



# 中国民生银行

CHINA MINSHENG BANKING CORP., LTD.\*

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



## 2010 INTERIM REPORT

STOCK CODE : 01988

# Important Notice

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

The interim report was approved on 10 August 2010 at the 11<sup>th</sup> meeting of the 5<sup>th</sup> session of the Board of Directors of the Company. Of the 18 Directors who were entitled to attend the meeting, 17 attended the meeting, among whom 10 attended the meeting in person and 7 were represented by proxy. Mr. Zhang Hongwei and Mr. Lu Zhiqiang, Directors of the Company, entrusted the Chairman, Mr. Dong Wenbiao, in writing, to exercise their respective voting rights at the meeting. Mr. Liu Yonghao and Mr. Wang Hang, Directors of the Company, entrusted Director, Mr. Wang Junhui, in writing, to exercise their respective voting rights at the meeting. Mr. Liang Jinquan, Director of the Company, entrusted Director, Mr. Qin Rongsheng, in writing, to exercise his voting rights at the meeting. Mr. Wang Lihua, Director of the Company, entrusted Director, Mr. Han Jianmin, in writing, to exercise his voting rights at the meeting. Mr. Hong Qi, Director of the Company, entrusted Director, Mr. Liang Yutang, in writing, to exercise his voting rights at the meeting. Mr. Wang Yugui, Director of the Company, did not attend the meeting in person and was not represented at the meeting by proxy.

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 information and statements contained in this interim report are prepared in accordance with the International Financial Reporting Standards (“IFRS”). Unless otherwise specified, all money amounts are stated in Renminbi (“RMB”) for the consolidated data of the Group.

The financial reports in this interim report were not audited.

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

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

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# Bank Profile

1. Registered Chinese Name: 中國民生銀行股份有限公司  
(Abbreviation: “中國民生銀行”)  
English Name: CHINA MINSHENG BANKING CORP., LTD. (Abbreviation: “CMBC”)
2. Legal Representative: Dong Wenbiao
3. Authorized Representative: Andrew Wong  
Soon Yuk Tai
4. Board Secretary: Mao Xiaofeng  
Joint Company Secretaries: Mao Xiaofeng  
Soon Yuk Tai  
Representative of Securities Affairs: He Qun
5. Mailing Address: Building VIII, Beijing Friendship Hotel, No. 1 Zhongguancun Nandajie,  
Beijing, China  
Telephone: 86-10-68946790  
Facsimile: 86-10-68466796  
Email: cmbc@cmbc.com.cn
6. Registered Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China  
Postal Code: 100031  
Website: www.cmbc.com.cn  
Email: cmbc@cmbc.com.cn
7. Representative Office and Place of Business in Hong Kong: 36/F, Bank of America Tower, 12 Harcourt Road, Central,  
Hong Kong
8. Newspapers selected by the Company for information disclosure: China Securities Journal, Shanghai Securities News and Securities Times  
  
Website for publishing the A Share interim report designated by China Securities Regulatory Commission (the “CSRC”): www.sse.com.cn  
  
Website for publishing the H Share interim report designated by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”): www.hkexnews.hk

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

# Bank Profile

9. Legal Adviser as to PRC Law: Grandall Legal Group (Beijing)  
Legal Adviser as to Hong Kong Law: Clifford Chance
10. Domestic Auditor: PricewaterhouseCoopers Zhong Tian CPAs Limited Company  
Office Address: 11/F, PricewaterhouseCoopers Centre, 2 Corporate Avenue, 202 Hu Bin Road, Luwan District, Shanghai, China  
International Auditor: PricewaterhouseCoopers  
Office Address: 22/F, Prince's Building, Central, Hong Kong
11. A Share Registrar: China Securities Depository and Clearing Corporation Limited (Shanghai Branch)  
Address: 36/F, China Insurance Building, No. 166 Lujiazui East Road, Pudong, Shanghai, China  
H Share Registrar: Computershare Hong Kong Investor Services Limited  
Address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
12. Places of Listing, Stock Names and Stock Codes:  
A Share: Shanghai Stock Exchange; Stock Name: MINSHENG BANK; Stock Code: 600016  
H Share: The Stock Exchange of Hong Kong Limited; Stock Name: MINSHENG BANK; Stock Code: 01988
13. Initial Date of Registration: 7 February, 1996  
Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14. Date of Registration for Subsequent Change: 20 November 2007  
Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Registration Number of Corporate Business License: 100000000018983
16. Registration Number of Tax Certificate: Jing Guo Shui Dong Zi 110101100018988  
Di Shui Jing Zi 110101100018988000

# Financial Summary

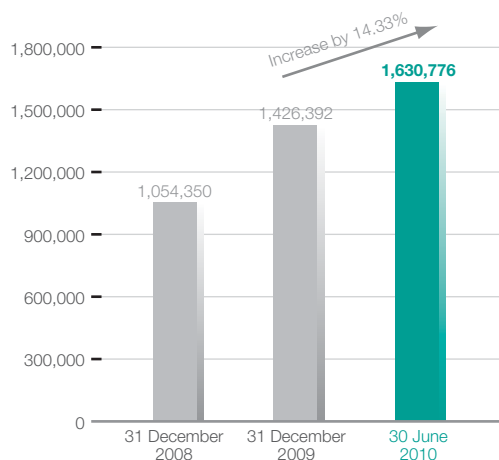
## I. Financial data

	Jan.–June 2010	Jan.–June 2009	Change (%)	Jan.–June 2008
<b>Operating results</b> (RMB million)				
Operating Income	26,081	21,230	22.85	17,640
Profit before tax	11,615	9,586	21.17	8,156
Net profit attributable to equity holders of the Bank	8,866	7,374	20.23	6,041
<b>Data per share</b> (RMB)				
Basic earnings per share	0.40	0.39	2.56	0.32
Diluted earnings per share	0.40	0.39	2.56	0.32

	30 June 2010	31 December 2009	Change (%)	31 December 2008
<b>Scale indicators</b> (as at the end of the period, RMB million)				
Total assets	1,630,776	1,426,392	14.33	1,054,350
Of which: Gross loans and advances to customers	954,846	882,979	8.14	658,360
Total liabilities	1,533,882	1,337,498	14.68	999,678
Of which: Deposits from customers	1,319,560	1,127,938	16.99	785,786
Equity attributable to equity holders of the Bank	95,976	88,034	9.02	53,880
Net assets per share attributable to equity holders of the Bank (RMB)	4.31	3.95	9.11	2.86

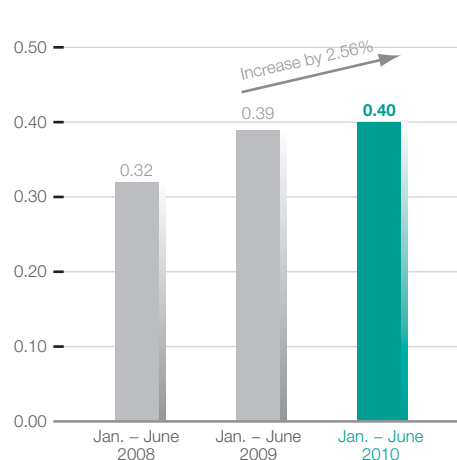
### Total assets

(Unit: RMB million)



### Basic earnings per share

(Unit: RMB)



# Financial Summary

## II. Financial ratios

	Jan.–June 2010	Jan.–June 2009	Change	Jan.–June 2008
<b>Profitability indicators (%)</b>				
Return on average assets (annualized)	1.17	1.20	-0.03	1.22
Return on average shareholders' equity	9.64	13.27	-3.63	11.53
Net interest spread	2.80	2.31	0.49	3.20
Net interest margin	2.92	2.43	0.49	3.22
Net fee and commission income to operating income	17.29	10.82	6.47	17.41
Cost-to-income ratio	39.83	35.45	4.38	36.60

	30 June 2010	31 December 2009	Change	31 December 2008
<b>Assets quality indicators (%)</b>				
Impaired loan ratio	0.79	0.84	-0.05	1.20
Allowance to impaired loans ratio	229.42	206.04	23.38	150.04
Allowance to total loans ratio	1.80	1.73	0.07	1.81
<b>Capital adequacy ratio indicators (%)</b>				
Core capital adequacy ratio	8.32	8.92	-0.60	6.60
Capital adequacy ratio	10.77	10.83	-0.06	9.22

Notes: 1. Return on average shareholders' equity = net profit attributable to the Bank for the period / average balance of equity attributable to the Bank at the beginning and the end of the period

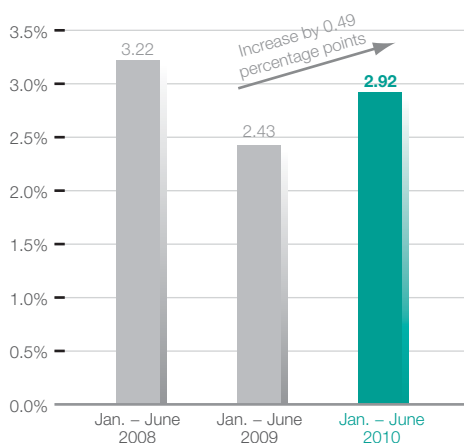
2. Net interest spread = Average return on total interest — average cost on total interest-bearing liabilities

3. Net interest margin = Net interest income for the period / average balance of total interest-earning assets for the period

4. Cost-to-income ratio = (Operating and administrative expenses — tax and surcharge) / Operating income

### Net interest margin (annualized)

(Unit: %)



### Allowance to impaired loans ratio

(Unit: %)



# Management Discussion and Analysis

## I. Overview of operations

In the first half of 2010, the Group continuously implemented the guidance of the Board's Five-year Development Outline, focusing on achieving the annual business objective and accelerating the strategic transformation and business structural adjustment under the leadership of the Board, with a view to achieve a robust and steady growth of business and sound operating results.

### (I) Significant improvement in income structure and further growth in profitability

In the first half of 2010, the operating income of the Group amounted to RMB26,081 million, representing an increase of RMB4,851 million, or 22.85%, as compared with the corresponding period of the previous year. Of which, net interest income increased by RMB7,215 million, or 51.72%, from the corresponding period of the previous year to RMB21,165 million and net fee and commission income amounted to RMB4,509 million, representing 17.29% of the operating income and an increase by 3.22 percentage points as compared with the corresponding period of the previous year (excluding the impact of disposal of Haitong Securities). Net profit attributable to equity holders of the Company amounted to RMB8,866 million, representing an increase of RMB1,492 million, or 20.23%, from the corresponding period of the previous year. Net interest spread and net interest margin both increased by 0.49 percentage point from the corresponding period of the previous year to 2.80% and 2.92%, respectively. Basic earnings per share amounted to RMB0.40, representing an increase of RMB0.01, or 2.56%, as compared with the corresponding period of the previous year.

### (II) Remarkable progress in strategic transformation and business structural adjustment and coordinated growth in the business of assets and liabilities

As at the end of the reporting period, total assets of the Group amounted to RMB1,630,776 million, representing an increase of RMB204,384 million, or 14.33%, from the beginning of this year. Of which, total loans and advances to customers increased by RMB71,867 million, or 8.14%, from the beginning of this year to RMB954,846 million. Among the new loans granted in the first half of 2010, 59% were attributed to Shang Dai Tong loan distribution, which resulted in rapid growth of Shang Dai Tong. Total liabilities amounted to RMB1,533,882 million, representing an increase of RMB196,384 million, or 14.68%, as compared with the beginning of this year. Of which, total deposits from customers amounted to RMB1,319,560 million, representing an increase of RMB191,622 million, or 16.99%, from the beginning of this year.

### (III) Strengthened assets management and stability of assets quality

As at the end of the reporting period, impaired loan ratio (according to five-category loan classification system) of the Group dropped by 0.05 percentage point from the beginning of this year to 0.79%. Allowance to impaired loans ratio was 229.42%, representing an increase of 23.38 percentage points as compared with the beginning of this year, which further strengthened the Group's position against risks.



# Management Discussion and Analysis

## II. Analysis of major items of income statement

### (I) Net interest income

The Group's interest income recorded an increase of RMB7,054 million while its interest expense recorded a decrease of RMB161 million in the first half of 2010, as compared with the corresponding period of the previous year. Net interest income amounted to RMB21,165 million, representing an increase of RMB7,215 million, or 51.72%, as compared with the corresponding period of the previous year. The increase in net interest income was mainly attributable to the expansion in the size of interest-earning assets and the increase in net interest margin.

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

(Unit: RMB million)

Item	January to June 2010			January to June 2009		
	Average Balance	Interest income	Average return (%)	Average Balance	Interest income	Average return (%)
<b>Assets</b>						
Loans and advances to customers	941,693	25,874	5.50	714,223	19,574	5.48
Investment in debt securities	168,521	2,636	3.13	142,637	2,657	3.73
Balances with central banks	183,166	1,304	1.42	123,955	866	1.40
Due from and placements with banks and other financial institutions	131,288	1,207	1.84	158,764	1,211	1.53
Others	27,210	667	4.90	8,840	326	7.38
Total	1,451,878	31,688	4.37	1,148,419	24,634	4.29
	Average Balance	Interest expense	Average cost (%)	Average Balance	Interest expense	Average cost (%)
<b>Liabilities</b>						
Deposits from customers	1,119,621	7,995	1.43	900,280	8,238	1.83
Due to and placements from banks and other financial institutions	182,288	1,771	1.94	139,773	1,595	2.28
Debt securities in issue	22,845	464	4.06	33,947	761	4.48
Others	19,225	293	3.05	5,408	90	3.33
Total	1,343,979	10,523	1.57	1,079,408	10,684	1.98
<b>Net interest income</b>		<b>21,165</b>			<b>13,950</b>	
<b>Net interest spread</b>			<b>2.80</b>			<b>2.31</b>
<b>Net interest margin</b>			<b>2.92</b>			<b>2.43</b>

Notes: 1. Net interest spread = the average return on total interest-earning assets — the average cost on total interest-bearing liabilities

2. Net interest margin = net interest income / the average balance of total interest-earning assets

# Management Discussion and Analysis

The net interest margin of the Group for the first half of 2010 had a significant increase as compared with the corresponding period of the previous year. Such change was mainly due to the following reasons: (i) the slow-down in loan distribution and credit granting during the first half of 2010 resulting in more competitive pricing capability of the bank; (ii) the structural adjustment of the business of assets and liabilities and effective measures such as strengthening of pricing management and compression of bills to enhance the loan ratio to non-state-owned enterprises and small and micro enterprises and to increase the return rate of loans; and (iii) the re-pricing of time deposits in the first half of 2010, which resulted in the decrease in costs ratio of interest payable on deposits as compared with the corresponding period of the previous year.

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

(Unit: RMB million)

Item	Changes from January to June 2009 to January to June 2010		Change
	In scale	In interest rate	
<b>Assets</b>			
Loans and advances to customers	6,234	66	6,300
Investment in debt securities	482	-503	-21
Balances with central banks	414	24	438
Due from and placements with banks and other financial institutions	-210	206	-4
Others	677	-336	341
Change in interest income	7,597	-543	7,054
<b>Liabilities</b>			
Deposits from customers	2,007	-2,250	-243
Due to and placements from banks and other financial institutions	485	-309	176
Debt securities in issue	-249	-48	-297
Others	230	-27	203
Change in interest expenses	2,473	-2,634	-161
Change in net interest income	5,124	2,091	7,215

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

## 1. Interest income

In the first half of 2010, the net interest income of the Group increased by RMB7,054 million, or 28.64%, from the corresponding period of the previous year. Of which, interest income from loans and advances to customers accounted for 81.65% of the total interest income and interest from investment in debt securities accounted for 8.32% of the total interest income.

# Management Discussion and Analysis

## (1) Interest income from loans and advances to customers

The table below sets out the average balances, interest incomes and average return of the components of loans and advances to customers of the Group during the reporting period.

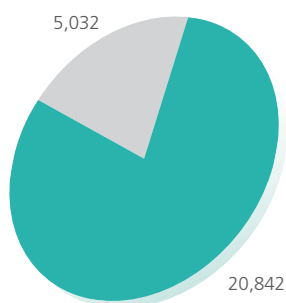
(Unit: RMB million)

Item	January to June 2010			January to June 2009		
	Average balance	Interest income	Average return (%)	Average balance	Interest income	Average return (%)
Corporate loans	755,851	20,842	5.51	602,319	16,611	5.52
Retail loans	185,842	5,032	5.42	111,904	2,963	5.30
Total loans and advances to customers	941,693	25,874	5.50	714,223	19,574	5.48

Note: Average balances are calculated based on the average daily balances.

### January to June 2010 interest income

(Unit: RMB million)

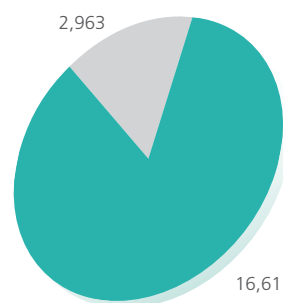


Corporate loans ● 80.55%

Retail loans ● 19.45%

### January to June 2009 interest income

(Unit: RMB million)



Corporate loans ● 84.86%

Retail loans ● 15.14%

## (2) Interest income from investment in debt securities

In the first half of 2010, the interest income from investment in debt securities of the Group decreased by 0.79% as compared with the corresponding period of the previous year. This was mainly because the Group adjusted the securities investment structure of debt securities to mitigate its market risk in view of the prevailing low interest rate in the first half of the year and the anticipation of a possible increase in interest rate.

# Management Discussion and Analysis

## **(3) Interest income from due from and placements with banks and other financial institutions**

In the first half of 2010, the interest income from due from and placements with banks and other financial institutions of the Group decreased by 0.33% as compared with the corresponding period of the previous year. Such decrease was mainly due to the decrease in the scale of financial assets purchased under resale agreement as a result of the changes of market risks and liquidity.

## **2. Interest expenses**

In the first half of 2010, interest expenses of the Group decreased by RMB161 million, or 1.51%, as compared with the corresponding period of the previous year, which was mainly due to the decrease in interest rates on deposits.

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

In the first half of 2010, interest expenses of the Group on deposits decreased by 2.95% as compared with the corresponding period of the previous year, which was mainly due to the re-pricing of time deposits and the increase in the proportion of average balance of demand deposits of the Group to the total average balance in the first half of 2010 as compared with the corresponding period of the previous year.

Interest expenses and costs ratio on corporate deposits

(Unit: RMB million)

Item	January to June 2010			January to June 2009		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Demand	478,061	1,698	0.71	307,299	1,012	0.66
Time	456,235	4,928	2.16	437,341	5,716	2.61
Total	934,296	6,626	1.42	744,640	6,728	1.81

Interest expenses and costs ratio on retail deposits

(Unit: RMB million)

Item	January to June 2010			January to June 2009		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Demand	48,176	86	0.36	34,801	61	0.35
Time	137,149	1,283	1.87	120,839	1,449	2.40
Total	185,325	1,369	1.48	155,640	1,510	1.94

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

Interest expenses of the Group on due to and placements from banks and other financial institutions for the first half of 2010 increased by 11.03%, as compared with the corresponding period of the previous year. The increase was mainly due to the Group increased the amount of due to and placements from banks and other financial institutions in view of the market conditions.

# Management Discussion and Analysis

## (3) Interest expenses on debt securities in issue

Interest expenses of the Group on debt securities in issue for the first half of 2010 decreased by 39.03% as compared with the corresponding period of the previous year, mainly due to the decrease in debt securities in issue upon maturity of part of the Group's debt securities in issue.

## (II) Non-interest income

### 1. Analysis of non-interest income

(Unit: RMB million)

Item	January to June 2010	January to June 2009	Change (%)
Fee and commission income	4,659	2,442	90.79
Fee and commission expenses	-150	-144	4.17
Net fee and commission income	4,509	2,298	96.21
Other non-interest gain/(loss)	407	4,982	-91.83
Total	4,916	7,280	-32.47

### 2. Analysis of net fee and commission income

In the reporting period, the Group realized a net fee and commission income of RMB4,509 million, representing an increase by RMB2,211 million, or 96.21%, over the corresponding period of the previous year. The increase of the Group's fee and commission income was mainly due to the increase in consulting and advisory services fees and income from wealth management, trade finance, and trust and other fiduciary services, etc.. The table below shows the breakdown of the fee and commission income of the Group:

(Unit: RMB million)

Item	January to June 2010	January to June 2009	Change (%)
Consulting and advisory service fees	1,538	769	100.00
Bank card service charges	287	565	-49.20
Credit commitment fee and commission	661	423	56.26
Trust and other fiduciary service commission	895	319	180.56
Settlement and clearing service fees	510	200	155.00
Financial lease charges	397	78	408.97
Securities underwriting service fees	162	73	121.92
Others	209	15	1,293.33
Fee and commission income	4,659	2,442	90.79
Fee and commission expenses	-150	-144	4.17
Net fee and commission income	4,509	2,298	96.21

# Management Discussion and Analysis

## 3. Other non-interest gain/(loss)

(Unit: RMB million)

Item	January to June 2010	January to June 2009	Change (%)
Net trading income	99	23	330.43
Gain on exchange gain	236	155	52.26
Loss on interest rate instruments	-51	-100	-49.00
Loss on precious metals and other products	-86	-32	168.75
Net gain/(loss) on disposal of available-for-sale securities	308	4,959	-93.79
Total	407	4,982	-91.83

## (III) Operating expenses

In the reporting period, the operating expenses of the Group amounted to RMB11,587 million, representing an increase of RMB3,209 million, or 38.30%, as compared with the corresponding period of the previous year. The increase was mainly due to the rapid growth of business, expansion of branches, construction of system and increase of employees.

(Unit: RMB million)

Item	January to June 2010	January to June 2009	Increase (%)
Staff cost	5,776	4,034	43.18
Business development expenses	726	409	77.51
Office expenses	717	414	73.19
Business tax and surcharges	1,814	1,266	43.29
Others	2,554	2,255	13.26
Total	11,587	8,378	38.30

## (IV) Impairment losses on assets

In the reporting period, the Group recorded an impairment loss on assets of RMB2,263 million, representing a decrease of RMB588 million as compared with the corresponding period of the previous year. The decrease was mainly due to the decrease in the impairment of loans and available-for-sale financial assets.

(Unit: RMB million)

Item	January to June 2010	January to June 2009	Change (%)
Loans and advances to customers	2,117	2,405	-11.98
Available-for-sale financial assets	65	421	-84.56
Others	81	25	224.00
Total	2,263	2,851	-20.62

# Management Discussion and Analysis

## (V) Income tax

In the reporting period, with the effective tax rate of 23.17%, the income tax of the Group was RMB2,691 million, representing an increase of RMB484 million as compared with the corresponding period of the previous year.

## III. Analysis of major items of statement of financial position

### (I) Assets

As at 30 June 2010, the total assets of the Group amounted to RMB1,630,776 million, up by RMB204,384 million, or 14.33% as compared with the beginning of this year. The increase of total assets was mainly due to the continuously robust development of all businesses and moderate growth in loans, investments and amount due from and placements with banks and other financial institutions.

The table below sets out the components of the Group's total assets as at 30 June 2010:

*(Unit: RMB million)*

Item	30 June 2010		31 December 2009	
	Amount	% of total	Amount	% of total
Total loans and advances to customers	954,846	58.55	882,979	61.90
Allowance for impairment loss on loans	-17,234	-1.06	-15,241	-1.07
Net loans and advances	937,612	57.49	867,738	60.83
Investment securities and other financial assets	199,835	12.25	156,956	11.00
Balances with central banks	231,964	14.22	221,590	15.54
Due from banks and other financial institutions	114,112	7.00	61,848	4.34
Placements with banks and other financial institutions	87,038	5.34	73,015	5.12
Other assets	60,215	3.70	45,245	3.17
Total assets	1,630,776	100.00	1,426,392	100.00

### 1. Loans and advances to customers

As at 30 June 2010, total loans and advances to customers of the Group amounted to RMB954,846 million, up by 8.14% from the beginning of this year. Total loans and advances accounted for 58.55% of total assets, representing a slight decrease as compared with the beginning of the year. The decrease was mainly due to the shrink in scale of discounted bills, which was affected by the market demand and adjustment in business structure.

# Management Discussion and Analysis

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

(Unit: RMB million)

Item	30 June 2010		31 December 2009		Change (%)
	Amount	% of total	Amount	% of total	
Corporate loans	744,770	78.00	719,099	81.44	3.57
Of which: discounted bills	15,063	1.58	35,221	3.99	-57.23
Retail loans	210,076	22.00	163,880	18.56	28.19
Total	954,846	100.00	882,979	100.00	8.14

Breakdown of retail loans is as follows:

(Unit: RMB million)

Item	30 June 2010		31 December 2009		Change (%)
	Amount	% of total	Amount	% of total	
Mortgage loans	106,100	50.51	99,619	60.79	6.51
Receivables from credit cards	13,201	6.28	14,266	8.71	-7.47
Shang Dai Tong (商貸通)	87,268	41.54	44,809	27.34	94.76
Others	3,507	1.67	5,186	3.16	-32.38
Total	210,076	100.00	163,880	100.00	28.19

## 2. Investment securities and other financial assets

As at the end of the reporting period, the balance of the Group's investment securities and other financial assets was RMB199,835 million, representing an increase of 27.32% as compared with the beginning of this year. The increase was primarily due to a significant increase of the balances of trading financial assets and held-to-maturity investment as compared with the beginning of this year.

### (1) Breakdown of investment securities and other financial assets

The table below shows the breakdown of investments of the Group by purpose:

(Unit: RMB million)

Item	30 June 2010	31 December 2009	Change (%)
Trading financial assets	12,130	4,747	155.53
Available-for-sale securities	54,455	49,035	11.05
Held-to-maturity investments	92,082	57,142	61.15
Loans and receivables	40,669	45,567	-10.75
Derivative financial assets	499	465	7.31
Total	199,835	156,956	27.32



# Management Discussion and Analysis

## (2) Holdings of major government bonds

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

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date
2003 Book-entry T-bonds	4,411	2.66–2.8	10-8-2010 to 9-4-2013
2006 Book-entry T-bonds	3,802	2.4–2.51	16-5-2011 to 27-2-2013
2007 Book-entry T-bonds	2,806	3.53–3.9	16-7-2010 to 23-8-2014
2008 Book-entry T-bonds	6,006	1.77–4.16	14-4-2011 to 28-2-2023
2009 Book-entry T-bonds	2,980	2.26–2.29	2-4-2014 to 4-6-2014
2010 Book-entry T-bonds	35,180	1.25–3.36	12-7-2010 to 25-3-2020
Total	55,185	—	—

## (3) Holdings of major financial bonds

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

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Provision for impairment
2002 Financial bonds	1,020	2.7	23-4-2012	—
2003 Financial bonds	3,860	Floating, 2.72–2.74 for current period	9-5-2013 to 16-6-2013	—
2007 Financial bonds	22,520	3.6–3.95	13-7-2010 to 12-10-2010	—
2009 Financial bonds	6,000	1.76	16-9-2010	—
2010 Financial bonds	3,250	2.7–floating, 2.84 for current period	21-5-2013 to 25-2-2020	—
Total	36,650	—	—	—

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

The table below shows the major types and amount of derivative financial instruments held by the Group as at the end of the reporting period:

(Unit: RMB million)

Item	Contractual/Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps contracts	18,161	396	-347
Currency forwards contracts	15,130	72	-65
Currency swaps contracts	24,917	31	-29
Precious metal swaps contracts	31	—	-1
Credit default swaps contracts	68	—	-1
Extension options	9,700	—	—
Total		499	-443

# Management Discussion and Analysis

Our financial instruments measured at fair value include: trading financial assets, derivative financial instruments and available-for-sale financial assets. Trading financial assets and the investment in debt securities under the available-for-sale financial assets were evaluated using the following methods: for RMB bonds, the valuation provided in principle by China Government Securities Depository Trust & Clearing Co. Ltd.; for bonds denominated in foreign currencies, market value determined through a combination of BLOOMBERG quotes, DATASCOPE quotes and enquiries; the fair value of most derivative financial instruments directly adopted open market quotes while fair value of certain derivative products contracted with customers was based on market enquiries. The Company did not have substantial investments in trading financial assets, and the changes in the fair value of assets had little impact on the profit of the Company. Derivative financial instruments mainly consisted of interest rate swaps contracts with customers, the market risks of which had been hedged and the changes in fair value had little impact on the profit of the Company. Changes in fair value of available-for-sale financial assets were recognized as changes in shareholders' equities.

## (II) Liabilities

As at 30 June 2010, total liabilities of the Group amounted to RMB1,533,882 million, up by 14.68% as compared with the beginning of this year; the balance of deposits from customers was RMB1,319,560 million, up by 16.99% as compared with the beginning of this year, accounting for 86.03% of total liabilities. The growth in deposits from customers was mainly attributed to the increase in the number of customers and growth of liabilities business attracted by the Group's products.

The table below sets out the breakdown of the Group's total liabilities as at 30 June 2010:

*(Unit: RMB million)*

Item	30 June 2010		31 December 2009	
	Amount	% of total	Amount	% of total
Deposits from customers	1,319,560	86.03	1,127,938	84.33
Due to and placements from banks and other financial institutions	145,146	9.46	152,317	11.39
Debt securities in issue	22,666	1.48	23,060	1.72
Other liabilities	46,510	3.03	34,183	2.56
Total liabilities	1,533,882	100.00	1,337,498	100.00

# Management Discussion and Analysis

## 1. Deposits from customers

As at 30 June 2010, the total deposits from customers of the Group was RMB1,319,560 million, representing an increase of RMB191,622 million, or 16.99%, as compared with the beginning of the year. In terms of types of customers, corporate deposits, retail deposits and other deposits accounted for 83.38%, 16.41% and 0.21% of the total deposits, respectively. In terms of types of deposits, demand deposits, time deposits and other deposits accounted for 47.77%, 52.02% and 0.21%, respectively.

(Unit: RMB million)

Item	30 June 2010		31 December 2009	
	Amount	% of total	Amount	% of total
Deposits from corporate customers	1,100,310	83.38	932,568	82.68
— Demand deposits	564,740	42.80	497,422	44.10
— Time deposits	535,570	40.58	435,146	38.58
Deposits from retail customers	216,579	16.41	194,104	17.21
— Demand deposits	65,538	4.97	50,894	4.51
— Time deposits	151,041	11.44	143,210	12.70
Others	2,671	0.21	1,266	0.11
Total	1,319,560	100.00	1,127,938	100.00

## 2. Due to and placements from banks and other financial institutions

As at 30 June 2010, the total balance of the Group's due to and placements from banks and other financial institutions was RMB145,146 million, representing a decrease of 4.71% from the beginning of this year. The decrease was primarily due to structural adjustment of business and reduced funding demand of the Company to other banks and financial institutions.

## (III) Shareholders' equity

As at 30 June 2010, total shareholders' equity of the Group amounted to RMB96,894 million.

(Unit: RMB million)

Item	30 June 2010	31 December 2009
Share capital	22,262	22,262
Capital reserve	38,370	38,181
Surplus reserve	4,184	4,184
General reserve	10,904	10,904
Retained earnings	20,256	12,503
Equity attributable to equity holders of the Bank	95,976	88,034
Non-controlling interests in equity	918	860
Total	96,894	88,894

# Management Discussion and Analysis

## (IV) Off-balance sheet items

As at the end of the reporting period, balances of major off-balance sheet items of the Group were as follows:

*(Unit: RMB million)*

Item	30 June 2010	31 December 2009
Letters of credit	16,120	15,094
Letters of guarantee	43,700	45,593
Acceptance bills	255,752	216,657
Trade finance arrangement	53,235	24,349
Irrevocable loan commitments	8,419	7,852
Unused credit card limits	19,022	28,466
Capital commitments	6,106	3,299
Operating lease commitments	5,187	4,284
Finance lease commitments	1,990	1,841

Note: Lease commitments mainly represent rentals payable by the Group for leased office premises and equipment for business purposes. The lease contracts generally have a term of between 5 and 10 years.

## (V) Market shares 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表) of June 2010 issued by the People's Bank of China (the "PBOC"), among 9 national joint stock commercial banks, total deposits of the Company captured a market share of 13.71% and its savings deposits accounted for 11.15% of the market share as at the end of the reporting period. As at the end of the reporting period, total loans of the Company captured a market share of 13.20%, of which, market shares of loans excluding discounted bills and loans to individuals were 13.43% and 12.82%, respectively, among these 9 national joint stock commercial banks.

## IV. Other financial information

### 1. 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 of China Minsheng Bank regarding Fair Value (中國民生銀行公允價值管理辦法) based on the China Accounting Standards, which expanded the scope of fair value measurement to cover the initial measurement of financial assets, financial liabilities and foreclosed assets; and clarified and specified the principles, methods and procedures for determining fair value. With the aim to enhance the accuracy and reliability of the valuation of fair value, the Company has assigned relevant departments responsible for fair value management to continuously improve the research on the valuation of its asset and liability businesses, and enhance internal valuation capabilities. The Company has further introduced valuation models and systems to verify prices obtained externally. Moreover, the Company has implemented internal control measures over the process of fair value measurement, including double check on fair value inquiry and confirmation, dual signature by person-in-charge and the examiner when determining valuation procedures. In addition, the Internal Audit Department plays an important role in the rectification of identified issues through monitoring and examination of fair value scoping, methodology and procedures, so as to improve internal control within the Company.

# Management Discussion and Analysis

## (2) Items measured at fair value

(Unit: RMB million)

Item	30 June 2010	31 December 2009
Trading financial assets	12,130	4,747
Of which: Government and quasi-government bonds	9,055	2,870
Corporate bonds	3,075	1,877
Derivative financial assets	499	465
Available-for-sale securities	54,455	49,035
Total financial assets	67,084	54,247
Derivative financial liabilities	443	395

## 2. Overdue and outstanding liabilities

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

## V. Qualitative analysis of loans

### 1. Industry concentration of loans

(Unit: RMB million)

Item	30 June 2010		31 December 2009	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	122,711	12.85	121,940	13.81
Real estate	121,917	12.77	103,713	11.75
Leasing and commercial services	102,963	10.78	94,644	10.72
Mining	65,572	6.87	41,680	4.72
Transportation, warehousing and postal services	65,009	6.81	75,137	8.51
Water conservancy, environment and public utilities management	57,565	6.03	60,967	6.90
Wholesale and retail	52,660	5.52	35,772	4.05
Public administration and social organizations	36,021	3.77	36,051	4.08
Production and supply of electricity, gas and water	35,388	3.71	48,515	5.49
Construction	26,149	2.74	26,144	2.96
Education and community services	24,593	2.58	22,125	2.51
Financial services	17,589	1.84	37,835	4.28
Information transmission, IT services and software industry	3,410	0.36	3,816	0.43
Others	13,223	1.37	10,760	1.22
Subtotal	744,770	78.00	719,099	81.43
Individual loans and advances	210,076	22.00	163,880	18.57
Total	954,846	100.00	882,979	100.00

# Management Discussion and Analysis

## 2. Loans by geographical distribution

(Unit: RMB million)

Region	30 June 2010		31 December 2009	
	Amount	% of total	Amount	% of total
Northern China	273,244	28.62	276,820	31.35
Eastern China	362,959	38.01	319,054	36.13
Southern China	100,993	10.58	95,762	10.85
Other regions	217,650	22.79	191,343	21.67
Total	954,846	100.00	882,979	100.00

## 3. Distribution and percentage of loans by collateral

(Unit: RMB million)

Item	30 June 2010		31 December 2009	
	Amount	% of total	Amount	% of total
Unsecured loans	236,654	24.78	254,221	28.79
Guaranteed loans	259,060	27.13	222,009	25.14
Secured loans				
— Collateralized loans	369,148	38.67	306,658	34.73
— Pledged loans	89,984	9.42	100,091	11.34
Total	954,846	100.00	882,979	100.00

## 4. Top ten borrowers

As at the end of the reporting period, the aggregate outstanding loan attributed to the top ten borrowers of the Group was RMB37,271 million, representing 3.9% of the total loans.

## 5. Five-category classification of credit assets

(Unit: RMB million)

Item	30 June 2010		31 December 2009	
	Amount	% of total	Amount	% of total
Performing loans	947,334	99.21	875,582	99.16
Of which: Pass	935,044	97.93	862,654	97.70
Special-mention	12,290	1.28	12,928	1.46
Non-performing loans	7,512	0.79	7,397	0.84
Of which: Substandard	3,208	0.34	2,475	0.28
Doubtful	2,160	0.23	2,799	0.32
Loss	2,144	0.22	2,123	0.24
Total	954,846	100.00	882,979	100.00

# Management Discussion and Analysis

## 6. Migration ratio of loans

Item	30 June 2010	31 December 2009	31 December 2008
Pass	0.91%	1.37%	3.48%
Special-mention	12.97%	9.38%	16.47%
Substandard	19.97%	82.19%	28.30%
Doubtful	5.47%	53.01%	39.22%

## 7. Subsidized loans

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

## 8. Restructured loans and overdue loans

(Unit: RMB million)

Item	30 June 2010		31 December 2009	
	Amount	% of total	Amount	% of total
Restructured loans	3,240	0.34	3,742	0.42
Overdue loans	9,115	0.95	9,653	1.09

Notes: 1. Restructured loans are loans for 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 the inability of the borrower to repay the debt due.

2. Overdue loans are loans the principal or any interest of which is overdue for 1 or more days, including overdue loan, stagnant loans, bad loans and overdue discounted bills.

As at the end of the reporting period, the balances of restructured and overdue loans of the Group were reduced as compared with the beginning of this year, which was mainly due to the improvement of repayment capabilities of customers of the Group when domestic economy recovered.

## 9. Allowance for impairment of loans

(Unit: RMB million)

Item	30 June 2010	31 December 2009
Balance as at beginning of period	15,241	11,885
New Allowance	2,887	4,866
Releases	-770	-74
Amounts written off and exempted during the period as uncollectible	-172	-1,345
Recovery after written-off	137	87
Unwinding of discount on allowance	-91	-178
Exchange loss	2	0
Balance as at end of period	17,234	15,241

# Management Discussion and Analysis

Provision method for loan impairment:

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

## 10. Non-performing loans and related measures

As at the end of the reporting period, the Group had non-performing loans of RMB7,512 million; the impaired loan ratio was 0.79%, representing a decrease of 0.05 percentage point as compared with the beginning of this year.

To reduce impaired loan ratio and improve asset quality, the Group mainly adopted the following measures during the reporting period:

(1) Closely monitoring changes in international and domestic economies and adjustments in macro-economic policies; strengthening credit planning; proactively adjusting the loan distribution; and continuously optimizing asset structure;

(2) Optimizing the risk management system, improving the risk management policies; and imposing credit limit management for various industries and regions;

(3) Improving and optimizing the risk monitoring system; conducting focused risk identification and special examination; and closely monitoring loans with potential risk factors and problems in order to promptly develop contingency plans and effectively control new non-performing loans;

(4) Strengthening the recovery management mechanism of non-performing assets through optimizing the collection process and utilizing all available recovery measures such as repayment collection, restructuring, foreclosing and legal action to reinforce accountability mechanism for non-performing assets and to strengthen recovery of assets being written off so as to improve the efficiency and effectiveness of recovery; and

(5) Strengthening training programs to improve the professional skills and expertise of the risk management team and foster the philosophy of compliance.



# Management Discussion and Analysis

## VI. Analysis of capital adequacy ratio

(Unit: RMB million)

Item	30 June 2010	31 December 2009	31 December 2008
Net capital	122,586	107,656	70,767
Of which:			
– Core capital	94,820	88,756	51,307
– Supplementary capital	27,891	21,224	20,700
– Deductions	125	2,324	1,240
Total risk-weighted assets	1,135,769	993,773	767,895
Core capital adequacy ratio (%)	8.32	8.92	6.60
Capital adequacy ratio (%)	10.77	10.83	9.22

As at the end of the reporting period, capital adequacy ratio and core capital adequacy ratio of the Group decreased by 0.06 and 0.6 percentage point respectively compared with the end of the previous year. The decrease was mainly due to the following factors: (i) the total risk-weighted assets increased in line with the growth of business; and (ii) the Group increased its core capital by capitalizing part of its profits and increased its supplementary capital by issuing RMB5,800 million subordinated bonds so as to increase capital scale and partially offset the impact of increase in risk assets on capital adequacy ratio.

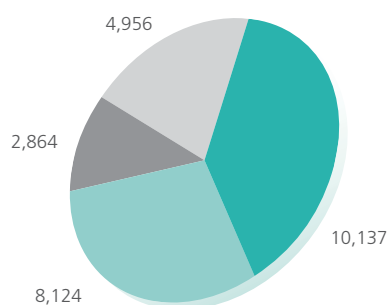
## VII. Segment report

The Group manages its business by geographical regions and business lines. In respect of geographical locations, the Group operates its business in four main regions, namely, Northern China, Eastern China, Southern China and other regions. In respect of business lines, the Group provides financial services through four main business lines, including corporate banking, retail banking, treasury and other business. The segment operation information of the Group is presented by geographical regions and business lines.

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

#### Operating income by region

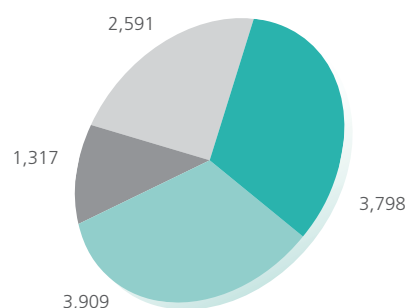
(Unit: RMB million)



Northern China 38.87%    Eastern China 31.15%  
Southern China 10.98%    Other regions 19.00%

#### Profit before tax by region

(Unit: RMB million)



Northern China 32.70%    Eastern China 33.65%  
Southern China 11.34%    Other regions 22.31%

# Management Discussion and Analysis

(Unit: RMB million)

Region	Total assets (excluding deferred income tax assets)	Operating income	Profit before tax
Northern China	1,004,336	10,137	3,798
Eastern China	552,127	8,124	3,909
Southern China	205,771	2,864	1,317
Other regions	292,639	4,956	2,591
Inter-region adjustment	-427,743	0	0
<b>Total</b>	<b>1,627,130</b>	<b>26,081</b>	<b>11,615</b>

Note: Northern China includes Minsheng Financial Leasing Co., Ltd, the head office, and the branches in Beijing, Taiyuan, Shijiazhuang and Tianjin; Eastern China includes Cixi Minsheng Township Bank Co., Ltd., Shanghai Songjiang Minsheng Township Bank Co., Ltd. and the branches in Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang; Southern China includes Minsheng Royal Fund Management Co., Ltd. and the branches in Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou and Xiamen; Other regions include Pengzhou Minsheng Township Bank Co., Ltd. and the branches in Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou and Changchun. Inter-region adjustment refers to the unified adjustments involving the Bank and a number of branch offices (such as inter-entity balances and open credit).

## (II) Segment operating results by business lines

(Unit: RMB million)

Type of Business	Total assets (excluding deferred income tax assets)	Operating income	Profit before tax
Corporate banking	760,924	17,133	7,382
Retail banking	212,524	4,094	1,813
Treasury	647,609	4,854	2,570
Other business	6,073	0	-150
<b>Total</b>	<b>1,627,130</b>	<b>26,081</b>	<b>11,615</b>

## VIII. Performance of key business lines

### (I) Corporate banking

In the reporting period, the corporate banking business of the Company strictly adhered to the development needs in light of the Company's strategic transformation and structural adjustment by centralizing the management of our operations on the basis of capital restraint. In response to changes in operating and regulatory environments, the Company proactively modified its mode of operations and expanded its market and customer base. The Company also strengthened the development of product solutions and optimized its loan and asset management business. The Company continued to optimize the structures of its business, customer base and income sources in line with its development.

# Management Discussion and Analysis

## 1. Corporate loans

In the reporting period, the Company developed its corporate loan business in line with the macro-economic control policies and the Company's strategic transformation by controlling the total lending amount, optimizing the structure, maintaining good quality of loan portfolio and improving efficiency and income level. By capturing the market opportunities arising from the strong development of national economy, the Company prudently regulated the growth of loans and the pace of granting the service, and optimized the loan structure by increasing the loans to SMEs, as well as small and micro enterprises. The size and revenue of corporate loans recorded a steady growth and the asset quality remained stable.

As at the end of the reporting period, outstanding corporate loans (including discounted bills) of the Company amounted to RMB743,269 million, representing an increase of RMB25,147 million, or 3.51%, as compared with the beginning of the period. Outstanding general corporate loans amounted to RMB719,951 million, representing an increase of RMB44,797 million, or 6.64%, as compared with the beginning of the period. The average interest rate of the Company's RMB-denominated corporate loans offered during the reporting period amounted to 5.66%, which was 6.12% above the benchmark interest rate. Impaired corporate loan ratio amounted to 0.90%, representing a decrease of 0.01 percentage point as compared with the beginning of the period.

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

- (1) The Company further strengthened the building up of its customer base and developed new customers and new markets as well as expanded customer bases by implementing favourable policies and launching marketing activities so as to reduce loan concentration. In the reporting period, customers of the Company's corporate loans increased significantly and there were 1,402 new borrowers. Number of customers with outstanding loans as at the end of the period was 8,419, representing an increase of 20% as compared with the beginning of the period. The average balance of outstanding loans per customer decreased to RMB86 million from RMB105 million as at the beginning of this year.
- (2) The Company strengthened and improved the financial services for SMEs to increase the proportion of SME business. In the reporting period, SME business accounted for 55.85% of the new general corporate loans. As at the end of the period, general corporate loans of SMEs amounted to RMB59,197 million, representing 8.22% of the outstanding general corporate loans.
- (3) The Company optimized the credit structure of major customers and promoting strategies of cooperation with non-state-owned enterprises so as to cultivate strategic partners and provide foundation for the Company's business transforming and overall income improving.

# Management Discussion and Analysis

The Company has started to implement one of its strategies of becoming the bank for non-state-owned enterprises since 2009. In particular, the Company worked to establish strategic collaboration with customers who could have synergy effect and on the same standing as and grow in line with the Company, so as to expand its service coverage of non-state-owned enterprises and increase the market share of its business with such enterprises. In the reporting period, the Company identified and selected quality non-state-owned enterprises through cooperation with the ACFIC, All-China General Chamber of Industry and Commerce and industry associations. The head office and its branch operation units have chosen 407 target customers for further strategic collaboration. The Company established dedicated service teams for these customers to devise comprehensive financial solutions to meet their development strategies and demands, and entered into strategic cooperation agreements at appropriate time and conditions. To facilitate the implementation of business strategies for non-state-owned enterprises, the Company allocated more credit resources to SMEs and non-state-owned enterprises. In the reporting period, the total lending to non-state-owned enterprises amounted to RMB168,015 million. As at the end of the reporting period, the Company had 6,324 customers of non-state-owned enterprises with outstanding balances, and outstanding general loans of RMB352,047 million, representing an increase of 49% and 24% as compared with the beginning of the period, respectively.

- (4) The Company encouraged the provision of funds to real economies, while strictly scrutinized the provision of loan facilities to industries characterized by heavy pollution, high energy consumption and excessive production capacity, government-guaranteed projects and redundant projects of low productivity to prevent credit risks.

In the reporting period, the Company implemented the state industrial financial policies, actively explored business development model for green finance and emerging strategic industries, increased credit facilities for environment-friendly industries and new energy industries, and imposed credit limits to control loan growth of industries with excessive production capacity and government finance projects.

- (5) The Company utilized credit products including bills, syndicated loans and integrated credit management measures in a flexible manner to increase revenue.

In the reporting period, the Company cooperated with other banks through the transfer of credit assets and participation in the provision of syndicated loans to meet the financing needs of major customers for large projects. In the reporting period, the provision of internal and external syndicated loans and disposal of credit assets amounted to approximately RMB9,000 million and RMB21,759 million, respectively. The Company also accepted commercial bills and provided trade finance to satisfy the general funding demands of customers. For commercial bill business, the Company continued to implement the business strategy of launching new products, competitive pricing and accelerating turnover. In the reporting period, the total volume of bills transaction amounted to RMB1,573.8 billion; the income ratio of discounted bills reached 6.13%, representing an increase of 1.71 percentage points as compared with the corresponding period of the previous year. The transaction volumes of Bills Keeper (票據管家), Electronic Bills (電子票據) and Fast and Easy Bill Discounting (快易貼) grew significantly. For Fast and Easy Bill Discounting (快易貼), in particular, the number of new accounts reached 469, and the bills amounted to RMB22,100 million, representing an increase of RMB15,100 million, or 216% over the previous year, outperforming its peers.

# Management Discussion and Analysis

## 2. Corporate deposits

In the reporting period, the Company continued to implement its policy of further developing its liability business. The Company took active measures to cultivate basic customers, improve its products and services, explore capital escrow business and promote trading and financing services in order to secure the foundation for deposits.

As at the end of the reporting period, the balance of corporate deposits of the Company was RMB1,098,675 million, representing an increase of RMB168,277 million, or 18.09%, as compared with the beginning of the period. The portion of demand deposits in corporate deposits was 51.29% and the average cost on deposits was 1.43%, representing a decrease of 0.38 percentage point as compared with the beginning of the period.

To cope with the impact of the new requirements of the Interim Measures for the Administration of Liquidity Loans (流動資金貸款管理暫行辦法), the Interim Measures for the Administration of Personal Loans (個人貸款管理暫行辦法), the Interim Measures for the Administration of Fixed Asset Loans (固定資產貸款管理暫行辦法) and the Guidelines for the Project Financing Business (項目融資業務指引), herein after referred as “Three Measures and One Guideline” (三法一指引) on liability business of commercial banks which used to attract deposits by providing loans, the Company adopted a series of measures to facilitate the organic growth of deposits. Major strategies adopted were as follows: (i) the Company made further effort to increase the number of basic customers, took initiatives to cultivate the growth of the customer base, enhanced the settlement network by developing new customers, and increased the market share of settlement business to boost deposit growth; (ii) the Company laid the foundation for sustainable growth of deposits by providing services to help clients to manage their cash flow through financing of movable properties, factoring, receivables financing, bills and cash management; (iii) the Company strengthened business opportunity management for bulk liability business and improved the marketing efficiency of key liability business; and (iv) the Company reinforced aggressive liability management.

In the reporting period, the major works in relation to the establishment of sustainable growth mechanism of liability business of the Company were as follows:

- (1) The Company took various initiatives to explore new customers. In the reporting period, 20,405 new deposit accounts brought a growth of RMB105,500 million in deposits, which accounted for 62.70% of the increase in corporate deposits, and was the main growth driver of liability business. As at the end of the period, there were 153,600 corporate deposit accounts with outstanding balance, representing an increase of 15.3% over the previous year. The continuously expanding customer base laid a solid foundation for the Company to further implement the strategy of developing the settlement business to boost deposit growth.
- (2) The Company further promoted the development of transaction finance business. The Company is of the view that the transaction finance business can bring opportunities in cash management and future cash flow management business for banks which provide financing services to customers in respect of their inventories, account receivables and bill receivables. The Company takes transaction finance business as an important instrument for organic growth of its liability business, and takes cultivation of effective customer base and increase of business volume as the primary development target for transaction finance business. In the reporting period, transaction finance business of the Company achieved leaping growth with an accumulated amount of RMB160,700 million

# Management Discussion and Analysis

and a balance of RMB116,900 million with 2,977 effective customers, representing an increase in the accumulated amount and the balance by 181% and 148%, respectively, from the corresponding period of the previous year. The balance of arbitrage pledged deposits and settlement deposits amounted to RMB87,000 million. The transaction finance business of the Company expanded from single customer marketing to batch customer marketing, and has initially built up its dominance in terms of region and industry in the industry chains of metallurgy, garments, liquor, coke, oil products and automobile sectors. The Company believes that with the expansion of transaction finance business and effective customer base, the competitive edges of the Company in customer services and the financing market will be further improved, and the transaction finance business will play a more significant role in pushing forward the liability business of the Company.

### 3. Non-interest income business

In the reporting period, the Company continued to accelerate transformation of its corporate banking business by integrating intermediary business development and organizational restructuring. In addition to services of traditional intermediary business, the Company further enhanced product and service innovation, optimized business process, broadened service variety, and improved service quality for investment banking, custody and annuity business in emerging markets.

In respect of the investment banking business in emerging markets, the Company integrated the cooperative strategies with non-state-owned enterprises, customer consultation and financing advisory business with the investment banking business in emerging markets. The Company established a preliminary system of financing products for emerging markets which mainly included issuance of debt financing instruments, structural financing and asset management. The Company provided more diversified consultation and financial advisory services and developed intermediary business by offering customers, particularly strategic non-state-owned enterprises, comprehensive financial services focusing on investment and financing. In the reporting period, the Company put more efforts in marketing and promoting the investment banking business in emerging markets, further standardized business management and operation system, clearly defined the contents of the services and established an internal sponsor team for the investment banking business in emerging markets.

In respect of asset custody business, the Company continued with its “diversification” development strategy and further consolidated internal resources allocation, streamlined cooperation with retail business, private banking and inter-bank business and improved the product portfolio of asset custody. Development of custody businesses on securities, private equity, credit insurance and wealth management became the main focus. As at the end of reporting period, the assets held by the Company as custodian (including safekeeping) amounted to RMB189,560 million, representing an increase of 143.06% as compared with the corresponding period of the previous year. Revenue from the custody business was RMB93.4189 million, representing an increase of 130.72% as compared with corresponding period of the previous year. The competitiveness of the Company in the area of security custody was strengthened after the launch of new custody of products including Yinhua SZSE 100 Index Graded Fund (銀華深證100指數分級基金) and Guoyuan Securities (Huang Shan No. 3) Collective Wealth Management (國元證券「黃山3號」券商集合理財), contributing to the stable development of asset custody business of the Company.

# Management Discussion and Analysis

In respect of corporate annuity business, the Company put strategic emphasis on the development of corporate annuity business and enhanced the resources integration throughout of the Company, intensified marketing incentives and encouraged product and marketing innovations to stimulate the growth of corporate annuity business of the Company driven by our key products. As at the end of the reporting period, 44,038 annuity accounts were managed by the Company, and the annuity under custody amounted to RMB1,846 million.

In the reporting period, the intermediary business of corporate banking business segment grew rapidly and the net fee and commission income amounted to RMB3,018 million, accounting for 73.11% of the net fee and commission income of the Company and 104% of the 2009 full year figure. Income structure was further optimized. Revenue from financial advisory services in emerging markets, fee and commission income from trade finance and transaction finance, fee and commission income from the issuance of debt financing instruments and custody and annuity of intermediary business become the new drivers of sustainable growth of the intermediary business revenue.

## **4. Operation of the SBUs**

In the reporting period, SBUs took proactive steps in response to the complicated and ever-changing external environment by carrying out restructuring, enhancing risk prevention, exploring business opportunities in emerging markets and promoting transformation of business model. All lines of business at SBUs achieved continuous growth and the asset quality improved.

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

In the reporting period, more stringent control over the real estate market as instructed by the State Council in its “Notice on Resolutely Curbing the Surge of Property Rates in Some Cities” (《國務院關於堅決遏制部分城市房價過快上漲的通知》) on 17 April 2010 resulted in considerable changes in the market. Leveraging on its sound risk management system and professional experience, the Real Estate Finance SBU put further efforts in policy compliance, industry analysis, market monitoring and corporate research in order to strengthen our capability of prospective study and estimation of the industrial systematic risks. The Real Estate Finance SBU timely adjusted its credit policies, tightened the entry requirements of customer and improved overall management of loans according to the market changes and regulatory requirements. In order to ensure the asset quality, the Real Estate Finance SBU also conducted risk review and stress testing on existing assets so as to provide early-warning on loans with potential risks.

In addition to control and management of the risks of existing assets, the Real Estate Finance SBU fully capitalized on its specialized operation to capture opportunities in the investment banking business in emerging markets. In the reporting period, the Real Estate Finance SBU made significant progress in the businesses of property acquisition financing, commercial property mortgage loans and leading bank syndicated loans for property development, and lead underwriting of medium-term notes. Relationship with customers was further consolidated, quality of specialized services was improved and the business structure was streamlined. Net non-interest income increased significantly.

# Management Discussion and Analysis

As at the end of the reporting period, the deposit balance of the Real Estate Finance SBU amounted to RMB50,417 million, representing an increase of RMB6,821 million as compared with the beginning of the period. Outstanding loans increased by RMB12,387 million (after adjustment with the same scope) from the beginning of the period to RMB96,946 million. The impaired loan ratio was 1.23%. The net non-interest income amounted to RMB482 million.

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

In the reporting period, the Energy Finance SBU continued to implement restructuring, enhance risk management, reduce loans granted to industries with excessive production capacities in a timely manner and accelerate termination of relationship with customers who failed to comply with the industrial policies and environmental protection standards of the State. The Energy Finance SBU focused on the development of the financing of coal industry chain and provided specific services to key regions and key customers. In the reporting period, over 50% of the new loans were granted to key areas of energy in the North West of China. As at the end of the period, outstanding loans in connection with the coal industry chain exceeded RMB60,000 million, which outperformed the segment performance in the market. Furthermore, the Energy Finance SBU strived to maintain the balance between assets management and assets operation, in order to expand the corporate banking business of non-state-owned enterprises while developing investment banking business in emerging markets. In the reporting period, the Energy Finance SBU issued 6 short-term financing bonds and medium-term notes of RMB7,200 million, and processed finance lease of RMB2,200 million under joint arrangements. As at the end of the reporting period, the outstanding loans to non-state-owned enterprises exceeded RMB20,000 million, representing an increase of more than 40% as compared with the beginning of the period. Results of the restructuring were remarkable.

As at the end of the reporting period, deposit balance of the Energy Finance SBU amounted to RMB44,021 million, representing an increase of RMB9,498 million from the beginning of the period. Balance of general loans amounted to RMB93,147 million, representing an increase of RMB897 million as compared with the beginning of the period. Impaired loans written off amounted to RMB139 million and the impaired loans ratio was zero, representing a decrease of 0.09 percentage point as compared with the beginning of the period. The net non-interest income amounted to RMB338 million.

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

In the reporting period, while controlling the growth of credit granted, the Transportation Finance SBU actively altered its development structure by conducting thorough research on the financial services of automobile, railway and shipping industry chains, capitalizing on development of inter-headquarters marketing (總對總開發) and batch marketing, and accelerating the expansion into business segments with higher returns in the industry chain. In respect of automobile industry, on top of the provision of specialized services such as “loans for operating stores for vehicles (建店貸款)” and “packages for vessel building and leasing (船生船)”, the Transportation Finance SBU developed wholesales consumer credit business and offered pilot inventory financing and finance lease to establish integrated financial services covering the whole industry chain. In respect of railway industry, the traditional loan business with low profit was replaced by the combined portfolio comprising bond financing, supply chain finance, equity pledge and pre-disposal and financial advisory services. Emphasis was put on customers of nationwide railway and local railway companies and thus the overall development and efficiency of the railway sector improved. In respect of shipping industry, the Transportation Finance SBU developed “lease financing + loans with warrants” business which mainly supported high-quality private ship building enterprises with technical competitiveness and cost efficiency, so as to achieve higher return from assets.



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As at the end of the reporting period, the deposit balance of the Transportation Finance SBU amounted to RMB46,341 million, representing an increase of RMB4,333 million as compared with the beginning of the period. Balance of general loans amounted to RMB44,376 million, representing an increase of RMB1,608 million as compared with the beginning of the period. Non-performing loan ratio was 0.01%, representing a decrease of 0.11 percentage point as compared with the beginning of the period. The net non-interest income amounted to RMB391 million.

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

In the reporting period, in response to the fluctuations and structural adjustments in the industry, the Metallurgy Finance SBU modified its operating mode based on the characteristics of risk and return of assets and businesses and reduced reliance on the growth in loans. Leveraging on its expertise in industry research and forecast, and rapid promotion of inter-headquarters marketing and business model (總對總營銷及商業模式), the Metallurgy Finance SBU offered innovative products and services specifically to core manufacturers and developed comprehensive services covering the whole industry chain to expand its core customer base. Business developments in the iron and steel, nonferrous metals and mining segments were driven by the industry chain finance, trade finance and investment banking business in emerging markets. Services offered to customers were more diversified and intermediary business developed in a rapid pace with the effective control over growth of loans.

As at the end of the reporting period, the deposit balance of the Metallurgy Finance SBU amounted to RMB43,144 million, representing an increase of RMB7,804 million as compared with the beginning of the period. Balance of general loans amounted to RMB32,263 million, representing a decrease of RMB1,906 million from the beginning of the period. The net non-interest income amounted to RMB357 million. Asset quality remained stable despite the industry fluctuation and restructuring and the non-performing loan ratio was 0.51%.

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

In the reporting period, as the strategic business sector of the Company, resources were reallocated to the core SME business as a focus in streamlining the credit structure of the Company. The SME Finance SBU followed the guiding principles of laying foundation and expanding scale while ensuring asset quality and enhancing efficiency. More outlets specializing in the provision of SME financial services were established and more efforts were put to develop a diversified customer base. By continuously launching innovative products and services together with specialized product portfolio, improving business flow and strengthening specialized operation management and customer services, as well as the implementation of a strengthened risk control system, the SME Finance SBU achieved rapid expansion of business scale and increased profit margin.

As at the end of the reporting period, balance of general loans to SMEs amounted to RMB59,197 million, representing a significant increase of RMB25,017 million, or 73.19%, as compared with the beginning of the period, and over 95% of which were short-term loans. The number of SMEs with outstanding loans increased by 1,916, or 72.3%, to 4,566 as compared with the beginning of the period. SMEs maintained their asset quality despite the financial crisis, and the impaired loan ratio at the end of the period was 0.77%, representing a decrease of 0.45 percentage point from the beginning of the period. Pricing capability was strengthened. Weighted average interest rates of new loans reached 6.19%, which was 19.16% above the benchmark interest rate.

# Management Discussion and Analysis

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

In the reporting period, the Trade Finance SBU continued to develop with the objective of becoming a professional service provider of distinctive trade finance services, and actively followed a policy of “professional, dedicated and specialized operations”. The Trade Finance SBU accelerated the development of its operational system and the establishment of remote service platforms, expanded the correspondent banking network, refined its business procedures, trained a specialized team for trade finance business and promoted integrated trade finance solutions which mainly offered receivables, import trade finance, letters of guarantee, value added services and structural trade finance so as to provide trade finance services for both import and export trade at different stages of the whole procedure. The Trade Finance SBU has established a stable customer base targeting the top 500 international enterprises and leading domestic enterprises as strategic customers and medium enterprises as basic customers. Its business, such as factoring, domestic letters of credit, letters of guarantee, syndicated loans and settlement in RMB of cross border trade and bills factoring have developed rapidly. Our international dual factoring also enjoyed a leading position in the same business. In the reporting period, the transaction volume amounted to RMB28,268 million and a total of 20,908 transactions were made. Of which, the transaction volume of international dual factoring amounted to US\$249 million, making it the third among domestic peers and a total of 5,096 transactions were made, ranking first among domestic peers.

As at the end of the reporting period, balance of RMB and foreign currency-denominated deposits and loans of trade finance business of the Company amounted to RMB38,434 million and RMB19,435 million, respectively. Net non-interest income from trade finance business of the Company amounted to approximately RMB1,020 million, representing an increase of 147% as compared with the corresponding period of the previous year. Net non-interest income from factoring business amounted to RMB220 million while net non-interest income from structural trade finance business, which had a focus on long-term single financing, export credit, overseas project financing, overseas investment loans and ship financing, amounted to RMB320 million.

The rapid growth of the Trade Finance SBU was widely recognized by domestic and overseas financial media, and was awarded “Excellent Chinese Bank Award — Best Trade and Finance Bank” (中國銀行業成就獎 — 最佳貿易金融銀行獎) by the British Financial Times and the second prize in “Most Outstanding Improvement in Service Quality of Export Factoring Providers” (第42屆年會最佳出口保理商服務質量進步獎第二名) in the 42nd annual meeting of Factors Chain International (FCI).

## **(II) Retail business**

### **1. Retail loans**

In the first half of 2010, the rapid growth of the Company’s retail loans was driven by its Shang Dai Tong loan (商貸通) business. As at 30 June 2010, total retail loans of the Group reached RMB209,334 million, representing an increase of RMB45,938 million, or 28.11%, as compared with the beginning of this year. Out of this amount, the outstanding mortgage loans reached to RMB106,093 million, representing an increase of 6.50% as compared with the previous year and accounting for 50.68% of total retail loans.

# Management Discussion and Analysis

At present, the Shang Dai Tong business of the Company mainly targeted small and micro-enterprises with loan demand of less than RMB5 million. The Company persisted in its stated policies in the choice of geographical area, industry and entry requirements of customers. In 2009, the Company adopted a prudent strategy by launching Shang Dai Tong at ten key branches in the coastal area of Eastern China and gained experience. In 2010, the Company launched nationwide promotion for this product. Satisfactory results were achieved through exchange between branches under the improved regional joint committee system and the conventions set up in connection with the innovation of products for small and micro-enterprises. Building on its initial success, the Company's Shang Dai Tong business continued to maintain its rapid growth in the first half of 2010. Outstanding loans of Shang Dai Tong exceeded the record high of RMB80,000 million and its customer size and ranking improved significantly. As at 30 June 2010, outstanding loans of Shang Dai Tong increased to RMB87,268 million by RMB42,459 million, or 94.76%, as compared with the beginning of this year.

The Company proactively provides its customers with settlement services while developing the business of Shang Dai Tong. The Company strengthened the marketing of "Business Owner Card" (商戶卡), a personalized bank card specifically designed for small and micro-enterprises and a unique identification for owners of such small and micro-enterprises to have access privilege to dedicated financial services of the Company. The settlement efficiency for small and the micro-enterprises can be effectively raised with the use of Business Owner Card to access various convenient settlement channels, such as counters at banking outlets, self-serving banking, internet banking and telephone banking. In addition, the Company provided small and micro-enterprises with even more comprehensive quality financial services through wealth management and associated targeted marketing campaigns. As at 30 June 2010, the total number of customers of Shang Dai Tong was over 70,000 and the number of "Business Owner Card" issued was over 60,000. VIP customers accounted for over 20% of Shang Dai Tong customers and the structure of customer base continued to improve. As at 30 June 2010, the financial assets of individual customers derived from Shang Dai Tong business of the Company amounted to over RMB19,000 million.

In respect of the profit margin of Shang Dai Tong, the pricing of newly-issued loans improved significantly in 2010 as compared with the previous year due to improved loan interest rate structure, resulting in higher product profitability. In addition, the loan business of Shang Dai Tong has effectively optimized the loan structure of the Company.

In respect of risk control over Shang Dai Tong, the Company persisted in following the principles of "the Law of Large Numbers" and "Revenue covering Risks" and made use of the product differentiation management for different industries and customers of different levels so as to enhance the risk management capability of the Company. In 2010, the Shang Dai Tong business of the Company continued to maintain a low non-performing loan ratio, which came to 0.08% as at 30 June 2010.

The Shang Dai Tong business of the Company, characterized by its "high efficiency, diversified products and quality services", offering owners of small and micro-enterprises all-rounded financial services that cover "fast capital financing, safe capital management and better capital efficiency", has established its brand name as a popular service provider among small and micro-enterprises.

# Management Discussion and Analysis

## 2. Retail deposits

Retail deposits of the Company included demand deposits, time deposits and notice deposits. In the first half of 2010, the retail deposits of the Company grew moderately as compared with the previous year. The Company's balance of retail deposit amounted to RMB216,050 million, representing an increase of RMB22,324 million, or 11.52%, as compared with the beginning of this year.

## 3. Debit card business

As at 30 June 2010, the Company had a total of 23.87 million debit cards in issue, including 1.06 million cards issued in 2010.

In 2010, the Company continued to offer the VIP customers with the "5+N" VIP service system, covering services at airports, golf clubs, train stations, medical access and roadside rescue services.

## 4. Credit card business

As at the end of the reporting period, the Company had a total of 8.29 million credit cards in issue with a non-performing rate of 2.46%. The aggregate number of Minsheng platinum, diamond and infinite credit cards in issue reached 280,000, ranking top in China. In the first half of the year, the Company exclusively issued dual currency credit cards with the theme of "2010 FIFA World Cup South Africa" in mainland China, as well as multi-currency credit cards which can be settled in RMB and 6 other currencies, namely the US Dollar, Euro, British Pound Sterling, Australian Dollar, Canadian Dollar and Japanese Yen, allowing the card users to enjoy convenient and cost-saving spending experience during sightseeing, academic and business trips in Europe, Australia and many other places in the world.

## 5. Agency business

The Company provides services such as sale of wealth management products, funds and insurance. The number of funds sold under its agency business reached 547, enabling the Company to maintain its leading position among its peers. The Company also cooperated with 25 insurance companies to optimize its bank insurance platform.

## 6. Customers and related activities

As at 30 June 2010, the Company had a total of 19.05 million retail customers, representing an increase of 0.89 million as compared with the beginning of this year. Among the retail customers, 91,000 customers had individual financial assets of more than RMB500,000, and their balance of deposits was RMB119,100 million, representing 55.13% of the retail deposits balance.

In the first half of 2010, the Company launched the "Apex Wealth Management Expert Seminar" (非凡財富名家講座) targeted at prestigious customers. A series of seminars were held in more than 10 branches, offering our VIP customers a more personal experience in integrated financial services.

# Management Discussion and Analysis

## 7. Private banking business

In the first half of 2010, the private banking business was committed to developing diversified, open-ended and comprehensive product lines and offering high-end customers with personalized financial assets portfolio management. Based on the financial market changes in the first half of the year, the Company launched art work investment products (藝術品投資產品), trust agency services (信託代銷系列產品), recommendation for private equity development projects (私募股權項目開發推介) and credit business for high-end customers (高端客戶授信業務), making significant contribution to the growth of customer base and the size of wealth management assets. Through high class and distinctive marketing activities and non-financial services channels, prestigious customer services were strengthened. Over 20 marketing activities such as private jet journey, yachting, art work appreciation and golf contest were co-organized by the Private Banking SBU and special agencies in branch offices in order to enhance customer's loyalty. In respect of team building, 4 new private banking agencies were commissioned, adding up the number of agencies to 16 in total. As at the end of the reporting period, the total assets of qualified customers of private banking business amounted to RMB33,700 million.

## (III) Treasury business

### 1. Transactions

In the reporting period, the transaction volume of RMB bonds of the Company amounted to RMB976,900 million, representing an increase of 161.83% as compared with the corresponding period of the previous year. The aggregate volume of the Company's foreign exchange market maker transactions reached US\$172,700 million, representing an increase of 156.12% as compared with the corresponding period of the previous year. The transaction volume of proprietary foreign exchange trading amounted to US\$2,150 million, representing an increase of 133.70% as compared with the corresponding period of the previous year. The transaction volume of forward settlement and selling exchange reached US\$1,220 million, representing an increase of 69.44% as compared with the corresponding period of the previous year. The Company also recorded substantial growth in the volumes of spot and forward foreign exchange transactions and individual firm bid foreign exchange transactions as compared with the corresponding period of the previous year.

### 2. Investments

As at the end of the reporting period, the carrying value of RMB debt securities and US-Dollar debt securities held by the Company amounted to RMB192,484 million and US\$740 million, respectively. In 2010, the Company increased the gain of RMB debt securities investment through acquisitions and disposals based on price movements by accurate estimation of the local debt securities market trend. In the first half of 2010, the prices of RMB debt securities were in an upward trend in general, with fluctuations from time to time. The Company maximized the income generated from debt securities investment through increasing investment size. The Company also made profits by selling part of its debt securities by taking the advantage of market price hikes. The investment in foreign currency denominated debt securities remained stable in the first half of 2010.

### 3. Wealth management business

In the first half of 2010, in response to changes in the regulatory policies, the wealth management business of the Company introduced new wealth management services and optimized its business structure and operations. Efforts were also made to ensure the continuous supply of products on a planned basis. Most of the products introduced were of moderate risks which are transparent and manageable. To further expand the wealth management business, the Company strengthened the development of innovative wealth management products with low risk and high yield.

# Management Discussion and Analysis

In the reporting period, the number and size of wealth management products introduced grew significantly. 866 new products were introduced and sales volume amounted to RMB173,500 million.

In the reporting period, major innovations made in wealth management business include:

(1) The operation was further improved and the process-based management mechanism for traditional wealth management products has been realized. In 2010, to comply with changes in the regulatory policies, the Company introduced innovative wealth management products and streamlined the operation to speed up the provision of products. The Company also reallocated its resources to ensure the continuous and stable supply of products. As a result, the number of issuance and amount of loans and principal-guaranteed products under Apex Asset Management (非凡資產管理) grew significantly when compared with the corresponding period of the previous year.

(2) The Company successfully expanded its innovative product portfolio from individual products into series of products. From 2010, the Company changed its approach in product development to expand its product portfolio by developing individual successful products into series of products, such as Art Piece Series (藝術品系列產品) and Securities Series (證券系列產品). The Company also further enhanced its brand image and brand value. In addition, the Company continued to develop the depth and width of its wealth management business by launching new investment products in respect of gold, foreign exchange, standard warehouse receipt financing and large market value transactions.

(3) Significant improvement of sales capacity based on refined channel management. On one hand, the Company fully opened corporate sales channels and management them by “two lines”, e.g. sales channels for inter-bank customers and non-inter-bank customers, which notably improved the level of professional sales. On the other hand, the Company achieved breakthroughs in traditional retail sales channel and online banking channel. The retail sales volume of wealth management products exceeded the total volume in 2009, while the online sales volume exceeded RMB20,000 million.

(4) The brand value of Apex Asset Management further improved as a number of awards were received. Apex Asset Management was awarded the “Outstanding Bank in Wealth Management Brand” (“優秀銀行理財品牌”) in the “Golden Shell Awards for Financial and Wealth Management” (“金融理財金貝獎”) jointly organized by 21st Century Business Herald (《21世紀經濟報導》) and various financial media in 2009.

## 4. Underwriting of bills and bonds

In the first half of 2010, a total of 22 issues of debt financing instruments amounting to RMB16,040 million were underwritten by the Company, including 9 short-term financing bonds, 10 medium-term notes and 1 subordinated bond of RMB7,400 million, RMB8,440 million and RMB160 million, respectively. In addition, the Company was retained as financial adviser for one short-term financing bonds and one medium-term notes.

# Management Discussion and Analysis

## 5. Trading in gold and other precious metals

In the first half of 2010, the Company's trading volumes of gold and silver at the Shanghai Gold Exchange amounted to 180.53 tons and 3,793.81 tons, respectively, and the trading volume of gold in Shanghai Futures Exchange amounted to 20.23 tons. The total trading volume was RMB48,404 million. In terms of on-floor trading value, the Company is the fourth largest dealer at the Shanghai Gold Exchange. Personal trading agency business grew significantly and became a major source of income of precious metals business in 2010.

## (IV) E-banking services

During the reporting period, the Company's e-banking services achieved rapid growth and recorded a total transaction volume of RMB3,449,804 million. The total number of corporate e-banking accounts was 105,000 with a transaction volume of RMB2,305,653 million, while that of individual e-banking accounts was 3,350,000 with a transaction volume of RMB1,127,222 million. The Company had a total of 2,451,000 telephone banking customers, 35,000 mobile phone banking customers and 1,742,000 subscribers to the instant account information delivery services. The "95568" customer service hotline received 12.272 million incoming calls. The call-in connection rate was 98.68% while that for VIP services was 99.53%.

During the reporting period, the Company set up a dedicated service hotline "4008695568" for small and micro-enterprises, providing various advisory services such as loan advisory, appointment-making and account enquiries for owners of small and micro-enterprises and representing a breakthrough in the areas of financial services for small and micro-enterprises. The Company introduced the U-key to improve the security of its e-banking services. The U-keys were printed with the delicate silhouettes of 12 animals of the Chinese zodiac and were well-received by customers. The Company offered free insurance to provide comprehensive protection for individual holders of e-banking accounts. The Company also launched a series of financial products exclusively for U-key e-banking accounts. The Company used the e-banking platform to provide customers with more wealth management products with moderate risk and stable return. Thus, the customers can enjoy the convenience of e-banking services.

In the reporting period, the e-banking services of the Company received various awards, including the "Excellent Customer Services in China" (中國客戶服務突出貢獻榮譽大獎) and "The Best Service Management in China" (中國最佳服務管理獎) awarded by "The Best Customer Services Commission of China" (中國最佳客服委) for 2009/2010; the Minsheng U-key received "The Best Marketing Award in the Financial Industry in China in 2009 – The Innovative Award for Marketing in the Financial Industry" (最佳金融營銷創新獎) from The Banker ("《銀行家》雜誌"), and the "Top Ten Online Banks" in the list of financial and wealth management awarded by Excellent Wealth Management (《卓越理財》) in 2009.

## IX. Risk management

The guiding principle of our risk management regime is "Creating Value by Managing Risks". Our risk management system focuses on the coordinated development of quality, effectiveness and scale. The objective of the risk management of the Company is to enhance our risk management capability, support the development of its business and strategic restructuring, to strengthen its core competitiveness, to safeguard the long term interests of shareholders, customers and employees, and to maximize values for its shareholders.

# Management Discussion and Analysis

In 2009, the Board approved the three-year plan for the development of a comprehensive risk management system, which was sent into full swing this year. The comprehensive risk management system is made effective by the concerted efforts of three lines of defence, namely operation departments, risk management departments and internal audit department. The operating units of different businesses are the first line of defence, which directly control the risks of each transaction and each procedure. The risk management units at all levels constitute the second line of defence. These units map out the basic risk management system and policies and monitor the implementation of policies. The third defence line is laid on the internal audit department. Focusing on risk prevention and compliance through audit and monitoring, the internal audit department carries out supervision, inspection and evaluation of risk management and internal control matters.

The Risk Management Commission is responsible for the overall risk management of the Company and reports to the President and the Risk Management Committee under the Board. Its main duties are: (1) to deliberate on risk profiles, overall risk limits, minimum asset return after adjustments for risks and implement them upon approval of the Board; (2) to deliberate on the basis, method and allowance for estimation of potential losses of risks on assets and implement them upon approval of the Board; (3) to deliberate on the maximum risk exposures of relevant businesses, products, geographical regions and industries and to decide on the relevant control measures and credit approval procedures; (4) to decide on the basic policies and systems for the overall risk management of the Bank; (5) to review the Bank's report on risk assessment and management and decide on proposals for strategic adjustment; (6) to review and approve the risk contingency plan or ongoing improvement plan; (7) to review and approve major risk management initiatives within its authority; and (8) to deliberate on other major risk management matters of the Bank.

## 1. Credit risk management

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

The credit risks of the Company are managed by the credit policy and technical support platform jointly developed by the risk management department, credit assessment department, asset monitoring and control department, legal affairs and compliance department and asset protection department under the coordination of the Risk Management Commission. The risk management system covers the procedures of pre-approval investigation, approval review, post-loan management, collection and preservation of collaterals. Credit risk of on- and off-statement items is also strictly controlled.

Based on a comprehensive and systematic analysis of the economic and financial landscape of the world and China in 2010, as well as the major risks of the macro economy and the financial sector and their effects on the Company, and also considering the basic credit assessment policy as the bottom line, the credit policy of the Company was aimed at achieving a balanced and effective use of credit resources in line with regulatory requirements, customer needs and the development in various industries and regions. It also aimed to realize a balanced development of efficiency, quality, structure and scale.



# Management Discussion and Analysis

## 2. Liquidity risk management

Liquidity risk refers to the risk of being unable to finance funds or liquidate a position at reasonable costs in a timely manner to cope with increase in assets or fund debt obligations. The Company's objective in liquidity risk management is to ensure that it is able to meet all payment obligations and fund all operations in accordance with its development strategy. To this end, the Company effectively identifies, measures, monitors and controls its liquidity risk in relation to the principal business to strike a balance between risk and income.

The Asset and Liability Management Commission is responsible for establishing policies and strategies relating to our overall management of liquidity risk. The Asset and Liability Management Department is responsible for implementing these policies and strategies to monitor and assess liquidity risk. The Company has adopted a series of measures to improve liability structure effectively since the first half of the year and helped boost the growth of deposits, enhance the stability of deposits and reduce potential liquidity risks.

Furthermore, the Company has improved the management of internal fund allocation through continuous efforts to strengthen liquidity monitoring and forecast. The capability of headquarters to centralize fund management and allocation has been strengthened by enhancing the reporting system for substantial funding and adjusting excess reserves of the branches. To avoid potential liquidity risks, the Company has also carried out real-time monitoring and prepared monthly reports on all liquidity control indicators to reflect the liquidity position of the Company in a comprehensive and continuous manner.

## 3. Market risk management

Market risk refers to the risk of market changes having adverse effects on the values of assets and liabilities or the net income. The Company manages its interest rate risk and exchange rate risk in accordance with the requirements of the Guidelines of Market Risk Management of Commercial Banks (商業銀行市場風險管理指引), the Guidelines on Internal Control of Commercial Banks (商業銀行內部控制指引), and the Guidelines on Stress Tests of Commercial Banks (商業銀行壓力測試指引) promulgated by the China Banking Regulatory Commission (CBRC) and the New Basel II Accord. The Company has formulated a management system for market risk through regulation, monitoring and reporting measures governing credit authorization, extension and limit. The Company uses different risk measuring and monitoring methods for banking accounts and trading accounts.

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

The Company measures the interest rate risk of its trading accounts by using duration analysis, sensitivity analysis, stress test and scenario analysis. The Company effectively controls its interest rate risk of transaction accounts by establishing risk limit in respect of sensitivity, duration, exposure and stop-loss, etc.

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

# Management Discussion and Analysis

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

## 4. Operational risk management

Operational risk refers to the risk of loss resulting from incompleteness or faults in internal procedures, human error and system failure, or external events. The operational risk of the Company mainly comprises internal and external risks. Internal risks mainly include risks arising from human error, inappropriate procedures and operation flows and IT system failures. External risks include risks arising out of external contingencies.

Apart from its continuous efforts in its core facilities development, the Company has also strived to streamline the workflow of the systems of its middle and back offices and further specified the functions of its operational risk management. These measures have laid down a solid foundation for full implementation of operational risk management, development of a rationalized and optimized risk management system throughout the Company.

Through actively improving the operational monitoring system and system tools and modifying monitoring modes, the Company has effectively guarded against operational risks.

## 5. Implementation of New Basel II Accord

The Company's plan for implementation of the new capital accord has been sent into full swing this year and all projects are currently progressing as planned. The credit rating system for legal person customers has made substantial progress while the internal credit rating project for retail businesses has been fully launched. Further progress was also made upon the completion of the general structure and planning of market risk projects and the launch of the operational risk management system.

## 6. Anti-money laundering

In the first half of 2010, the Company has adopted various measures to further improve its anti-money laundering efforts and the expected results have been achieved.

Based on the anti-money laundering system formulated last year, the Company has continued to optimize the anti-money laundering contingency mechanism and the guidelines for identifying and reporting suspicious transactions. In addition, the Company has also improved the anti-money laundering standards of all of its branches by conducting on-site examination and establishing a dedicated team of professionals of different levels.

# Management Discussion and Analysis

## X. Major issues in operation and the corresponding measures

In the first half of the year, the global economy has bottomed out and China, in particular, has experienced rapid economic growth. However, the unstable domestic demand, the withdrawal of the economic stimulus plans and the European sovereign debt crisis have resulted in an increase in structural risks during the development of the economy. Furthermore, regulatory policies, such as the implementation of the “Three Measures and One Guideline” (三法一指引), have stipulated new requirements on the business scale, structure and commercial model of the Company. In view of the above issues, the Company has adopted the following major measures:

1. Continued to carry out its strategic adjustment and optimize its business strategy. The Company has steadily implemented the Board’s Five-year Development Outline (五年發展綱要) and the management’s Development Plan (Framework) from 2009 to 2011 (2009–2011年發展規劃(框架)) to strategically transform into a bank for non-state-owned enterprises, small and micro enterprises and high-end customers in order to become a “distinctive and efficient” bank. The Company has continuously enhanced its diversified strategies, strengthened its subsidiary bodies such as leasing and fund subsidiaries and enhanced the establishment and management of township banks.
2. Further carried out the reform towards process-based banking and streamlined the management and operation systems. The Company has launched research on major projects and issues to formulate a general planning framework for process-based banking. The Company has restructured its middle and back offices, pushed forward the reform on performance of its organization structure and the construction of comprehensive risk management system.
3. Enhanced the assets/liabilities management to improve capital efficiency. The Company has strengthened its deposit business and lowered its loan-to-deposit ratios. It has improved business assessment based on economic capital management to pave the way for its transformation into a business model of high capital efficiency for better resources allocation.
4. Fully implemented regulatory policies and improve risk management. The Company has implemented a series of regulatory policies by tightening financial indicator supervision and examining and reducing the six major risks, implementing the “Three Measures and One Guideline” and conducting on-site inspection and supervision to ensure compliance of our operation, risks control and maintenance of asset quality.
5. Adjusted the structure to improve overall efficiency. The Company has adjusted the customer and business structures to put emphasis on the customer strategy targeting on non-state-owned enterprises, small and micro enterprises and high-end customers. It has improved the management and innovation of intermediary businesses. In addition, it has further optimized the SBU reform by reinforcing SBUs’ function to enhance its professional competitive edge and develop businesses with unique characteristics. The collaboration mechanism among different departments has been streamlined for better overall service integration, higher income level and stronger income structure.

# Management Discussion and Analysis

6. Further developed Shang Dai Tong business and improved the strategic position of the retail business. Breakthrough has been made in the small and micro-businesses under the retail operation, facilitating its rapid strategic business transformation. The Company has further optimized the Shang Dai Tong system, enhanced wholesale to conglomerates, supply chains and sales chains operators (一圈兩鏈) and strengthened staff training and systems development. The Company has upgraded the credit card technology and services while improving the services and marketing capability of E-banking for the innovation of high-end customers service model.

Although China's quantitative easing policy will remain, there will be uncertainties in the macro economy in the second half of the year due to the change of focus of the stimulus policy from overall economy to developing China's western region and emerging industries. In view of such changes, the Company will keep track of the economic and political changes, adjust its business structure and manage its risk exposure accordingly. To usher in its fifteenth anniversary, the Company will proactively cope with various operational and management challenges, continue with its efforts in business innovation, speed up the transformation and restructuring of its business to maintain its healthy and stable track record. Particulars of these measures and arrangements are as follows:

1. To carry out the reform and enhance the research of major issues of process-based banking. Through the launch of the standardization plan for organization structure of its branches, the Company will continue to pursue reforms on the business performance in its institutions.
2. To further optimize its structure and develop competitive businesses. The Company will continue to promote the development of its three major strategic businesses through various initiatives such as external collaboration, structural optimization, improvement of assessment and incentives and establishment of technology platform. The Company will improve the management and support of intermediary business and further optimize the income structure. It will also streamline the collaboration mechanism to improve the capability to offer comprehensive services and increase overall income.
3. To strengthen risk management and control to ensure steady operations. The Company will strictly implement and reinforce the "Three Measures and One Guideline" with appropriate risk control over its businesses in relation to the government financing platform, industries with excessive production and the real estate industry loans. The Company will further optimize the credit examination and approval structure and risk management mechanism. Adjustments and optimization will be made for its risk policies to strengthen settlement and clearing efforts and overall efficiency. The Company will improve the establishment of the risk management system, enhance the economic capital management system and optimize the operational mechanism of the Risk Management Commission.

In view of the changing external environment, the Company will carry out corresponding measures and focus on customer strategy on non-state-owned enterprises, small and micro enterprises and high-end customers. The reform of process-based banking will be reinforced while the adjustments of business structure will be made for better integration and efficiency. The Company is committed to accomplishing all tasks for the year and making proactive efforts to develop into a "distinctive and efficient" bank to mark its fifteenth anniversary and build a solid foundation for its "Second Take-off".

# Changes in Share Capital and Information on Shareholders

## I. Changes in Shares

### (I) Changes in Shares

(Unit: Shares)

	31 December 2009		Changes over the reporting period (+, -)					30 June 2010	
	Number of shares	Percentage (%)	Issue of New Shares	Bonus Shares	Shares Capitalized from Capital Reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to restriction									
on sales	290,201,000	1.30	—	—	—	-290,201,000	-290,201,000	—	—
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Of which:									
Domestic legal person shares	—	—	—	—	—	—	—	—	—
Domestic natural person shares	—	—	—	—	—	—	—	—	—
4. Foreign investor shares	290,201,000	1.30	—	—	—	-290,201,000	-290,201,000	—	—
Of which:									
Overseas legal person shares	204,848,000	0.92	—	—	—	-204,848,000	-204,848,000	—	—
Overseas natural person shares	85,353,000	0.38	—	—	—	-85,353,000	-85,353,000	—	—
II. Shares not subject to restriction									
on sales	21,972,076,489	98.70	—	—	—	+290,201,000	+290,201,000	22,262,277,489	100.00
1. Ordinary shares in RMB	18,823,001,989	84.55	—	—	—	—	—	18,823,001,989	84.55
2. Domestic listed foreign invested shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign invested shares	3,149,074,500	14.15	—	—	—	+290,201,000	+290,201,000	3,439,275,500	15.45
4. Others	—	—	—	—	—	—	—	—	—
III. Total number of shares	22,262,277,489	100.00	—	—	—	—	—	22,262,277,489	100.00

# Changes in Share Capital and Information on Shareholders

## (II) Shares subject to restriction on sales and restrictions

(Unit: '0000 shares)

Holders of shares subject to restriction on sales	Shares subject to restriction on sales	Expiry date of lockout period	Additional shares available for listing and trading	Remarks
HKSCC Nominees Limited	29,020	26 May 2010	29,020	All shares subject to restriction on sales held are listed

## II. Top ten shareholders of the Company and their shareholdings

(Unit: Shares)

Total number of shareholders				1,178,395	
Particulars of shareholdings of the top ten shareholders					
Name of shareholders	Type of shareholder	Shareholdings	Shares	Shares subject to restriction on sales	
HKSCC Nominees Limited	/	15.26%	3,397,778,499	—	
New Hope Investment Co., Ltd.	Domestic legal person	4.99%	1,111,322,354	—	
China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001,SH	Domestic legal person	4.31%	959,422,762	—	
China Shipowners Mutual Assurance Association	Domestic legal person	3.39%	754,803,754	—	
Orient Group Incorporation	Domestic legal person	3.33%	740,808,520	—	
China SME Investment Co., Ltd.	Domestic legal person	2.76%	614,962,526	—	
China Oceanwide Holdings Group Co., Ltd.	Domestic legal person	2.62%	582,449,263	—	
Fuxin Group Co., Ltd.	Domestic legal person	2.15%	478,752,597	—	
Sichuan South Hope Industrial Co., Ltd.	Domestic legal person	2.09%	465,255,782	—	
China Life Insurance Co., Ltd. — Dividend — Individual Dividend — 005L — FH002,SH	Domestic legal person	0.91%	202,273,800	—	

# Changes in Share Capital and Information on Shareholders

Shareholdings of top ten holders of shares not subject to restriction on sales		
Shareholders	Shares not subject to restriction on sales	Classes of shares
HKSCC Nominees Limited	3,397,778,499	Overseas listed foreign invested shares (H shares)
New Hope Investment Co., Ltd.	1,111,322,354	Ordinary shares denominated in RMB (A shares)
China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001,SH	959,422,762	Ordinary shares denominated in RMB (A shares)
China Shipowners Mutual Assurance Association	754,803,754	Ordinary shares denominated in RMB (A shares)
Orient Group Incorporation	740,808,520	Ordinary shares denominated in RMB (A shares)
China SME Investment Co., Ltd.	614,962,526	Ordinary shares denominated in RMB (A shares)
China Oceanwide Holdings Group Co., Ltd.	582,449,263	Ordinary shares denominated in RMB (A shares)
Fuxin Group Co., Ltd.	478,752,597	Ordinary shares denominated in RMB (A shares)
Sichuan South Hope Industrial Co., Ltd.	465,255,782	Ordinary shares denominated in RMB (A shares)
China Life Insurance Co., Ltd. — Dividend — Individual Dividend — 005L — FH002,SH	202,273,800	Ordinary shares denominated in RMB (A shares)
Statement on the related relationship or concerted action among the aforesaid shareholders	Both of New Hope Investment Co., Ltd. and Sichuan South Hope Industrial co., Ltd. are controlled by New Hope Group Co., Ltd.; Both of China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001,SH and China Life Insurance Co., Ltd. — Dividend — Individual Dividend — 005L — FH002,SH are accounts under China Life Insurance Co., Ltd.. The Company is not aware of any other related relationship between the shareholders.	

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

## Changes in Share Capital and Information on Shareholders

### III. Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations

As at 30 June 2010, the following persons (other than the Directors, Supervisors and chief executives of the Company) had 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 Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") or as the Company is aware:

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
New Hope Group Co., Ltd.	A	Long	Interests held by the corporations controlled by this substantial shareholder	1,576,578,136*	1 & 4	8.38	7.08
Li Wei	A	Long	Interests held by the corporations controlled by the spouse of this substantial shareholder	1,576,578,136*	2 & 4	8.38	7.08
Liu Chang	A	Long	Interests held by the corporations controlled by this substantial shareholder	1,576,578,136*	3 & 4	8.38	7.08

\* As far as the Company is aware, the above numbers of shares reflected the interests of the relevant substantial shareholders as at 30 June 2010. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.



# Changes in Share Capital and Information on Shareholders

Notes:

1. The 1,576,578,136 A shares comprised 465,255,782 A shares directly held by Sichuan South Hope Industrial Co., Ltd. and 1,111,322,354 A shares directly held by New Hope Investment Co., Ltd. Sichuan South Hope Industrial Co., Ltd. was wholly-owned by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and Sichuan New Hope Agri-Business Co., Ltd. respectively. New Hope Group Co., Ltd. held 45.70% of the issued share capital of Sichuan New Hope Agri-Business Co., Ltd.

According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 465,255,782 A shares held by Sichuan South Hope Industrial Co., Ltd. and in the 1,111,322,354 A shares held by New Hope Investment Co., Ltd. Meanwhile, Sichuan New Hope Agri-Business Co., Ltd. was also deemed to have interests in the 1,111,322,354 A shares held by New Hope Investment Co., Ltd.

2. Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,576,578,136 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares is disclosed in this interim report in the section headed "Interests or Short Positions of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
3. Ms. Liu Chang held 36.35% of the issued share capital of New Hope Group Co., Ltd. (see note 1 above). According to the SFO, Ms. Liu was deemed to have interests in the 1,576,578,136 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).
4. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 1,576,578,136 A shares, as set out in the above table, were the same block of shares.

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as at 30 June 2010 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

The following are meanings of "long position", "short position" and "underlying shares":

Excerpt from Outline of Part XV of the SFO — Disclosure of Interests

"Long position"

You have a "long position" if you have an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which, for example:

- (i) you have a right to take the underlying shares;
- (ii) you are under an obligation to take the underlying shares;
- (iii) you have a right to receive money if the price of the underlying shares increases; or
- (iv) you have a right to avoid or reduce a loss if the price of the underlying shares increases.

"Short position"

You have a "short position" if you:

- (i) borrow shares under a securities borrowing and lending agreement, or
- (ii) hold, write or issue financial instruments (including derivatives) under which, for example:
  - (a) you have a right to require another person to take the underlying shares;
  - (b) you are under an obligation to deliver the underlying shares;
  - (c) you have a right to receive money if the price of the underlying shares declines; or
  - (d) you have a right to avoid a loss if the price of the underlying shares declines.

# Changes in Share Capital and Information on Shareholders

Excerpt from “Disclosure of Interests Form — Directions and instructions for completion of Form”

“Underlying shares” are the shares that may be required to be delivered to you, or by you, under the derivatives (including instruments such as options, warrants, stock futures, etc.), and include the shares used to determine the price or value of the derivatives.

## IV. Issuance of bonds

Pursuant to the Notice on Capital Supplementation Mechanism of Commercial Banks issued by the CBRC (Yin Jian Fa [2009] No. 90) (中國銀監會關於商業銀行資本補充機制的通知(銀監發[2009] 90號)) and within the cap approved by the CBRC, and the approval by the PBOC in its administrative permission decision (Yin Shi Chang Xu Zhun Yu Zi [2010] No. 31) (中國人民銀行准予行政許可決定書(銀市場許准予字[2010]第31號)), the Company has issued subordinated bonds totalling RMB5,800 million in the inter-bank bond market at a fixed interest rate of 4.29% with interest payable each year on 17 June 2010. Such bonds were issued for a term of ten years and are redeemable for one-time at the discretion of the issuer under the approval of CBRC from the fifth anniversary upon such issue to the expiry date. According to applicable rules, the proceeds of RMB5,800 million were fully accounted as supplementary capital.

## V. Share pledge and lock-up in respect of shares held by shareholders with 5% or more equity in the Company

As at 30 June 2010, no shareholder holds shares of the Company of 5% or more (other than HKSCC Nominees Limited).

## VI. Controlling shareholder/ultimate controller

The Company does not have any controlling shareholders or ultimate controller.

## VII. Shareholders with 5% or more equity in the Company

As at 30 June 2010, no shareholder holds shares of the Company of 5% or more (other than HKSCC Nominee Limited).

# Directors, Supervisors, Senior Management and Employees

## I. Directors, Supervisors and Senior Management

### (I) Basic information

Name	Gender	Year of Birth	Position	Term of office	Shares held at beginning of the period (share)	Shares held at end of the period (share)
DONG Wenbiao	M	1957	Chairman & Executive Director	2009.3.23–2012.3.23	0	0
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	2009.3.23–2012.3.23	0	0
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	2009.3.23–2012.3.23	0	0
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	2009.3.23–2012.3.23	0	0
WANG Yugui	M	1951	Non-executive Director	2009.3.23–2012.3.23	0	0
CHEN Jian	M	1958	Non-executive Director	2009.3.23–2012.3.23	0	0
WONG Hei	F	1962	Non-executive Director	2009.3.23–2012.3.23	0	0
SHI Yuzhu	M	1962	Non-executive Director	2009.3.23–2012.3.23	0	0
WANG Hang	M	1971	Non-executive Director	2009.3.23–2012.3.23	0	0
WANG Junhui	M	1971	Non-executive Director	2009.3.23–2012.3.23	0	0
LIANG Jinquan	M	1940	Independent Non-executive Director	2009.3.23–2012.3.23	0	0
WANG Songqi	M	1952	Independent Non-executive Director	2009.3.23–2012.3.23	0	0
Andrew WONG	M	1957	Independent Non-executive Director	2009.3.23–2012.3.23	0	0
QIN Rongsheng	M	1962	Independent Non-executive Director	2009.9.9–2012.3.23	0	0
WANG Lihua	M	1963	Independent Non-executive Director	2009.9.9–2012.3.23	0	0
HAN Jianmin	M	1969	Independent Non-executive Director	2009.9.9–2012.3.23	0	0
HONG Qi	M	1957	Executive Director & President of the Bank	2009.3.23–2012.3.23	0	0
LIANG Yutang	M	1958	Executive Director & Vice President of the Bank	2009.3.23–2012.3.23	0	0
QIAO Zhimin	M	1952	Chairman of the Supervisory Board & Employee Supervisor	2009.3.23–2012.3.23	0	0
XING Jijun	M	1964	Vice Chairman of the Supervisory Board	2009.3.23–2012.3.23	0	0
LU Zhongnan	M	1955	Supervisor	2009.3.23–2012.3.23	0	0
ZHANG Disheng	M	1955	Supervisor	2009.3.23–2012.3.23	0	0
XU Rui	F	1945	External Supervisor	2009.3.23–2012.3.23	0	0
WANG Liang	M	1942	External Supervisor	2009.3.23–2012.3.23	0	0
CHEN Jinzhong	M	1960	Employee Supervisor	2009.3.23–2012.3.23	0	0
WANG Lei	F	1961	Employee Supervisor	2009.3.23–2012.3.23	0	0
SHAO Ping	M	1957	Vice President of the Bank	2009.3.23–2012.3.23	0	0
ZHAO Pinzhang	M	1956	Vice President of the Bank	2009.3.23–2012.3.23	0	0
MAO Xiaofeng	M	1972	Vice President of the Bank & Board Secretary	2009.3.23–2012.3.23	0	0
DUAN Qingshan	M	1957	Chief Financial Officer	2010.4.19–2012.3.23	0	0

# Directors, Supervisors, Senior Management and Employees

Note:

1. Mr. Andrew Wong, an Independent Non-executive Director of the Company, was appointed as a senior consultant of Keefe, Bruyette & Woods Asia Limited on 1 July 2010.
2. Mr. Qin Rongsheng, an Independent Non-executive Director of the Company, resigned from the position of independent non-executive director of Aisino Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 600271)) and China International Marine Containers (Group) Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 000039)) on 23 December 2009 and 26 April 2010 respectively.
3. Mr. Xing Jijun, a Supervisor of the Company, was appointed as a director of Jinzhou Port Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 600190)) on 16 April 2010 and resigned from the position of director of Founder Securities Co., Ltd. on 27 April 2010.
4. Mr. Zhang Disheng, a Supervisor of the Company, is the chief operation officer and an executive director of Stone Group Holdings Limited, which was privatized and delisted from the Hong Kong Stock Exchange on 6 November 2009. Mr. Zhang is also a director of Fairchild Investment Limited, a company listed on Toronto Stock Exchange and renamed as Stone Resources Limited (Stock Code: SRH) on 18 August 2008.
5. At the 9<sup>th</sup> meeting of the 5<sup>th</sup> session of the Board of Directors held on 19 April 2010, Mr. Duan Qingshan was resolved to be appointed as the Chief Financial Officer of China Minsheng Bank and Ms. Wu Touhong resigned from the position of the Chief Financial Officer of China Minsheng Bank.

## (II) Service contracts of Directors and Supervisors

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

## II. Employees

As at the end of the reporting period, the Company had 27,661 employees. In terms of professional specialties, 3,673 were in the management, 12,846 were in the marketing team, and 11,142 were specialists or technicians. In terms of qualifications, 25,138 employees hold college diplomas or above degrees, accounting for 91%. In addition, there were 32 retired employees in the Company.

## III. Business network

As at the end of the reporting period, the Company had set up 29 tier-one branches in 29 cities across China, as well as one representative office in Hong Kong, with 455 banking outlets in total.

# Directors, Supervisors, Senior Management and Employees

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

Name of entity	Number of outlets	Headcount	Total assets (excluding deferred income tax assets) (RMB million)	Address
Head Office	1	8,784	498,951	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	48	2,008	324,215	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	47	1,985	216,333	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	29	1,305	80,471	Yueneng Building, No. 45 Tianhe Road, Yuexiu District, Guangzhou
Shenzhen Branch	32	1,037	73,964	CMBC Building, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	21	928	57,930	No. 20 Jiangnan Road, Jiang'an District, Wuhan
Taiyuan Branch	17	879	65,918	No. 2 Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	19	771	44,961	No. 10 Xidajie, Shijiazhuang
Dalian Branch	15	531	23,046	No. 28 Yan'an Road, Zhongshan District, Dalian
Nanjing Branch	21	985	85,235	No. 20 Hongwu Bei Road, Nanjing
Hangzhou Branch	20	864	81,170	Yuanyang Building, No. 25 Qingchun Road, Hangzhou
Chongqing Branch	17	654	48,533	Tongjiyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	14	549	35,898	CMBC Building, No. 78 Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	14	521	23,325	No. 280 Hudong Road, Fuzhou
Jinan Branch	13	840	43,521	No. 229 Leyuan Street, Jinan
Ningbo Branch	13	440	22,106	No. 348 Minan Road, Jiangdong District, Ningbo
Chengdu Branch	18	737	43,160	No. 2 Remin Nan Road 3 Duan, Chengdu
Tianjin Branch	13	500	37,984	1/F, Tianxin Building, No. 125 Weidi Road, Hexi District, Tianjin
Kunming Branch	14	329	24,523	Chun Tian Yin Xiang Building, No. 331 Huancheng Nan Road, Kunming
Quanzhou Branch	9	273	8,906	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	8	451	26,716	No. 200 Xinghai Street, Suzhou Industrial Park
Qingdao Branch	9	379	21,809	Zhong Gang Plaza, No. 18 Fuzhou Nan Road, Shi Nan District, Qingdao
Wenzhou Branch	7	321	13,977	No. 335 Xincheng Dadao, Wenzhou
Xiamen Branch	8	333	10,322	Lixin Plaza, No. 90 Hubin Nan Road, Xiamen
Zhengzhou Branch	7	271	25,649	CMBC Building, No. 1 CDB Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	6	267	19,813	No. 669 Furong Zhong Road 1 Duan, Changsha
Changchun Branch	3	142	13,638	Ji Xin Building, No. 500 Changchun Street, Nangan District, Changchun
Hefei Branch	2	153	15,303	Tian Qing Building, No. 135 Bozhou Road, Hefei
Nanchang Branch	3	187	23,367	No. 237 Xiangshan Bei Road, Dong Hu District, Nanchang
Shantou Branch	6	227	8,680	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Shantou
Hong Kong Representative Office	1	10	—	36/F, Bank of American Tower, 12 Harcourt Road, Central, Hong Kong
Inter-regions adjustment			(427,273)	
<b>Total</b>	<b>455</b>	<b>27,661</b>	<b>1,592,151</b>	

Note:

- The number of outlets takes into account all types of banking establishments, including the head office, tier-one branches, business departments of branches, tier-two branches, sub-branches and representative offices.
- Total headcount of the Head Office includes the total number of the employees in all SBUs.
- Inter-region adjustments arise from the reconciliation and elimination of inter-region balances.

# Corporate Governance

## I. Corporate governance overview

During the reporting period, the Company continued to focus on establishing a transparent and efficient corporate governance system and optimising and enhancing its corporate governance by putting more efforts in system building. The Company achieved significant progress in directors training, internal control and risk management as follows:

1. During the reporting period, the Company had coordinated and prepared a total of 36 meetings, including 1 Shareholders' General Meeting, 3 Board meetings, 25 meetings of the specialised committees of the Board (2 Strategic Development and Investment Management Committee meetings, 7 Risk Management Committee meetings, 3 Audit Committee meetings, 7 Related Party Transactions Supervision Committee meetings, 2 Compensation and Remuneration Committee meetings and 4 Nomination Committee meetings), 2 meetings of the Supervisory Board and 5 meetings of the specialised committee of the Supervisory Board (2 Nomination and Remuneration Committee meetings and 3 Supervisory Committee meetings).
2. With reference to the domestic and overseas regulatory requirements, the Company has amended the Articles of Association, the Rules of Procedure for Shareholders' General Meeting (股東大會議事規則), the Rules of Procedure for Meeting of the Board of Directors (董事會議事規則) and the Rules of Procedure for Meeting of the Supervisory Board (監事會議事規則), Terms of Reference of Strategic Development and Investment Management Committee (戰略發展與投資管理委員會工作細則), Terms of Reference of Related Party Transactions Supervision Committee (關聯交易控制委員會工作細則), Terms of Reference of Risk Management Committee (風險管理委員會工作細則), Terms of Reference of Audit Committee (審計委員會工作細則), Terms of Reference of Nomination Committee (提名委員會工作細則), Terms of Reference of Compensation and Remuneration Committee (薪酬與考核委員會工作細則), the Administrative Measures on Holdings and Dealings by Directors, Supervisors and Senior Management of Shares in the Company (董事、監事、高級管理人員持有公司股份及其變動管理制度), and formulated the Administrative Measures on Holders of Insider Information (內幕信息知情人管理制度), the Accountability System for Material Errors of Annual Report Information Disclosure (年報信息披露重大差錯責任追究制度) and the Administrative Measures on Delivery and Usage of External Information (外部信息報送和使用管理制度) to further improve the corporate governance.
3. According to the Basic Standard for Enterprise Internal Control (企業內部控制基本規範) and its implementation guidelines, the Company optimized its internal control system and conducted a comprehensive examination of its internal control system to enhance the standard of its internal controls. In respect of the supervision of related party transactions, the Company conducted an investigation to identify new related parties and updated the relevant information in its database. The Company also studied its management model of related party transactions for improvement to cope with changes in operation environment in order to further enhance the efficiency and effectiveness of its management of related party transactions.

# Corporate Governance

4. During the reporting period, the Company organized the 2009 annual results analyst briefing and press conference and the 2010 first quarterly results analyst telephone conference. The Company also organized analyst research on its SBUs and Shang Dai Tong (商貸通), and participated in 12 investment conferences held by local and foreign institutional investors. During the reporting period, more than 80 local and foreign investors visited the Company. The Company published several issues of “Investors” (投資者), a newsletter to investors. The Company won “The Best Investor Relationship Award” in the survey of “Best Management Companies of 2010 in China and Hong Kong” organized by FinanceAsia, and ranked first among financial institutions in China and Hong Kong.
5. A total of 12 issues of Newsletters from the Board of Directors (董事會工作通訊), 50 issues of Internal Circulars (內部參考) and 8 issues of Newsletters from the Supervisory Board (監事會信息通報) were published during the reporting period, serving as a convenient and effective communication platform of corporate governance between the Board of Directors, the Supervisory Board and the Senior Management, and as well as all Directors and Supervisors.
6. During the reporting period, the Supervisory Board performed its responsibilities to supervise and ensure the compliance of our operation and facilitated healthy development of the Company. During the reporting period, the Supervisory Board completed a departure audit upon the retirement of Chief Financial Officer and a special examination of the collaterals of the Company’s corporate clients. In accordance with the Articles of Association and relevant regulatory provisions, the Supervisory Board of the Company has continuously carried out performance appraisals on Directors, Supervisors and Senior Management. During the reporting period, the Supervisory Board of the Company organized two supervisor teams to conduct site investigations of five branches including the Guangzhou branch and the Ji’nan branch according to its working plan and on an ad-hoc basis as required by the Company.
7. During the reporting period, the Company won the Excellent Board of Directors (優秀董事會獎) in the 6<sup>th</sup> Gold Round Table Awards for the Boards of Directors of Chinese Listed Companies (第六屆中國上市公司董事會金圓桌獎). Mr. Dong Wenbiao, Chairman of our Company, was named as “The Best Socially Responsible Chairman (最具社會責任董事長)” and Mr. Mao Xiaofeng, the Vice President of the Bank and Board secretary was awarded as the “Most Innovative Secretary to the Board of Directors (最具創新力董秘)”.

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

During the reporting period, the Company has fully complied with the provisions of the Code of Corporate Governance Practices set out in Appendix 14 of the Hong Kong Listing Rules and has been dedicated to maintaining a high standard of corporate governance.

# Corporate Governance

## II. Shareholders' general meeting

On 18 June 2010, the 2009 AGM of the Company was convened in Beijing. The resolutions reviewed and passed at this meeting included the followings: Resolution on 2009 Annual Report of the Company, Resolution on the 2009 Work Report of the Board of Directors, Resolution on 2009 Work Report of the Supervisory Board, Resolution on 2009 Annual Financial Report, Resolution on 2009 Profit Distribution Plan, Resolution on the 2010 Financial Budget Report, Resolution on the Re-appointment of and Remuneration to the Accounting Firm in 2010, Resolution on Amendment of Certain Provisions in the Rules of Procedure for the Shareholders' General Meeting of China Minsheng Banking Corp., Ltd., Resolution on Amendment of Certain Provisions in the Rules of Procedure for Meeting of the Board of Directors of China Minsheng Banking Corp., Ltd., Resolution on Amendment of Certain Provisions in the Rules of Procedure for Meeting of the Supervisory Board of China Minsheng Banking Corp., Ltd., Resolution on Granting Integrated Related-Party Credit Lines to Lenovo Holdings Limited and Resolution on Amendment to Certain Provisions of the Articles of Association of China Minsheng Banking Corp., Ltd.. Please refer to China Securities Journal, Shanghai Securities News and Securities Times on 19 June 2010 for details.

## III. Meetings of the Board of Directors and its specialized committees

During the reporting period, 25 meetings of the specialized committees under the Board of Directors of the Company were convened, including 2 meetings of Strategic Development and Investment Management Committee, 7 meetings of Risk Management Committee, 3 meetings of Audit Committee, 7 meetings of Related Party Transactions Supervision Committee, 2 meetings of Compensation and Remuneration Committee and 4 meetings of Nomination Committee.

During the reporting period, the Strategic Development and Investment Management Committee under the Board of Directors discussed on 16 designated issues and received and considered 3 special reports; the Risk Management Committee discussed on 16 designated issues and received and considered 2 special reports; the Audit Committee discussed on 10 designated issues and received and considered 3 special reports; the Related Party Transactions Supervision Committee discussed on 21 designated issues and received and considered 4 special reports; the Compensation and Remuneration Committee discussed on 9 designated issues and received and considered 1 special report; and the Nomination Committee discussed on 6 designated issues.

## IV. Internal control and internal audit

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

For the purpose of risk prevention and prudent business operation, since its incorporation, the Company has gradually formed a set of systematic and robust internal control policies in compliance with Commercial Bank Law of the PRC (中華人民共和國商業銀行法), Guidelines for Internal Control of Commercial Banks (商業銀行內部控制指引) and other laws and regulations and regulatory rules. The Board of Directors of the Company attaches high importance to the establishment of internal control system. The Board of Directors reviewed risk management reports, management working reports, special task reports and internal audit reports at Board meetings, specialized committee meetings and various risk management researches and organized risk management trainings and conferences with other banks and financial institutions to understand the internal control of the Company, analyses and discusses related



# Corporate Governance

issues and suggests constructive ideas to the management. The management of the Company rigorously implements the instructions and work plans of the Board of Directors on internal control management to make comprehensive improvement on risk management. This includes improving the compliance with and authority of the internal control policies and procedures and improving the consistent implementation of internal control management, its involvement in processes and daily operations and its compliance with best practices. The Company has formed an effective and standard internal control and management system that incorporates education, early warning, prevention, and incentive and punitive functions, where each department has clearly defined responsibility and cooperates with one another under checks and balances and mutual supervision.

For implementing its operating objectives and development strategies, the Company has formulated internal management rules covering all business and operating activities of its existing management departments and operating units. The Company believes that healthy business development must be supported by sound internal control. Due to the growth of its business and service variety and the complexity of management, the Company has reviewed and improved the internal control system to ensure that the system can meet the needs of its growth. It has also formulated internal control mechanisms for risk prevention, control and rectification to ensure stringent and controllable risk exposure management.

During the reporting period, the Company further improved its internal control system by the following measures: Firstly, the Company continued to implement the process-based banking reform by strengthening the functions of middle and back office. A comprehensive management system of middle and back office was established, which covers customer service, product innovation, marketing activities, risk management, examination and incentives, building of workforce and IT platform. Secondly, the Company continued the construction of risk management system and the adoption of the New Basel II Accord. Non-retailing customer rating and market risk projects had made progress and laid a solid foundation to effectively enhance its risk management capability. Thirdly, in order to provide technical support to the effective implementation of its internal control system, the Company continuously strengthened the construction of the new core system, streamlined all business processes by a customer-oriented approach, and infiltrated its internal control into system control procedures of all business process. Fourthly, the Company strengthened the inspection on effectiveness of its internal control and risk management. Through specific inspections on business lines including credit, treasury and accounting and information technology, and special activities concerning operational risk exposures, the Company further enhanced its supervision and rectification mechanism of risk management and internal control. Fifthly, the Company continued the evaluation of internal control system. The Company conducted a comprehensive examination and evaluation on four branches in Xi'an, Ningbo, Quanzhou and Kunming. The evaluation covered major banking business types and risks. The results of the evaluation were also considered in the performance appraisal of the operating units. The internal control of the Company is therefore effectively improved.

With its internal control system, the Company can prevent, identify and rectify any potential errors and fraudulence in the operation of the Company in a timely manner, ensure the safety and completeness of the Company's assets, and guarantee the truthfulness, accuracy and integrity of its accounting records and information. With a true, accurate, timely and full disclosure of information, the interests of the Company and its investors are protected and the rationality, integrity and effectiveness of the internal control system are realized and have a positive effect on the financial risk management.

# Corporate Governance

## (II) Internal audit

The Internal Audit Department of the Company is a supervisory and evaluation department of the risk management and internal control. It is responsible for performing independent examination and evaluation on all business operations and management activities of the Company, monitoring and examining effectiveness of its internal control and carrying out evaluation and advisory activities for its internal control independently and objectively.

The Company has established an independent internal audit management system. The Internal Audit Department has 4 regional internal audit centers in Northern China, Eastern China, Southern China and Mid-China, and sets up offices, which are managed by the head office directly, for designated internal audit commissioners in all branches and SBUs. The Internal Audit Department reports to the Board of Directors as well as the management. Daily auditing tasks are directly reported to the management. The execution of internal audits and the relevant findings shall also be reported to the management on a regular or temporary basis. Regular reports on internal audits shall be made to the Board of Directors and material internal control findings shall be promptly reported to the Board of Directors.

The Company has set up a standardized internal audit system and an integrated audit examination system comprising on-site and off-site audit and special and regular audit, which covers all business lines and internal management procedures including corporate banking business, retail banking business, financial market, trade finance, credit card, financial accounting and risk management, etc..

In the first half of 2010, the Company performed supervision and examination on internal control of business units through on-site audits, off-site audits, special audits and departure audits, which included 48 on-site audits, 5 off-site special audits and departure audits for 101 persons. The Internal Audit Department issued 265 audit reports. The examinations covered various lines of business, including corporate credit, IT, financial accounting management, personal credit and related party transactions. The problems identified in the audit were tracked and urged to be rectified, the persons responsible for the problems were held accountable. Collaborations among the head office, branches and business management departments in resolving problem were also strengthened. In addition to conducting examination on overall business and process risks, the Company has pushed forward the continuous improvement of the internal control system and the enhancement of management level across the Bank.

## V. Compliance with the Code of Corporate Governance Practices under the Hong Kong Listing Rules

The Company has fully complied with the provisions of the Code of Corporate Governance Practices set out in Appendix 14 of the Hong Kong Listing Rules and most of the suggested best practices set out therein.

# Report of the Board of Directors

## I. Profit appropriation in 2009

The Board of Directors of the Company has distributed bonus issue and dividend to the shareholders according to the 2009 Profit Appropriation Plan which was passed in the 2009 AGM. On the basis of a total of 22,262,277,489 issued shares (including both A Shares and H Shares) as at 31 December 2009, the Company plans to distribute bonus shares and cash dividend to holders of A Shares and H Shares registered in the Company's register of members: a bonus issue of 2 shares for every 10 shares and a cash dividend of RMB0.5 (before tax) for every 10 shares. The cash dividend will be denominated and declared in Renminbi and paid to the holders of A Shares in Renminbi whereas the holders of H Shares will be paid in Hong Kong dollars. Please refer to the announcement of the Company for details of distribution.

## II. Interim profit appropriation in 2010

The Board does not recommend the payment of dividend in respect of the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

## III. Operations and performances of major subsidiaries and investee companies

1. As at 30 June 2010, Minsheng Financial Leasing Co., Ltd., a subsidiary of the Company, had total assets of RMB35,543 million and net assets of RMB3,759million, and posted a net profit of RMB305 million in the first half of 2010.
2. As at 30 June 2010, Minsheng Royal Fund Management Co., Ltd., a subsidiary of the Company, had total assets of RMB103 million and net assets of RMB93 million, and posted a net loss of RMB32.85 million in the first half of 2010.
3. As at 30 June 2010, Pengzhou Minsheng Township Bank Co., Ltd., a subsidiary of the Company, had total assets of RMB448 million and net assets of RMB61.30 million, and posted a net profit of RMB5.93 million in the first half of 2010.
4. As at 30 June 2010, Cixi Minsheng Township Bank Co., Ltd., a subsidiary of the Company, had total assets of RMB1,030 million and net assets of RMB107 million, and posted a net profit of RMB7.20 million in the first half of 2010.
5. As at 30 June 2010, Shanghai Songjiang Minsheng Township Bank Co., Ltd., a subsidiary of the Company, had total assets of RMB1,560 million and net assets of RMB103 million, and posted a net profit of RMB11.19 million in the first half of 2010.
6. As at 30 June 2010, China UnionPay Co., Ltd. completed 2,610 million inter-bank bank card transactions amounting to RMB4,980,000 million, representing increases of 23.1% and 51.8% respectively from the corresponding period of the previous year.

# Report of the Board of Directors

## IV. Equity interests of the Company in other listed companies and financial enterprises

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

None.

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

Company name	Registered capital (RMB million)	Shareholding of the Company	Nature and scope of business	Place of registration
Minsheng Financial Leasing Co., Ltd.	3,200	81.25%	Leasing	Tianjin
Minsheng Royal Fund Management Co., Ltd.	200	60%	Offering and sale of funds	Guangdong
Pengzhou Minsheng Township Bank Co., Ltd.	55	36.36%	Commercial banking	Sichuan
Cixi Minsheng Township Bank Co., Ltd.	100	35%	Commercial banking	Zhejiang
Shanghai Songjiang Minsheng Township Bank Co., Ltd.	100	35%	Commercial banking	Shanghai

## V. Directors' interests in competing business

None of the Directors holds any interests in business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company.

## VI. Securities transactions by Directors, Supervisors and relevant employees

The Company has adopted its own code of conduct regarding Directors' and Supervisors' dealings in the securities on terms no less exacting than the Model Code as set out in the Appendix 10 of the Hong Kong Listing Rules. The Company has made specific enquiries to all Directors and Supervisors to confirm that they have complied with the above-mentioned Code as at 30 June 2010. The Company also formulates guidelines on dealings in securities of the Company by 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 employee.

# Report of the Board of Directors

## VII. Interests or short positions of the Directors and 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 2010, the following Directors of the Company had the following interests in the shares of the Company:

Name	Position	Class of shares	Long/short position	Capacity	No. of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued shares (%)
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporations	1,576,578,136	1	8.38	7.08
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporations	775,894,475	2	4.12	3.49
Wong Hei	Non-executive Director	A	Long position	Interest held by her controlled corporation	478,752,597	3	2.54	2.15
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporations	582,449,263	4	3.09	2.62
Shi Yuzhu	Non-executive Director	A	Long position	Interest held by his controlled corporations	109,800,000	5	0.58	0.49

Notes:

1 The 1,576,578,136 A shares comprised 465,255,782 A shares directly held by Sichuan South Hope Industrial Co., Ltd. and 1,111,322,354 A shares directly held by New Hope Investment Co., Ltd. Sichuan South Hope Industrial Co., Ltd. was wholly-owned by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and Sichuan New Hope Agri-Business Co., Ltd., respectively. New Hope Group Co., Ltd. held 45.70% of the issued share capital of Sichuan New Hope Agri-Business Co., Ltd. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 465,255,782 A shares held by Sichuan South Hope Industrial Co., Ltd. and the 1,111,322,354 A shares held by New Hope Investment Co., Ltd.

As Mr. Liu Yonghao held 63.65% (in which 1.31% was personally held by his spouse, Ms. Li Wei) of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,576,578,136 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 were the same block of shares, 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.

2. The 775,894,475 A shares comprised 740,808,520 A shares directly held by Orient Group Incorporation and 35,085,955 A shares directly held by Orient Group Industrial Co., Ltd. 27.98% of the issued share capital of Orient Group Incorporation was held by Orient Group Industrial Co., Ltd., of which 32.58% of its issued share capital was held by Mr. Zhang Hongwei.

3. The 478,752,597 A shares were held by Fuxin Group Co., Ltd., of which 51.03% of its issued share capital was held by Ms. Wong Hei.

# Report of the Board of Directors

- The 582,449,263 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 96.7% of its issued share capital was held by Oceanwide Group Co., Ltd. Mr. Lu Zhiqiang held 65% of the issued share capital of Oceanwide Group Co., Ltd..
- The 109,800,000 A shares comprised 14,100,000 A shares directly held by Giant Investment Co., Ltd. and 95,700,000 A shares directly held by Shanghai Giant Lifetech Co., Ltd. 95.14% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 95% of its issued share capital was held by Mr. Shi Yuzhu.

(II) As at 30 June 2010, the following Director of the Company had the following interests in Pengzhou Minsheng Township Bank Co., Ltd (彭州民生村鎮銀行有限責任公司), a subsidiary of the Company:

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

Note:

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

(III) As at 30 June 2010, the following Director of the Company had the following interests in Shanghai Songjiang Minsheng Township Bank Co., Ltd. (上海松江民生村鎮銀行股份有限公司), a subsidiary of the Company:

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

Note:

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

Save as disclosed above, as at 30 June 2010, 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, 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

# Report of the Board of Directors

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.

Please refer to 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 for the meanings of “long position”, “short position” and “underlying shares”. Below is the meaning of “associated corporation” as extracted from section 308 of the SFO:

“Associated Corporation” in relation to a listed corporation, means a corporation —

- (a) which is a subsidiary or holding company of the listed corporation or a subsidiary of the listed corporation’s holding company; or
- (b) (not being a subsidiary of the listed corporation) in which the listed corporation has an interest in the shares of a class comprised in its share capital exceeding in nominal value one-fifth of the nominal value of the issued shares of that class.

## VIII. Major connected transactions

In the reporting period, the Company had no major connected transactions. For details of related party transactions under relevant accounting principles as at the end of the reporting period, please refer to note 36 of the combined accounting statements.

## IX. Disciplinary measures and penalties to the Company, the Board of Directors and Directors of the Company

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

## X. Contractual rights and service contracts of Directors and Supervisors

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

# Major Events

## I. Material litigation and arbitration

In the reporting period, the Company had no litigation or arbitration which has significant impact on its operations. As at 30 June 2010, there were 79 outstanding litigations involving the Company as plaintiff for RMB2,710.21 million and 36 outstanding litigations involving the Company as defendant for RMB82.1 million.

## II. Purchase and disposal of assets and mergers and acquisitions

The Company has strictly complied with the provisions of the Articles of Association, the Basic Accounting Rules and the Administrative Measures on Fixed Assets of the Company in its recognition and account management of residual value of retired fixed assets. No event that has resulted in the damage to the interests of shareholders or the loss of assets of the Company occurred.

## III. Material contracts and their performance

The progress of the construction of Shunyi Headquarter Base in Beijing has been satisfactory. All buildings have topped out as scheduled.

## IV. Major guarantees

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

## V. Commitments by the Company

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

## VI. Repurchase, sale or redemption of securities

During the six months ended 30 June 2010, the Group has neither sold any securities of any class of the Company nor repurchased or redeemed any securities of the Company.



# Major Events

## VII. Audit Committee

An Audit Committee has been established in accordance with the requirements of Appendix 14 as set out in the Listing Rules of the Hong Kong Stock Exchange whose members are Mr. Qin Rongsheng (the chairman), Mr. Andrew Wong, Mr. Wang Songqi, Mr. Han Jianmin, Mr. Shi Yuzhu and Ms. Wong Hei. The main responsibilities of the Audit Committee include reviewing and providing supervision over the financial reporting procedures and internal controls of the Company and providing advices to the Board. The Audit Committee of the Company has reviewed and confirmed the interim results announcement for the six months ended 30 June 2010 and the interim report of 2010.

## VIII. Other major events

The Company has issued subordinated bonds totalling RMB5,800 million in the inter-bank bond market, which were issued for a term of ten years. Such bonds are redeemable at the discretion of the issuer from the fifth anniversary upon such issue to the maturity date, and all the bonds were at a fixed interest rate. As at 17 June 2010 subordinated bonds totalling RMB5,800 million were fully credited to the account of the Company, marking the completion of this public offering. According to applicable rules, the proceeds from RMB5,800 million were fully accounted as supplementary capital. For details, please refer to China Securities Journal, Shanghai Securities News and The Securities Times on 23 June 2010.

# Index of Reference

- I. Financial statements bearing the signatures and seals of three Directors.
- II. Original copy of the interim report bearing the signatures of the Directors and senior executives of the Company.
- III. All original copies of documents and announcements disclosed to the public during the report period in the China Securities Journal, Shanghai Securities News and the Securities Times.
- IV. Articles of Association of the Company.

**Dong Wenbiao**

*Chairman of the Board of Directors*

**China Minsheng Banking Corp., Ltd.**

10 August 2010

# Financial Reports

- I. Report on review of interim financial information.
- II. Financial statements (condensed consolidated income statement, condensed consolidated statements of 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 condensed interim financial information.

# Report on Review of Interim Financial Information



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**To the board of directors of China Minsheng Banking Corp., Ltd.**

(incorporated in the People's Republic of China with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 67 to 121, which comprises the condensed consolidated statement of financial position of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June, 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of 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 of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 10 August 2010

# Condensed Consolidated Income Statement

(All amounts in Rmb millions unless otherwise stated)

	Note	Six months ended 30 June	
		2010 (unaudited)	2009 (audited)
Interest income	5	31,688	24,634
Interest expense	5	(10,523)	(10,684)
Net interest income		21,165	13,950
Fee and commission income	6	4,659	2,442
Fee and commission expense		(150)	(144)
Net fee and commission income		4,509	2,298
Net trading income	7	99	23
Net gain on disposal of available-for-sale securities	8	308	4,959
Impairment losses on assets	9	(2,263)	(2,851)
Operating expenses	10	(11,587)	(8,378)
Other operating expenses		(616)	(415)
Profit before income tax		11,615	9,586
Income tax expense	11	(2,691)	(2,207)
Net profit		8,924	7,379
Net profit attributable to:			
Equity holders of the Bank		8,866	7,374
Non-controlling interests		58	5
		8,924	7,379
Earnings per share (expressed in Rmb per share)			
— basic	12	0.40	0.39
— diluted	12	0.40	0.39
Dividends		—	—

The accompanying notes form an integral part of this interim financial information.

# Condensed Consolidated Statement of Comprehensive Income

(All amounts in Rmb millions unless otherwise stated)

	Note	Six months ended 30 June	
		2010 (unaudited)	2009 (audited)
Net profit		8,924	7,379
Other comprehensive income/(loss):			
Available-for-sale securities — net, before tax	32	252	(3,317)
Available-for-sale securities — tax	32	(63)	824
Other comprehensive income/(loss), net of tax		189	(2,493)
Total comprehensive income		9,113	4,886
Total comprehensive income attributable to:			
Equity holders of the Bank		9,055	4,881
Non-controlling interests		58	5
		9,113	4,886

The accompanying notes form an integral part of this interim financial information.

# Condensed Consolidated Statement of Financial Position

(All amounts in Rmb millions unless otherwise stated)

	Note	As at 30 June 2010 (unaudited)	As at 31 December 2009 (audited)
<b>ASSETS</b>			
Cash and due from banks and other financial institutions	13	119,713	66,312
Precious metals		457	265
Balances with central banks	14	231,964	221,590
Trading financial assets	15	12,130	4,747
Derivative financial assets	16	499	465
Placements with banks and other financial institutions	17	87,038	73,015
Loans and advances to customers	18	937,612	867,738
Investment securities:			
— available-for-sale	19	54,455	49,035
— held-to-maturity	19	92,082	57,142
— loans and receivables	19	40,669	45,567
Finance lease receivables	20	25,645	16,874
Property and equipment	21	8,573	8,068
Deferred income tax assets	22	3,646	3,181
Other assets	24	16,293	12,393
<b>Total assets</b>		<b>1,630,776</b>	<b>1,426,392</b>

# Condensed Consolidated Statement of Financial Position

(All amounts in Rmb millions unless otherwise stated)

	Note	As at 30 June 2010 (unaudited)	As at 31 December 2009 (audited)
<b>LIABILITIES</b>			
Deposits from customers	25	1,319,560	1,127,938
Due to and placements from banks and other financial institutions	26	145,146	152,317
Borrowings from foreign governments		341	391
Borrowings from banks and other financial institutions		21,020	13,871
Derivative financial liabilities		443	395
Provisions		1,809	1,269
Debt securities in issue	27	22,666	23,060
Current income tax liabilities		2,732	3,870
Other liabilities	28	20,165	14,387
<b>Total liabilities</b>		<b>1,533,882</b>	<b>1,337,498</b>
<b>EQUITY</b>			
Share capital	29	22,262	22,262
Capital reserve	29	38,075	38,075
Surplus reserve		4,184	4,184
General reserve		10,904	10,904
Retained earnings		20,256	12,503
Reserve for fair value changes of available-for-sale securities	32	295	106
<b>Capital and reserves attributable to the equity holders of the Bank</b>		<b>95,976</b>	<b>88,034</b>
Non-controlling interests in equity		918	860
<b>Total equity</b>		<b>96,894</b>	<b>88,894</b>
<b>Total equity and liabilities</b>		<b>1,630,776</b>	<b>1,426,392</b>

Approved and authorized for issue by the Board of Directors on 10 August 2010.

**Dong Wenbiao** *Chairman*

**Hong Qi** *Director and president*

**Wang Songqi** *Director*

The accompanying notes form an integral part of this interim financial information.



# Condensed Consolidated Statement of Changes in Equity

(All amounts in Rmb millions unless otherwise stated)

		Attributable to the equity holders of the Bank							Total equity
Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Reserve for fair value changes of available-for-sale securities	Non-controlling interests		
	22,262	38,075	4,184	10,904	12,503	106	860	88,894	
	—	—	—	—	8,866	189	58	9,113	
31	—	—	—	—	(1,113)	—	—	(1,113)	
	22,262	38,075	4,184	10,904	20,256	295	918	96,894	

		Attributable to the equity holders of the Bank							Total equity
Note	Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Reserve for fair value changes of available-for-sale securities	Non-controlling interests		
	18,823	14,768	2,983	8,001	6,009	3,296	792	54,672	
	—	—	—	—	7,374	(2,493)	5	4,886	
31	—	—	—	—	(1,506)	—	—	(1,506)	
	18,823	14,768	2,983	8,001	11,877	803	797	58,052	
	18,823	14,768	2,983	8,001	11,877	803	797	58,052	
	—	—	—	—	4,730	(697)	(1)	4,032	
	3,439	23,311	—	—	—	—	65	26,815	
30	—	—	1,201	—	(1,201)	—	—	—	
30	—	—	—	2,903	(2,903)	—	—	—	
	—	(4)	—	—	—	—	(1)	(5)	
	22,262	38,075	4,184	10,904	12,503	106	860	88,894	

The accompanying notes form an integral part of this interim financial information.

# Condensed Consolidated Statement of Cash Flows

(All amounts in Rmb millions unless otherwise stated)

	Note	Six months ended 30 June	
		2010 (unaudited)	2009 (audited)
Cash flows from operating activities			
Profit before income tax		11,615	9,586
Adjustments for:			
Impairment losses on assets		2,263	2,850
Depreciation and amortization		451	336
Changes in provisions		540	452
Gains on disposal of property and equipment and other long-term assets		—	(1)
Losses from fair value changes		8	8
Net gains on disposal of available-for-sale securities		(308)	(4,959)
Interest expense on debt securities in issue and other financing activities		464	761
Interest income from investment securities		(2,636)	(2,657)
Payment of income tax		(2,081)	(1,821)
Net changes in operating assets and liabilities:			
Net (increase)/decrease in due from banks and other financial institutions		(3,476)	1,783
Net increase in precious metals		(192)	(133)
Net increase in restricted balances with central banks		(33,551)	(22,667)
Net increase in trading financial assets		(7,377)	(2,910)
Net increase in placements with banks and other financial institutions		(14,023)	(122,129)
Net increase in loans and advances to customers		(72,039)	(246,544)
Net increase in other assets		(16,719)	(4,134)
Net increase in deposits from customers		191,622	289,523
Net (decrease)/increase in due to and placements from banks and other financial institutions		(7,171)	60,842
Net increase in borrowed from other financial institutions		7,149	8,120
Net increase in other liabilities		7,928	148
Net cash from/(utilised by) operating activities		62,467	(33,546)

# Condensed Consolidated Statement of Cash Flows

(All amounts in Rmb millions unless otherwise stated)

	Note	Six months ended 30 June	
		2010 (unaudited)	2009 (audited)
Cash flows from investing activities			
Proceeds from disposal of investment securities		57,097	56,727
Interest received from investment securities		2,944	7,616
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		3	2
Purchase of investment securities		(87,465)	(80,362)
Purchase of property and equipment, intangible assets and other long-term assets		(1,937)	(1,260)
Net cash utilised by investing activities		(29,358)	(17,277)
Cash flows from financing activities			
Proceeds from issuance of debt securities		5,771	4,983
Repayments for debt securities		(6,000)	(12,666)
Payments for interest		(630)	(984)
Payments for dividends		—	(1,506)
Net cash utilised by financing activities		(859)	(10,173)
Cash and cash equivalents at beginning of the year		161,750	112,302
Effect of foreign exchange rate changes		(240)	28
Cash and cash equivalents at end of the year	33	193,760	51,334

The accompanying notes form an integral part of this interim financial information.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 1 General information

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

The Bank has a primary listing on the Shanghai Stock Exchange in 2000. In 2009, the Bank issued 3,439,275,500 ordinary shares through offerings related to listings on the Stock Exchange of Hong Kong Limited, and the total issued share capital increased to Rmb22.26 billion.

The Bank and its subsidiaries (together the “Group”) provides retail and corporate banking, leasing and fund management services in China. As at 30 June 2010, the Bank has 29 tier one branches and 5 subsidiaries in China.

This condensed consolidated interim information is presented in millions of units of Renminbi (“Rmb”), unless otherwise stated. This condensed consolidated interim information was approved for issue by the Board of Directors on 10 August 2010.

## 2 Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information has been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS34”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

Except as described below, the accounting policies applied are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2009.

### a Standards, amendments and interpretations have been issued and are effective for the financial year beginning on or after 1 January 2010

The following amendments which became effective beginning on or before 1 January 2010 is relevant to the Group:

<b>Amendment</b>	<b>Content</b>	<b>Applicable for financial years beginning on/after</b>
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 July 2009

The application of these interpretations had no material effect on the Group’s operating results or financial position.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 2 Basis of preparation and accounting policies (Continued)

### a Standards, amendments and interpretations have been issued and are effective for the financial year beginning on or after 1 January 2010 (Continued)

The following standards and interpretations became effective for the financial years beginning on or before 1 January 2010, but was not relevant for the Group's operations:

Standard/ Amendment/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 1	Additional exemptions for first-time adopters	1 January 2010
IFRS 2	Group cash-settled share-based payment transaction	1 January 2010
IFRS 3	Business combinations	1 July 2009
IAS 17	Classification of leases of land and buildings	1 January 2010
IAS 27	Consolidated and separate financial statements	1 July 2009
IAS 39	Financial instruments: Recognition and measurement — eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers Annual improvements 2009	1 July 2009 1 January 2010

### b The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2010 and have not been early adopted by the Group:

Standard/ Amendment/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 7	Financial instruments: Disclosures	1 January 2011
IFRS 9	Financial Instruments: Classification and measurement	1 January 2013
IAS 1	Presentation of financial statements	1 January 2011
IAS 24	Related party disclosures	1 January 2011
IAS 34	Interim financial reporting	1 January 2011
IFRIC 13	Customer loyalty programmes	1 January 2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 2 Basis of preparation and accounting policies (Continued)

### **b The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2010 and have not been early adopted by the Group: (Continued)**

For IFRS 9, the Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

In addition, 'Annual Improvements 2010' were issued in May 2010. This annual improvements process provides a vehicle for making non-urgent but necessary amendments to IFRSs. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. No amendment was early adopted by the Group and no material changes to accounting policies are expected as a result of these improvements.

Except for the application of IFRS 9, the adoption of other standards, amendments and interpretations as mentioned above is not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

Where necessary, the comparative figures have been reclassified to conform to the presentation of the current period. This reclassification does not affect the operating results and overall financial position of the Group and the Bank during the comparative periods.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management

### (1) Credit risk

The following tables represent the worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements attached.

	30 June 2010	31 December 2009
Credit risk exposures relating to on statement assets are as follows:		
Due from banks and other financial institutions	114,112	61,848
Balances with central banks	231,964	221,590
Trading financial assets	12,130	4,747
Derivative financial assets	499	465
Placements with banks and other financial institutions	87,038	73,015
Loans and advances to customers		
— Loans to corporate entities	729,939	705,697
— Loans to individuals	207,673	162,041
Investment securities		
— Debt securities	187,081	151,619
Finance lease receivables	25,645	16,874
Other financial assets	14,077	11,090
<b>Subtotal</b>	<b>1,610,158</b>	<b>1,408,986</b>
Credit risk exposures relating to off statement items are as follows:		
Acceptances	255,752	216,657
Trade finance arrangement*	53,235	24,349
Letters of guarantee	43,700	45,593
Unused credit card limits	19,022	28,466
Letters of credit	16,120	15,094
Irrevocable loan commitment	8,419	7,852
Finance lease commitment	1,990	1,841
<b>Subtotal</b>	<b>398,238</b>	<b>339,852</b>
<b>Total</b>	<b>2,008,396</b>	<b>1,748,838</b>

\* Trade finance arrangement refers to the arrangement that the Bank, at the request of its customer, authorizes a paying bank to finance the trade transaction of the customer on its behalf.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (2) Market risk

The following table presents the Group's foreign exchange risk exposures at the reporting dates. The carrying value of financial instruments denominated in foreign currencies have been converted into Rmb.

#### a Currency risk

	RMB	USD	HKD	Others	Total
30 June 2010					
Cash and due from banks and other financial institutions	112,818	5,091	535	1,269	119,713
Balances with central banks	230,777	1,113	74	—	231,964
Placements with banks and other financial institution	77,782	9,007	—	249	87,038
Loans and advances to customers	922,010	14,281	4	1,317	937,612
Investment securities	182,613	4,495	98	—	187,206
Finance lease receivable	25,645	—	—	—	25,645
Other financial assets	26,258	408	1	496	27,163
<b>Total financial assets</b>	<b>1,577,903</b>	<b>34,395</b>	<b>712</b>	<b>3,331</b>	<b>1,616,341</b>
Deposits from customers	1,296,810	19,510	1,218	2,022	1,319,560
Due to and placements from banks and other financial institutions	140,399	4,175	526	46	145,146
Borrowings from other financial institutions	21,020	—	—	—	21,020
Debt securities in issue	22,666	—	—	—	22,666
Other financial liabilities	13,542	290	5	252	14,089
<b>Total financial liabilities</b>	<b>1,494,437</b>	<b>23,975</b>	<b>1,749</b>	<b>2,320</b>	<b>1,522,481</b>
<b>Net on statement financial position</b>	<b>83,466</b>	<b>10,420</b>	<b>(1,037)</b>	<b>1,011</b>	<b>93,860</b>
Foreign currency derivatives	6	33	—	(12)	27
Credit commitments	353,787	40,021	222	4,208	398,238



# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (2) Market risk (Continued)

#### a Currency risk (Continued)

	RMB	USD	HKD	Others	Total
31 December 2009					
Cash and due from banks and other financial institutions	44,819	11,055	8,794	1,644	66,312
Balances with central banks	220,528	995	67	—	221,590
Placements with banks and other financial institution	68,997	3,138	880	—	73,015
Loans and advances to customers	855,456	11,519	2	761	867,738
Investment securities	146,546	5,084	—	114	151,744
Finance lease receivable	16,874	—	—	—	16,874
Other financial assets	15,927	310	1	329	16,567
<b>Total financial assets</b>	<b>1,369,147</b>	<b>32,101</b>	<b>9,744</b>	<b>2,848</b>	<b>1,413,840</b>
Deposits from customers	1,113,361	11,133	1,247	2,197	1,127,938
Due to and placements from banks and other financial institutions	150,554	1,612	133	18	152,317
Borrowings from other financial institutions	13,871	—	—	—	13,871
Debt securities in issue	23,060	—	—	—	23,060
Other financial liabilities	10,271	305	7	310	10,893
<b>Total financial liabilities</b>	<b>1,311,117</b>	<b>13,050</b>	<b>1,387</b>	<b>2,525</b>	<b>1,328,079</b>
<b>Net on statement financial position</b>	<b>58,030</b>	<b>19,051</b>	<b>8,357</b>	<b>323</b>	<b>85,761</b>
Foreign currency derivatives	(31)	21	—	32	22
Credit commitments	298,476	37,288	189	3,899	339,852

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (2) Market risk (Continued)

#### b Interest rate risk

The table below summarizes the exposure to interest rate risks. It includes the financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
30 June 2010						
Financial assets:						
Cash and due from banks and other financial institutions	105,752	8,360	—	—	5,601	119,713
Balances with central banks	231,964	—	—	—	—	231,964
Placements with banks and other financial institutions	64,319	22,619	100	—	—	87,038
Loans and advances to customers	829,537	98,109	8,480	1,486	—	937,612
Investment securities	44,604	62,355	53,618	26,504	125	187,206
Finance lease receivables	25,645	—	—	—	—	25,645
Other financial assets	10,570	3,843	4,153	1,236	7,361	27,163
<b>Total financial assets</b>	<b>1,312,391</b>	<b>195,286</b>	<b>66,351</b>	<b>29,226</b>	<b>13,087</b>	<b>1,616,341</b>
Financial liabilities:						
Deposits from customers	964,276	336,751	18,311	222	—	1,319,560
Due to and placements from banks and other financial institutions	130,018	15,128	—	—	—	145,146
Borrowings from other financial institutions	13,644	7,376	—	—	—	21,020
Debt securities in issue	—	8,711	7,213	6,742	—	22,666
Other financial liabilities	6,684	33	75	233	7,064	14,089
<b>Total financial liabilities</b>	<b>1,114,622</b>	<b>367,999</b>	<b>25,599</b>	<b>7,197</b>	<b>7,064</b>	<b>1,522,481</b>
<b>Total interest repricing gap</b>	<b>197,769</b>	<b>(172,713)</b>	<b>40,752</b>	<b>22,029</b>	<b>6,023</b>	<b>93,860</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (2) Market risk (Continued)

#### b Interest rate risk (Continued)

	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non- interest bearing	Total
31 December 2009						
Financial assets:						
Cash and due from banks						
and other financial institutions	57,932	3,916	—	—	4,464	66,312
Balances with central banks	221,590	—	—	—	—	221,590
Placements with banks and other financial institutions	61,287	11,628	100	—	—	73,015
Loans and advances						
to customers	757,941	98,315	9,155	2,327	—	867,738
Investment securities	14,659	54,420	54,548	27,992	125	151,744
Finance lease receivables	16,874	—	—	—	—	16,874
Other financial assets	7,400	2,211	1,225	302	5,429	16,567
<b>Total financial assets</b>	<b>1,137,683</b>	<b>170,490</b>	<b>65,028</b>	<b>30,621</b>	<b>10,018</b>	<b>1,413,840</b>
Financial liabilities:						
Deposits from customers	917,697	190,981	18,774	486	—	1,127,938
Due to and placements from banks and other financial institutions	121,989	23,328	7,000	—	—	152,317
Borrowings from other financial institutions	9,121	4,750	—	—	—	13,871
Debt securities in issue	—	12,175	4,135	6,750	—	23,060
Other financial liabilities	6,099	63	79	281	4,371	10,893
<b>Total financial liabilities</b>	<b>1,054,906</b>	<b>231,297</b>	<b>29,988</b>	<b>7,517</b>	<b>4,371</b>	<b>1,328,079</b>
<b>Total interest repricing gap</b>	<b>82,777</b>	<b>(60,807)</b>	<b>35,040</b>	<b>23,104</b>	<b>5,647</b>	<b>85,761</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (3) Liquidity risk

#### a Maturity analysis

The table below analyses the assets and liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date.

	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Total
30 June 2010								
Financial Assets:								
Cash and due from banks and other financial institutions	66,260	31,800	13,293	8,360	—	—	—	119,713
Balances with central banks	231,964	—	—	—	—	—	—	231,964
Placements with banks and other financial institutions	—	50,384	9,987	23,319	3,348	—	—	87,038
Loans and advances to customers	—	47,824	92,512	350,611	273,491	168,029	5,145	937,612
Investment securities								
— available-for-sale	—	703	2,409	18,195	21,284	11,864	—	54,455
— held-to-maturity	—	3,926	5,681	29,905	40,190	12,380	—	92,082
— loans and receivables	—	9,800	15,587	6,650	1,762	6,870	—	40,669
Finance lease receivables	—	658	986	5,502	16,979	1,520	—	25,645
Other financial assets	—	2,550	1,297	8,615	12,010	2,691	—	27,163
<b>Total financial assets</b>	<b>298,224</b>	<b>147,645</b>	<b>141,752</b>	<b>451,157</b>	<b>369,064</b>	<b>203,354</b>	<b>5,145</b>	<b>1,616,341</b>
Financial Liabilities:								
Deposits from customers	635,904	201,611	127,465	253,253	93,105	8,222	—	1,319,560
Due to and placements from banks and other financial institutions	35,057	48,070	23,431	21,600	16,960	28	—	145,146
Borrowings from other financial institutions	—	530	3,439	16,211	840	—	—	21,020
Debt securities in issue	—	—	—	—	5,998	16,668	—	22,666
Other financial liabilities	—	3,742	147	7,709	1,709	782	—	14,089
<b>Total financial liabilities</b>	<b>670,961</b>	<b>253,953</b>	<b>154,482</b>	<b>298,773</b>	<b>118,612</b>	<b>25,700</b>	<b>—</b>	<b>1,522,481</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (3) Liquidity risk (Continued)

#### a Maturity analysis (Continued)

	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Total
31 December 2009								
Financial Assets:								
Cash and due from banks and other financial institutions	43,832	11,066	7,495	3,919	—	—	—	66,312
Balances with central banks	221,590	—	—	—	—	—	—	221,590
Placements with banks and other financial institutions	—	55,849	1,350	12,128	3,688	—	—	73,015
Loans and advances to customers	—	51,676	96,156	321,357	271,614	122,137	4,798	867,738
Investment securities								
— available-for-sale	—	613	2,004	5,672	27,796	12,950	—	49,035
— held-to-maturity	—	580	4,828	11,014	32,670	8,050	—	57,142
— loans and receivables	—	90	2,416	31,747	2,247	9,067	—	45,567
Finance lease receivables	—	448	640	3,087	11,470	872	357	16,874
Other financial assets	—	294	621	6,411	7,652	1,589	—	16,567
<b>Total financial assets</b>	<b>265,422</b>	<b>120,616</b>	<b>115,510</b>	<b>395,335</b>	<b>357,137</b>	<b>154,665</b>	<b>5,155</b>	<b>1,413,840</b>
Financial Liabilities:								
Deposits from customers	551,715	189,072	108,183	195,335	82,647	986	—	1,127,938
Due to and placements from banks and other financial institutions	38,184	70,312	11,493	5,200	27,100	28	—	152,317
Borrowings from other financial institutions	—	250	—	13,021	600	—	—	13,871
Debt securities in issue	—	—	—	6,088	6,087	10,885	—	23,060
Other financial liabilities	31	814	255	7,494	1,769	530	—	10,893
<b>Total financial liabilities</b>	<b>589,930</b>	<b>260,448</b>	<b>119,931</b>	<b>227,138</b>	<b>118,203</b>	<b>12,429</b>	<b>—</b>	<b>1,328,079</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (3) Liquidity risk (Continued)

#### b Non-derivative cash flows

The table below presents the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on its estimation of expected future cash flows.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
30 June 2010						
Financial Liabilities:						
Deposits from customers	839,867	129,388	257,860	105,059	9,849	1,342,023
Due to and placements from banks and other financial institutions	83,207	23,822	22,703	17,991	28	147,751
Borrowings from other financial institutions	531	3,634	16,421	882	—	21,468
Debt securities in issue	—	—	970	9,506	23,113	33,589
Other financial liabilities	3,719	102	1,003	1,572	611	7,007
<b>Total financial liabilities (contractual maturity date)</b>	<b>927,324</b>	<b>156,946</b>	<b>298,957</b>	<b>135,010</b>	<b>33,601</b>	<b>1,551,838</b>
Financial Assets:						
Total financial assets (expected maturity date)	449,776	146,648	524,843	469,522	237,688	1,828,477
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2009						
Financial Liabilities:						
Deposits from customers	745,540	109,224	200,088	92,726	1,125	1,148,703
Due to and placements from banks and other financial institutions	110,004	11,730	5,949	29,795	28	157,506
Borrowings from other financial institutions	260	51	13,279	638	—	14,228
Debt securities in issue	—	277	6,616	8,737	16,347	31,977
Other financial liabilities	835	202	1,498	1,687	400	4,622
<b>Total financial liabilities (contractual maturity date)</b>	<b>856,639</b>	<b>121,484</b>	<b>227,430</b>	<b>133,583</b>	<b>17,900</b>	<b>1,357,036</b>
Financial Assets:						
Total financial assets (expected maturity date)	393,459	120,275	394,477	427,321	211,290	1,546,822

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (3) Liquidity risk (Continued)

#### c Derivative cash flow

##### (i) 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 table below analyzes the Group's derivative financial instruments that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
30 June 2010						
Interest rate derivatives	(5)	6	(3)	8	—	6
Credit derivatives	—	—	—	—	—	—
Total	(5)	6	(3)	8	—	6
31 December 2009						
Interest rate derivatives	(8)	4	2	6	—	4
Credit derivatives	—	—	—	1	—	1
Total	(8)	4	2	7	—	5

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (3) Liquidity risk (Continued)

#### c Derivative cash flow (Continued)

##### (ii) Derivatives settled on a gross basis

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

- Foreign exchange derivatives: currency forwards, currency swaps, currency options.
- Precious metal derivatives: precious metal forwards.

The table below analyzes the derivative financial instruments that will be settled on a gross basis in to relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
30 June 2010						
Foreign exchange derivatives						
— Cash outflow	(12,522)	(15,453)	(12,042)	—	—	(40,017)
— Cash inflow	12,539	15,465	12,041	—	—	40,045
Precious metal derivatives						
— Cash outflow	(31)	—	—	—	—	(31)
— Cash inflow	32	—	—	—	—	32
Total cash outflow	(12,553)	(15,453)	(12,042)	—	—	(40,048)
Total cash inflow	12,571	15,465	12,041	—	—	40,077
31 December 2009						
Foreign exchange derivatives						
— Cash outflow	(4,458)	(2,086)	(11,230)	—	—	(17,774)
— Cash inflow	4,491	2,087	11,234	—	—	17,812
Precious metal derivatives						
— Cash outflow	(213)	(799)	(333)	—	—	(1,345)
— Cash inflow	214	781	334	—	—	1,329
Total cash outflow	(4,671)	(2,885)	(11,563)	—	—	(19,119)
Total cash inflow	4,705	2,868	11,568	—	—	19,141



# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Financial risk management (Continued)

### (3) Liquidity risk (Continued)

#### d Off statement items

Contractual maturity is used by the management as best estimate to analyze the liquidity risk of off statement items, unless the objective evidence of default is identified.

	No later than 1 year	1 to 5 years	Over 5 years	Total
30 June 2010				
Acceptances	255,752	—	—	255,752
Trade finance arrangement	53,235	—	—	53,235
Letters of guarantee	20,161	21,473	2,066	43,700
Unused credit card limits	19,022	—	—	19,022
Letters of credit	14,840	1,280	—	16,120
Irrevocable loan commitments	1,553	1,676	5,190	8,419
Capital commitments	371	5,735	—	6,106
Operating lease commitments	1,158	2,763	1,266	5,187
Financial lease commitments	1,792	198	—	1,990
<b>Total</b>	<b>367,884</b>	<b>33,125</b>	<b>8,522</b>	<b>409,531</b>
31 December 2009				
Acceptances	216,657	—	—	216,657
Letters of guarantee	19,225	24,334	2,034	45,593
Unused credit card limits	28,466	—	—	28,466
Trade finance arrangement	24,349	—	—	24,349
Letters of credit	14,392	697	5	15,094
Irrevocable loan commitments	1,766	67	6,019	7,852
Operating lease commitments	875	2,557	852	4,284
Capital commitments	790	2,509	—	3,299
Financial lease commitments	1,841	—	—	1,841
<b>Total</b>	<b>308,361</b>	<b>30,164</b>	<b>8,910</b>	<b>347,435</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 4 Segment information

The Group manages business from geography and business respective. The geography segment can be divided into four regions, Northern China, Eastern China, Southern China and Other locations. The business segment can be divided into four lines, Corporate banking business, Retail banking business, Treasury business, Other business and unallocated.

Segment assets, liabilities, revenues, operating results and capital expenditures are based on the Group's accounting policies as the basis for measurement. The items of segment include those directly attributable to the segment and those can be allocated to the segment based on reasonable criteria. As part of the management of assets and liabilities, the Group's funding resources are allocated to various business segment through treasury business. The Group's Fund Transfer Price is determined based on the interest rates of loans and deposits and other market interest rates, with reference to different products and their specific periods. The impact of internal transaction has been offset when preparing condensed consolidated financial statements.

The segment information is disclosed as following regions and lines:

Geography segment:

1. Northern China: Minsheng Financial Leasing Co., Ltd., Headquarter, Beijing, Taiyuan, Shijiazhuang and Tianjin;
2. Eastern China: Cixi Minsheng Township Bank Co., Ltd., Shanghai Songjiang Minsheng Township Bank Co., Ltd., Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang;
3. Southern China: Minsheng Royal Fund Management Co., Ltd., Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou and Xiamen;
4. Other locations: Pengzhou Minsheng Township Bank Co., Ltd., Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou and Changchun.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 4 Segment information (Continued)

The segment information by geographic type provided to senior management are as follows:

	Northern China	Eastern China	Southern China	Other locations	Inter- segment elimination	Total
Six months ended 30 June 2010						
External Interest income	7,894	6,950	1,943	4,378	—	21,165
Inter-segment Interest (expense)/income	(894)	352	489	53	—	—
Net interest income	7,000	7,302	2,432	4,431	—	21,165
Fee and commission income	2,810	853	460	536	—	4,659
Fee and commission expense	(87)	(36)	(15)	(12)	—	(150)
Net fee and commission income	2,723	817	445	524	—	4,509
Operating expense	(4,148)	(3,755)	(1,551)	(2,133)	—	(11,587)
Impairment losses on assets	(1,934)	(242)	58	(145)	—	(2,263)
Net other income	157	(213)	(67)	(86)	—	(209)
Total profit	3,798	3,909	1,317	2,591	—	11,615
As at 30 June 2010						
Segment assets	1,004,336	552,127	205,771	292,639	(427,743)	1,627,130
Unallocated						3,646
Total assets						1,630,776
Segment liabilities	(932,423)	(542,367)	(201,158)	(285,467)	427,533	(1,533,882)
Depreciation and amortization	212	101	59	79	—	451
Capital expenditure	1,545	160	64	168	—	1,937
Credit commitments	103,636	79,647	75,230	139,725	—	398,238

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 4 Segment information (Continued)

	Northern China	Eastern China	Southern China	Other locations	Inter- segment elimination	Total
Six months ended 30 June 2009						
External Interest income	5,522	3,967	1,644	2,817	—	13,950
Inter-segment Interest (expense)/income	(788)	525	312	(49)	—	—
Net interest income	4,734	4,492	1,956	2,768	—	13,950
Fee and commission income	1,553	500	202	187	—	2,442
Fee and commission expense	(62)	(30)	(35)	(17)	—	(144)
Net fee and commission income	1,491	470	167	170	—	2,298
Operating expense	(3,263)	(2,463)	(1,289)	(1,363)	—	(8,378)
Impairment losses on assets	(1,294)	(884)	(11)	(662)	—	(2,851)
Net other income	4,745	(84)	(16)	(78)	—	4,567
Total profit	6,413	1,531	807	835	—	9,586
As at 31 December 2009						
Segment assets	925,604	482,244	205,114	251,198	(440,949)	1,423,211
Unallocated						3,181
Total assets						1,426,392
Segment liabilities	(856,680)	(474,174)	(201,491)	(246,102)	440,949	(1,337,498)
Depreciation and amortization	289	183	120	129	—	721
Capital expenditure	4,177	290	143	217	—	4,827
Credit commitments	94,854	116,494	36,647	91,857	—	339,852

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 4 Segment information (Continued)

### **Business segment:**

1. Corporate banking — for corporate customers, government agencies and financial institutions. These products and services include current accounts, deposits, overdrafts, loans, hosting, trade-related products and other credit services, foreign currency and derivative products.
2. Retail banking — providing banking products and services for individual clients. These products and services include current accounts, savings deposits, investment savings products, credit cards and debit cards, consumer credit and mortgage loans.
3. Treasury business — including foreign exchange trading, foreign exchange derivatives transactions, money market transactions, self-support trade, as well as asset-liability management. The business segment's operating results include foreign currency profit and the affect of the profit and loss which generated from internal fund surplus or shortage from interest-bearing assets and interest-bearing liabilities.
4. Other business — the Group's other businesses including the Group's investments and any other business which is not reported separately in report.

As the Group's segment operations are all financial with the total revenues deriving from interest and the Group senior management relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group senior management is measured in a manner consistent with that in the consolidated income statement.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. As the Group senior management reviews operating profit, the results of discontinued operations are not included in the measure of operating profit. Non-recurring gains and losses should be allocated to other business lines.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Senior management.

Segment assets and liabilities comprise operating assets and liabilities, being the total of the consolidated statement of financial position.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 4 Segment information (Continued)

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

	Corporate banking business	Retail banking business	Treasury business	Other business and unallocated	Total
Six months ended 30 June 2010					
Net interest income	13,734	3,653	3,778	—	21,165
Include: inter-segment net interest income	(1,095)	(383)	1,478	—	—
Net fee and commission income	3,399	441	669	—	4,509
Include: inter-segment net fee and commission income	—	—	—	—	—
Operating expense	(7,703)	(1,740)	(2,144)	—	(11,587)
Impairment losses on assets	(1,655)	(541)	(65)	(2)	(2,263)
Net other income	(393)	—	332	(148)	(209)
<b>Total profit</b>	<b>7,382</b>	<b>1,813</b>	<b>2,570</b>	<b>(150)</b>	<b>11,615</b>
As at 30 June 2010					
Segment assets	760,924	212,524	647,609	6,073	1,627,130
Unallocated					3,646
<b>Total assets</b>					<b>1,630,776</b>
Segment liabilities	(1,144,100)	(215,202)	(163,373)	(11,207)	(1,533,882)

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 4 Segment information (Continued)

	Corporate banking business	Retail banking business	Treasury business	Other business and unallocated	Total
Six months ended 30 June 2009					
Net interest income	9,572	1,468	2,910	—	13,950
Include: intersegment net interest income	(538)	437	101	—	—
Net fee and commission income	1,515	589	194	—	2,298
Include: intersegment net fee and commission income	—	—	—	—	—
Operating expense	(5,862)	(541)	(1,975)	—	(8,378)
Impairment losses on assets	(2,056)	(428)	(366)	(1)	(2,851)
Net other income	(260)	—	(123)	4,950	4,567
<b>Total profit</b>	<b>2,909</b>	<b>1,088</b>	<b>640</b>	<b>4,949</b>	<b>9,586</b>
As at 31 December 2009					
Segment assets	640,504	166,844	550,413	65,450	1,423,211
Unallocated					3,181
<b>Total assets</b>					<b>1,426,392</b>
Segment liabilities	(928,721)	(194,513)	(205,286)	(8,978)	(1,337,498)

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 5 Net interest income

	Six months ended 30 June	
	2010	2009
Interest income:		
– Loans and advances to customers		
– Corporate loans	19,683	15,152
– Loans to individuals	5,032	2,963
– Discounted bills	1,159	1,459
– Investment securities	2,636	2,657
– Balances with central banks	1,304	866
– Placements with banks and other financial institutions	720	1,014
– Finance lease receivables	662	309
– Due from banks and other financial institutions	487	197
– Others	5	17
Subtotal	31,688	24,634
Interest expense:		
– Deposits from customers	(7,995)	(8,238)
– Due to and placements from banks and other financial institutions	(1,771)	(1,595)
– Debt securities in issue	(464)	(761)
– Borrowings from banks and other financial institutions	(285)	–
– Others	(8)	(90)
Subtotal	(10,523)	(10,684)
Net interest income	21,165	13,950
Included within interest income:		
Interest income of impaired financial assets	91	151

## 6 Fee and commission income

	Six months ended 30 June	
	2010	2009
Financial advisory services	1,538	769
Trust and other fiduciary services	895	319
Credit commitments	661	423
Settlement services	510	200
Financial lease services	397	78
Bank card services	287	565
Securities underwriting services	162	73
Others	209	15
Total	4,659	2,442



# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 7 Net trading income

	Six months ended 30 June	
	2010	2009
Gain on exchange rate instruments	236	155
Loss on interest rate instruments	(51)	(100)
Loss on precious metals and other products	(86)	(32)
<b>Total</b>	<b>99</b>	<b>23</b>

## 8 Net gain on disposal of available-for-sale securities

	Six months ended 30 June	
	2010	2009
Net gain on disposal of available-for-sale securities	308	57
Net gain on disposal of Haitong Securities	—	4,902
<b>Total</b>	<b>308</b>	<b>4,959</b>

In 2009, the Bank disposed of its equity securities of Haitong Securities Co., Ltd (“Haitong Securities”). Net gain of Rmb4.90 billion was recognized in the consolidated income statement of 2009.

## 9 Impairment losses on assets

	Six months ended 30 June	
	2010	2009
Loans and advances to customers	2,117	2,405
Finance lease receivables	94	69
Available-for-sale securities	65	421
Held-to-maturity securities	—	(54)
Others	(13)	10
<b>Total</b>	<b>2,263</b>	<b>2,851</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 10 Operating expenses

	Six months ended 30 June	
	2010	2009
Staff costs, including directors' emoluments		
– Salary, including bonus	4,739	2,960
– Social insurance	591	686
– Other benefits	446	388
Business tax and surcharges	1,814	1,266
Business development expenses	726	409
Office expenses	717	414
Lease expense, primarily for office	530	459
Depreciation and amortization	451	336
Electronic equipment operating expenses	357	191
Automobile expenses	178	242
Mailing and telegraph expenses	156	127
Travelling expenses	100	78
CBRC supervisory charges	93	77
Conference expenses	65	59
Others	624	686
<b>Total</b>	<b>11,587</b>	<b>8,378</b>

## 11 Income tax expense

Taxation in the consolidated income statement represents Chinese Mainland income tax:

	Six months ended 30 June	
	2010	2009
Current taxes on income for the reporting period	3,248	2,855
Current taxes referring to previous periods	(29)	(31)
<b>Total current tax</b>	<b>3,219</b>	<b>2,824</b>
<b>Total deferred tax (Note 22)</b>	<b>(528)</b>	<b>(617)</b>
<b>Income tax expense</b>	<b>2,691</b>	<b>2,207</b>

The applicable income tax rate (except for Shenzhen branch) is 25% as at 30 June 2010 (2009: 25%). For Shenzhen branch, the applicable income tax rate is 22% as at 30 June 2010 (2009: 20%).

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 11 Income tax expense (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rates of the Group as follows:

	Six months ended 30 June	
	2010	2009
Profit before income tax	11,615	9,586
Income tax calculated at 25%	2,904	2,397
Impact of different rates of different districts	(4)	(22)
Income tax calculated at the statutory tax rates	2,900	2,375
Tax exemption on interest income from government bonds	(234)	(232)
Non-deductible salary, entertainment and other expenses	59	101
Others	(34)	(37)
Income tax expense	2,691	2,207

## 12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares. During the period, there's no dilutive potential ordinary share.

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Bank	8,866	7,374
Weighted average number of ordinary shares in issue (in millions)	22,262	18,823
Basic/Diluted earnings per share (in Rmb)	0.40	0.39

## 13 Cash and due from banks and other financial institutions

	30 June	31 December
	2010	2009
Cash	5,601	4,464
Due from banks and other financial institutions		
— Banks	112,249	59,948
— Other financial institutions	1,863	1,900
Total	119,713	66,312

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 14 Balances with central banks

	<b>30 June 2010</b>	<b>31 December 2009</b>
Restricted deposits	<b>156,161</b>	<b>122,610</b>
Unrestricted deposits	<b>75,803</b>	<b>98,980</b>
Total	<b>231,964</b>	<b>221,590</b>

Restricted deposits are general reserve balance with central banks. Restricted balance with central banks is not available for use in the Group's day-to-day operations. The Group was required to maintain with the PBOC a restricted general reserve deposit equal to 15% of Rmb deposits and 5% of foreign currency deposits as at 30 June 2010 (2009: 13.5% of Rmb deposits and 5% of foreign currency deposits).

## 15 Trading financial assets

	<b>30 June 2010</b>	<b>31 December 2009</b>
Government and quasi-government bonds	<b>9,055</b>	<b>2,870</b>
Corporate bonds	<b>3,075</b>	<b>1,877</b>
Total	<b>12,130</b>	<b>4,747</b>

All of above bond investments are listed.

Trading financial assets pledged as collateral under repurchase agreements signed with other banks as at 30 June 2010 amounted to Rmb2.02 billion (2009: Rmb2.03 billion). Please refer to Note 34 for detailed information.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 16 Derivative financial instruments

The fair values of derivative financial instruments held are set out in the following table:

	Contract/notional Amount	Fair values	
		Assets	Liabilities
<b>30 June 2010</b>			
Interest rate swaps	18,161	396	(347)
Currency forwards	15,130	72	(65)
Currency swaps	24,917	31	(29)
Precious metal swaps	31	—	(1)
Credit default swaps	68	—	(1)
Extension options	9,700	—	—
Total		499	(443)
<b>31 December 2009</b>			
Interest rate swaps	16,393	312	(263)
Currency forwards	14,888	111	(105)
Currency swaps	3,764	42	(3)
Precious metal swaps	422	—	(23)
Credit default swaps	68	—	(1)
Extension options	9,700	—	—
Total		465	(395)

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

## 17 Placements with banks and other financial institutions

	30 June 2010	31 December 2009
Placements with banks and other financial institutions		
— Banks	43,577	50,339
— Other financial institutions	43,461	22,676
Total	87,038	73,015

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 17 Placements with banks and other financial institutions (Continued)

Placements with banks and other financial institutions include balances arising from reverse repurchase agreements as follows:

	30 June 2010	31 December 2009
Discounted bills	21,219	46,861
Government and quasi-government bonds	12,625	1,070
Finance lease receivables	3,748	4,088
Corporate loans	280	280
<b>Total</b>	<b>37,872</b>	<b>52,299</b>

## 18 Loans and advances to customers

	30 June 2010	31 December 2009
Loans to corporate entities		
– Corporate loans	721,304	676,084
– Discounted bills	15,063	35,221
– Others	8,403	7,794
<b>Subtotal</b>	<b>744,770</b>	<b>719,099</b>
Loans to individuals		
– Mortgage loans	106,100	99,619
– Shang Dai Tong*	87,268	44,809
– Credit cards	13,201	14,266
– Others	3,507	5,186
<b>Subtotal</b>	<b>210,076</b>	<b>163,880</b>
<b>Loan and advances to customers, gross</b>	<b>954,846</b>	<b>882,979</b>
Less: allowance for impairment losses		
– Individually assessed	(4,055)	(4,378)
– Collectively assessed	(13,179)	(10,863)
<b>Subtotal</b>	<b>(17,234)</b>	<b>(15,241)</b>
<b>Loan and advances to customers, net</b>	<b>937,612</b>	<b>867,738</b>

\* Shang Dai Tong is a line of loan products specifically designed for owners of individual business, small business and micro-enterprises.

There was Rmb50 million discounted bills pledged as collateral under repurchase agreements with other banks as at 30 June 2010 (2009: Nil). Please refer to Note 34 for detailed information.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 18 Loans and advances to customers (Continued)

### (1) Analysis of loans and advances to customers by collective and individual assessment

	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances		Subtotal	Total
		For which allowance is collectively assessed	For which allowance is individually assessed		
30 June 2010					
Gross loans and advances					
– Loans to corporate entities	738,097	–	6,673	6,673	744,770
– Loans to individuals	209,237	839	–	839	210,076
Allowance for impairment losses	(12,823)	(356)	(4,055)	(4,411)	(17,234)
Loans and advances to customers, net	934,511	483	2,618	3,101	937,612
31 December 2009					
Gross loans and advances					
– Loans to corporate entities	712,561	258	6,280	6,538	719,099
– Loans to individuals	163,021	859	–	859	163,880
Allowance for impairment losses	(10,099)	(764)	(4,378)	(5,142)	(15,241)
Loans and advances to customers, net	865,483	353	1,902	2,255	867,738

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 18 Loans and advances to customers (Continued)

### (2) Loans to corporations by industries

	30 June 2010		31 December 2009	
	Amount	(%)	Amount	(%)
Manufacturing	122,711	16.48	121,940	16.95
Real estate	121,917	16.37	103,713	14.42
Leasing and commercial services	102,963	13.82	94,644	13.16
Mining	65,572	8.80	41,680	5.80
Transportation, warehousing and postal service	65,009	8.73	75,137	10.45
Water conservancy, environment and public utilities management	57,565	7.73	60,967	8.48
Wholesale and retail	52,660	7.07	35,772	4.97
Public administration and social organizations	36,021	4.84	36,051	5.01
Production and supply of electronic power, gas and water	35,388	4.75	48,515	6.75
Construction	26,149	3.51	26,144	3.64
Education and community services	24,593	3.30	22,125	3.08
Financial services	17,589	2.36	37,835	5.26
Information transmission, IT service and software industry	3,410	0.46	3,816	0.53
Others	13,223	1.78	10,760	1.50
<b>Total</b>	<b>744,770</b>	<b>100.00</b>	<b>719,099</b>	<b>100.00</b>

### (3) Loans and advances analyzed by guarantee type is as follows:

	30 June 2010		31 December 2009	
	Amount	(%)	Amount	(%)
Unsecured loans	236,654	24.78	254,221	28.79
Guaranteed loans	259,060	27.13	222,009	25.14
Secured loan				
— Collateralized loans	369,148	38.67	306,658	34.73
— Pledged loans	89,984	9.42	100,091	11.34
<b>Total</b>	<b>954,846</b>	<b>100.00</b>	<b>882,979</b>	<b>100.00</b>



# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 18 Loans and advances to customers (Continued)

### (4) Movement of allowance for impairment losses:

	Loans to corporate entities		Loans to individual	Total
	Individual assessment	Collective assessment	Collective assessment	
Balance at 1 January 2010	4,378	9,024	1,839	15,241
New allowances	351	1,933	603	2,887
Releases	(770)	—	—	(770)
Reclassification	181	(181)	—	—
Amounts written off and exempted during the period as uncollectible	(132)	—	(40)	(172)
Unwinding of discount on allowance	(91)	—	—	(91)
Recovery after write-off	137	—	—	137
Exchange loss	1	1	—	2
<b>Balance at 30 June 2010</b>	<b>4,055</b>	<b>10,777</b>	<b>2,402</b>	<b>17,234</b>
Balance at 1 January 2009	3,990	6,613	1,282	11,885
New allowances	1,227	2,641	998	4,866
Releases	(74)	—	—	(74)
Reclassification	179	(179)	—	—
Amounts written off and exempted during the period as uncollectible	(853)	(51)	(441)	(1,345)
Unwinding of discount on allowance	(178)	—	—	(178)
Recovery after write-off	87	—	—	87
<b>Balance at 31 December 2009</b>	<b>4,378</b>	<b>9,024</b>	<b>1,839</b>	<b>15,241</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 19 Investment securities

	30 June 2010	31 December 2009
Available-for-sale securities	54,455	49,035
Held-to-maturity securities	92,082	57,142
Loans and receivables	40,669	45,567
<b>Total</b>	<b>187,206</b>	<b>151,744</b>
Analyzed as follows:		
– Listed in Hong Kong	2,596	2,654
– Listed outside Hong Kong	142,402	101,983
– Unlisted	42,208	47,107
<b>Total</b>	<b>187,206</b>	<b>151,744</b>

Investment securities pledged as collateral under agreements signed with banks and other financial institutions as at 30 June 2010 amounted to Rmb6.26 billion (2009: Rmb3.26 billion). Such agreements were interest rate swap contracts and negotiated deposits. Please refer to Note 34 for detailed information.

The Group did not make any reclassification of investment securities as at 30 June 2010 and as at 31 December 2009.

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

	30 June 2010	31 December 2009
Debt securities at fair value		
Government and quasi-government bonds		
– listed in Hong Kong	2,453	2,512
– listed outside Hong Kong	27,080	27,163
– unlisted	663	790
Financial institutions bonds		
– listed in Hong Kong	74	72
– listed outside Hong Kong	376	640
– unlisted	257	286
Corporate bonds		
– listed outside Hong Kong	23,427	17,447
<b>Subtotal</b>	<b>54,330</b>	<b>48,910</b>
Equity securities at fair value		
Financial institutions securities		
– unlisted	125	125
<b>Total</b>	<b>54,455</b>	<b>49,035</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 19 Investment securities (Continued)

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

The Group's fair value changes relating to impaired available-for-sale securities, which have been charged to the condensed consolidated income statement. The carrying value of the Group's impaired available-for-sale securities amounted to Rmb1,096 million as at 30 June 2010 (2009: Rmb983 million), and related Impairment loss amounted to Rmb1,020 million (2009: Rmb955 million).

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

	30 June 2010	31 December 2009
Government and quasi-government bonds		
— listed in Hong Kong	69	70
— listed outside Hong Kong	85,769	50,969
Financial institutions bonds		
— listed outside Hong Kong	358	364
— unlisted	494	339
Corporate bonds		
— listed outside Hong Kong	5,392	5,400
<b>Total</b>	<b>92,082</b>	<b>57,142</b>

### (3) Loans and receivables

	30 June 2010	31 December 2009
Government and quasi-government bonds	30,829	30,718
Financial institution bonds	7,490	9,687
Financial institutions entrust products*	2,350	5,162
<b>Total</b>	<b>40,669</b>	<b>45,567</b>

\* The Group purchased financial institutions products from other banks. These products are project loans arranged through underlying trust agencies.

All of above loans and receivables are unlisted.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 20 Finance lease receivables

	30 June 2010	31 December 2009
Finance lease receivables	29,625	19,383
Less: unearned finance income	(3,653)	(2,276)
Total	25,972	17,107
Less: allowance for impairment losses — collectively assessed	(327)	(233)
Net	25,645	16,874

Movement of allowance for impairment losses of finance lease receivables are as follows:

	Six months ended 30 June 2010	Year ended 31 December 2009
Opening balance	233	57
New allowances	94	176
Ending balance	327	233

	30 June 2010	31 December 2009
Gross investment in finance leases receivable:		
— Less than 1 year	8,255	4,900
— Later than 1 year and less than 5 years	19,615	13,460
— Later than 5 years	1,755	1,023
Subtotal	29,625	19,383
Unearned finance income on finance leases	(3,653)	(2,276)
Present value of minimum lease payments, receivable	25,972	17,107
The present value of minimum lease payments may be analysed as follows:		
— Less than 1 year	7,237	4,266
— Later than 1 year and less than 5 years	17,196	11,950
— Later than 5 years	1,539	891
Total	25,972	17,107

Finance lease receivables pledged as collateral under repurchase and borrowings agreements with banks and other financial institutions as at 30 June 2010 amounted to Rmb9.35 billion (2009: Rmb5.03 billion). Please refer to Note 34 for detailed information.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 21 Property and equipment

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Leasing assets	Total
30 June 2010							
Original cost	6,488	1,781	3,061	236	569	300	12,435
Accumulated depreciation	(726)	(1,108)	(1,875)	(152)	—	(1)	(3,862)
Net value	5,762	673	1,186	84	569	299	8,573
31 December 2009							
Original cost	3,923	1,622	2,835	222	2,921	—	11,523
Accumulated depreciation	(609)	(994)	(1,716)	(136)	—	—	(3,455)
Net value	3,314	628	1,119	86	2,921	—	8,068
1 January 2010							
Net value	3,314	628	1,119	86	2,921	—	8,068
Additions	64	159	229	16	153	300	921
Transfer in/(out)	2,505	—	—	—	(2,505)	—	—
Disposals	(4)	—	(3)	(2)	—	—	(9)
Depreciation charge	(117)	(114)	(159)	(16)	—	(1)	(407)
30 June 2010	5,762	673	1,186	84	569	299	8,573
31 December 2009	3,314	628	1,119	86	2,921	—	8,068

As at 30 June 2010 and 31 December 2009, the Group did not have any property and equipment acquired by means of finance leasing, temporarily idle held for sale.

The carrying value of buildings and leasehold improvements is analyzed based on the remaining terms of the leases as follows:

	30 June 2010	31 December 2009
Held outside Hong Kong		
on long-term lease (over 50 years)	106	159
on medium-term lease (10–50 years)	6,157	3,163
on short-term lease (less than 10 years)	172	620
Total	6,435	3,942

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 22 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. Deferred income tax is provided in full, using the liability method, on all temporary differences.

The movement on the deferred income tax account is as follows:

	Six months ended 30 June 2010	Year ended 31 December 2009
Opening balance	3,181	1,079
Recognized in the income statement	528	1,047
Tax charged directly to equity	(63)	1,055
Ending balance	3,646	3,181

The movement in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred income tax assets

	Assets impairment allowance	Fair value losses	Others	Total
At 1 January 2010	2,928	218	316	3,462
Charged to the consolidated income statement	183	12	342	537
Charged directly to equity	—	(87)	—	(87)
At 30 June 2010	3,111	143	658	3,912
At 1 January 2009	2,062	343	125	2,530
Charged to the consolidated income statement	866	(208)	191	849
Charged directly to equity	—	83	—	83
At 31 December 2009	2,928	218	316	3,462

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 22 Deferred income taxes (Continued)

### Deferred income tax liabilities

	Fair value gains	Others	Total
At 1 January 2010	(281)	—	(281)
Charged to the consolidated income statement	(9)	—	(9)
Charged directly to equity	24	—	24
At 30 June 2010	(266)	—	(266)
At 1 January 2009	(1,451)	—	(1,451)
Charged to the consolidated income statement	198	—	198
Charged directly to equity	972	—	972
At 31 December 2009	(281)	—	(281)

## 23 Investment in subsidiaries

	30 June 2010	31 December 2009
Minsheng Financial Leasing Co., Ltd. ("Minsheng Leasing")	2,600	2,600
Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund Management")	120	120
Cixi Minsheng Township Bank Co., Ltd. ("Cixi Minsheng Township Bank")	35	35
Pengzhou Minsheng Township Bank Co., Ltd. ("Pengzhou Minsheng Township Bank")	20	20
Shanghai Songjiang Minsheng Township Bank Co., Ltd. ("Songjiang Minsheng Township Bank")	35	35
Total	2,810	2,810

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 23 Investment in subsidiaries (Continued)

The subsidiaries held by the Bank are as follows:

Name	Place of incorporation and operation	Registered capital	Principal activities	Interest held	Voting * interest
Minsheng Leasing	Tianjin China	3,200	Leasing	81.25%	81.25%
Minsheng Royal Fund Management	Guangdong China	200	Fund management	60%	60%
Pengzhou Minsheng Township Bank	Sichuan China	55	Commercial bank	36.36%	36.36%
Cixi Minsheng Township Bank	Ningbo China	100	Commercial bank	35%	35%
Songjiang Minsheng Township Bank	Shanghai China	100	Commercial bank	35%	35%

All interests in subsidiaries are directly held.

\* The Bank owns the majority of the voting rights in the board of directors of these companies, which enables the Bank to govern their financial and operating policies. These companies are treated as subsidiaries and are included in the condensed consolidated financial statements.

## 24 Other assets

	30 June 2010	31 December 2009
Prepayments for leasing assets	5,915	5,271
Interest receivable	4,746	4,234
Items in the process of clearance and settlement	1,643	252
Other prepayments	1,238	958
Intangible assets	1,198	209
Repossessed assets	937	957
Deferred assets	81	103
Others	535	409
<b>Total</b>	<b>16,293</b>	<b>12,393</b>



# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 25 Deposits from customers

	30 June 2010	31 December 2009
Demand deposits		
– Corporate deposits	564,740	497,422
– Individual deposits	65,538	50,894
Time deposits (including notice deposits)		
– Corporate deposits	535,570	435,146
– Individual deposits	151,041	143,210
Other deposits	2,671	1,266
<b>Total</b>	<b>1,319,560</b>	<b>1,127,938</b>
The guarantee deposits are analyzed as follows:		
Guarantee deposits for bank acceptances	113,827	86,293
Guarantee deposits for letters of credit and letters of guarantee issued	8,132	6,865
Other guarantee deposits	21,893	13,507
<b>Total</b>	<b>143,852</b>	<b>106,665</b>

## 26 Due to and placements from banks and other financial institutions

	30 June 2010	31 December 2009
Due to and placements from banks and other financial institutions		
– Banks	64,729	86,025
– Other financial institutions	80,417	66,292
<b>Total</b>	<b>145,146</b>	<b>152,317</b>

Included in due to and placements from banks and other financial institutions, the amounts received from counterparties under repurchase agreements are categorized as follows:

	30 June 2010	31 December 2009
Repurchase of:		
Finance lease receivables	8,108	4,347
Debt securities	4,091	2,000
Discounted bills	50	–
<b>Total</b>	<b>12,249</b>	<b>6,347</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 27 Debt securities in issue

	30 June 2010	31 December 2009
Financial bonds <sup>(1)</sup>	5,998	12,175
Subordinated bonds <sup>(2)</sup>	7,213	1,401
Hybrid capital bonds <sup>(3)</sup>	9,455	9,484
<b>Total</b>	<b>22,666</b>	<b>23,060</b>

### (1) Financial bonds

	30 June 2010	31 December 2009
2007 Rmb6 billion Financial Bonds with floating interest — 3 years	—	6,088
2007 Rmb6 billion Financial Bonds with floating interest — 5 years	5,998	6,087
<b>Total</b>	<b>5,998</b>	<b>12,175</b>

Pursuant to the CBRC and the PBOC's approval, the Bank issued the following financial bonds:

The 3-year 2007 financial bonds have a face value of Rmb6 billion and a floating rate that is based on the one-year PBOC time deposit rate published on the interest accrual date plus 61 bps. On 22 June 2010, the Bank repaid the 3-year 2007 financial bonds at face value Rmb6 billion. The 5-year floating rate financial bonds have a face value of Rmb6 billion and a floating rate based on the one-year PBOC time deposit rate published on the interest accrual date plus 76 bps. The interest is payable annually.

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

### (2) Subordinated bonds

	30 June 2010	31 December 2009
2005 Rmb1.4 billion Subordinated Bonds with fixed rate — 10 years <sup>(i)</sup>	1,427	1,401
2010 Rmb5.8 billion Subordinated Bonds with fixed rate — 10 years <sup>(i)</sup>	5,786	—
<b>Total</b>	<b>7,213</b>	<b>1,401</b>

Pursuant to relevant approvals from the PBOC and the CBRC, the Bank issued the following subordinated bonds:

- (i) The fixed-rate subordinated bonds issued in 2005 have a maturity of 10 years, with a face value of Rmb1.4 billion, and a fixed coupon rate of 3.68% per annum and payable annually. From the sixth year, the interest rate will increase to 6.68% per annum. According to the terms, the Bank has the option to redeem all the subordinated bonds at face value on the last day of the fifth year.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 27 Debt securities in issue (Continued)

### (2) Subordinated bonds (Continued)

- (ii) The fixed-rate subordinated bonds issued in 2010 have a maturity of 10 years, with a face value of Rmb5.8 billion, and a fixed coupon rate of 4.29% per annum and payable annually. According to the terms, the Bank has the option to redeem all or part of the subordinated bonds at face value in the period from the last day of the fifth year to the maturity date.

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

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

### (3) Hybrid capital bonds

	30 June 2010	31 December 2009
2006 Rmb3.3 billion Hybrid Capital Bonds with fixed rate — 15 years <sup>(i)</sup>	3,377	3,291
2006 Rmb1 billion Hybrid Capital Bonds with floating rate — 15 years <sup>(ii)</sup>	1,019	997
2009 Rmb3.325 billion Hybrid Capital Bonds with fixed rate — 15 years <sup>(iii)</sup>	3,366	3,459
2009 Rmb1.675 billion Hybrid Capital Bonds with floating rate — 15 years <sup>(iv)</sup>	1,693	1,737
<b>Total</b>	<b>9,455</b>	<b>9,484</b>

Pursuant to relevant approvals from the PBOC and the CBRC, the Bank issued the following hybrid capital bonds:

- (i) The fixed-rate hybrid capital bonds issued on 28 December 2006 have a maturity of 15 years, with a face value of Rmb3.3 billion, and a fixed coupon rate of 5.05% per annum from year 1 to 10, payable annually. For the last 5 years, the annual coupon rate will be 8.05%.
- (ii) The floating-rate hybrid capital bonds issued in 2006 have a maturity of 15 years, with a face value of 1 billion, and a floating rate that is based on the one-year PBOC time deposit rate published plus a spread of 2% per annum for the first 10 years, payable annually. From the eleventh year, the original spread will increase to 3% per annum.
- (iii) The fixed-rate hybrid capital bonds issued on 25 March 2009 have a maturity of 15 years, with a face value of Rmb3.325 billion, and a fixed coupon rate of 5.70% per annum from year 1 to 10, payable annually. For the last 5 years, the annual coupon rate will be 8.70%.
- (iv) The floating-rate hybrid capital bonds issued in 2009 have a maturity of 15 years, with a face value of 1.675 billion, and a floating rate that is based on the one-year PBOC time deposit rate published plus a spread of 3% per annum for the first 10 years, payable annually. From the eleventh year, the original spread will increase to 5% per annum.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 27 Debt securities in issue (Continued)

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

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

The holders of the hybrid capital bonds are subordinated to holders of long-term subordinated bonds, but have priority over shareholders. All holders of hybrid capital bonds enjoy the same priority of claim. According to the terms, the Bank has the option to defer interest payment if the core capital adequacy ratio is below 4% using audited financial report of latest period. If the sum of statutory reserve plus retained earnings is negative in the audited statement of financial position of latest period and no cash dividends have been paid in the last 12 months, the Bank must defer interest payment.

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

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

## 28 Other liabilities

	30 June 2010	31 December 2009
Interest payable	6,684	5,931
Payroll and welfare payable	4,316	2,009
Guarantee deposits for finance lease	1,707	1,146
Deferred fee and commission income	1,237	1,043
Suspense balance of wealth management products	1,209	230
Other tax payable	1,179	1,112
Dividend payable	1,167	54
Items in the process of clearance and settlement	964	1,047
Others	1,702	1,815
Total	20,165	14,387

## 29 Share capital and capital reserve

The total number of authorized ordinary shares is 22.26 billion shares as at 30 June 2010 and 31 December 2009 with a par value of Rmb1 yuan per share, this includes 18.82 billion domestic listed A shares and 3.44 billion overseas listed H shares. As at 30 June 2010, all issued shares are fully paid and none are restricted on sale.

The Group's capital reserve is Rmb38.08 billion as at 30 June 2010 and 31 December 2009, which mainly comprises capital premium.

All A shares and H shares rank pari passu with the same rights and benefits.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 30 Surplus reserve, general reserve and retained earnings

### (1) Surplus reserve

Under relevant PRC Laws, the Bank is required to transfer 10% of its net profit, as determined under PRC GAAP, to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital. Subject to the approval of the equity holders, 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 statutory surplus reserve after such capitalization is not less than 25% of the share capital.

### (2) General reserve

Pursuant to circulars issued by Ministry of Finance ("MOF") in 2005, the Bank is required to establish and maintain a general reserve within equity, through the appropriation of income to address unidentified potential impairment losses. The general reserve should not be less than 1% of the aggregate amount of risk assets as defined by this policy. Effective from 1 July 2005, the general reserve should be provided in full within three years. In no case could the transitional period exceed five years.

Three township banks as the subsidiaries of the Bank also appropriated 1% of the aggregate amount of risk assets following the same requirement as above. Pursuant to circulars issued by MOF in 2007, Minsheng Leasing appropriated 1% of its net profits to general reserve. Minsheng Royal Fund Management appropriated 10% of its monthly fee income from securities investment fund based on circulars issued by the CSRC in 2006.

### (3) Retained earnings

As at 30 June 2010 and 31 December 2009, the retained earnings contained statutory surplus reserve of 19 million contributed by subsidiaries. As at 30 June 2010, the retained earning also contained approved and declared stock dividends of 4.45 billion for 2009 (Note 31).

The retained earning contained statutory surplus reserve and stock dividends can not be further distributed.

## 31 Dividends

The 2009 Annual General Meeting held on 18 June 2010 approved the 2009 dividend distribution plan of distributing to the registered equity holders 2 stock dividends and cash dividends of RMB0.50 (before tax) for every 10 shares of the total equity stock of the Bank as of the close of the market on 31 December 2009, for a total of stock dividends of RMB4.45 billion and cash dividends of RMB1.11 billion. As at 30 June 2010, the above share and cash dividends had not been distributed.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 32 Reserve for fair value changes of available-for-sale securities

	Six months ended 30 June 2010	Year ended 31 December 2009
Opening balance	106	3,296
Change of fair value of available-for-sale securities	496	310
Less: deferred income tax	(124)	(77)
Transfer to profit or loss upon disposal	(309)	(4,911)
Less: deferred income tax	77	1,221
Impairment losses on available-for-sale	65	356
Less: deferred income tax	(16)	(89)
Ending balance	295	106

## 33 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consists of the following:

	30 June 2010	31 December 2009
Cash (Note 13)	5,601	4,464
Unrestricted balance with central banks (Note 14)	75,803	98,980
Original maturity within 3 months:		
— Due from banks and other financial institutions	105,752	56,964
— Government and quasi-government bonds	6,604	1,342
Total	193,760	161,750

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 34 Contingent liabilities and commitments

### (1) Credit commitments

	30 June 2010	31 December 2009
Acceptances	255,752	216,657
Trade finance arrangement	53,235	24,349
Letters of guarantee	43,700	45,593
Unused credit card limits	19,022	28,466
Letters of credit	16,120	15,094
Irrevocable loan commitments	8,419	7,852
Finance lease commitments	1,990	1,841
<b>Total</b>	<b>398,238</b>	<b>339,852</b>

### (2) Capital commitments

	30 June 2010	31 December 2009
Property and equipment		
— Contracted but not provided for	6,106	3,299
<b>Total</b>	<b>6,106</b>	<b>3,299</b>

### (3) Operating lease commitments

Future minimum lease payments on operating leases are summarized as follows:

	30 June 2010	31 December 2009
Less than 1 year	1,158	875
Late than 1 year and less than 5 years	2,763	2,557
Later than 5 years	1,266	852
<b>Total</b>	<b>5,187</b>	<b>4,284</b>

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 34 Contingent liabilities and commitments (Continued)

### (4) Assets pledged

	30 June 2010	31 December 2009
Finance lease receivables (Note 20)	9,345	5,033
Investment securities (Note 19)	6,261	3,257
Trading financial assets (Note 15)	2,023	2,025
Discounted bills (Note 18)	50	—
Total	17,679	10,315

Assets are pledged as collateral under repurchase agreements with banks and other financial institutions, derivative contracts, letters of guarantee issued, negotiated deposits taken and borrowings agreements with banks and other financial institutions.

Mandatory reserve deposits are also held with the PBOC in accordance with statutory requirements (Note 14). These deposits are not available to finance the Group's day-to-day operations.

The pledged bills accepted by the Group and Bank in relation to resale agreement can be sold and re-pledged. The carrying values of such pledged assets were Rmb21.22 billion as at 30 June 2010 (2009: Rmb46.86 billion).

### (5) Security underwriting

	30 June 2010	31 December 2009
Medium- and short-term financing bills	19,700	11,850

### (6) Certificate Treasury Bonds redemption commitments

The Bank is entrusted by the MOF to underwrite certain Certificate Treasury Bonds. The investors of Certificate Treasury Bonds have the option to redeem the bonds at par any time prior to maturity, and the Bank is committed to repurchase those bonds at the redemption price. The redemption price is the par value of the Certificate Treasury Bonds plus unpaid interest in accordance with the early redemption arrangement. The principal of the bonds amounted to Rmb4.73 billion as at 30 June 2010 (2009: Rmb4.35 billion). The original maturities of these bonds vary from 1 to 5 years.

### (7) Legal proceedings

There were a number of outstanding litigation matters against the Group as at 30 June 2010 and 31 December 2009. After considering professional advice received, the Group's management believes such litigation will not cause significant losses to the Group.



# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 35 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 profit or loss arising thereon are excluded from these condensed financial statements, as they are not the assets of the Group.

The Group's balances of fund custodian operations were Rmb24.53 billion as at 30 June 2010 (2009: Rmb23.32 billion). The Group's balances of corporate annuity funds custodian operations were Rmb1.85 billion as at 30 June 2010 (2009: Rmb1.50 billion). The Group's balances of credit assets management operations were Rmb21.07 billion as at 30 June 2010 (2009: Rmb16.37 billion). And the Group's balances of entrusted loans were Rmb33.64 billion as at 30 June 2010 (2009: Rmb33.01 billion).

## 36 Related party transactions

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, joint control or significant influence of another party. Related parties can be individuals or enterprises. Related parties that have significant influence on the Group include: companies controlled or significantly influenced by members of the Board of Directors and the Board of Supervisors, senior management or their related persons, the subsidiaries of these companies, and major shareholders with the power to influence the operating decision-making or financial policies of the Group.

There was no shareholder holding more than 5 percent (include 5%) stock as at 30 June 2010 and 31 December 2009.

The terms of transactions with related parties were in accordance with the terms of the underlying agreements arranged in the ordinary course of the Group's business.

### (1) Loans granted to related parties

	Six months ended 30 June 2010	Year ended 31 December 2009
Opening balance	2,581	1,814
Transfer in	—	3
Loans granted during the period/year	99	3,293
Loans repaid during the period/year	(520)	(2,529)
Ending balance	2,160	2,581

	Six months ended 30 June 2010	Six months ended 30 June 2009
Interest income earned	64	45

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 36 Related party transactions (Continued)

### (1) Loans granted to related parties (Continued)

There is no impaired loan identified among the above related party loans as at 30 June 2010 and 31 December 2009.

Loans analyzed by guarantee type	30 June 2010	31 December 2009
Guaranteed loans	1,100	1,285
Collateralized loans	950	1,225
Pledged loans	56	3
Unsecured loans	54	68
Total	2,160	2,581

The interest rates ranges of loans granted to related parties are 2.60%–6.57% for the six months ended 30 June 2010 (2009: 2.48%–5.84%).

### (2) Deposits taken from related parties

	Six months ended 30 June 2010	Year ended 31 December 2009
Opening balance	20,010	19,908
Transfer out	(11)	(18,445)
Transfer in	2	27,318
Deposits repaid during the period/year	(136,850)	(155,257)
Deposits taken during the period/year	143,462	146,486
Ending balance	26,613	20,010

The interest expenses incurred on the related parties' deposits were not material for the six months ended 30 June 2010 and 30 June 2009.

# Notes to the Condensed Interim Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 36 Related party transactions (Continued)

### (3) In addition to the above loans granted to related parties:

	30 June 2010	31 December 2009
Loans guaranteed by related parties	710	1,615
Acceptance issued for related parties	436	240
Loan purchased under resale agreement by related parties	280	280
Investment securities issued by related parties	183	61
Advances received from related parties	122	122
Due to and placements from banks and other financial institutions	100	2,812
Related-party bills discounted by the Group	9	32
Bills purchased under resale agreement by related parties	—	10

All the above related parties transactions do not have a significant impact on the consolidated income statement or consolidated statement of financial position.

### (4) Services provided by related parties

The Bank and Minsheng Life Insurance Company signed a rental contract that the Bank would take Minsheng Life Tower as office space and pay rent, property fees etc. on time.

The Bank commissioned China Life Pension Company Limited to take the responsibilities of investment and operational management for corporate pension plans.

All the above related parties transactions do not have a significant impact on the consolidated income statement or consolidated statement of financial position.

### (5) Transactions with key management personnel

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

The Group enters into banking transactions with directors and key management personnel in the ordinary course of business. These include loans and deposits, which are carried out at rates in accordance with the terms of the underlying agreements. Loans outstanding to the key management amounted to Rmb3 million as at 30 June 2010, which have been included in the above loans granted to related parties (2009: 3 million).

Salaries and other short-term benefits paid to the key management personnel amounted to Rmb29 million for the six months ended 30 June 2010 (six months ended 30 June 2009: Rmb24 million). No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel during the six months ended 30 June 2010 and 30 June 2009.

### (6) The balance with subsidiaries

The balance with the subsidiary is not significant, which has been offset in condensed consolidated financial statements.

## 37 Events after the date of the condensed consolidated statement of financial position

Up to the date of this report, the Group had no material events for disclosure after the reporting date.

# Appendix: Supplementary Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 1 Liquidity ratios

	30 June 2010	31 December 2009
RMB current assets to RMB current liabilities	36%	35%
Foreign currency current assets to foreign currency current liabilities	100%	126%

Liquidity ratio is calculated in accordance with the relevant provisions of the PBOC and the CBRC, and the generally accepted accounting principals of the PRC.

## 2 Currency concentrations

	USD	HKD	Other	Total
30 June 2010				
Spot assets	34,460	712	3,331	38,503
Spot liabilities	(23,910)	(1,749)	(2,320)	(27,979)
Forward purchases	17,351	—	1,580	18,931
Forward sales	(17,319)	—	(1,592)	(18,911)
Net long/(short) position*	10,582	(1,037)	999	10,544
31 December 2009				
Spot assets	32,313	9,744	2,928	44,985
Spot liabilities	(13,262)	(1,387)	(2,605)	(17,254)
Forward purchases	3,903	174	1,005	5,082
Forward sales	(3,882)	(174)	(973)	(5,029)
Net long/(short) position*	19,072	8,357	355	27,784

\* The net option position is calculated using the delta equivalent approach as set out in the requirements of the CBRC.

The Group has no structural position.

# Appendix: Supplementary Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 3 Loans and advances to customers

### (1) Loans and advances overdue for more than 3 months

	30 June 2010		31 December 2009	
	Gross amount	% of total	Gross amount	% of total
Six months or less but over three months	250	0.03%	691	0.08%
One year or less than but over six months	738	0.08%	1,020	0.12%
Over one year	4,743	0.49%	4,955	0.56%
<b>Total</b>	<b>5,701</b>	<b>0.60%</b>	<b>6,666</b>	<b>0.76%</b>

### (2) Impaired loans by geographical area

	Northern China	Eastern China	Southern China	Other locations	Total
30 June 2010					
Impaired loans	4,833	1,794	660	225	7,512
Specific provision	3,063	702	236	54	4,055
Collective provision	84	110	91	71	356
31 December 2009					
Impaired loans	4,246	1,636	1,250	265	7,397
Specific provision	2,796	875	596	111	4,378
Collective provision	447	142	108	67	764

### (3) Overdue loans by geographical area

	Northern China	Eastern China	Southern China	Other locations	Total
30 June 2010					
Overdue	5,354	1,839	1,110	812	9,115
Specific provision	2,634	618	204	48	3,504
Collective provision	150	127	102	87	466
31 December 2009					
Overdue	6,212	1,698	1,142	601	9,653
Specific provision	2,653	635	332	41	3,661
Collective provision	760	158	191	85	1,194

# Appendix: Supplementary Financial Information

(All amounts in Rmb millions unless otherwise stated)

## 4 Cross-border claims

	<b>Asia Pacific excluding Mainland China</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
30 June 2010					
Banks and other financial institutions	714	2,635	896	227	4,472
Public sector entities	—	793	—	—	793
Other	—	—	136	—	136
<b>Total</b>	<b>714</b>	<b>3,428</b>	<b>1,032</b>	<b>227</b>	<b>5,401</b>
31 December 2009					
Banks and other financial institutions	9,411	2,559	1,140	184	13,294
Public sector entities	—	921	—	—	921
Other	—	—	136	—	136
<b>Total</b>	<b>9,411</b>	<b>3,480</b>	<b>1,276</b>	<b>184</b>	<b>14,351</b>





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\* For identification only



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