166)
Net core tier-one capital		324,566	306,873
Other tier-one capital		698	487
Net tier-one capital		325,264	307,360
Tier-two capital:			
Valid portion of tier-two capital instruments issued and share premium		53,300	57,570
Surplus provision for loan impairment		20,998	18,592
Valid portion of non-controlling interests		755	869
Tier-two capital deductions		—	—
Net tier-two capital		75,053	77,031
Net capital base		400,317	384,391
Credit risk-weighted assets		3,206,418	3,070,856
Market risk-weighted assets		15,817	23,997
Operational risk-weighted assets		251,379	251,379
Total risk-weighted assets		3,473,614	3,346,232

Note:

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

4 Segment information

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

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

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

4 Segment information (Continued)

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

Geographical segments

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

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Geographical segments (Continued)

	Six months ended 30 June 2016					Total
	Northern China	Eastern China	Southern China	Other locations	Inter-segment elimination	
External net interest income	28,101	6,888	2,210	10,239	—	47,438
Inter-segment net interest (expense)/income	(10,274)	5,284	4,560	430	—	—
Net interest income	17,827	12,172	6,770	10,669	—	47,438
Fee and commission income	22,400	2,789	2,159	2,439	—	29,787
Fee and commission expense	(877)	(331)	(343)	(177)	—	(1,728)
Net fee and commission income	21,523	2,458	1,816	2,262	—	28,059
Operating expenses	(8,445)	(5,256)	(3,140)	(4,605)	—	(21,446)
Impairment losses on assets	(10,729)	(5,220)	(1,406)	(3,407)	—	(20,762)
Net other income	890	585	190	227	—	1,892
Profit before income tax	21,066	4,739	4,230	5,146	—	35,181
Depreciation and amortisation	1,207	378	202	436	—	2,223
Capital expenditure	2,289	252	144	330	—	3,015

	As at 30 June 2016					
Segment assets	4,106,574	1,356,861	778,230	1,000,248	(2,010,955)	5,230,958
Deferred income tax assets						19,204
Total assets						5,250,162
Segment liabilities/total liabilities	(3,847,242)	(1,339,360)	(765,428)	(981,432)	2,010,955	(4,922,507)
Credit commitments	371,668	347,055	103,047	217,761	—	1,039,531

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Geographical segments (Continued)

	Six months ended 30 June 2015					Total
	Northern China	Eastern China	Southern China	Other locations	Inter- segment elimination	
External net interest income	23,192	8,742	2,157	12,903	—	46,994
Inter-segment net interest (expense)/income	(4,633)	3,359	3,411	(2,137)	—	—
Net interest income	18,559	12,101	5,568	10,766	—	46,994
Fee and commission income	20,590	2,585	1,845	2,002	—	27,022
Fee and commission expense	(597)	(429)	(603)	(248)	—	(1,877)
Net fee and commission income	19,993	2,156	1,242	1,754	—	25,145
Operating expenses	(10,923)	(6,357)	(3,258)	(5,534)	—	(26,072)
Impairment losses on assets	(5,199)	(4,085)	(1,869)	(3,858)	—	(15,011)
Net other income	1,633	1,203	530	1,107	—	4,473
Profit before income tax	24,063	5,018	2,213	4,235	—	35,529
Depreciation and amortisation	1,290	465	217	385	—	2,357
Capital expenditure	2,976	758	177	342	—	4,253

As at 31 December 2015						
Segment assets	3,097,436	1,202,523	654,656	967,318	(1,417,108)	4,504,825
Deferred income tax assets						15,863
Total assets						4,520,688
Segment liabilities/total liabilities	(2,866,488)	(1,181,963)	(637,044)	(942,518)	1,417,108	(4,210,905)
Credit commitments	400,907	350,911	125,340	250,716	—	1,127,874

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Business segments

The Group provides services through four business segments: corporate banking, personal banking, treasury and others.

Corporate banking — providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include deposits, loans, trust, trade-related products and other credit services and foreign currency.

Personal banking — providing banking products and services for individual clients. These products and services include savings deposits, investment savings products, credit and debit cards, micro lending, residential mortgage and consumer credit.

Treasury — including foreign exchange trading, interest rate and foreign exchange derivatives transactions, money market transactions, proprietary trading, and asset-liability management. This segment's operating results include gains and losses from foreign currency translation and the impact of interest-bearing assets and liabilities on internal fund flows and profit and loss.

Others — the Group's other businesses including the Group's investments and any other business which cannot form a single reportable segment.

As the total revenue of the Group's business segments is mainly derived from interest and the Group's senior management relies primarily on net interest income to assess each segment's performance, the total interest income and expense for all reportable segments is disclosed on a net basis.

The revenue from external parties reported to the Group's senior management is reported in a manner consistent with that in the consolidated income statement. Inter-segment transactions are eliminated.

Funds are normally allocated among segments, and inter-segment net interest income is based on the Group's capital cost. There are no other material items of income or expense between the business segments.

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

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

(Expressed in millions of Renminbi, unless otherwise stated)

4 Segment information (Continued)

Business segments (Continued)

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

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

	Six months ended 30 June 2016				
	Corporate banking business	Personal banking business	Treasury business	Other business	Total
Net interest income	29,512	13,294	3,830	802	47,438
Include: inter-segment net interest income/(expense)	8,791	(3,817)	(5,006)	32	—
Net fee and commission income	11,626	11,476	3,863	1,094	28,059
Include: inter-segment net fee and commission (expense)/income	(20)	—	—	20	—
Operating expenses	(11,113)	(6,771)	(3,000)	(562)	(21,446)
Impairment losses on assets	(5,737)	(14,362)	(379)	(284)	(20,762)
Net other income	408	22	1,008	454	1,892
Profit before income tax	24,696	3,659	5,322	1,504	35,181
Depreciation and amortisation	898	530	181	614	2,223
Capital expenditure	921	543	186	1,365	3,015

	As at 30 June 2016				
Segment assets	1,587,325	794,020	2,683,994	165,619	5,230,958
Deferred income tax assets					19,204
Total assets					5,250,162
Segment liabilities/total liabilities	(2,355,610)	(633,901)	(1,785,284)	(147,712)	(4,922,507)
Credit commitments	983,950	51,338	—	4,243	1,039,531

(Expressed in millions of Renminbi, unless otherwise stated)

5 Net interest income

	Six months ended 30 June	
	2016	2015
Interest income arising from:		
– Loans and advances to customers	57,115	60,043
Including: Corporate loans and advances	33,253	35,846
Personal loans and advances	21,771	22,966
Discounted bills	2,091	1,231
– Investment securities	21,437	15,531
Including: Financial assets at fair value through profit or loss	686	980
– Financial assets held under resale agreements	7,226	13,461
– Placements with banks and other financial institutions	3,889	5,127
– Balances with central bank	3,381	3,381
– Long-term receivables	2,946	2,944
– Balances with banks and other financial institutions	2,056	2,380
Subtotal	98,050	102,867
Interest expense arising from:		
– Deposits from customers	(25,500)	(28,898)
– Deposits and placements from banks and other financial institutions	(15,249)	(17,454)
– Debt securities issued	(3,974)	(3,923)
– Borrowings from banks and other financial institutions	(1,996)	(2,436)
– Financial assets sold under repurchase agreements	(758)	(1,186)
– Deposits from banks and other financial institutions	(944)	(754)
– Borrowings from central bank	(2,191)	(1,222)
Subtotal	(50,612)	(55,873)
Net interest income	47,438	46,994
Of which:		
Interest income from impaired financial assets identified	481	430

(Expressed in millions of Renminbi, unless otherwise stated)

6 Net fee and commission income

	Six months ended 30 June	
	2016	2015
Fee and commission income		
– Agency services	9,293	5,815
– Bank card services	7,945	7,318
– Trust and other fiduciary services	7,411	6,195
– Credit commitments	2,929	3,353
– Financial advisory services	392	2,485
– Settlement services	1,333	1,465
– Others	484	391
Subtotal	29,787	27,022
Fee and commission expense	(1,728)	(1,877)
Net fee and commission income	28,059	25,145

7 Net trading gain

	Six months ended 30 June	
	2016	2015
(Loss)/gain on interest rate instruments	(210)	389
(Loss)/gain on precious metals and other products	(115)	154
Gain/(loss) on exchange rate instruments	384	(64)
Total	59	479

(Expressed in millions of Renminbi, unless otherwise stated)

8 Net gain arising from disposals of securities and discounted bills

	Six months ended 30 June	
	2016	2015
Net gain arising from disposals of discounted bills	395	2,571
Net gain arising from disposals of securities	583	271
Total	978	2,842

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

9 Impairment losses on assets

	Six months ended 30 June	
	2016	2015
Loans and advances to customers	20,816	14,342
Loans and receivables	326	336
Finance lease receivables	280	206
Others	(660)	127
Total	20,762	15,011

(Expressed in millions of Renminbi, unless otherwise stated)

10 Operating expenses

	Six months ended 30 June	
	2016	2015
Staff costs, including directors' emoluments		
— Salaries, bonuses, allowances and subsidies payables	7,584	10,166
— Post-employment benefits-defined contribution plans	1,156	1,048
Business tax and surcharges	3,494	5,047
Rental and property management expenses	2,301	2,357
Depreciation and amortisation	1,719	1,889
Office expenses	780	1,224
Business expenses and others	4,412	4,341
Total	21,446	26,072

Auditors' remuneration included in the operating expenses of the Group for the six months ended 30 June 2016 was RMB5 million (for the six months ended 30 June 2015: RMB4 million).

11 Income tax expense

	Six months ended 30 June	
	2016	2015
Current tax for the period	10,596	9,610
Adjustment for prior periods	(170)	(214)
Subtotal	10,426	9,396
Changes in deferred tax (Note 23)	(2,947)	(1,139)
Total	7,479	8,257

(Expressed in millions of Renminbi, unless otherwise stated)

11 Income tax expense (Continued)

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

	Note	Six months ended 30 June	
		2016	2015
Profit before income tax		35,181	35,529
Income tax at the tax rate of 25%		8,795	8,882
Effect of non-taxable income	(i)	(1,481)	(644)
Effect of non-deductible expenses		249	208
Others		(84)	(189)
Income tax expense		7,479	8,257

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

The applicable income tax rate for mainland China is 25% for the period ended 30 June 2016 (for the six months ended 30 June 2015: 25%). The applicable income tax rate for Hong Kong branch is 16.5% (for the six months ended 30 June 2015: 16.5%).

12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2016	2015
Net profit attributable to equity shareholders of the Bank	27,223	26,778
Weighted average number of ordinary shares in issue (in millions)	36,485	34,403
Basic earnings per share (in RMB)	0.75	0.78

(Expressed in millions of Renminbi, unless otherwise stated)

12 Earnings per share (Continued)

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

	Six months ended 30 June	
	2016	2015
Net profit attributable to equity shareholders of the Bank	27,223	26,778
Add: interest expense on convertible corporate bonds, net of tax, for the reporting period	—	285
Net profit used to determine diluted earnings per share	27,223	27,063
Weighted average number of ordinary shares in issue (in millions)	36,485	34,403
Add: weighted average number of ordinary shares for diluted earnings per share (in millions)	—	2,082
Weighted average number of ordinary shares for diluted earnings per share (in millions)	36,485	36,485
Diluted earnings per share (in RMB)	0.75	0.74

13 Cash and balances with central bank

	30 June 2016	31 December 2015
Cash	8,162	9,282
Balances with central bank		
— Statutory deposit reserves	411,616	387,270
— Surplus deposit reserves	75,540	31,127
— Fiscal deposit reserves and others	3,613	5,152
Total	498,931	432,831

13 Cash and balances with central bank (Continued)

The Group places statutory deposit reserves with the PBOC or local regulator. The statutory deposit reserves are not available for use in the Bank's daily business.

As at 30 June 2016 the statutory deposit reserve rate applicable to domestic branches of the Bank for RMB deposits is 15.0% and the reserve rate for foreign currency deposits is 5.0% (31 December 2015: 15.0% of RMB deposits and 5.0% of foreign currency deposits). The amount of statutory deposit reserves of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

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 2016	31 December 2015
Mainland China		
— Banks	134,527	75,449
— Other financial institutions	4,478	2,476
Overseas		
— Banks	27,104	23,503
Total	166,109	101,428

(Expressed in millions of Renminbi, unless otherwise stated)

15 Financial assets at fair value through profit or loss

	30 June 2016	31 December 2015
Held for trading purpose		
Debts Investment		
Government		
— listed outside Hong Kong	994	953
Policy bank		
— listed outside Hong Kong	2,160	1,997
Bank and non banking financial institution		
— listed in Hong Kong	233	32
— listed outside Hong Kong	11,299	5,553
Other corporate		
— listed in Hong Kong	839	103
— listed outside Hong Kong	18,524	15,530
Equity Investment		
— listed in Hong Kong	—	18
Investment Funds		
— unlisted	928	361
Designated at fair value through profit or loss		
Debt investment		
Other corporate		
— unlisted	1,934	2,062
Equity Investment		
— unlisted	199	—
Investment Funds		
— unlisted	383	350
Total	37,493	26,959

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

16 Derivatives

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

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

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

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

	30 June 2016		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	436,485	10,954	(8,475)
Interest rate swaps	380,102	254	(226)
Precious metal derivatives	87,836	2,069	(6,249)
Credit derivatives	829	—	(44)
Currency options	18,914	81	(74)
Foreign exchange forwards	41,182	858	(487)
Extension options	8,300	—	—
Others	242	99	(3)
Total		14,315	(15,558)

(Expressed in millions of Renminbi, unless otherwise stated)

16 Derivatives (Continued)

	31 December 2015		
	Notional amount	Fair value	
		Assets	Liabilities
Currency swaps	355,851	3,235	(2,657)
Interest rate swaps	287,842	456	(447)
Precious metal derivatives	36,906	1,154	(125)
Credit derivatives	22,275	—	—
Currency options	21,694	112	(64)
Foreign exchange forwards	9,159	98	(33)
Extension options	8,300	—	—
Others	265	120	—
Total		5,175	(3,326)

Credit risk weighted amount

	30 June 2016	31 December 2015
Exchange rate contracts	11,169	4,647
Precious metal contracts	998	1,319
Interest rate contracts	261	302
Other derivative contracts	14	94
Total	12,442	6,362

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

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

(Expressed in millions of Renminbi, unless otherwise stated)

17 Placements with banks and other financial institutions

	30 June 2016	31 December 2015
Mainland China		
– Banks	75,084	89,176
– Other financial institutions	43,253	113,094
Overseas		
– Banks	38,479	26,244
– Other financial institutions	796	703
Total	157,612	229,217

18 Financial assets held under resale agreements

	30 June 2016	31 December 2015
Bonds	195,402	42,498
Discounted bills	113,936	517,341
Others*	4,867	10,974
Total	314,205	570,813
Less: allowance for impairment losses	(156)	(156)
Net balance	314,049	570,657

* Others are financial assets held under resale agreements of which the underlying assets were the beneficiary rights of trusts, beneficiary oriented asset management or finance lease receivables.

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers

	30 June 2016	31 December 2015
Corporate loans and advances		
– Corporate loans	1,390,086	1,240,936
– Discounted bills	82,026	79,084
Subtotal	1,472,112	1,320,020
Personal loans and advances		
– Micro lending*	355,701	378,177
– Residential mortgage	194,842	114,328
– Credit cards	180,004	170,910
– Others	72,051	64,613
Subtotal	802,598	728,028
Gross balance	2,274,710	2,048,048
Less: allowance for impairment losses		
– Individual assessment	(9,472)	(6,725)
– Collective assessment	(48,614)	(43,698)
Subtotal	(58,086)	(50,423)
Net balance	2,216,624	1,997,625

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

(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 2016				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	1,449,768	–	22,344	22,344	1,472,112
– Personal loans and advances	786,865	15,733	–	15,733	802,598
Allowance for impairment losses	(39,832)	(8,782)	(9,472)	(18,254)	(58,086)
Net balance of loans and advances to customers	2,196,801	6,951	12,872	19,823	2,216,624

	31 December 2015				
	Loans and advances for which allowances are collectively assessed (Note (i))	Impaired loans and advances (Note (ii))		Subtotal	Total
		for which allowances are collectively assessed	for which allowances are individually assessed		
Gross balance of loans and advances to customers					
– Corporate loans and advances	1,300,310	–	19,710	19,710	1,320,020
– Personal loans and advances	714,917	13,111	–	13,111	728,028
Allowance for impairment losses	(36,808)	(6,890)	(6,725)	(13,615)	(50,423)
Net balance of loans and advances to customers	1,978,419	6,221	12,985	19,206	1,997,625

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

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

- (ii) Impaired loans and advances include those with objective evidence of impairment and are assessed:
 - individually (including corporate loans and advances which are graded substandard, doubtful or loss); or

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

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 2016, impaired loans and advances of the Group for which the impairment allowances were individually assessed amounted to RMB22,344 million (31 December 2015: RMB19,710 million). The covered portion and uncovered portion of these loans and advances were RMB9,415 million (31 December 2015: RMB8,034 million) and RMB12,929 million (31 December 2015: RMB11,676 million) respectively. The fair value of collateral held against these loans and advances amounted to RMB5,753 million (31 December 2015: RMB5,538 million). As at 30 June 2016, the individual impairment allowances made for these loans and advances were RMB9,472 million (31 December 2015: RMB6,725 million).

(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 2016		31 December 2015	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Manufacturing	295,060	12.97	257,157	12.56
Real estate	244,715	10.76	243,983	11.91
Leasing and commercial services	204,598	8.99	164,557	8.03
Wholesale and retail	200,748	8.83	181,659	8.87
Mining	120,218	5.28	115,682	5.65
Transportation, storage and postal service	80,626	3.54	72,867	3.56
Water, environment and public utilities management	68,210	3.00	52,502	2.56
Construction	63,071	2.77	54,000	2.64
Financial services	61,848	2.72	58,564	2.86
Production and supply of electric power, heat, gas and water	35,654	1.57	30,588	1.49
Public administration, social security and social organisations	25,327	1.11	26,235	1.28
Agricultural, forest, animal husbandry and fishery	13,461	0.59	12,393	0.61
Accommodation and catering	10,374	0.46	9,411	0.46
Others	48,202	2.13	40,422	1.97
Subtotal	1,472,112	64.72	1,320,020	64.45
Personal loans and advances	802,598	35.28	728,028	35.55
Total	2,274,710	100.00	2,048,048	100.00

(Expressed in millions of Renminbi, unless otherwise stated)

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

	30 June 2016		31 December 2015	
	Amount	(%)	Amount	(%)
Unsecured loans	439,910	19.34	378,198	18.47
Guaranteed loans	642,046	28.22	601,837	29.38
Loans secured by				
— Tangible assets other than monetary assets	901,224	39.62	789,273	38.54
— Monetary assets	291,530	12.82	278,740	13.61
Total	2,274,710	100.00	2,048,048	100.00

(4) Overdue loans analysed by overdue period

	30 June 2016				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	6,738	4,430	3,010	547	14,725
Guaranteed loans	20,081	16,042	8,662	85	44,870
Loans secured by					
— Tangible assets other than monetary assets	10,444	12,362	9,734	483	33,023
— Monetary assets	6,355	3,959	2,562	43	12,919
Total	43,618	36,793	23,968	1,158	105,537
% of total loans and advances	1.92%	1.62%	1.05%	0.05%	4.64%

(Expressed in millions of Renminbi, unless otherwise stated)

19 Loans and advances to customers (Continued)**(4) Overdue loans analysed by overdue period (Continued)**

	31 December 2015				Total
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	
Unsecured loans	4,214	4,601	3,277	—	12,092
Guaranteed loans	16,254	14,340	5,687	18	36,299
Loans secured by					
— Tangible assets other than monetary assets	8,310	11,182	4,859	348	24,699
— Monetary assets	3,245	1,889	2,491	—	7,625
Total	32,023	32,012	16,314	366	80,715
% of total loans and advances	1.56%	1.56%	0.80%	0.02%	3.94%

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

(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 2016			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	6,725	23,742	19,956	50,423
Charge for the period	5,366	2,061	14,671	22,098
Release during the period	(1,253)	(29)	—	(1,282)
Reclassification	1,051	(1,051)	—	—
Transfer out	(672)	—	(4,128)	(4,800)
Write-offs	(1,671)	—	(7,090)	(8,761)
Recoveries	229	—	627	856
Unwinding of discount	(303)	—	(178)	(481)
Exchange gain or loss	—	33	—	33
At 30 June	9,472	24,756	23,858	58,086

	Year ended 31 December 2015			
	Corporate loans and advances		Personal loans and advances	Total
	Individual assessment	Collective assessment	Collective assessment	
At 1 January	3,864	18,415	16,228	38,507
Charge for the year	9,983	6,533	19,012	35,528
Release during the year	(2,499)	—	—	(2,499)
Reclassification	1,280	(1,280)	—	—
Transfer out	(2,130)	—	(6,935)	(9,065)
Write-offs	(3,538)	—	(8,717)	(12,255)
Recoveries	446	—	719	1,165
Unwinding of discount	(681)	—	(351)	(1,032)
Exchange gain or loss	—	74	—	74
At 31 December	6,725	23,742	19,956	50,423

(Expressed in millions of Renminbi, unless otherwise stated)

20 Investment securities

	Note	30 June 2016	31 December 2015
Available-for-sale securities	(1)	231,705	157,000
Held-to-maturity securities	(2)	530,691	278,364
Loans and receivables	(3)	800,823	451,239
Total		1,563,219	886,603
Analysed as follows:			
– Listed in Hong Kong		2,502	950
– Listed outside Hong Kong		772,496	455,900
– Unlisted		788,221	429,753
Total		1,563,219	886,603

(1) Available-for-sale securities

	30 June 2016	31 December 2015
Debt securities at fair value		
Government		
– listed in Hong Kong	19	18
– listed outside Hong Kong	30,969	28,749
– unlisted	1,124	838
Policy bank		
– listed in Hong Kong	–	32
– listed outside Hong Kong	28,153	36,738
Bank and non-banking financial institution		
– listed in Hong Kong	1,544	462
– listed outside Hong Kong	131,741	46,886
– unlisted	2,296	480
Other corporate		
– listed in Hong Kong	614	119
– listed outside Hong Kong	27,877	36,417
– unlisted	3,040	1,090
Less: allowance for impairment losses	(411)	(379)
Subtotal	226,966	151,450
Equity investment		
– listed in Hong Kong	325	319
– listed outside Hong Kong	1,114	1,369
– unlisted	3,864	4,426
Less: allowance for impairment losses	(564)	(564)
Total	231,705	157,000

20 Investment securities (continued)**(1) Available-for-sale securities (continued)**

The book value of the Group's impaired available-for-sale securities amounted to RMB1,159 million as at 30 June 2016 (31 December 2015: RMB1,151 million) and the provision amounted to RMB975 million (31 December 2015: RMB943 million).

The Group did not reclassify any investment securities during the six months ended 30 June 2016 and the year ended 31 December 2015.

(2) Held-to-maturity securities

	Note	30 June 2016	31 December 2015
Debt investment			
Government			
— listed outside Hong Kong		481,037	226,122
Policy bank			
— listed outside Hong Kong		31,949	35,447
Banking and non-banking financial institution			
— listed outside Hong Kong		12,395	12,136
— unlisted		1,611	284
Other corporate			
— listed outside Hong Kong		3,804	4,480
Less: allowance for impairment losses	26	(105)	(105)
Total		530,691	278,364
Fair value of securities		538,671	287,038

(Expressed in millions of Renminbi, unless otherwise stated)

20 Investment securities (continued)**(3) Loans and receivables**

	30 June 2016	31 December 2015
Debt investment		
Government		
— unlisted	41,568	19,971
Policy bank		
— listed outside Hong Kong	500	500
Banking and non-banking financial institution		
— listed outside Hong Kong	18,871	24,870
— unlisted	600	1,939
Other corporate		
— listed outside Hong Kong	4,286	2,361
— unlisted	11,760	14,382
Asset management plan	707,590	361,464
Trust beneficiary rights	17,696	27,474
Total	802,871	452,961
Less: allowance for impairment losses	(2,048)	(1,722)
Net value	800,823	451,239

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

(Expressed in millions of Renminbi, unless otherwise stated)

21 Long-term receivables

	30 June 2016	31 December 2015
Finance lease receivables	118,342	107,515
Less: unearned finance lease income	(15,545)	(14,139)
Present value of minimum finance lease receivables	102,797	93,376
Others	1,976	1,976
Less: allowance for impairment losses		
— Collective assessment	(2,510)	(2,184)
— Individual assessment	(543)	(589)
Net balance	101,720	92,579

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

	30 June 2016			31 December 2015		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	31,018	(2,995)	28,023	27,730	(2,373)	25,357
1 year to 2 years	27,619	(3,124)	24,495	26,695	(2,788)	23,907
2 years to 3 years	18,262	(2,556)	15,706	18,391	(2,402)	15,989
3 years to 5 years	17,430	(3,125)	14,305	19,901	(3,274)	16,627
More than 5 years	4,883	(1,721)	3,162	8,972	(2,777)	6,195
Indefinite*	19,130	(2,024)	17,106	5,826	(525)	5,301
	118,342	(15,545)	102,797	107,515	(14,139)	93,376

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

(Expressed in millions of Renminbi, unless otherwise stated)

22 Property and equipment

	Buildings	Leasehold improvement	Office equipment	Motor vehicles	Operating lease fixed assets	Construction in progress	Total
Original cost							
Balance at 1 January 2015	12,487	7,357	7,789	487	14,328	4,654	47,102
Increase	403	1,278	1,199	57	4,597	1,058	8,592
CIP transfers	71	—	—	—	—	(71)	—
Decrease	—	—	(579)	(37)	(127)	(124)	(867)
Balance at 31 December 2015	12,961	8,635	8,409	507	18,798	5,517	54,827
Increase	22	271	266	15	1,449	547	2,570
CIP transfers	40	—	—	—	—	(40)	—
Decrease	—	(13)	(5)	(4)	(1,203)	—	(1,225)
Balance at 30 June 2016	13,023	8,893	8,670	518	19,044	6,024	56,172
Accumulated depreciation							
Balance at 1 January 2015	(1,905)	(3,796)	(3,508)	(285)	(592)	—	(10,086)
Increase	(457)	(1,414)	(1,282)	(64)	(832)	—	(4,049)
Decrease	—	—	543	33	50	—	626
Balance at 31 December 2015	(2,362)	(5,210)	(4,247)	(316)	(1,374)	—	(13,509)
Increase	(214)	(614)	(649)	(32)	(439)	—	(1,948)
Decrease	—	3	1	2	96	—	102
Balance at 30 June 2016	(2,576)	(5,821)	(4,895)	(346)	(1,717)	—	(15,355)
Impairment losses							
Balance at 1 January 2015	—	—	—	—	(80)	—	(80)
Increase	—	—	—	—	(88)	—	(88)
Decrease	—	—	—	—	1	—	1
Balance at 31 December 2015	—	—	—	—	(167)	—	(167)
Increase	—	—	—	—	(1)	—	(1)
Decrease	—	—	—	—	—	—	—
Balance at 30 June 2016	—	—	—	—	(168)	—	(168)
Net value							
Balance at 31 December 2015	10,599	3,425	4,162	191	17,257	5,517	41,151
Balance at 30 June 2016	10,447	3,072	3,775	172	17,159	6,024	40,649

As at 30 June 2016 and 31 December 2015, the Group did not have any property and equipment which were acquired by means of finance leasing or temporarily idle or held for sale.

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 2016	31 December 2015
Held in mainland China		
on medium-term lease (10–50 years)	10,444	10,596
on short-term lease (less than 10 years)	3,075	3,428
Total	13,519	14,024

As at 30 June 2016, the process of obtaining certificates of ownership for the Group's properties and buildings with an aggregate carrying value of RMB520 million (31 December 2015: RMB865 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.

(Expressed in millions of Renminbi, unless otherwise stated)

23 Deferred income tax assets and liabilities**(1) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:**

	30 June 2016		31 December 2015	
	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	16,897	67,588	14,219	56,876
Employee benefits payable	1,787	7,148	2,216	8,864
Fair value losses of				
– Derivatives	3,889	15,558	831	3,326
– Available-for-sale securities	298	1,193	456	1,824
– Financial assets at fair value through profit or loss	1	4	13	52
Others	259	1,036	345	1,380
Subtotal	23,131	92,527	18,080	72,322
Deferred income tax liabilities				
Fair value gains of				
– Derivatives	(3,555)	(14,218)	(1,263)	(5,055)
– Available-for-sale securities	(358)	(1,432)	(910)	(3,640)
– Financial assets at fair value through profit or loss	(14)	(56)	(44)	(176)
Subtotal	(3,927)	(15,706)	(2,217)	(8,871)
Deferred income tax assets, net	19,204	76,821	15,863	63,451

(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 2016	14,219	1,300	2,561	18,080	(2,217)	(2,217)
Recognised in profit or loss	2,678	3,046	(515)	5,209	(2,262)	(2,262)
Recognised in other comprehensive income	—	(158)	—	(158)	552	552
At 30 June 2016	16,897	4,188	2,046	23,131	(3,927)	(3,927)
At 1 January 2015	9,710	1,040	2,090	12,840	(1,076)	(1,076)
Recognised in profit or loss	4,509	159	471	5,139	(454)	(454)
Recognised in other comprehensive income	—	101	—	101	(687)	(687)
At 31 December 2015	14,219	1,300	2,561	18,080	(2,217)	(2,217)

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

	30 June 2016	31 December 2015
Deferred income tax assets	—	—
Deferred income tax liabilities	(3,927)	(2,217)

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

	30 June 2016		31 December 2015	
	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	19,204	76,821	15,863	63,451
Deferred income tax liabilities	—	—	—	—

(Expressed in millions of Renminbi, unless otherwise stated)

24 Investment in subsidiaries

	30 June 2016	31 December 2015
Minsheng Financial Leasing	2,600	2,600
CMBC International	1,614	1,614
Minsheng Royal Fund	190	190
Pengzhou Rural Bank	20	20
Cixi Rural Bank	35	35
Songjiang Rural Bank	70	70
Qijiang Rural Bank	30	30
Tongnan Rural Bank	25	25
Meihekou Rural Bank	26	26
Ziyang Rural Bank	41	41
Jiangxia Rural Bank	41	41
Changyuan Rural Bank	26	26
Yidu Rural Bank	26	26
Jiading Rural Bank	102	102
Zhongxiang Rural Bank	36	36
Penglai Rural Bank	51	51
Anxi Rural Bank	51	51
Funing Rural Bank	52	31
Taicang Rural Bank	76	76
Ningjin Rural Bank	20	20
Zhangpu Rural Bank	25	25
Puer Rural Bank	15	15
Jinghong Rural Bank	15	15
Zhidan Rural Bank	7	7
Ningguo Rural Bank	20	20
Yuyang Rural Bank	25	25
Guichi Rural Bank	26	26
Tiantai Rural Bank	31	31
Tianchang Rural Bank	20	20
Tengchong Rural Bank	20	20
Xiang'an Rural Bank	36	36
Linzhi Rural Bank	13	13
Total	5,385	5,364

(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 Financial Leasing	Tianjin China	Leasing	RMB5,095 million	Limited company	51.03	51.03
Minsheng Royal Fund	Guangdong China	Fund management	RMB300 million	Limited company	63.33	63.33
CMBC International	Hongkong China	Invest bank	HKD2,000 million	Limited company	100.00	100.00
Pengzhou Rural Bank	Sichuan China	Commercial bank	RMB55 million	Limited company	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	RMB100 million	Limited company	35	35
Songjiang Rural Bank	Shanghai China	Commercial bank	RMB150 million	Limited company	35	35
Qijiang Rural Bank	Chongqing China	Commercial bank	RMB60 million	Limited company	50	50
Tongnan Rural Bank	Chongqing China	Commercial bank	RMB50 million	Limited company	50	50
Meihekou Rural Bank	Jilin China	Commercial bank	RMB50 Million	Limited company	51	51
Ziyang Rural Bank	Sichuan China	Commercial bank	RMB80 million	Limited company	51	51
Jiangxia Rural Bank	Hubei China	Commercial bank	RMB80 million	Limited company	51	51
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Limited company	51	51
Yidu Rural Bank	Hubei China	Commercial bank	RMB50 million	Limited company	51	51
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Limited company	51	51
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Limited company	51	51
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Limited company	51	51
Anxi Rural Bank	Fujian China	Commercial bank	RMB100 million	Limited company	51	51
Funing Rural Bank	Jiangsu China	Commercial bank	RMB85 million	Limited company	51	51

(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
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	Limited company	51	51
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Limited company	51	51
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Limited company	51	51
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51	51
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51	51
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	Limited company	51	51
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51	51
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB50 million	Limited company	51	51
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Limited company	51	51
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Limited company	51	51
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51	51
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB40 million	Limited company	51	51
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Limited company	51	51
Linzhi Rural Bank	Tibet China	Commercial bank	RMB25 million	Limited company	51	51

All interests in subsidiaries are directly held by the Bank.

(Expressed in millions of Renminbi, unless otherwise stated)

25 Other assets

	Note	30 June 2016			31 December 2015		
		Gross balance	Allowance for impairment losses (Note 26)	Carrying amount	Gross balance	Allowance for impairment losses (Note 26)	Carrying amount
Items in the process of clearance and settlement		14,624	—	14,624	29,418	—	29,418
Prepayments for leased assets	(1)	11,971	(140)	11,831	12,768	(145)	12,623
Interest receivable	(2)	23,556	—	23,556	19,164	—	19,164
Repossessed assets	(3)	12,950	(90)	12,860	13,221	(81)	13,140
Intangible assets	(4)	925	—	925	978	—	978
Investment properties		6,488	—	6,488	6,173	—	6,173
Commission receivable		2,373	—	2,373	1,743	—	1,743
Claims and legal fees recoverable		1,634	(444)	1,190	1,297	(345)	952
Prepayment		5,080	—	5,080	4,401	—	4,401
Long-term deferred expenses		634	—	634	292	—	292
Land use right		4,255	—	4,255	4,315	—	4,315
Others		8,032	(7)	8,025	8,970	(7)	8,963
Total		92,522	(681)	91,841	102,740	(578)	102,162

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

(2) Interest receivable

	30 June 2016	31 December 2015
Loans and advances to customers	10,823	8,776
Debt and other securities	10,633	8,627
Others	2,100	1,761
Total	23,556	19,164

(Expressed in millions of Renminbi, unless otherwise stated)

25 Other assets (continued)**(3) Repossessed assets**

Repossessed assets include buildings and land use right. The Group disposed repossessed assets of RMB596 million during the period ended 30 June 2016 (31 December 2015: RMB5 million).

(4) Intangible assets

	Software	Other	Total
Cost			
Balance at 1 January 2015	1,116	1,329	2,445
Increase	454	—	454
Balance at 31 December 2015	1,570	1,329	2,899
Increase	107	—	107
Balance at 30 June 2016	1,677	1,329	3,006
Accumulated amortisation			
Balance at 1 January 2015	(730)	(757)	(1,487)
Increase	(276)	(158)	(434)
Balance at 31 December 2015	(1,006)	(915)	(1,921)
Increase	(138)	(22)	(160)
Balance at 30 June 2016	(1,144)	(937)	(2,081)
Net value			
Balance at 31 December 2015	564	414	978
Balance at 30 June 2016	533	392	925

(Expressed in millions of Renminbi, unless otherwise stated)

26 Movements in allowances for impairment losses

		Six months ended 30 June 2016				At 30 June
		At 1 January	Charge	Transfer (out)/in	Write-offs	
Loans and advances to customers	19	50,423	20,816	(4,392)	(8,761)	58,086
Available-for-sale securities	20	943	25	7	—	975
Loans and receivables	20	1,722	326	—	—	2,048
Financial assets held under resale agreements	18	156	—	—	—	156
Long-term receivables	21	2,773	280	—	—	3,053
Held-to-maturity securities	20	105	—	—	—	105
Others		745	107	(3)	—	849
Total		56,867	21,554	(4,388)	(8,761)	65,272

		Year ended 31 December 2015				At 31 December
		At 1 January	Charge	Transfer (out)/in	Write-offs	
Loans and advances to customers	19	38,507	33,029	(8,858)	(12,255)	50,423
Available-for-sale securities	20	855	70	18	—	943
Loans and receivables	20	943	779	—	—	1,722
Financial assets held under resale agreements	18	156	—	—	—	156
Long-term receivables	21	2,353	551	(27)	(104)	2,773
Held-to-maturity securities	20	—	105	—	—	105
Others		474	273	(2)	—	745
Total		43,288	34,807	(8,869)	(12,359)	56,867

(Expressed in millions of Renminbi, unless otherwise stated)

27 Deposits from customers

	30 June 2016	31 December 2015
Demand deposits		
— Corporate deposits	913,511	803,352
— Personal deposits	163,861	159,682
Time deposits (including call and notice deposits)		
— Corporate deposits	1,436,051	1,344,807
— Personal deposits	411,987	412,371
Outward remittance and remittance payables	5,139	5,865
Certificates of deposit	4,084	6,185
Total	2,934,633	2,732,262

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

	30 June 2016	31 December 2015
Pledged deposits for bank acceptances	212,795	218,026
Pledged deposits for letters of credit and guarantees	28,918	38,940
Other pledged deposits	54,344	57,496
Total	296,057	314,462

(Expressed in millions of Renminbi, unless otherwise stated)

28 Deposits and placements from banks and other financial institutions

	30 June 2016	31 December 2015
Mainland China		
– Banks	327,649	428,122
– Other financial institutions	877,375	534,801
Overseas		
– Banks	38,218	19,044
– Other financial institutions	9,220	8,808
Total	1,252,462	990,775

29 Financial assets sold under repurchase agreements

	30 June 2016	31 December 2015
Investment securities	54,614	40,130
Discounted bills	23,528	8,099
Finance lease receivables	399	900
Total	78,541	49,129

As at 30 June 2016, the balances under repurchase agreements include bills transactions with the PBOC amounting to RMB5,777 million (31 December 2015: RMB8,099 million).

(Expressed in millions of Renminbi, unless otherwise stated)

30 Borrowings from banks and other financial institutions

	30 June 2016	31 December 2015
Credit borrowings	105,506	92,533
Secured borrowings		
— by tangible assets other than monetary assets	15,292	16,005
Total	120,798	108,538

As at 30 June 2016, the secured borrowings of RMB15,292 million (31 December 2015: RMB16,005 million) were secured by the assets under financial lease receivable of RMB11,072 million (31 December 2015: RMB11,338 million) and property and equipment of RMB7,071 million as collateral (31 December 2015: RMB8,100 million); there was no other assets as collateral (31 December 2015: RMB168 million). There was no remaining credit limit under such secured borrowings (31 December 2015: Nil).

31 Debt securities issued

	Note	30 June 2016	31 December 2015
Certificates of interbank deposit		117,619	68,159
Financial bonds	(1)	49,988	49,981
Tier-two capital bonds	(2)	39,954	39,949
Hybrid capital bonds	(3)	9,287	9,286
Subordinated bonds	(4)	3,994	9,986
Medium-term notes	(5)	3,967	3,872
Total		224,809	181,233

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

31 Debt securities issued (continued)**(1) Financial bonds**

	Note	30 June 2016	31 December 2015
RMB30.0 billion — 5-year fixed rate financial bonds 2012	(i)	29,993	29,989
RMB20.0 billion — 5-year fixed rate financial bonds 2012	(ii)	19,995	19,992
Total		49,988	49,981

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

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

(2) Tier-two capital bonds

	Note	30 June 2016	31 December 2015
RMB20 billion — 10-year fixed rate Tier-two capital bonds 2014	(i)	19,977	19,974
RMB20 billion — 10-year fixed rate Tier-two capital bonds 2015	(ii)	19,977	19,975
Total		39,954	39,949

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

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

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued (continued)**(3) Hybrid capital bonds**

	Note	30 June 2016	31 December 2015
RMB3.325 billion — 15-year hybrid capital fixed rate bonds 2009	(i)	3,320	3,319
RMB1.675 billion — 15-year hybrid capital floating rate bonds 2009	(ii)	1,672	1,672
RMB3.3 billion — 15-year hybrid capital fixed rate bonds 2006	(iii)	3,296	3,296
RMB1.0 billion — 15-year hybrid capital floating rate bonds 2006	(iv)	999	999
Total		9,287	9,286

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

31 Debt securities issued (continued)**(3) Hybrid capital bonds (continued)**

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

(4) Subordinated bonds

	Note	30 June 2016	31 December 2015
RMB6.0 billion — 10-year subordinated fixed rate bonds 2011	(i)	—	5,993
RMB4.0 billion — 15-year subordinated fixed rate bonds 2011	(ii)	3,994	3,993
Total		3,994	9,986

- (i) Subordinated bonds with a nominal value of RMB6.0 billion, a term of 10 years and a fixed coupon rate of 5.50% per annum, were issued in 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank redeemed all the subordinated bonds on 18 March 2016.
- (ii) Subordinated bonds with a nominal value of RMB4.0 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, were issued in 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the tenth year to the maturity date.

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

(Expressed in millions of Renminbi, unless otherwise stated)

31 Debt securities issued (continued)**(5) Medium-term notes**

	30 June 2016	31 December 2015
USD0.6 billion — 3-year medium-term notes 2015	3,967	3,872

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

32 Other liabilities

	Note	30 June 2016	31 December 2015
Interest payable	(1)	32,472	33,367
Items in the process of clearance and settlement		15,318	14,172
Receipt in advance		9,063	10,094
Employee benefits payable	(2)	7,345	9,140
Other tax payable	(3)	2,215	2,838
Dividend payable		1,182	—
Deferred fee and commission income		582	699
Accrued expenses		426	600
Payable for long-term assets		308	385
Guarantee deposits for finance lease		305	376
Others		3,434	3,062
Total		72,650	74,733

(Expressed in millions of Renminbi, unless otherwise stated)

32 Other liabilities (continued)**(1) Interest payable**

	30 June 2016	31 December 2015
Deposits from customers	24,913	24,452
Deposits from banks and other financial institutions	3,963	3,800
Debt securities issued	1,420	4,122
Borrowings from banks and other financial institutions	351	344
Others	1,825	649
Total	32,472	33,367

(2) Employee benefits payable

	At 1 January 2016	Increase	Decrease	At 30 June 2016
Short-term employee benefits				
Salaries, bonuses and allowances	8,781	5,533	(7,771)	6,543
Staff welfare fees	—	680	(680)	—
Social insurance and supplementary insurance	37	689	(660)	66
Housing fund	111	505	(433)	183
Labour union fee, staff and workers' education fee	25	177	(130)	72
Subtotal	8,954	7,584	(9,674)	6,864
Post-employment benefits- defined contribution plans				
Basic pension insurance plans	70	480	(417)	133
Unemployment insurance	11	28	(24)	15
Annuity scheme	105	648	(420)	333
Subtotal	186	1,156	(861)	481
Total	9,140	8,740	(10,535)	7,345

(Expressed in millions of Renminbi, unless otherwise stated)

32 Other liabilities (continued)**(2) Employee benefits payable (continued)**

	At 1 January 2015	Increase	Decrease	At 31 December 2015
Short-term employee benefits				
Salaries, bonuses and allowances	7,661	16,849	(15,729)	8,781
Staff welfare fees	—	2,228	(2,228)	—
Social insurance and supplementary insurance	29	1,255	(1,247)	37
Housing fund	109	1,010	(1,008)	111
Labour union fee, staff and workers' education fee	20	597	(592)	25
Subtotal	7,819	21,939	(20,804)	8,954
Post-employment benefits- defined contribution plans				
Basic pension insurance plans	58	922	(910)	70
Unemployment insurance	11	60	(60)	11
Annuity scheme	108	1,153	(1,156)	105
Subtotal	177	2,135	(2,126)	186
Total	7,996	24,074	(22,930)	9,140

(3) Other tax payable

	30 June 2016	31 December 2015
Business tax payable	—	2,015
Value added tax payable	1,765	—
Others	450	823
Total	2,215	2,838

33 Share capital and capital reserve

	30 June 2016	31 December 2015
Common shares listed in Mainland China (A share)	29,551	29,551
Common shares listed in Hong Kong (H share)	6,934	6,934
Total shares	36,485	36,485

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

The Group's capital reserve of RMB64,744 million as at 30 June 2016 (31 December 2015: RMB64,744 million), mainly represents capital premium.

34 Surplus reserve, general reserve and retained earnings**(1) Surplus reserve**

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

For the six months ended 30 June 2016, the Bank made an appropriation of RMB2,684 million to statutory surplus reserve (for the year ended 31 December 2015: RMB8,284 million), which has been approved by Board of Directors on 29 August 2016.

The Bank did not appropriate discretionary surplus reserve during the six months ended 30 June 2016 and the year ended 31 December 2015.

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

(2) General reserve

As at 30 June 2016, pursuant to the Measures for *Managing the Appropriation of Provisions of Financial Enterprises* (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

Pursuant to the resolution of the meeting of Board of Directors held on 29 August 2016, the Bank appropriated RMB8,043 million of profits recorded to the general reserve during the period ended 30 June 2016 (For the year ended 31 December 2015: RMB7,022 million).

(3) Retained earnings

As at 30 June 2016, the retained earnings included the statutory surplus reserve of RMB424 million contributed by the subsidiaries and attributable to the Bank (31 December 2015: RMB407 million).

35 Non-controlling interests

As at 30 June 2016, the non-controlling interests of the subsidiaries are RMB8,881 million (31 December 2015: RMB8,565 million).

36 Dividends

The Board of Directors approved the cash dividend distribution plan for the first half of 2016 during the meeting of the Board of Directors held on 29 August 2016. The cash dividend declared was RMB1.15 (before tax) for every 10 shares. A total dividend of RMB4,196 million was based on total stock of 36,485 million as at 30 June 2016.

The shareholders approved the cash dividend distribution plan for the second half of 2015 at the Annual General Meeting on 7 June 2016. The cash dividend declared was RMB1.60 (before tax) for every 10 shares, amounting to a total dividend of RMB5,838 million.

The shareholders approved the cash dividend distribution plan for the first half of 2015 during the first Extraordinary General Meeting held on 1 February 2016. The cash dividend declared was RMB0.75 (before tax) for every 10 shares, amounting to a total dividend of RMB2,736 million.

(Expressed in millions of Renminbi, unless otherwise stated)

37 Investment revaluation reserve

	Six months ended 30 June 2016	Year ended 31 December 2015
At 1 January	1,370	(392)
Changes in fair value of available-for-sale securities	(1,168)	2,464
Transfer to profit or loss (Note)	(407)	(116)
Less: deferred income tax	394	(586)
At 30 June/31 December	189	1,370
Less: non-controlling interests	(48)	(79)
Investment revaluation reserve attributable to equity shareholders of the Bank	141	1,291

Note: Transfer to profit or loss refers to transfer to profit or loss upon disposal, or transfer to profit or loss due to amortisation of changes in fair value of investments reclassified from available-for-sale to held-to-maturity.

38 Cash and cash equivalents

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

	30 June 2016	30 June 2015
Cash (Note 13)	8,162	9,779
Surplus deposit reserve with central bank (Note 13)	75,540	37,923
Original maturity within 3 months:		
– Balances with banks and other financial institutions	76,799	40,931
– Placements with banks and other financial institutions	66,114	51,599
Total	226,615	140,232

39 Transferred financial assets

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

Credit asset-backed securities

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

Certain securitisations undertaken by the Group result in the Group derecognising transferred assets in their entirety. This is the case when the Group transfers substantially all of the risks and rewards of ownership of financial assets to an unconsolidated securitisation vehicle and retains a relatively small interest in the vehicle or a servicing arrangement in respect of the transferred financial assets. As at 30 June 2016, loans with an original carrying amount of RMB47,877 million have been securitised by the Group (31 December 2015: RMB44,346 million). As at 30 June 2016, the carrying amount of prime grade assets that the Group continues to recognise was RMB588 million (31 December 2015: RMB761 million), and the carrying amount of subordinated grade assets that the Group continues to recognise was RMB240 million (31 December 2015: RMB131 million), the assets were classified as loans and receivables.

Besides the securitisation transaction above, as at 30 June 2016, loans with an original carrying amount of RMB780 million (31 December 2015: RMB780 million) have been transferred to securitisation vehicles in which the Group does not retain or transfer substantially all of the risks and rewards. As at 30 June 2016, the carrying amount of assets that the Group continued to recognise was RMB40 million (31 December 2015: RMB40 million). The carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB40 million (31 December 2015: RMB40 million and RMB40 million).

40 Contingent liabilities and commitments

(1) Credit commitments

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

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

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

	30 June 2016	31 December 2015
Bank acceptances	640,201	694,294
Letters of credit	101,233	107,950
Guarantees	239,208	267,341
Unused credit card commitments	51,338	50,385
Finance lease commitments	4,243	5,142
Irrevocable loan commitments		
— original maturity date within 1 year	14	81
— original maturity date over 1 year (inclusive)	3,294	2,681
Total	1,039,531	1,127,874

(Expressed in millions of Renminbi, unless otherwise stated)

40 Contingent liabilities and commitments (continued)**(2) Capital commitments**

	30 June 2016	31 December 2015
Contracted but not paid for	20,052	20,224
Authorised but not contracted for	27	38
Total	20,079	20,262

(3) Operating lease commitments

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

	30 June 2016	31 December 2015
Within 1 year	3,208	3,559
After 1 year but within 5 years	8,410	9,213
After 5 years	6,366	4,144
Total	17,984	16,916

(4) Fulfilment of commitments of prior period

The Group had fulfilled the capital commitments and operating lease commitments as at 30 June 2016, in material respects, as specified in the contracts.

40 Contingent liabilities and commitments (continued)**(5) Assets pledged**

	30 June 2016	31 December 2015
Balance with banks and other financial institutions	347	301
Investment securities	54,793	40,684
Finance lease receivables	11,471	12,238
Property and equipment	7,071	8,100
Discounted bills	23,528	8,068
Other assets	—	168
Total	97,210	69,559

The discounted bills held under resale agreements can be sold directly or re-pledged to other financial institutions under repurchase agreements. As at 30 June 2016, the fair value of such discounted bills held under resale agreements is approximately RMB113,936 million (31 December 2015: RMB517,341 million), of which approximately RMB15,724 million have been re-pledged under repurchase agreements (31 December 2015: RMB197 million) and the Group has an obligation to return them to its original counterparties.

(6) Underwriting of securities

	30 June 2016	31 December 2015
Medium- and short-term finance bills	185,251	142,156

(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 2016 was RMB3,830 million (31 December 2015: RMB3,902 million). The original maturities of the bonds vary from one to five years.

40 Contingent liabilities and commitments (continued)

(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 2016. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

41 Consolidated structured entities

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

As at 30 June 2016, the asset management plans managed and consolidated by the Group amounted to RMB6,955 million (31 December 2015: RMB6,677 million), which are mainly included in deposits from customers. The financial impact of any individual asset management plan on the Group's financial performance is not significant.

42 Involvement with unconsolidated structured entities

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

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

42 Involvement with unconsolidated structured entities (continued)**(1) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)**

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2016 in the structured entities sponsored by third party institutions:

	30 June 2016	
	Carrying amount	Maximum exposure
Speicalised asset management plan	707,590	707,590
Trust beneficiary plan	21,563	21,563
Asset-backed financing bonds	19,071	19,071
Total	748,224	748,224

	31 December 2015	
	Carrying amount	Maximum exposure
Speicalised asset management plan	359,775	359,775
Trust beneficiary plan	38,415	38,415
Asset-backed financing bonds	25,606	25,606
Total	423,796	423,796

(Expressed in millions of Renminbi, unless otherwise stated)

42 Involvement with unconsolidated structured entities (continued)**(1) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)**

The following table sets out an analysis of the line items in the statement of financial position as at 30 June 2016 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2016		
	Loans and receivables	Available-for-sale financial assets	Financial assets held under resale agreements
Speicalised asset management plans	707,590	—	—
Trust beneficiary plans	17,696	—	3,867
Asset-backed financings	19,017	54	—
Total	744,303	54	3,867

	31 December 2015		
	Loans and receivables	Available-for-sale financial assets	Financial assets held under resale agreements
Speicalised asset management plans	359,775	—	—
Trust beneficiary plans	27,441	—	10,974
Asset-backed financings	25,081	525	—
Total	412,297	525	10,974

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

42 Involvement with unconsolidated structured entities (continued)

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

The types of unconsolidated structured entities sponsored by the Group include investment funds and non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 30 June 2016 and 31 December 2015, the carrying amounts of the Group's investments in the notes issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at 30 June 2016, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, are RMB1,018.26 billion and RMB936.39 billion respectively (31 December 2015: RMB770.36 billion and RMB927.25 billion).

(3) Structured entities sponsored by the Group during the reporting period which the Group does not consolidate and holds an interest at 30 June 2016

During the period ended 30 June 2016, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB5.62 billion (for the six months ended 30 June 2015: RMB3.75 billion).

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2016 but matured before 30 June 2016 is RMB374.71 billion (for the year ended 31 December 2015: RMB1,130.91 billion).

43 Fiduciary activities

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

The balance of investment fund under custodian by the Group was RMB238,381 million as at 30 June 2016 (31 December 2015: RMB223,526 million). The balance of corporate annuity funds under custodian by the Group was RMB43,676 million as at 30 June 2016 (31 December 2015: RMB36,172 million). The balance of entrusted credit assets under management by the Group was RMB20,796 million as at 30 June 2016 (31 December 2015: RMB25,649 million). And the Group's balances of entrusted loans were RMB440,900 million as at 30 June 2016 (31 December 2015: RMB409,425 million).

44 Fair value of financial instruments

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

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

As at 30 June 2016, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

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

(Expressed in millions of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)**(1) Financial instruments recorded at fair value**

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

	30 June 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
– Debt securities	1,076	32,973	–	34,049
– Investment funds	–	928	–	928
Financial assets designated at fair value through profit or loss				
– Debt securities	–	1,825	109	1,934
– Equity investments	–	–	199	199
– Investment funds	–	–	383	383
Derivative financial assets				
– Interest rate contracts	–	254	–	254
– Exchange rate contracts	–	11,893	–	11,893
– Others	–	2,071	97	2,168
Available-for-sale financial assets				
– Debt securities	4,098	220,828	2,040	226,966
– Equity investments	609	829	3,154	4,592
Total	5,783	271,601	5,982	283,366
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
– Interest rate contracts	–	(226)	–	(226)
– Exchange rate contracts	–	(9,036)	–	(9,036)
– Others	–	(6,296)	–	(6,296)
Financial liabilities at fair value through profit or loss				
	(324)	–	–	(324)
Total	(324)	(15,558)	–	(15,882)

(Expressed in millions of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)**(1) Financial instruments recorded at fair value (continued)**

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

	31 December 2015			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
– Debt securities	136	24,032	–	24,168
– Equity investments	18	–	–	18
– Investment funds	–	361	–	361
Financial assets designated at fair value through profit or loss				
– Debt securities	–	2,062	–	2,062
– Investment funds	–	–	350	350
Derivative financial assets				
– Interest rate contracts	–	456	–	456
– Exchange rate contracts	–	3,445	–	3,445
– Others	10	1,154	110	1,274
Available-for-sale financial assets				
– Debt securities	979	150,415	56	151,450
– Equity investments	715	973	3,715	5,403
Total	1,858	182,898	4,231	188,987
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
– Interest rate contracts	–	(447)	–	(447)
– Exchange rate contracts	–	(2,754)	–	(2,754)
– Others	–	(125)	–	(125)
Financial liabilities at fair value through profit or loss				
	(337)	–	–	(337)
Total	(337)	(3,326)	–	(3,663)

(Expressed in millions of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)**(2) Movement in level 3 financial instruments measured at fair value**

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

	Six months ended 30 June 2016					Total assets
	Derivative financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale securities			
			Debt securities	Equity securities		
At 1 January	110	350	56	3,715	4,231	
— in profit or loss	(13)	(9)	(7)	—	(29)	
— in other comprehensive income	—	—	8	(581)	(573)	
Addition	—	350	1,983	20	2,353	
At 30 June	97	691	2,040	3,154	5,982	
Total gains for the period included in profit or loss for assets and liabilities held at end of the reporting period	—	—	22	—	22	

(Expressed in millions of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)**(2) Movement in level 3 financial instruments measured at fair value (continued)**

	2015					Total assets
	Derivative financial assets	Financial assets designated at fair value through profit or loss	Available-for-sale securities			
			Debt securities	Equity securities		
At 1 January	—	—	52	—	52	
— in profit or loss	—	—	(18)	—	(18)	
— in other comprehensive income	—	—	22	—	22	
Addition	110	350	—	3,715	4,175	
At 31 December	110	350	56	3,715	4,231	
Total gains for the year included in profit or loss for assets and liabilities held at end of the reporting period	—	—	7	—	7	

(3) Transfers among levels

During six months ended 30 June 2016, the transfers among level 1, level 2 and level 3 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

44 Fair value of financial instruments (continued)

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

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

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

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

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

- c Held-to-maturity securities and available-for-sale equity investments which measured in cost**

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

- d Deposits from customers**

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

(Expressed in millions of Renminbi, unless otherwise stated)

44 Fair value of financial instruments (continued)**(4) Fair value of financial assets and liabilities not carried at fair value (continued)****e Debt securities issued**

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

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

	30 June 2016					31 December 2015				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets										
Available-for-sale equity investments	147	147	–	–	147	147	147	–	–	147
Loans and receivables	800,823	799,855	–	799,855	–	451,239	450,459	–	450,459	–
Loans and advances to customers	2,216,624	2,520,826	–	2,520,826	–	1,997,625	2,132,415	–	2,132,415	–
Held-to-maturity investments	530,691	538,671	–	538,671	–	278,364	287,038	–	287,038	–
Total	3,548,285	3,859,499	–	3,859,352	147	2,727,375	2,870,059	–	2,869,912	147
Financial liabilities										
Deposits from customers	2,934,633	2,907,928	–	2,907,928	–	2,732,262	2,731,487	–	2,731,487	–
Debt securities issued	224,809	237,649	–	237,649	–	181,233	187,839	–	187,839	–
Total	3,159,442	3,145,577	–	3,145,577	–	2,913,495	2,919,326	–	2,919,326	–

45 Related party transactions

(1) Related parties

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

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

(2) Related party transactions

(i) Pricing policy

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

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party transactions (continued)**(2) Related party transactions (continued)****(ii) Loans to related parties***Balances outstanding as at the end of the reporting period:*

	Types of collateral	30 June 2016	31 December 2015
Sinopharm Group Co., Ltd. and its subsidiaries	Guaranteed	4,072	3,449
Legend Holdings Ltd.	Guaranteed	1,500	1,500
Auspicious Success Limited	Guaranteed	813	—
Orient Group Industry Co., Ltd.	Pledged	770	820
Xiamen JINGDING Sports Culture Development Co. Ltd.	Collateralised	650	—
Shanghai Fosun High Technology (Group) Co., Ltd.	Guaranteed	500	500
Good First Group Co., Ltd.	Collateralised	408	258
	Guaranteed	325	150
East Hope Group Co., Ltd.	Guaranteed	400	200
Minsheng Yanglao Co., Ltd.	Guaranteed	347	—
Sichuan Hope Education Industry Group Co., Ltd.	Collateralised	271	—
	Guaranteed	99	—
Oriental Hope Baotou Terrae Rare Aluminum Co., Ltd.	Guaranteed	100	200
Dongyang China Woodcarvings Center	Collateralised	98	68
	Guaranteed	—	80
Sichuan Hope Senlan Energy and Chemical Co., Ltd.	Guaranteed	80	80
Cspc Pharmaceutical Group Company Ltd.	Guaranteed	Note	150
Southwest Jiaotong University Hope College	Collateralised	80	80
HopeSenlan Science & Technology Co., Ltd.	Guaranteed	60	60
Shanghai Songjiang Water company	Guaranteed	43	—
Nanjing Iron & Steel International Economic and Trade Co., Ltd.	Guaranteed	40	—
Sichuan Tianyi University	Collateralised	20	20
Sichuan Hope West Construction Co., Ltd.	Guaranteed	20	20
Jinan Qilipu Market Co., Ltd.	Guaranteed	18	18
Jiangxi Xindi Investment Co., Ltd.	Guaranteed	—	46
Gemdale Corporation	Guaranteed	—	150
Zhejiang Fosun Pharmaceutical (Group) Co., Ltd.	Guaranteed	22	—
Individuals	Collateralised	21	106
Total		10,757	7,955
Ratio to similar transactions (%)		0.47	0.40

Note: As at 30 June 2016, the entity was no longer related party of the Group.

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party transactions (continued)**(2) Related party transactions (continued)****(ii) Loans to related parties (continued)***Amount of transactions:*

	Six months ended 30 June	
	2016	2015
Interest income from loans	144	165
Ratio to similar transactions (%)	0.15	0.16

As at 30 June 2016, none of the above loans are found to be impaired individually (31 December 2015: Nil).

(iii) Other transactions with related parties*Balances outstanding as at the end of the reporting period:*

	30 June 2016		31 December 2015	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial assets at fair value through profit or loss	—	—	213	0.79
Precious metals	—	—	39	0.21
Financial assets held under resale agreements	301	0.10	—	—
Balances with banks and other financial institutions	1,000	0.60	—	—
Investment securities:				
— Available-for-sale securities	—	—	205	0.13
— Held-to-maturity securities	—	—	25	0.01
— Loans and receivables	6,628	0.83	3,300	0.73
Long-term receivables	88	0.09	544	0.59
Other assets	227	0.25	31	0.03
Deposits from customers	51,630	1.76	31,444	1.15
Deposits and placements from banks and other financial institutions	10,150	0.81	2,401	0.26
Other liabilities	2,798	3.85	2,998	4.01

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party transactions (continued)**(2) Related party transactions (continued)****(iii) Other transactions with related parties (continued)***Amount of transactions for the reporting period:*

	2016		2015	
	Six months ended 30 June		Six months ended 30 June	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	8	0.01	8	0.01
Interest expense	1,180	2.33	977	1.75
Fee and commission income	741	2.49	78	0.29
Operating expenses	127	0.59	103	0.40

Other related-party transactions have no material impact on the Group's income statement.

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

	30 June 2016		31 December 2015	
	Ratio to similar transactions		Ratio to similar transactions	
	Balance	(%)	Balance	(%)
Guarantees	4,582	1.92	3,825	1.43
Bank acceptances	1,958	0.31	1,245	0.18
Letters of credit	766	0.76	503	0.47

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party transactions (continued)**(2) Related party transactions (continued)****(iii) Other transactions with related parties (continued)***Balances outstanding as at the end of the reporting period:*

	30 June 2016		31 December 2015	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Loans collateralised by related parties	1,220	0.06	6,565	0.33
Discounted bills under resale agreements, issued by related parties	301	0.26	535	0.10

None of the above related party transactions have a material impact on the Group's profit or loss for the six months ended 30 June 2016 and 30 June 2015, and the Group's financial position as at 30 June 2016 and 31 December 2015.

(iv) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the six months ended 30 June 2016 and for the six months ended 30 June 2015.

45 Related party transactions (continued)**(2) Related party transactions (continued)****(v) Transactions with key management personnel**

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

The Group enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management amounted to RMB12 million as at 30 June 2016 (31 December 2015: RMB12 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB29 million for the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB27 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 2016 and for the six months ended 30 June 2015.

(vi) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	30 June 2016	31 December 2015
Balances with banks and other financial institutions	6,981	187
Other assets	451	450
Deposits and placements from banks and other financial institutions	6,668	6,668
Other liabilities	322	75

(Expressed in millions of Renminbi, unless otherwise stated)

45 Related party transactions (continued)**(2) Related party transactions (continued)****(vi) Transactions between the Bank and its subsidiaries (continued)***Amount of transactions for the reporting period:*

	Six months ended 30 June	
	2016	2015
Interest income	89	35
Interest expense	100	68
Fee and commission income	213	202
Operating expenses	100	228

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

	30 June	31 December
	2016	2015
Guarantees	36	36

For the period ended 30 June 2016, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 30 June 2016, the balance of the above transactions was RMB1,407 million (31 December 2015: RMB940 million).

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

46 Subsequent events

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

47 Comparative figures

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

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio (%)

	As at 30 June 2016	Average for the period ended 30 June 2016	As at 31 December 2015	Average for the year ended 31 December 2015
Liquidity coverage ratio (RMB and foreign currency)	98.15%	90.82%	88.21%	87.48%

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

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

2 Currency concentrations

	30 June 2016			
	USD	HKD	Others	Total
Spot assets	299,675	26,526	75,863	402,064
Spot liabilities	(182,075)	(15,380)	(72,410)	(269,865)
Forward purchases	279,832	8,558	230,259	518,649
Forward sales	(88,069)	(9,303)	(125,695)	(223,067)
Net long position*	309,363	10,401	108,017	427,781

	31 December 2015			
	USD	HKD	Others	Total
Spot assets	189,365	19,053	39,469	247,887
Spot liabilities	(139,327)	(18,944)	(51,534)	(209,805)
Forward purchases	156,007	13,887	226,979	396,873
Forward sales	(156,264)	(13,894)	(225,654)	(395,812)
Net long/(short) position*	49,781	102	(10,740)	39,143

* 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.

(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers**(1) Impaired loans by geographical area**

	30 June 2016				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	18,614	8,795	3,197	7,471	38,077
Allowance for impairment losses					
— Individual assessment	6,276	1,550	377	1,269	9,472
— Collective assessment	4,190	1,919	876	1,797	8,782

	31 December 2015				
	Northern China	Eastern China	Southern China	Other Locations	Total
Impaired loans	14,505	7,544	3,585	7,187	32,821
Allowance for impairment losses					
— Individual assessment	3,372	1,294	599	1,460	6,725
— Collective assessment	2,890	1,704	748	1,548	6,890

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

	30 June 2016				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	27,013	15,069	6,140	13,697	61,919
Allowance for impairment losses					
— Individual assessment	5,928	1,450	368	1,141	8,887
— Collective assessment	5,936	3,165	1,475	3,259	13,835

	31 December 2015				
	Northern China	Eastern China	Southern China	Other Locations	Total
Overdue loans	20,383	11,143	5,665	11,501	48,692
Allowance for impairment losses					
— Individual assessment	3,348	1,215	591	1,334	6,488
— Collective assessment	4,549	2,931	1,337	2,790	11,607

(Expressed in millions of Renminbi, unless otherwise stated)

4 International claims

	30 June 2016				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	58,831	17,692	10,953	2,885	90,361
Public sector entities	856	759	—	—	1,615
Others	80,629	2,246	1,572	28,607	113,054
Total	140,316	20,697	12,525	31,492	205,030

	31 December 2015				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	58,540	8,517	2,399	1,561	71,017
Public sector entities	888	167	950	—	2,005
Others	64,831	2,352	99	19,067	86,349
Total	124,259	11,036	3,448	20,628	159,371

