

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

STOCK CODE: 01988



2010 ANNUAL REPORT

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 annual report was approved on 25 March, 2011 at the 16th meeting of the 5th session of the Board of the Company. Of the 18 Directors who were entitled to attend the meeting, 18 attended the meeting, among whom 16 attended the meeting in person (including 6 Directors, namely Zhang Hongwei, Liu Yonghao, Wang Yugui, Chen Jian, Shi Yuzhu and Wang Hang attended by teleconference) and 2 were represented by proxy. Lu Zhiqiang entrusted the Chairman, Dong Wenbiao, in writing, to exercise his voting rights at the meeting, and Wang Junhui entrusted Director, Andrew Wong, in writing, to exercise his voting rights at the meeting.

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

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

Auditors of the Company, PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers, have audited the financial reports of 2010 prepared under the China Accounting Standards ("CAS") and the IFRS respectively, and issued standard auditors' reports with unqualified opinions.

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 annual report.

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Message from the Chairman

2010 marked the "Second Take-off" of Minsheng Bank. In the year, with the guidance from all relevant authorities and the cooperation of investors and all employees, Minsheng Bank recorded a steady asset growth and significant profit rise. Quality of assets remained high and the provision coverage enlarged substantially.

As at the end of the reporting period, the total assets of the Group was RMB1,823,737 million, representing an increase of 27.86% as compared with the end of last year. The total loans and advances amounted to RMB1,057,571 million, representing an increase of 19.77% as compared with the end of last year. The net profit was RMB17,688 million, representing an increase of 46.09% as compared with the corresponding period of the pervious year. Non-performing loan ratio dropped 0.15 percentage point from the end of last year to 0.69%. The provision coverage ratio reached 270.45%, representing an increase of 64.41 percentage points as compared to the end of last year.

From the above encouraging results, we are glad to see that the Bank has been leaping forward into an efficient and distinctive bank through its strategic development.

First of all, net profit of the Group grew at a faster pace than that of the assets and loans and the revenue mix underwent significant restructuring. In 2010, net non-interest income of the Group amounted to RMB8, 794 million. Of which, net fee and commission income increased by 77.72% to RMB8,289 million as compared with the corresponding period of the previous year, accounting for 15.16% of operating income and ranking top among domestic joint stock commercial banks. The net interest margin reached 2.94%, which was among the top of domestic listed banks. The net interest income increased by RMB13,633 million from the previous year, and the contribution from the increase of net interest margin amounted to RMB5,965 million. These reflected the leading position of the loan pricing capability and the profitability of intermediary business of Minsheng Bank among the peers, which were critical to cope with the challenges brought by the liberalization of interest rates in the future.

Secondly, Minsheng Bank's operation transformation was well under way and characteristics of its customer base became apparent. In 2010, according to our strategy on non-state-owned enterprises, the Company should cultivate strategic customers who could meet the requirements of the transformation of corporate business, have synergy effect and be on the same standing as and grow in line with the Company, and together explore a "1+2+N" model of financial butler service, so as to expand its service coverage of non-state-owned enterprises, increase the proportion of business with such customers and broaden its service offerings. Adhering to the guiding principle of capital control and taking advantage on the expertise of strategic business units ("SBUs"), the corporate banking businesses of the Bank contributed an increase of 138.87% in profit before tax with an 8.09% loan growth rate, which provided a constructive approach to promote the transformation of operation model and to change the situation of homogenization.

In restructuring customer mix, Minsheng Bank continued to allocate more loan resources to support non-state-owned enterprises despite the limited corporate loan resources. As at the end of the period, the Company had 8,192 customers of non-state-owned enterprises with outstanding balances and outstanding general loans of RMB388,635 million, representing an increase of 92.80% and 34.58% as compared with the end of last year, respectively. During the reporting period, more than 66.17% of new loans were extended to small and micro enterprises, and the aggregated "Shang Dai Tong" (商貨通) loans amounted to approximately RMB300,000 million with NPL ratio of 0.09%. The goal of "high growth, low risk and high efficiency" was achieved successfully.

Thirdly, the corporate governance of Minsheng Bank was further refined and widely recognized by the society. Recently, the "AsiaMoney" announced the results of the election for the Best Corporate Governance and Minsheng Bank received the highest number of votes among all Chinese nominees, and was honoured with the "Best Corporate Governance of China in 2010". According to the election of "The Best Corporate Governance of Asia in 2010" by "Finance Asia" magazine, Minsheng Bank won a number of awards, such as the "Best Investor Relationship", "Best Corporate Governance" and "Best Social Corporate Responsibility". In addition, Minsheng Bank also received numerous awards relating to charity, such as the China Philanthropist Award, the highest governmental award for public welfare and charity work in China. These awards and honours demonstrated the recognition and trust of the public of the development of Minsheng Bank in these 15 years. On the other hand, these awards and honours also imposed higher requirements and responsibilities on the future development of the Company.

12 January, 2011 was the 15th anniversary of the establishment of Minsheng Bank. In these 15 years, as a pilot of banking reform in China, Minsheng Bank has been growing rapidly and soundly through continuous improvement and innovation. In addition to creating value and returns to shareholders, Minsheng Bank also contributed rich experiences in corporate governance, management system, operating mechanism, product innovation, risk management and business model to the banking reformation in China.

Looking forward, Minsheng Bank will maintain its role as a pilot of banking reform in China and explore new measures to cope with the challenges brought by the liberalization of interest rates. We are confident that Minsheng Bank will become the most distinctive and efficient bank in China within three to five years and will provide higher value and returns to our shareholders and the society. I would like to extend my gratitude again for the support of the society and our investors. I would also like to extend my gratitude again for the dedications and endeavours of our staff!

DONG Wenbiao Chairman of the Board of Directors China Minsheng Banking Corp., Ltd. 25 March, 2011



In 2010, the Company's brand value and recognition from the society was further improved. With its outstanding operating results, corporate culture and management, the Company obtained 306 major awards, which mainly include the followings:

Mr. Dong Wenbiao, Chairman of the Board, was elected as one of the Most Respected Entrepreneurs (中國最受尊敬企業家) and the winner of the Satisfaction Survey of Public Image of Chinese Financial Entrepreneurs (中國金融企業家公眾形象滿意度調查第一名).

The Company was awarded again, the Excellent Board of Directors (優秀董事會) and the Most Innovative Secretary to the Board of Directors (最具創新力董秘) under the 6th 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 the Board, won the Award of The Best Socially Responsible Chairman (最具社會責任董事長).

The Company was the only financial institution elected for the award of the Enterprise with the Best Public Image in the Eyes of Internet Users (網友心目中的最佳形象企業) in the roll organized by Netease (網易). Mr. Dong Wenbiao, Chairman of the Board, was elected as the Most Philanthropic Entrepreneur (最具公益心企業家).

The Company was elected as the Example of China • Most Charitable Corporation (榜樣中國 • 慈善企業) by Yahoo China and its associated media alliance, while Mr. Dong Wenbiao, the Chairman of the Board, was elected as the Example of China • Most Leading Figure (榜樣中國 • 領袖人物).

The Company won the Best Corporate Governance Award of China (中國區最佳公司治理獎) and the Best Investor Relationship Award of China (中國區最佳投資者關係獎) in the annual award for the Best Corporate Governance of AsiaMoney (《亞洲貨幣》).

The Company was elected as the Top Ten Enterprises with Outstanding International Corporate Cultural Competitiveness (國際企業文化核心競爭力十強), and Mr. Hong Qi, the President of the Bank, was elected as the Most Influential Figure in Respect of International Corporate Culture (國際企業文化最具影響力人物) by China Culture Administration Society (中國文化管理學會).

The Company was awarded as the Bank with the Best Corporate governance (最佳公司治理銀行) and the Bank with Great Growth Potential (最具發展潛力銀行) under the sixth Ranking of Competitiveness of Chinese Commercial Banks (中國商業銀行競爭力排名) issued by The Chinese Banker (《銀行家》).

The Company was granted the Reform and Innovation Award of China Banking Industry in Recent Decade (中國銀行業十年改革創新獎) by The Economic Observer (《經濟觀察報》).

The Company was elected as the Most Respected Bank in China (中國最受尊敬銀行), the Best Retail Bank (最佳零售銀行) and the Best Online Bank (最佳網上銀行) in the third Most Respected Bank and the Best Retail Bank Election 2010 (2010年第三屆中國最受尊敬銀行暨最佳零售銀行) organized by Moneyweekly (《理財周報》). The Apex Asset Management — Gold Investment NO. 1 (非凡資產管理黃金投資1號) of the Company was awarded as the Top Ten Excellent Bank Wealth Management Products in China 2010 (2010中國十大最佳銀行理財產品).

Annual Awards

The Company was awarded as the Best Trade Financing Banks (最佳貿易金融銀行獎) at the election of Achievement Award of China Banking Industry in 2010 (2010年中國銀行業成就獎) by the Financial Times (《金融時報》) of UK.

The Company was elected as the runner-up for the Best Improvement of Export Factoring Service (全球最佳出口保理商服務質量進步獎) at the 42th Annual Meeting of FCI (國際保理商聯合會).

The Company was elected as the Best Trade Financing Bank (最佳貿易融資銀行) by Financial Money (《金融理財》) in the First Top 10 Wealth Management Companies (首屆金牌理財TOP10) campaign.

The Company was elected as the Most Socially Responsible Bank (最佳社會責任獎), the Best Trade Financing Bank (最佳貿易融資獎) and the Best Serving Bank within the Industry (最佳行業服務獎) under the election campaign of the Most Trusted Banks by Chinese CFO (中國CFO最信賴的銀行).

The Company was elected as the Outstanding Joint Stock Bank of the Year (年度股份制銀行) and the Best Bank in Innovative Wealth Management (最佳創新理財銀行) in CBN Financial Value Ranking 2010 (2010第一財經金融價值榜).

The Company was elected as the Best Card Issuing Bank (最佳發卡銀行), the Best Wealth Management Service Bank (最佳理財服務銀行), the Bank with Most Growth Potential (最具成長性銀行) and the Most Innovative Bank (最具創新意識銀行) in the annual election by cnfol.com (中金在線).

The Apex Asset Management (非凡資產管理) of the Company was awarded as the Outstanding Wealth Management Brand (優秀銀行理財品牌獎) under the Golden Shell Award for Financial Wealth Management (金融理財金貝獎) jointly organized by 21Century Business Herald (《21世紀經濟報道》) and other financial media.

The Company won the Top 10 Banking Cards Award (十佳銀行卡獎) under the campaign of the Excellent Financial Wealth Management (卓越金融理財排行榜) jointly organized by Wise Money (《卓越理財》) and other organizations.

The Company won the Best Online Bank Award (最佳網上銀行) and the Best E-banking Safety Award (最佳網銀產品安全獎) at the third Gold Cup Award of China Electronic Finance Industry (中國電子金融金爵獎頒獎盛典).

The Company was granted the Best User Experience Award (最佳用戶體驗獎) and the Best Innovative Service Award (最佳創新服務獎) in the campaign of outstanding online banks organized by Hexun.com (和訊網).

The Company was granted the award of the Best Service Management in China (中國最佳服務管理獎) at the Fifth Election of the Best Customer Services in China (第五屆中國最佳客戶服務評選活動).

The Company was elected as the Best Bank Website (最佳銀行網站) and the Best Telephone Bank (最佳電話銀行) at the Eleventh Election of Innovative and Outstanding Websites of Financial Institutions (第十一屆金融IT創新暨優秀財經網站評選) by Securities Times (《證券時報》).

The Company was named as the Financial Enterprise with Outstanding Corporate Culture (金融企業文化品牌建設獎) in the China Financial and Economic Media Forum (中國金融與財經媒體論壇) jointly organized by Renmin University of China, CCTV and China Business (中國經營報).

The Company was the only financial institution receiving the Innovation Award of Poverty Alleviation (消除貧困創新獎) issued by The State Council Leading Group Office of Poverty Alleviation and Development (國務院扶貧辦) and China Foundation for Poverty Alleviation (中國扶貧基金會).

The Company was the only financial institution receiving the China Philanthropist Award (中華慈善獎), the highest governmental award in China's public welfare and charity circle, for the second year.

The Company obtained the Best Investor Relationship Award (最佳投資者關係獎) by Finance Asia (《亞洲金融》), and has become the leading financial institution in both Mainland China and Hong Kong in terms of investor relationship.

The Company was elected as one of the top ten companies in The Twelfth Top 100 PRC Listed Companies Gold Bull Award (第12屆中國上市公司金牛獎百強) by China Securities Journal (《中國證券報》). In the Gold Bull Award for Top 100 Financial Institutions (金牛百強獎金融行業榜), the Company ranked second among all companies and ranked first among listed banks.

The Company was granted the Innovation Award of China Investor Relationship (中國投資者關係IR創新獎) and was named as the Top 100 Companies of China Investor Relationship (中國投資者關係IR公司百強獎) at the fifth China Investor Annual Conference (第五屆中國投資者關係年會).

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」)

Registered English Name: CHINA MINSHENG BANKING CORP., LTD.

(Abbreviation: "CMBC")

2. Legal Representative: Dong Wenbiao

3. Authorized Representatives: 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 (Postal Code: 100873)

 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

36/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong

of Business in 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 annual report designated by China Securities Regulatory Commission (the "CSRC"): www.sse.com.cn

Website for publishing the H Share annual report designated by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"): www.hkexnews.hk

Annual reports available at Office of the Board of Directors of the Company

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, 202 Hu Bin Road,

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)

Office Address: 36/F, China Insurance Building,

No. 166 Lujiazui East Road, Pudong, Shanghai, China

H Share Registrar: Computershare Hong Kong Investor Services Limited

Office Address: 17M Floor, Hopewell Centre, 183 Queen's Road East,

Wanchai, Hong Kong

12. Places of Listing, Stock Names and

Stock Codes:

A Share: Shanghai Stock Exchange; Stock Name: MINSHENG BANK;

Stock Code: 600016

H Share: The Hong Kong Stock Exchange; Stock Name: MINSHENG BANK;

Stock Code: 01988

13. Initial Date of Registration: 7 February, 1996

Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China

14. Date of Registration for Subsequent

Change:

20 November, 2007

Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China

15. Registration Number of 10000000018983

Corporate Business License:

16. Registration Number of Tax Certificate: Jing Guo Shui Dong Zi 110101100018988

Di Shui Jing Zi 110101100018988000

Financial Summary

I. Major Financial Data and Indicators

			Changes from 2009			
	2010	2009	to 2010	2008	2007	2006
For the reporting period						
Operating results (RMB million)			Changes (%)			
Net interest income	45,873	32,240	42.29	30,380	22,580	16,168
Net non-interest income	8,794	9,797	-10.24	4,593	2,692	1,273
Operating income	54,667	42,037	30.04	34,973	25,272	17,441
Operating expenses	25,452	20,539	23.92	17,817	13,752	9,717
Impairment losses on assets	5,504	5,307	3.71	6,518	2,265	2,214
Profit before tax	22,976	15,656	46.76	10,488	9,212	5,237
Net profit attributable to						
equity holders of the Bank	17,581	12,104	45.25	7,885	6,335	3,758
Data per share (RMB/share)			Changes (%)			
Basic earnings per share	0.66	0.51	29.41	0.34	0.29	0.18
Diluted earnings per share	0.66	0.51	29.41	0.34	0.29	0.18
Net cash flow per share						
arising from operating						
activities	1.40	2.56	-45.31	2.96	-0.97	3.79
			Changes in			
			percentage			
Profitability indicators (%)			points			
Return on average assets	1.09	0.98	0.11	0.80	0.77	0.58
Return on average						
shareholders' equity	18.30	17.06	1.24	15.15	18.23	21.61
Net interest spread	2.82	2.49	0.33	3.00	2.84	2.64
Net interest margin	2.94	2.59	0.35	3.15	2.93	2.70
Net fee and commission income						
to operating income ratio	15.16	11.09	4.07	12.76	9.46	5.89
Cost-to-income ratio	40.90	43.47	-2.57	43.04	46.49	49.30
As at the end of the						
reporting period			6 1 (6))			
Scale indicators (RMB million)	4 000 707		Changes (%)		0.40.007	705.007
Total assets	1,823,737	1,426,392	27.86	1,054,350	918,837	725,087
Gross loans and advances to	1 057 571	000 070	40.77	050 000	554.050	470.000
customers	1,057,571	882,979	19.77	658,360	554,959	472,088
Total liabilities	1,718,480	1,337,498	28.48	999,678	868,650	705,776
Deposits from customers	1,416,939	1,127,938	25.62	785,786	671,219	583,315
Share capital	26,715	22,262	20.00	18,823	14,479	10,167
Equity attributable to equity	104 100	00.004	10.00	FO 000	EO 107	10.011
holders of the Bank	104,108	88,034	18.26	53,880	50,187	19,311
Net assets per share						
attributable to equity holders	2.00	2.05	1.07	2.06	3.47	1.00
of the Bank (RMB/share)	3.90	3.95	-1.27	2.86	3.47	1.90
			Changes in			
Assets quality indicators (%)			percentage points			
Impaired loan ratio	0.69	0.84	-0.15	1.20	1.22	1.25
Allowance to impaired loans	270.45	206.04	64.41	150.04	113.14	108.89
Allowance to total loans	1.88	1.73	0.15	1.81	1.38	1.36
A MOWALIOG TO TOTAL IDALIS	1.00	1.70	Changes in	1.01	1.00	1.00
Capital adequacy ratio			percentage			
indicators (%)			percentage			
Capital adequacy ratio	10.44	10.83	-0.39	9.22	10.73	8.20
Core capital adequacy ratio	8.07	8.92	-0.85	6.60	7.40	4.40
Total equity to total assets ratio	5.77	6.23	-0.46	5.19	5.46	2.66
Total oquity to total assets fatto	0.11	0.20	-0.40	0.10	0.40	۷.00

- Notes: 1. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.
 - 2. Return on average shareholders' equity = net profit attributable to equity holders of the Bank for the period/average balance of equity attributable to equity holders of the Bank at the beginning and the end of the period.
 - 3. Net interest spread = Average return on interest-earning assets average cost of interest-bearing liabilities.
 - 4. Net interest margin = Net interest income/average balance of interest-earning assets.
 - 5. Cost-to-income ratio = (Operating and administrative expenses tax and surcharge)/operating income.
 - 6. Impaired loan ratio = Balance of impaired loans/gross loans and advances to customers.
 - 7. Allowance to impaired loans = Allowance of impaired loans/balance of impaired loans.
 - 8. Allowance to total loans = Allowance of impaired loans/gross loans and advances to customers.

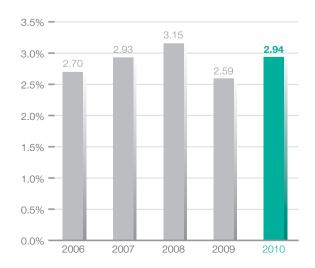
II. Supplementary financial indicators

			As at 31	As at 31	As at 31
Major indicators		Benchmark	December, 2010	December, 2009	December, 2008
Liquidity ratio (%)	Renminbi	≥25	32.35	34.12	45.50
	Foreign Currency	≥60	92.99	126.24	109.74
Loan-to-deposit ratio (%)	Renminbi	≤75	72.74	75.38	75.00
	Foreign currency	≤85	76.07	85.95	38.98
Inter-bank lending/	Bank				
borrowing ratio (%)	borrowing ratio	≤4	0.77	0.65	0.04
	Bank lending ratio	≤8	2.64	1.80	2.11
Total loans to the single					
largest borrower to net					
capital (%)		≤10	4.11	6.91	4.49
Total loans to the top					
ten borrowers to net					
capital (%)		≤50	28.45	36.14	30.15

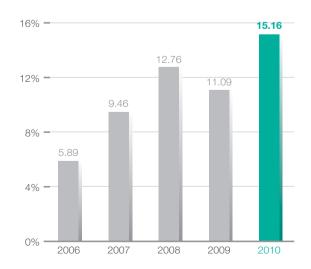
Note: 1. The above data are information of the Company. The indicators were based on requirements of the Chinese banking regulators.

- 2. Total loans to the single largest borrower to net capital = Total loans to the single largest borrower/Net capital
- 3. Total loans to the top ten borrowers to net capital = Total loans to top ten borrowers/Net capital

Net Interest Margin (%)



Net Fee and Commission Income to Operating Income Ratio (%)







I. Operational challenges and solutions

In 2010, while the global economy recovered slowly, China's economy bottomed out rapidly notwithstanding challenging internal and external circumstances. GDP increased by 10.3% as compared with the corresponding period of the previous year. Inflation was under control and CPI recorded an increase of 3.3% as compared with the corresponding period of the previous year. The macro economic leverage measures generally steered the monetary conditions back to normal from moderately loose policy. The People's Bank of China raised the deposit reserve ratio six times and interest rates twice within 2010. The regulatory authorities also imposed stricter requirements on the capital adequacy ratio and loan-to-deposit ratio, strengthened the supervision on the local government financing projects, real estate market and industries characterized by heavy pollution, high energy consumption and excessive production capacity, and promoted the implementation 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》) and the Guidelines for the Project Financing Business (《項目融資業務指引》) (herein after referred as the "Three Measures and One Guideline"). In addition, the banking industry is facing increasingly intense competition alongside continually rising demand for financial services from customers.

In order to actively confront the adjustments and changes of the economic environment and regulatory policies, the Company has taken the following measures: (i) the Company further strengthened its corporate governance and fully implemented the "Second take-off" (二次騰飛) strategy; (ii) the Company continued to carry out the strategic transformation put forward by the Board, which aimed at becoming a "distinctive and efficient bank" and focused on "bank for private enterprises", "bank for small and micro enterprises" and "bank for high-end customers", came up with the guiding principle for general operation as "maintaining steady growth, optimizing structure, implementing reforms and improving efficiency", with the intention to promote strategic business development and optimize its customer base, business and income sources; (iii) the Company accelerated the optimization of the middle and back offices, and the construction of process-based banking, conducted specific collation and reform over more than 20 major improvement projects, continued to carry out reform on process-based banking and had initially established an integrated development model encompassing the operation, management and IT systems; (iv) the Company actively promoted the establishment of a comprehensive risk management system, refined the evaluation system, speeded up the establishment of a risk management system for the strategic small and micro financial businesses, accelerated the implementation of the New Capital Accord and strived to establish an advanced technical support platform for risk management; (v) the Company strengthened the supervision and monitoring on risks within key areas such as government financing projects and the real estate sector and improved the disposal of non-performing assets to effectively manage and control risks.

II. Overview of Operations

In 2010, in the light of adjustments and changes of the macro-economic environment and regulatory policies, the Company focused on realizing its strategic positioning of becoming a "bank for private enterprises", "bank for small and micro enterprises" and "bank for high-end customers". To achieve the operating target of "distinctive" and "efficient" bank, the Company sent its strategic development into full swing. Besides, the Company reinforced SBU reform and accelerated the optimization and adjustment of the business structure. With higher operation



efficiency and more stringent asset quality management, the Company's profitability was on the rise.

(I) Significant growth in profitability and further optimization of income structure

During the reporting period, net profit of the Group amounted to RMB17,688 million, representing an increase of RMB5,580 million, or 46.09%, from the previous year. In 2010, the Group recorded operating income of RMB54,667 million, representing an increase of 30.04% as compared with the corresponding period of the previous year. Of which, net interest income and net non-interest income increased by 42.29% and 79.65% (excluding effects of disposal of Haitong Securities last year) to RMB45,873 million and RMB8,794 million, respectively, as compared with the corresponding period of the previous year. Net fee and commission income accounted for 15.16% of operating income, representing an increase of 4.07 percentage points from the previous year.

(II) Balanced growth of asset and liability business as well as significant benefits from adjustment of strategic business structure

As at the end of the reporting period, total assets of the Group reached RMB1,823,737 million, representing an increase of RMB397,345 million, or 27.86%, from the end of previous year. Total deposits from customers increased by RMB289,001 million from the end of previous year to RMB1,416,939 million, representing an increase of 25.62%. Total loans and advances increased by RMB174,592 million to RMB1,057,571 million, representing an increase of 19.77% as compared with the end of the previous year. As part of the strategic transformation of the Company, the business with small and micro enterprises has achieved substantial breakthrough with total outstanding loans of Shang Dai Tong (商 貸通) amounting to RMB158,986 million as at the end of the reporting period, representing an increase of RMB114,177 million, or 254.81%, from the end of the previous year.

(III) Tightened control on asset quality and continued enhancement of risk resistance capabilities

The Group has stepped up efforts to reduce non-performing assets, strengthen its credit asset management, enhance the supervision over and risk pre-warning of major businesses. As at the end of the reporting period, the balance of the impaired loans was RMB7,339 million, representing a decrease of RMB58 million as compared with the end of last year. The impaired loan ratio of the Group was reduced by 0.15 percentage point from the end of the previous year to 0.69%, while the allowance on impaired loans increased by 64.41 percentage points from the end of the previous year to 270.45%.

(IV) Strengthened cost control and continued improvement of cost-to-income ratio

The Group has raised operational efficiency and improved the cost-to-income ratio indicator through strengthening cost control. During the reporting period, the cost-to-income ratio of the Group was reduced by 2.57 percentage points from the previous year to 40.90%.

III. Analysis of Major Items of Income Statement

The Group further improved its profitability in 2010 and realized a net profit of RMB17,688 million, representing an increase of 46.09% as compared with the corresponding period of the previous year. The increase was mainly driven by the growth of operating income, the decrease of cost-to-income ratio and stable asset quality.

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

(Unit: RMB million)

Item	2010	2009	Changes (%)
Operating income	54,667	42,037	30.04
Of which: Net interest income	45,873	32,240	42.29
Net non-interest income	8,794	9,797	-10.24
Operating expenses	25,452	20,539	23.92
Impairment losses on assets	5,504	5,307	3.71
Other operating expenses	735	535	37.38
Profit before tax	22,976	15,656	46.76
Income tax expenses	5,288	3,548	49.04
Net profit	17,688	12,108	46.09
Of which: Profit attributable to equity holders			
of the Bank	17,581	12,104	45.25
Profit attributable to non-controlling			
interests	107	4	2,575.00

(I) Net interest income and net interest margin

Net interest income of the Group during the reporting period was RMB45,873 million, representing an increase of 42.29% as compared with the corresponding period of the previous year, primarily as a result of the increase in interest-earning assets and net interest margin, which contributed RMB7,668 million and RMB5,965 million respectively to the increase in net interest income.

The net interest margin of the Group for 2010 increased from 2.59% in 2009 to 2.94%. The increase was mainly due to the following reasons: (i) control over total loans under government austerity policy resulted in increases in capital price and net interest margin of the industry; (ii) continued adoption of customized pricing strategies by the Group to meet the financial needs of different customer groups and strengthening of the Group's bargaining power in pricing with expansion of strategic business resulted in continued improvement of its overall net interest margin.

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

(Unit: RMB million)

		2010			2009	,
Item	Average	Interest	Average	Average	Interest	Average
	balance	income	return (%)	balance	income	return (%)
Interest-earning assets						
Loans and advances	971,602	56,218	5.79	812,572	43,199	5.32
Of which: Corporate loans	758,338	44,138	5.82	684,154	36,462	5.33
Individual loans	213,264	12,080	5.66	128,418	6,737	5.25
Investment in debt securities	180, 609	5,272	2.92	147,461	5,478	3.71
Balances with central bank	202,409	2,912	1.44	134,316	1,941	1.45
Due from and placements with banks						
and other financial institutions	174,252	4,521	2.59	138,094	2,078	1.50
Finance lease receivables	29,221	1,853	6.34	12,408	745	6.00
Total	1,558,093	70,776	4.54	1,244,851	53,441	4.29
	Average	Interest	Average	Average	Interest	Average
	balance	expenses	cost (%)	balance	expenses	cost (%)
Interest-bearing liabilities						
Deposits from customers	1,211,382	18,592	1.53	964,863	16,063	1.66
Corporate deposits	1,014,358	15,385	1.52	802,606	13,024	1.62
Of which: Demand	497,907	3,225	0.65	359,894	2,527	0.70
Time	516,451	12,160	2.35	442,712	10,497	2.37
Individual deposits	197,024	3,207	1.63	162,257	3,039	1.87
Of which: Demand	52,674	186	0.35	37,287	132	0.35
Time	144,350	3,021	2.09	124,970	2,907	2.33
Due to and placements from banks						
and other financial institutions	192,998	4,707	2.44	172,012	3,600	2.09
Debt securities in issue	22,610	955	4.22	30,259	1,315	4.35
Borrowings from other financial						
institutions	21,220	647	3.05	8,296	221	2.66
Others	45	2	4.44	45	2	4.44
Total	1,448,255	24,903	1.72	1,175,475	21,201	1.80
Net interest income		45,873			32,240	
Net interest spread			2.82			2.49
Net interest margin			2.94			2.59

Note: In this table, temporary deposits, dormant accounts and remittance payables are included in corporate demand deposits.

The table below illustrates the breakdown of the influence on the changes in interest income and interest expenses of the Group owing to changes in scale and changes in interest rate in the reporting period.

(Unit: RMB million)

	Changes from	Changes from	
Item	2009 to 2010	2009 to 2010	
	in scale	in interest rate	Changes
Change in interest income			
Loans and advances	8,455	4,564	13,019
Investment in debt securities	1,231	-1,437	-206
Balances with central bank	984	-13	971
Due from and placements with banks and			
other financial institutions	544	1,899	2,443
Finance lease receivables	1,009	99	1,108
Subtotal	12,223	5,112	17,335
Change in interest expenses			
Deposits from customers	4,104	-1,575	2,529
Due to and placements from banks and			
other financial institutions	439	668	1,107
Debt securities in issue	-332	-28	-360
Borrowings from other financial institutions	344	82	426
Others	0	0	0
Subtotal	4,555	-853	3,702
Change in net interest income	7,668	5,965	13,633

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 2010, the interest income of the Group was RMB70,776 million, representing an increase of RMB17,335 million, or 32.44%, as compared with the previous year. Of which, interest income from loans and advances accounted for 79.43% of the total, and those from investment in debt securities accounted for 7.45% of the total. Interest income from due from and placements with banks and other financial institutions accounted for 6.39% of the total.

(1) Interest income from loans and advances

In 2010, the Group's efforts in internal structural adjustment contributed to the maintenance of the rational development of the loan business and increase in the rate of return. During the reporting period, interest income from loans and advances amounted to RMB56,218 million, representing an increase of RMB13,019 million, or 30.14%, as compared with the previous year. Average return on loans and advances was 5.79%, representing an increase of 0.47 percentage point from the previous year. The return of corporate loans increased by 0.49 percentage point as compared with the previous year, mainly due to the increase in the bargaining power of new loans and higher return of the discounted bills business. The return of individual loan business increased by 0.41 percentage point as compared with previous year, mainly due to the development of Shang Dai Tong (商貨通) loan business. In addition, as strategic restructuring resulted in changes in interest income structure, the interest income from individual loans in 2010 accounted for 21.49% of the total interest income from loans and advances, up by 5.89 percentage points from the previous year.

(2) Interest income from investment in debt securities

In 2010, the Group applied a short-term strategy for its debt securities investments, and focused on the investment in short-term securities due within 1 year, such strategy significantly reduced the market risk exposure of the debt securities as average return declined. During the reporting period, the return on debt securities investments was 2.92%, representing a decrease of 0.79 percentage point as compared with the previous year. Interest income decreased by RMB206 million, representing a decrease of 3.76% as compared with the previous year.

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

The interest income from due from and placements with banks and other financial institutions of the Group in 2010 was RMB4,521 million, representing an increase of RMB2,443 million, or 117.56%, from the previous year. Such increase was mainly due to the increase of average return of 1.09 percentage points from last year as a result of a higher market interest rate, and the moderate increase in the Group's amounts due from other banks and financial institutions.

(4) Finance lease receivables

The interest income from finance lease receivables of the Group in 2010 amounted to RMB1,853 million, representing an increase of RMB1,108 million, or 148.72%, from last year. Such increase was mainly due to the business expansion of Minsheng Financial Leasing Co., Ltd., a subsidiary of the Group.

2. Interest expenses

During the reporting period, the average cost of interest-bearing liabilities of the Group was 1.72%, representing a decrease of 0.08 percentage point from the previous year. Due to the larger scale of interest-bearing liabilities, the interest expenses of the Group in 2010 amounted to RMB24,903 million, representing an increase of RMB3,702 million, or 17.46%, from the previous year. Interest expenses on deposits accounted for 74.66% of the total interest expenses, while interest expenses on amounts due to and placements from banks and other financial institutions accounted for 18.90% of the total.

(1) Interest expenses on deposits

Interest expenses of the Group on deposits in 2010 amounted to RMB18,592 million, representing an increase of RMB2,529 million, or 15.74%, as compared with the previous year. This was mainly due to the re-pricing of time deposits and the increase in proportion of the average balance of demand deposits in deposits from customers. The average cost ratio of deposits decreased by 0.13 percentage points to 1.53% from 1.66% last year. However, the expansion in the size of deposits resulted in an increase in interest expenses on deposits as compared with that of last year.

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

Interest expenses of the Group on amounts due to and placements from banks and other financial institutions for 2010 amounted to RMB4,707 million, representing an increase of RMB1,107 million, or 30.75%, as compared with the previous year. The increase was mainly due to increases in market interest rate. The average cost ratio of amounts due to and placements from banks and other financial institutions in 2010 increased by 0.35 percentage point.

(3) Interest expenses on debt securities in issue

Interest expenses of the Group on debt securities in issue for 2010 amounted to RMB955 million, representing a decrease of RMB360 million as compared with the previous year, which was mainly due to the decrease in the size of debt securities in issue. During the reporting period, RMB6,000 million 3-year-term debt securities with floating rate issued by the Company in 2007 was due.

(4) Interest expenses on borrowings from other financial institutions

During the reporting period, the interest expenses on borrowings from other financial institutions amounted to RMB647 million, representing an increase of RMB426 million, or 192.76%, as compared with the previous year. This was mainly due to the increase in the size of borrowings of Minsheng Financial Leasing Co., Ltd., a subsidiary of the Group, and the increase in market interest rate.

(II) Net non-interest income

In 2010, the net non-interest income of the Group slightly dropped from the previous year to RMB8,794 million. After excluding the effect of the disposal of equity interests in Haitong Securities in 2009, it increased by RMB3,899 million, or 79.65%, as compared with the previous year.

The table below sets out the analysis of net non-interest income

(Unit: RMB million)

Item	2010	2009	Changes (%)
Net fee and commission income	8,289	4,664	77.72
Other non-interest gain	505	5,133	-90.16
Total	8,794	9,797	-10.24

1. Net fee and commission income

In 2010, as the Group expedited the innovation of financial products and increase sales capacity along with the development of intermediate business, it realized net fee and commission income of RMB8,289 million, representing an increase of RMB3,625 million, or 77.72%, from the previous year. Net fee and commission income accounted for 15.16% of total operating income, representing an increase of 4.07 percentage points from the previous year. During the reporting period, financial advisory service fees of the Group continued to rise and significant increases were recorded in fee income from settlement and clearing services, custody and other fiduciary services and securities underwriting services.

Item	2010	2009	Changes (%)
Financial advisory service fees	2,858	1,577	81.23
Custodian and other fiduciary service			
commissions	1,764	633	178.67
Credit commitment fees and commissions	1,462	926	57.88
Bank card service charges	1,007	1,207	-16.57
Settlement and clearing service fees	924	299	209.03
Securities underwriting service fees	335	135	148.15
Others	403	229	75.98
Fee and commission income	8,753	5,006	74.85
Less: Fee and commission expenses	464	342	35.67
Net fee and commission income	8,289	4,664	77.72

2. Other non-interest gain

Due to the effect of the Group's disposal of equity interests in Haitong Securities in 2009, the amount of other non-interest gains in 2010 decreased by 90.16% as compared with the previous year.

(Unit: RMB million)

Item	2010	2009	Increase (%)
Net trading income	284	224	26.79
Gain on exchange rate instruments	539	177	204.52
			negative for
Gain on interest rate instruments	-87	-51	last year
Gain on precious metals and other products	-168	98	-271.43
Net gain on disposal of available-for-sale securities	221	4,909	-95.50
Total	505	5,133	-90.16

(III) Operating expenses

The Company has endeavored to strengthen cost control and improve operation efficiency. In the reporting period, the operating expenses of the Group increased by RMB4,913 million, or 23.92% from previous year, to RMB25,452 million as compared with the previous year. Such increase was lower than the increase of operating income. The cost-to-income ratio of the Group was 40.90% in 2010, representing a decrease of 2.57 percentage points from the previous year.

(Unit: RMB million)

Item	2010	2009	Changes (%)
Staff costs	10,842	9,144	18.57
Business development expenses	1,921	1,634	17.56
Office expenses	1,900	1,578	20.41
Business tax and surcharges	3,827	2,802	36.58
Others	6,962	5,381	29.38
Total	25,452	20,539	23.92

(IV) Impairment losses on assets

In 2010, as the quality of assets was kept under control, the Group enhanced its risk resistance capacity. In the reporting period, the Group recorded an impairment loss on assets of RMB5,504 million, representing an increase of RMB197 million, or 3.71%, as compared with the previous year. In the reporting period, the impairment losses on available-for-sale financial assets recorded a significant decrease over last year as a result of the decrease of available-for-sale financial assets.

Item	2010	2009	Changes (%)
Loans and advances	5,303	4,792	10.66
Available-for-sale financial assets	-64	356	-117.98
Others	265	159	66.67
Total	5,504	5,307	3.71

(V) Income tax

In the reporting period, the income tax of the Group was RMB5,288 million, representing an increase of RMB1,740 million from the previous year. The effective tax rate was 23.02%.

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

As at 31 December, 2010, total assets of the Group amounted to RMB1,823,737 million, representing an increase of RMB397,345 million, or 27.86%, from the end of the previous year. The increase of total assets was mainly due to the growth in loans.

The table below sets out the components of the Group's total assets as at 31 December, 2010.

(Unit: RMB million)

Item	31 Decemb	er, 2010	31 December, 2009		
item	Amount	% of total	Amount	% of total	
Total loans and advances	1,057,571	57.99	882,979	61.90	
Allowance for impairment					
loss on loans	-19,848	-1.09	-15,241	-1.07	
Net loans and advances	1,037,723	56.90	867,738	60.83	
Investments	181,419	9.95	156,956	11.00	
Balances with central banks	262,238	14.38	221,590	15.54	
Due from banks and					
other financial institutions	125,462	6.88	61,848	4.34	
Placements with banks and					
other financial institutions	149,385	8.19	73,015	5.12	
Net properties and facilities	8,809	0.48	8,068	0.57	
Other assets	58,701	3.22	37,177	2.60	
Total	1,823,737	100.00	1,426,392	100.00	

Note: Investments include available-for-sale securities, held-to-maturity securities, loans and investments receivables, trading financial assets and derivative financial assets.

1. Loans and advances

As at 31 December, 2010, total loans and advances of the Group amounted to RMB1,057,571 million, representing an increase of RMB174,592 million, or 19.77% from the end of the previous year. Total loans and advances accounted for 57.99% of total assets, which was lower than that of the end of the previous year.

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

(Unit: RMB million)

Item	31 December, 2010		31 December, 2009	
ntem	Amount	% of total	Amount	% of total
Corporate loans	778,409	73.60	719,099	81.44
Of which: Discounted bills	11,931	1.13	35,221	3.99
Individual loans	279,162	26.40	163,880	18.56
Total	1,057,571	100.00	882,979	100.00

Breakdown of individual loan business is as follows:

(Unit: RMB million)

Itam	31 December, 2010		31 December, 2009	
Item	Amount	% of total	Amount	% of total
Loans of Shang Dai Tong (商貸通)	158,986	56.95	44,809	27.34
Mortgage loans	97,494	34.92	99,619	60.79
Receivables from credit cards	16,432	5.89	14,266	8.71
Others	6,250	2.24	5,186	3.16
Total	279,162	100.00	163,880	100.00

2. Investments

As at the end of the reporting period, the balance of the Group's investments was RMB181,419 million, representing an increase of 15.59% as compared with the end of the previous year.

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

(1) Breakdown of investments

Item	31 December, 2010		31 December, 2009	
item	Amount	% of total	Amount	% of total
Trading financial assets	6,024	3.32	4,747	3.02
Available-for-sale investments	35,192	19.40	49,035	31.24
Held-to-maturity investments	128,610	70.89	57,142	36.41
Loans and receivables	11,117	6.13	45,567	29.03
Derivative financial assets	476	0.26	465	0.30
Total	181,419	100.00	156,956	100.00

(2) Holdings of major government bonds

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

(Unit: RMB million)

	Annual interest				
Item	Par value	rate (%)	Maturity date		
2003 Book-entry T-bonds	2,565	2.8	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	1,693	3.9	23-8-2014		
2008 Book-entry T-bonds	3,756	3.56-4.16	14-4-2011 to 28-2-2023		
2009 Book-entry T-bonds	3,000	2.26-2.29	2-4-2014 to 4-6-2014		
2010 Book-entry T-bonds	48,185	1.44-3.67	10-1-2011 to 28-10-2020		
Total	63,001	_	_		

(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)

	An	nual interest rate		Provision for
Item	Par value	(%)	Maturity date	impairment
2002 Financial bonds	1,020	2.7	23-4-2012	_
		Floating, 2.84		
2010 Financial bonds	1,400	for the period	25-2-2020	_
Total	2,420	_	_	_

(4) Major types and amount of derivative financial instruments

lane.	Contractual/	Fair va	lue
Item	Notional amount	Assets	Liabilities
Interest rate swaps	21,277	319	-260
Currency forwards	11,215	77	-66
Currency swaps	18,171	63	-41
Precious metal swaps	762	16	_
Credit default swaps	366	1	-1
Extension options	8,300	_	_
Total		476	-368

(II) Liabilities

As at 31 December, 2010, the Group's total liabilities amounted to RMB1,718,480 million, representing an increase of RMB380,982 million, or 28.48%, as compared with the end of the previous year.

The table below sets out the breakdown of the Group's total liabilities as at 31 December, 2010.

(Unit: RMB million)

Item	31 December, 2010		31 December, 2009	
item	Amount	% of total	Amount	% of total
Deposits from customers	1,416,939	82.45	1,127,938	84.33
Due to and placements from				
banks and other financial				
institutions	225,144	13.10	152,317	11.39
Borrowings from banks and				
other financial institutions	25,211	1.47	13,871	1.04
Debt securities in issue	21,496	1.25	23,060	1.72
Other liabilities	29,690	1.73	20,312	1.52
Total liabilities	1,718,480	100.00	1,337,498	100.00

1. Deposits from customers

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB1,416,939 million, representing an increase of 25.62% as compared with the end of the previous year.

ltom	31 December, 2010		31 December, 2009	
Item	Amount	% of total	Amount	% of total
Deposits from corporates	1,184,111	83.56	932,568	82.68
 Demand deposits 	579,448	40.89	497,422	44.10
Time deposits	604,663	42.67	435,146	38.58
Deposits from individuals	231,215	16.32	194,104	17.21
 Demand deposits 	71,644	5.06	50,894	4.51
Time deposits	159,571	11.26	143,210	12.70
Others	1,613	0.12	1,266	0.11
Total	1,416,939	100.00	1,127,938	100.00

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

As at the end of the reporting period, the total balances of the Group's due to and placements from banks and other financial institutions increased by 47.81% from the end of the previous year.

(III) Shareholders' equity

As at the end of the reporting period, total shareholders' equity of the Group was amounted to RMB105,257 million, representing an increase of RMB16,363 million, or 18.41%, as compared with the end of the previous year. The equity attributable to the equity holders of the Bank was RMB104,108 million, representing an increase of RMB16,074 million, or 18.26%, as compared with the end of the previous year. The increase of shareholders' equity was mainly due to the continuous improvement in profitability of the Company in 2010. The increase of share capital was mainly due to the distribution of bonus shares of 2009 by the Company under the implementation of annual profit distribution scheme in the same year.

(Unit: RMB million)

	31 December,	31 December,	
Item	2010	2009	Increase (%)
Share capital	26,715	22,262	20.00
Capital reserve	38,075	38,075	0.00
Reserve for fair value changes of			
available-for-sale securities	-288	106	-371.70
Surplus reserve	5,903	4,184	41.09
General reserve	13,822	10,904	26.76
Retained earnings	19,881	12,503	59.01
Equity attributable to the equity holders of the Bank	104,108	88,034	18.26
Non-controlling interests in equity	1,149	860	33.60
Total equity	105,257	88,894	18.41

(IV) Off-statement items

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

	31 December,	31 December,	
Item	2010	2009	Changes (%)
Acceptance	308,584	216,657	42.43
Letters of guarantee	50,115	45,593	9.92
Letters of credit	30,062	15,094	99.17
Trade finance arrangement	24,267	24,349	-0.34
Unused credit card limits	18,618	14,337	29.86
Commitments on irrevocable loan	5,629	5,422	3.82
Commitments on financing lease	1,898	1,841	3.10
Commitments on capital expenditure	8,296	3,299	151.47
Commitments on operating lease	4,149	4,284	-3.15

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Itam	31 December, 2010		31 December, 2009	
Item	Balance	% of total	Balance	% of total
Corporate loans and advances				
Manufacturing	143,036	13.52	121,940	13.81
Real estate	129,424	12.24	103,713	11.75
Leasing and commercial services	107,736	10.19	94,644	10.72
Transportation, logistics and				
postal services	69,248	6.55	75,137	8.51
Wholesale and retail	62,031	5.87	35,772	4.05
Mining	61,845	5.85	41,680	4.72
Irrigation, environmental and				
public facilities management	53,798	5.09	60,967	6.90
Public administration and				
social organizations	32,567	3.08	36,051	4.08
Production and supply of				
electricity, gas and water	31,712	3.00	48,515	5.49
Construction	26,237	2.48	26,144	2.96
Education and social services	24,277	2.30	22,125	2.51
Financial services	18,112	1.71	37,835	4.28
Information transmission,				
computer services and software	3,933	0.37	3,816	0.43
Others	14,453	1.35	10,760	1.23
Subtotal	778,409	73.60	719,099	81.44
Individual loans and advances	279,162	26.40	163,880	18.56
Total	1,057,571	100.00	882,979	100.00

(II) Loans by geographical distribution

(Unit: RMB million)

Region	31 December, 2010		31 December, 2009	
	Balance	% of total	Balance	% of total
Northern China	307,220	29.05	276,820	31.35
Eastern China	400,678	37.89	319,054	36.13
Southern China	113,682	10.75	95,762	10.85
Other regions	235,991	22.31	191,343	21.67
Total	1,057,571	100.00	882,979	100.00

Note: Northern China includes Minsheng Financial Leasing Co., Ltd., the head office and the branches in Beijing, Taiyuan, Shijazhuang 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, Xiamen and Nanning; Other regions include Minsheng township banks in Pengzhou, Jiangxia, Changyuan, Tongnan, Meihekou, Ziyang and Qijiang and the branches in Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou and Changchun.

(III) Distribution of loans by collateral

(Unit: RMB million)

Item	31 December, 2010		31 December, 2009	
item	Balance	% of total	Balance	% of total
Unsecured loans	274,969	26.00	254,221	28.79
Guaranteed loans	273,985	25.91	222,009	25.14
Secured loans				
 Collateralized loans 	416,654	39.39	306,658	34.73
Pledged loans	91,963	8.70	100,091	11.34
Total	1,057,571	100.00	882,979	100.00

(IV) Top ten borrowers

As at the end of the reporting period, the aggregate outstanding loan amount to the top ten borrowers of the Group was RMB36,668 million, accounting for 3.47% of the total loan amount. The top ten borrowers of the Group were Chaoyang Branch of Beijing Center for Land Consolidation Reserve (北京市土地整理儲備中心朝陽分中心), Ordos State-owned Assets Investment and Management Co., Ltd. (鄂爾多斯市國有資產投資經營有限責任公司), Chongqing Jiangbeizui Central Business District Development & Investment Co., Ltd. (重慶市江北嘴中央商務區開發投資有限公司), Tianjin Jinyuan Investment and Development Co., Ltd. (天津市津源投資發展有限公司), Xi'an Qujiang New District Land Reserve Center(西安曲江新區土地儲備中心), Chongqing Land Properties Group (重慶市地產集團), Shanghai Lingang New City Land Reserve Center (上海臨港新城土地儲備中心), Shunyi Branch of Beijing Center for Land Consolidation Reserve (北京市土地整理儲備中心順義區分中心), Chengdu Investment Holding Group Co., Ltd. (成都投資控股集團有限公司) and Beijing Center for Land Consolidation Reserve (北京市土地整理儲備中心).

(V) Five-category classification of credit assets

Item	31 December, 2010		31 December, 2009	
nem	Balance	% of total	Balance	% of total
Performing loans	1,050,232	99.31	875,582	99.16
Of which: Pass	1,040,101	98.35	862,654	97.70
Special-mention	10,131	0.96	12,928	1.46
Non-performing loans	7,339	0.69	7,397	0.84
Of which: Substandard	3,701	0.35	2,475	0.28
Doubtful	1,983	0.19	2,799	0.32
Loss	1,655	0.15	2,123	0.24
Total	1,057,571	100.00	882,979	100.00

(VI) Migration ratio of loans

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

Item	2010	2009	2008
Pass	1.25%	1.37%	3.48%
Special-mention	20.26%	9.38%	16.47%
Substandard	21.15%	82.19%	28.30%
Doubtful	5.18%	53.01%	39.22%

(VII) Subsidized loans

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

(VIII) Restructured loans and overdue loans

(Unit: RMB million)

Itam	31 Decemb	er, 2010	31 December, 2009	
Item	Balance % of total		Balance	% of total
Restructured loans	2,412	0.23	3,742	0.42
Overdue loans	7,996	0.76	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 by the borrower to repay the debt due.

(IX) Allowance for impairment of loans

Item	2010	2009
Balance as at year beginning	15,241	11,885
New allowance	6,237	4,866
Releases	-934	-74
Amounts written off and exempted during the period as uncollectible	-773	-1,345
Recovery after write-off	246	87
Unwinding of discount on allowance	-170	-178
Exchange difference	1	_
Balance as at year end	19,848	15,241

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

Provision method for loan impairment:

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

(X) Non-performing loans and response measures

As at the end of the reporting period, the Group had non-performing loans of RMB7,339 million. The NPL ratio was 0.69%, down by 0.15 percentage point over the corresponding period of the previous year.

The Group mainly adopted the following measures:

- 1. Monitoring closely changes in international and domestic economies; implementing macro-economic policies of the State; strengthening credit planning; insisting on active adjustment on the loan distribution; and optimizing asset structure;
- 2. Continuously optimizing the organization structure of risk management; improving the policies and systems of risk management; carrying out credit limit management of different industries and regions; and enhancing the development, promotion and application of advanced risk management techniques and instruments;
- 3. Continuously improving the monitoring and warning system as well as on-site and off-site inspection system; strengthening the monitoring on the risk management of major, problematic customers and key geographical regions and industries of the Group; and closely monitoring loans with potential risk factors and doubtful loans in order to develop contingency plans in a timely manner and effectively control new non-performing loans;
- 4. Optimizing the recovery mechanism and procedure for non-performing assets through improving the collection process, utilizing various recovery methods in the market such as collection, restructuring, foreclosing and taking legal action; strengthening the accountability mechanism for non-performing assets; and enhancing the recovery of written-off assets to increase the efficiency and effectiveness of recovery;
- 5. Strengthening training programs in order to improve the professional skills and expertise of the risk management team and cultivate a sound credit management culture and philosophy of compliance.

VI. Analysis of Capital Adequacy Ratio

(Unit: RMB million)

	31 December,	31 December,	31 December,
Item	2010	2009	2008
Net Capital	133,772	107,656	70,767
Of which: — Core capital	103,488	88,756	51,307
 Supplementary capital 	30,408	21,224	20,700
Deductions	124	2,324	1,240
Total risk-weighted assets	1,280,847	993,773	767,895
Core capital adequacy ratio (%)	8.07	8.92	6.60
Capital adequacy ratio (%)	10.44	10.83	9.22

As at the end of the reporting period, core capital, net capital and risk-weighted assets of the Group increased by RMB14,732 million, RMB26,116 million and RMB287,074 million, respectively, from the end of the previous year. The increase in net capital was mainly due to higher profitability supplemented the core capital of the Group and the improvement of its supplementary capital by issuing RMB5,800 million subordinated bonds. The increase in risk-weighted assets was mainly due to the increases in total loan size and off-balance sheet assets of the Group.

VII. Segment Report

The Group manages its business by geographical region 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 four main types of financial services, including corporate banking business, personal banking business, treasury business and other business.

(I) Segment operating results by geographical regions

(Unit: RMB million)

Region	Total assets (excluding deferred income tax assets)	Operating income	Profit before tax
Northern China	1,082,213	20,564	5,718
Eastern China	613,448	17,779	8,923
Southern China	228,677	5,862	2,630
Other	328,094	10,462	5,705
Inter-region adjustment	-433,150	0	0
Total	1,819,282	54,667	22,976

Note: Inter-region adjustment refers to the centralized adjustments involving the Bank or a number of branch offices (such as inter-entity balances).

(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	765,678	31,089	10,375
Retail banking	281,331	9,129	3,436
Treasury	731,024	13,127	8,357
Other business	41,249	1,322	808
Total	1,819,282	54,667	22,976

VIII. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

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

2. Items measured at fair value

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

(Unit: RMB million)

Item	Opening balance	Gain/Loss from fair value changes for the	Accumulated fair value changes charged to	Impairment allowance for the period	Closing balance
		period	equity		
Financial assets	54,122	-31	-288	64	41,567
Of which: 1. Financial assets at					
fair value through	1				
profit or loss for					
the period					
(excluding					
derivative					
financial assets)	4,747	-42	_	_	6,024
2. Derivative financial					
assets	465	11	_	_	476
3. Available-for-sale					
financial assets	48,910	_	-288	64	35,067
Investment properties	_	_	_	_	_
Bio-assets for production	_	_	_	_	_
Others	_	_	_	_	_
Total	54,122	-31	-288	64	41,567
Financial liabilities	395	-27	_	_	368

Note: Reversal of available-for-sale financial assets impairment was approximately RMB64 million.

(II) Foreclosed assets

(Unit: RMB million)

Item	31 December, 2010	31 December, 2009	allowance for the period
Foreclosed assets	1,035	1,065	-14
Representing:			
Properties	1,009	1,039	-14
Transportation equipment	_	_	_
Machines & Equipments	22	22	_
Others	4	4	_

(III) Overdue and outstanding liabilities

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

IX. 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 and adopted intensive management under capital restraint. In response to changes in operating and regulatory environment, 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.

1. Corporate loans

In the reporting period, the Company developed its corporate loan business in accordance with the macro-economic policies and the Company's strategic transformation. The focus was on controlling the total lending amount, optimizing the structure, maintaining the quality of the loan portfolio and improving efficiency. By capturing market opportunities arising from the steady and sound development of the national economy, the Company rationally regulated the growth of loans and the tempo of loan extensions, and optimized the loan structure by focusing on supports to non-state-owned enterprises and small and medium-sized enterprises ("SMEs"). The size and overall 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 RMB776,187 million, representing an increase of RMB58,065 million, or 8.09%, as compared with the end of the previous year. Outstanding general corporate loans amounted to RMB750,501 million, representing an increase of RMB75,347 million, or 11.16%, as compared with the end of the previous year. The average interest rate of the Company's corporate loans offered during the reporting period amounted to 5.82%, representing an increase of 0.49 percentage points as compared with the previous year. As at the end of the reporting period, non-performing corporate loan ratio of the Company amounted to 0.84%, representing a decrease of 0.07 percentage point as compared with the end of last year.

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

(1) The Company actively promoted strategies of business with non-state-owned enterprises so as to cultivate strategic partners and lay the foundation for business transformation and overall income improvement.

To become a "bank for private enterprises", the Company should cultivate strategic customers who could meet the requirements of the transformation of corporate business, have synergy effect and be on the same standing as and grow in line with the Company, and



together explored a "1+2+N" model of financial butler service, so as to expand its service coverage of non-state-owned enterprises, increase the proportion of business with such customers and broaden its service offerings. In the reporting period, the head office and its business units have chosen 461 target customers for further strategic cooperation through cooperation with the All-China General Chamber of Industry and Commerce and industry associations. The Company categorized these customers into different groups and assigned dedicated financial butler service teams for each of them to devise comprehensive financial solutions to meet their development strategies and demands, and to enter into strategic cooperation agreements at appropriate time and conditions. In the reporting period, total lending to non-state-owned enterprises (including SMEs hereinafter) amounted to RMB347,415 million. As at the end of the reporting period, the Company had 8,192 customers of non-state-owned enterprises with outstanding balances, and outstanding general loans of RMB388,635 million, representing an increase of 92.80% and 34.58% as compared with the end of last year, respectively. In corporate banking business, the number of non-state-owned enterprises with outstanding balances amounted to 79.03% and their outstanding general loans amounted to 51.78%.

(2) The Company continued to expand into emerging markets and develop new customers to further strengthen its customer base and effectively reduce the concentration of loans so as to optimize its customer base of the Company.

As at the end of the reporting period, the Company had over 10,300 customers with outstanding general loan balances, representing an increase of more than 3,800 customers, or 58.91%, as compared with the end of last year. The average outstanding general loans decreased from RMB105 million as at the end of last year to RMB73 million as a result of the rationalization of the Company's customer base.

(3) The Company utilized credit products including bills, syndicated loans and comprehensive 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 for large projects of major customers. In the reporting period, syndicated loans and transfer of credit assets amounted to RMB19,880 million and RMB27,075 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 launch new products and innovative services to facilitate enterprises, in particular, the SMEs, to reduce their capital cost and financing cost and to significantly increase its own revenue as well. In the reporting period, the income ratio of discounted bills reached 8.42%, representing an increase of 5.04 percentage points as compared with the corresponding period of the previous year. The income from bills spread amounted to RMB4,193 million, representing an increase of more than 10% as compared with the corresponding period of the previous year.

(4) The Company encouraged the provision of new 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 a 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 financing projects. The credit facilities to government-guaranteed projects are subject to the approval of the head office of the Company according to a set of standard procedures. The Corporate Banking Department of the head office adopted a preliminary approval system to strictly control and eliminate projects supported by low level government agencies, with poor financial support or insufficient collateral. In addition, the Company optimized the national resources for this kind of credit business through organizing internal syndicated loan facilities to minimize inefficient credit provision by individual operating units.

During the reporting period, the Company strictly controlled the approval for credit facilities granted to new government-guaranteed projects. In order to prevent from risks in the existing business operations, the Company enhanced its post-loan management by performing self-investigations and examinations of relevant government-guaranteed projects and evaluating the financial position of local government agencies and financing project companies in terms of stable cash flow and sources of primary repayment funds. Loans were categorized accordingly for management. So far, no abnormal situation has been identified, asset quality is stable and the overall risks are well managed.

2. Corporate deposits

During the reporting period, to cope with the impact of new regulatory requirements of the "Three Measures and One Guideline", on liability business of commercial banks which used to attract deposits by providing loans, the Company continued to implement the principle of "taking deposits as the key foundation of the bank" by facilitating the organic growth of the deposits portfolio. On one hand, we focused on the growth of customer base by seeking new customers, enhancing settlement services and increasing the market share of the settlement business to boost deposit growth. On the other hand, we laid the foundation for sustainable growth of deposits by improving products and services of customer cash flow management through business including financing of movable properties, factoring, receivables, bills and cash management.

As at the end of the reporting period, the balance of corporate deposit of the Company was RMB1,179,863 million, representing a growth of RMB249,465 million, or 26.81%, as compared with the end of last year. The average cost of corporate deposits in 2010 was 1.52%, representing a decrease of 0.10 percentage point as compared with last year. During 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, over 58,700 new deposit accounts of the Company brought a growth of RMB199,906 million in deposits, which accounted for 80.13% of the increase in corporate deposits, and was the main growth driver of liability business. As at the end of the period, there were 175,500 corporate deposit accounts with outstanding balance, representing an increase of 21.71% as compared with the end of last 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 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 RMB346,833 million and a balance of RMB135,126 million with 4,096 effective customers, representing an increase in the accumulated amount and the number of effective customers by 166.79% and 156.00%, respectively, from the corresponding period of the previous year. The balance of arbitrage pledged deposits and settlement deposits amounted to RMB107,956 million. More importantly, 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. Corporate 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 offered customers, particularly strategic non-state-owned enterprises, comprehensive financial services focusing on investment and financing, and provided more diversified consultation and financial advisory services and developed intermediary business. 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 implemented a strategy of "diversification and specialization" to optimize the structure of its custody business. The Company made use of the customer base of custody business to cross-sell other products and services. The Company further consolidated internal resources and placed emphasis on the development of securities trust business for securities investment fund, group wealth management for securities dealers (券商集合理財) and personalized fund management for special customers (基金一對多). The Company also strengthened product innovation and explored new custody business for private equity funds, insurance claims trust, wealth management and transaction fund. The Company is approved by the China Securities Regulatory Commission and the State Administration of Foreign Exchange to conduct custody business for Qualified Foreign Institutional Investors. As at the end of the reporting period, the assets held by the Company as custodian (including safekeeping) amounted to RMB208,144 million, representing an increase of 61.00% as compared with the end of last year. Revenue from the custody business was RMB192 million, representing an increase of 69.91% as compared with corresponding period of the previous year. Such increase reflected balanced development of custody business in terms of size and efficiency.

In respect of corporate annuity business, the Company put strategic emphasis on the development of corporate annuity business and consolidated the resources integration throughout the Company, adopted a strategy of segregating the target markets 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, the Company managed a total number of 61,541 annuity accounts, representing an increase of 49.77% as compared with the end of last year. The annuity funds under the custody of the Company amounted to RMB3,189 million, representing an increase of 112.32% as compared with the end of last year.

In the reporting period, the Company's intermediary business of corporate banking business segment grew rapidly and the net fee and commission income amounted to RMB5,285 million, accounting for 67.08% of the net fee and commission income of the Company, representing an increase of 82.05% over the corresponding period in the previous year. With the growth of total income, 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 enhancing environment by risk prevention, carrying restructuring, exploring business opportunities emerging markets promoting transformation business model. All lines of business at SBUs achieved continuous growth asset quality improved. In the 4th Award Ceremony of China Management Institute,



entitled "Management Innovation in the Evolving Era", (大轉型時代的管理創新 — 第四屆中國管理學院獎頒獎大會) jointly organized by PKU Business Review and the China Management Case-Sharing Center (中國管理案例研究中心), the Company was honoured with the Golden Award (綜合金獎) in recognition of its excellent results attributable to the reform of SBUs.

(1) Real Estate Finance SBU

In the reporting period, in response to market changes, the Real Estate Finance SBU continued to strengthen the supervision over the operation of the real estate market and enterprises and adjusted credit granting criteria as necessary and enhanced post-loan supervision to effectively avoid potential risks and ensure steady improvement of asset quality. In addition, the Real Estate Finance SBU proactively established rational customer base system and

grasped development opportunities by establishing strategic cooperation with developers of prominent domestic brands and long-term cooperation with experienced local real estate enterprises. In addition, the Real Estate Finance SBU capitalized on its expertise and carried out highly-profitable businesses such as businesses of real estate M&A loans, commercial property collateral loans, syndicated loans for property development, and lead underwriting of medium-term notes. Such businesses have achieved steady growth with low risk and high revenue. In the reporting period, the Real Estate Finance SBU was awarded the title of the Leader in the Real Estate Finance Sector (地產金融領軍者) by the Real Estate magazine (地產) under SEEC Media (HK00205), a leading media organization in the real estate sector and The Industry's Best Finance Service Award (最佳行業金融服務獎) again in 2010 by the CFO World magazine (首席財務官).

As at the end of the reporting period, deposit balance and balance of general loans of the Real Estate Finance SBU amounted to RMB53,496 million and RMB100,550 million, representing an increase of 22.71% and 36.45% as compared with the end of last year, respectively, with non-performing loan ratio at 1.50%, and achieved an intermediary business revenue of RMB840 million, representing an increase of 138.64% as compared with the corresponding period of the previous year.

(2) Energy Finance SBU

In the reporting period, the Energy Finance SBU developed its business on a customer-centric basis and aimed to maximize efficiency by conducting risk and capital management. It conducted in-depth research on industrial development trends to identify potential risks and explore business opportunities and accelerated termination of relationship to customers who failed to comply with state industrial policies and environmental protection standards. The Energy Finance SBU focused on the key regions affluent with coal resources and strived to promote industry chain financing for the coal mining industry. Innovative products and comprehensive financial services have successfully maintained quality customers and laid a solid foundation of low risk, high efficiency and rapid growth for all businesses. In the reporting period, the Energy Finance SBU issued a total of 12 short-term financing bills and medium-term financing notes of RMB12,100 million, and processed finance lease of RMB2,750 million under joint arrangements. Results of the restructuring of business were remarkable.

As at the end of the reporting period, balance of deposits and outstanding general loans of the Energy Finance SBU amounted to RMB42,169 million and RMB93,133 million, representing increases of 22.15% and 0.96% as compared with the end of last year, respectively. Non-performing loan ratio was 0%. The revenue of intermediary business amounted to RMB394 million, representing an increase of 83.26% over the same period of last year.

(3) Transportation Finance SBU

In the reporting period, the Transportation Finance SBU continued to operate under an "embedded" risk management principle. Efforts were made in strengthening the coordination, planning and management functions of the headquarters, and formulation of a strong platform for research and development of financial products and sales support. Targeting on large-scale enterprises, it expanded to the upstream and downstream businesses of five major industries including railway, automobile, shipping, road and aviation. The Transportation Finance SBU fulfilled the requirements of a professional, standardized and diversified operation by offering tailored financial products and comprehensive services to cater to customer demands.

The automobile segment has achieved rapid development with the launch of the well-received "Financial Support Plan for Distributors (經銷商金融支持計劃)", which included the core product of "loans for opening auto stores (建店融資)". The aggregated number of loans extended for opening auto stores (建店貸款)" in the reporting period exceeded RMB5,000 million. The composite interest rate reached 35% above the benchmark interest rate with revenue of intermediary business of RMB150 million. The "Financial Butler Team (金融管家團隊)" which caters for 20 strategic partners in the automobile industry has also been established. A railway supply chain finance mode had been implemented while new commercial models such as railway terminal have been in the process of optimization. The "loan packages for vessel building and leasing (船生船)" and the "contract financing + separate transaction loans (租約融資 +分離交易貸款)" have boosted the growth of the shipping segment by leveraging the recovery of the coastal shipping market.

As at the end of the reporting period, balance of deposits of the Transportation Finance SBU amounted to RMB38,738 million. Outstanding general loans amounted to RMB45,074 million, representing an increase of 5.39% over the end of last year. The non-performing loan ratio was 0%. Revenue from intermediary business amounted to RMB484 million, representing an increase of 58.69% as compared with the corresponding period of the previous year.

(4) Metallurgy Finance SBU

In the reporting period, the Metallurgy Finance SBU dealt with external pressures by conducting in-depth studies on market changes. It focused on the establishment of core non-state-owned enterprises customer base. The Metallurgy Finance SBU actively innovated business models by expanding its services to upstream and downstream businesses through large manufacturers, regulatory bodies, trade groups and exchange centers (including third-party electronic transaction platforms). The settlement of metallurgic trade finance business in the reporting period exceeded RMB36,000 million and the customer base was further enhanced. The Metallurgy Finance SBU also attached importance to the improvement of quality and efficiency. Focusing on industry chain development and investment business in emerging markets, it facilitated the optimization of business and revenue structure for major customers such as enterprises of mining and dressing for metal deposit.

As at the end of the reporting period, balance of deposits and outstanding general loans of the Metallurgy Finance SBU amounted to RMB41,933 million and RMB39,135 million, representing increases of 18.66% and 14.53% as compared with the end of last year, respectively. The non-performing loan ratio was 0.41%, representing a decrease of 0.07 percentage point as compared with the end of last year. The revenue from intermediary business amounted to RMB581 million, representing an increase of 115.19% over the corresponding period of the previous year.

(5) SME Finance SBU

In the reporting period, the SME Finance SBU continued its pursuit of "professional, efficient and sustainable" operations and mapped out its geographical coverage of SME business throughout China. It had initially established a SME service network covering the Yangtze River Delta, Bohai Rim, Pearl River Delta, Western Taiwan Straits, Cheng Yu and central and western regions, laying a solid foundation for the adjustment and optimization of credit structure and strategic transformation of the Bank. To diversify its product portfolio, apart from actively promoting its 7 featured products, namely "Simple and Fast Loan (易捷貸)", "Combined Loan (組合貸)", "Joint Guarantee Loan (聯保貸)", "Revolving Loan (循環貸)", "Movable Property Loan (動產貸)", "Legal Entity Mortgage (法人按揭)" and "Electronic Housekeeper for SMEs (中小企業e管家)", the SME Finance SBU also launched "SME Corporate Account Overdraft Facility (中小企業法人賬戶透支)", "Supplier Finance (供應商融資)" and "Pledge of Intellectual Property Right (知識產

權質押)". Focusing on customers in industrial clusters, industrial chains, professional markets, industrial parks and cooperation between the Bank and the government, the SME Finance SBU strengthened its model of customer base development, using market segmentation, batch development and sales to target customers. Its new brand of financial services for SMEs, the Wealth Compass (財富羅盤), was registered successfully with strong brand recognition and excellent reputation.

As at the end of the reporting period, balance of loans of the SME Finance SBU amounted to RMB79,532 million, representing an increase of 132.69% as compared with the end of last year. Of which, 95.68% were short-term loans. The SME Finance SBU has 6,740 customers, representing an increase of 154.34% as compared with the end of last year. Non-performing loan ratio was maintained at a low level of 0.60%.

(6) Trade Finance SBU

In the reporting period, the Trade Finance SBU continued to develop with the concept of becoming a professional service provider of distinctive trade finance services, and actively followed a policy of "professional, dedicated and specialized operations". The Trade Finance SBU followed market developments closely, took hold of business opportunities where available, and expanded its business to include distinctive products. 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-sized non-state-owned enterprises as basic customers. The SBU created a complete product range covering international settlement as well as international and domestic trade finance. It also boasted a correspondent bank network around the world and a smooth clearing channel. It 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. Its business, such as factoring, domestic letters of credit, letters of guarantee, syndicated loans and settlement in RMB of cross border trade have developed rapidly. In the reporting period, its factoring business continued to enjoy a leading position in the same business, with a transaction volume of RMB61,557 million and a total of 57,729 transactions recorded. Of which, the transaction volume of international dual factoring amounted to US\$923 million, ranking third among domestic banks. A total of 9,857 international dual factoring transactions were recorded, ranking first among domestic banks. The structural trade finance business, which mainly focuses on the "overseas (走出去)" financing, shipping financing and long-term order finance, demonstrated good development progress. For the shipping finance, the Company implemented the business strategy which mainly targeted bulk carriers with 30,000-100,000 tons. Led by the Company, syndicated loan activities were organized with large state-owned commercial banks. A new type of financing to ship owners was developed and promoted and the "Shipping Tycoon Club of China Minsheng Banking" (中國民生銀行船王俱樂部) was established. Under the new "overseas" financing business, the Group supported privately-owned enterprises by providing financing for their investment in the construction of photovoltaic power plants in developed countries, and launched medium-term structural financing for equipment export and contracted construction.

As at the end of the reporting period, balances of the outstanding RMB-denominated loans and foreign currency-denominated loans of the Trade Finance SBU amounted to RMB7,661 million and US\$1,899 million, respectively. The non-performing loan ratio of new loans was 0%. Income from intermediary business amounted to RMB1,691 million.

In the reporting period, the rapid growth of trade finance business 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, 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), The Best Trade Finance Award (最佳貿易融資獎) by the CFO World magazine(首席財務官) and The Best Trade Finance Bank Award (最佳貿易融資銀行獎) by the Financial Money magazine (金融理財).

(II) Retail Business

1. Retail loans

The Company offered various loan products to retail banking customers. In 2010, the Shang Dai Tong (商貸通) business boosted the rapid growth of retail loans. As at the end of the reporting period, total retail loans (excluding credit card overdrafts) increased by RMB112,323 million, or 75.32%, to RMB261,453 million, as compared with the end of the previous year.

In 2010, leveraging the successful debut in 2009, the Shanghai Dai Tong business continued to grow rapidly. The outstanding loan of Shang Dai Tong



exceeded the record high of RMB150,000 million. The size and quality of the customer base were also enhanced significantly. As at the end of the reporting period, outstanding loan of Shang Dai Tong amounted to RMB158,986 million, representing an increase of RMB114,177 million, or 254.81%, as compared with the end of the previous year. As at the end of the reporting period, the total number of Shang Dai Tong customers was up to 110,000, over 20% of which were VIP customers. The Company continues optimization of customer structure.

In respect of the return 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. The actual interest rate of newly-issued loans increased by more than 1 percentage point as compared with the previous year. In addition, the loan business of Shang Dai Tong has effectively optimized the loan structure of the Company.

In respect of the risk control over Shang Dai Tong business, the Company persisted in following the principles of "the Law of Large Numbers" (大數法則) to estimate the risk probabilities of specific industries. The Company selected industries suitable for launching Shang Dai Tong to control risks. Moreover, in respect of system establishment, the business system designated for Shang Dai Tong was in trial operation in Nanjing Branch. The launch of a small and micro business system will enhance the effectiveness of the Shang Dai Tong business, leading to a standardized and professional operation. In 2010, the Shang Dai Tong business of the Company continued to maintain a low non-performing loan ratio, which came to 0.09% as at the end of the reporting period.

With the rapid growth of the Shang Dai Tong loan business and financial businesses with small and micro enterprises, the Shang Dai Tong loan business was well-received by the community, having created a positive brand image. In 2010, the Company was honored with a number of titles and awards, such as Excellent Service Provider for SMEs in 2010 (2010年度優秀中小企業服務機構) by China Association of Small Medium Enterprises, Excellent Service Product for SMEs in 2010 (2010年優秀中小企業服務產品) by the 21st Century Business Herald; the Small and Micro Enterprise Financial Service Award in 2010 (2010小微金融服務獎) and the Most Competitive Marketing Model in 2010 (2010卓越競爭力營銷模式) by the China Business; and The Best Small and Micro Enterprise Service Bank in 2010 (2010 最佳小微企業服務銀行) from the CBN (第一財經).

2. Retail deposits

Savings deposits from retail customers of the Company included demand deposits, time deposits and notice deposits. Savings deposits from retail customers formed one of the important low-cost funding resources of the Company. In 2010, savings deposits from retail customers of the Company grew moderately as compared with the previous year. The Company's balance of savings deposits from retail customers amounted to RMB230,251 million, representing an increase of RMB36,525 million, or 18.85%, as compared with the previous year.



3. Debit card business

As at the end of the reporting period, the Company had a total of 25.02 million debit cards in issue, including 2.21 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

In the reporting period, the credit card center of the Company adhered to the guideline of developing its credit card business as a domestic brand that caters for international needs by further optimizing the development strategy of Minsheng Credit Cards. Committed to market-oriented development and innovation with dedicated and specialized operation, Minsheng Credit Card business achieved excellent performance in 2010.

As at the end of the reporting period, the total number of credit cards in issue was 9.13 million. Transaction volume of credit card business was RMB107,646 million, representing an increase of 5.07% as compared with the corresponding period in the previous year. The year-end balance of receivables amounted to RMB16,432 million, representing an increase of 15.18% as compared with the end of last year.

In the reporting period, the Company exclusively issued dual currency credit cards with the theme of "2010 FIFA World Cup South Africa" in mainland China and took the domestic lead in issuing 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 card users to enjoy convenient and cost-saving spending experience during sightseeing, academic and business trips in the US, the UK, Europe, Canada, Australia and Japan.

Dedicated to serving the public, Minsheng brand was widely recognized by the social community in 2010 and was honoured with awards such as The Best Marketing Campaign for Financial Brand (最佳金融品牌營銷活動獎), The Most Valuable Credit Card Award (最有價值信用卡產品獎) and the Credit Card of Internet Users' Favourite Experience in 2010 (2010年最佳網友體驗信用卡). As such, its core competitiveness was further enhanced.

5. Agency business

The Company offers services such as sales agent of wealth management products, funds and insurance. The number of funds sold under its agency business reached 598, a leading number among its peers in the industry. The Company also cooperates with 25 insurance companies, including the top five insurance companies in terms of market share, to optimize the Company's insurance selling platform.

6. Customers and related activities

As at the end of the reporting period, the Company had 19.94 million retail customers, with a savings deposit balance of RMB230,251 million. Among the retail customers, 107,000 customers had individual financial assets of more than RMB500,000, and their total deposits amounted to RMB130,585 million, representing 56.71% of total retail deposits of the Company.

In the reporting period, targeting VIP customers, the Company launched the "Apex Wealth Management Expert Seminar", golf competitions and luxury fairs, which were well-received by customers and offered our VIP customers a more personal experience in integrated financial services.

In the reporting period, the Company received the following awards: The Best Retail Bank in 2010 (2010最佳零售業務銀行) from ifeng.com (鳳凰網); The Best Wealth Management Brand in 2010 (2010年度最佳財富管理品牌) from hexun.com (和訊網); The Best Wealth Management Brand Award in 2010 in the 8th China Finance and Economics Ranking (2010年度第八屆中國財經風雲榜最佳財富管理品牌) and The Most Reliable Banking Wealth Management Brand of Internet Users in 2010 by sohu.com (搜狐網). The Company was also honoured as one of the Top 10 Retail Banks in China in 2010 (2010年中國十大最佳零售銀行) in the Most Respected Bank and Best Retail Bank Awards in China in 2010 (2010年中國最受尊敬銀行暨最佳零售銀行) organized by the Money Weekly (理財週刊).

7. Private banking business

The Company provided specialized private banking services for individuals and households whose financial assets managed by the Company amounted to over RMB10 million. In the reporting period, the Company adopted a matrix business management model for its private banking business, under which a private banking team and a marketing model were established to cater to the needs of customers. To build a quality private banking service brand, it provides professional and comprehensive services for customers.

In the reporting period, the Company provided a specialized investment platform for high-end customers with different investment appetites and established a diversified product portfolio comprising private equity investment, integrated trust plan, trust and securities funds by private placement and alternative investments. The Company also established a diversified consultation service system covering taxation, law, insurance plans and art investment. In addition, the Company provided financial consultation services for high-end customers by offering financial market analysis and recommendations, as well as regular private banking publications. In order to highlight the special feature of non-financial services in private banking, based on the marketing practice followed by each branch, the Company offered specialized service plans such as private jet journeys, specialized medical services, children's education programs and golf events. The Company organized CFP training and other trainings programs for private banking wealth management consultants so as to enhance the quality of its private banking team.

In the reporting period, the Company receive the following awards: The Best Private Bank in 2010 in The Most Respected Banks Awards in 2010" (2010中國最受尊敬銀行評選 — 2010最佳私人銀行) from the Money Weekly; The Most Respected Private Bank for Business Travellers in 2010 in the Value Ranking (商旅精英價值榜 — 2010中國最受商旅精英尊敬的私人銀行) from the Business Traveller China; and The Best Wealth Management Product for Investment (最具投資價值銀行理財產品) in the 7th China Finance and Economics Ranking (第七屆中國財經風雲榜) from hexun.com. (和訊網), a well-known financial and economic organization. As at the end of the reporting period, the Company had established private banking agencies in 17 branches nationwide with income from intermediary business amounting to RMB137 million. As the number of private banking customers recorded a growth of 102.21%, the size of financial assets managed increased by 58.82%.

(III) Treasury business

1. Transactions

In the reporting period, the transaction volume of RMB bonds of the Company amounted to RMB2,780,361 million, representing an increase of 248.46% as compared with the corresponding period in the previous year, ranking sixth in the market. The aggregate volume of the Company's foreign exchange market maker transactions reached US\$207,624 million, maintaining at the same level as the corresponding period in the previous year. The volume of proprietary foreign exchange trading amounted to US\$2,512 million, representing an increase of 106.58% as compared with the corresponding period in the previous year. Forward settlement and selling exchange transaction volume also reached US\$2,192 million, representing an increase of 57.70% as compared with the corresponding period in the previous year. Total volume of settlement and sale of exchange swaps and currency swaps amounted to US\$18,879 million, representing a significant increase of 203.08% as compared with the previous year. In addition, the Company recorded increases in the volumes of spot and forward exchange transaction in foreign currencies as compared with the corresponding period in the previous year.

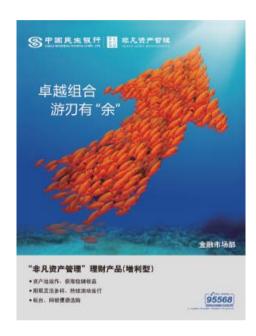
2. Investments

As at the end of the reporting period, the balances of the Company's debt securities investment amounted to RMB184,042 million, representing an increase of 15.22% as compared with the end of the previous year. In the reporting period, the Company's debt securities assets were on a stable growth track. The Company increased the gain of RMB debt securities investment through acquisitions and disposals based on price difference by accurate estimation

of the domestic debt securities market trend. In addition, the Company sold part of its foreign currency denominated debt securities by taking advantage of the price hike of international debt securities thus effectively mitigating potential investment risk.

3. Wealth management

In the reporting period, in response to changes in 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 were 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. The brand value of Apex Asset Management of the Company was 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 medias in 2009.



In the reporting period, the number and size of wealth management products introduced grew significantly. The number of new products launched amounted to 1,836, whilst the sales volume amounted to RMB339,558 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 in 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 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), to further enhance 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 managed them by "two lines", i.e. sales channels for inter-bank customers and non-inter-bank customers, which substantially 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 increased by 183.00% as compared with 2009, while the online sales volume exceeded RMB70,000 million.

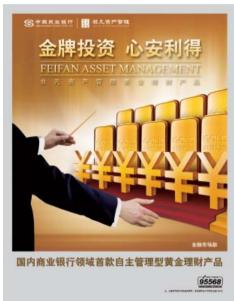
4. Underwriting of bills and bonds

In the reporting period, a total of 44 issues of debt financing instruments amounting to RMB38,680 million were underwritten by the Company, including 23 short-term financing bills, 20 medium-term notes and 1 subordinated bond of RMB17,300 million, RMB21,220 million and RMB160 million, respectively. In addition, the Company was retained as financial adviser for 3 short-term financing bills.

5. Trading in gold and other precious metals

In the reporting period, the Company's trading volumes of gold and silver at the Shanghai Gold Exchange amounted to 347.81 tons and 11,730.08 tons, respectively, and the trading volume of gold in Shanghai Futures Exchange amounted to 35.13 tons. The total trading volume was RMB159,633 million. In terms of on-floor trading value, the Company is the fourth largest dealer at the Shanghai Gold Exchange.

During the reporting period, the Company's personal deferred transaction agency business for the Shanghai Gold Exchange grew significantly and became one of the major income sources of precious metals business in 2010.



(IV) E-banking services

In the reporting period, the Company's e-banking services achieved rapid growth and recorded a total transaction volume of RMB8,178,803 million. The total number of corporate e-banking accounts and individual e-banking accounts were 130,000 and 3,230,000, respectively. The Company had a total of 2,650,000 telephone banking customers, 30,000 mobile phone banking customers and 1,940,000 subscribers to the instant account information delivery services. The "95568" customer service hotline received 26.82 million incoming calls. The call-in connection rate was 98.13% while that for VIP services was 99.51%.

In the reporting period, the Company set up a dedicated service hotline "4008695568" for small and micro enterprises, providing various services such as loan advisory, appointment-making and account enquiries. It became a major initiative of the Company in serving small and micro enterprises. The Company introduced special wealth management products for e-banking accounts, and online banking had become the major channel for the sales of wealth management products with low risk. The Company also introduced a U-key of 12 animals of the Chinese zodiac (生肖U寶) and an Octopus U-key (章魚版U寶) to cater to the diversified needs of its customers. It also successfully connected with the interbank settlement system for online payment of the People's Bank of China to enhance overall customer service quality.

In the reporting period, the Company received many honours for its e-banking business from the industry. At the 4th China Electronic Finance Development Annual Conference and Ceremony of the 3rd Golden Cup Awards for Chinese Electronic Finance, the Company was awarded the Best Online Bank 2010 (2010年最佳網上銀行). At the 2010 Annual Meeting of Online Banks hosted by the China Financial Certification Authority ("CFCA"), the Company received the 2010 Award for the PRC Online Bank with Best Security (2010年中國網上銀行最佳網銀安全獎). At the 11th Finance IT Innovation and Excellent Financial and Economic Website Award Ceremony (第十一屆金融IT創新暨優秀財經網站評選) hosted by Securities Times, the Company was awarded The Best Bank Website (最佳銀行網站). At the 7th China Customer Service Summit and the 5th Best Customer Service Award 2009–2010 (第七屆中國客戶服務峰會暨2009–2010第五屆中國最佳客戶服務評選) organized by China Association of Trade in Services and China Information Industry Association, the Company was awarded The Best Service Management in China (中國最佳服務管理獎). In the 360° Bank Assessment (360°銀行評測) organized by bankrate.com.cn, the Company was awarded the Award for Telephone Banking Service of Customer Satisfactory (電話銀行服務消費者滿意度獎).

(V) Performance of subsidiaries

1. Minsheng Leasing

Minsheng Financial Leasing Co., Ltd. ("Minsheng Leasing"), one of the first five financial leasing companies in the banking sector approved by the State Council, was established in April 2008 with a registered capital of RMB3,200 million. As at the end of the reporting period, the Company held 81.25% equity interest in Minsheng Leasing.

As at the end of the reporting period, the total assets of Minsheng Leasing amounted to RMB41,482 million, representing an increase of 75.87% as compared with the end of previous year. The net profit during the reporting period amounted to RMB495 million, representing an increase of 206.62% as compared with the previous year. The net yield of average assets was 13.37%, representing an increase of 8.59 percentage points as compared with the previous year. There was no non-performing asset. Each operation indicator ranked top among domestic peers.

Minsheng Leasing adhered to a professional and characterized development and set up a mode of development focusing on featured business such as aviation and shipping. Minsheng Leasing has demonstrated its initial leading position in the business of leasing of business jets and ships. It has boasted an international and domestic leading business jet fleet with 21 jets of Gulf Stream and Bombardier. It also took a lead in the domestic market in terms of domestic shipping with 83 ships of different types with a total deadweight capacity of 3.18 million tons. The businesses of Minsheng Leasing and the Company complemented each other, raising the competitiveness of the Group.

In the reporting period, the first comprehensive core business system of the leasing industry in China was established and put into operation by Minsheng Leasing, which has enhanced overall management standards of the Company. Minsheng Leasing was the first to invest and establish a special purpose vehicle ("SPV") in the domestic bonded area to promote the development of the leasing industry.

The business of Minsheng Leasing developed rapidly and received strong recognition from the industry. The awards it obtained include The Most Competitive Financial Service Award (最具競爭力金融服務獎) by the 5th 21 Century Annual Finance Summit of Asia; The Best Financial Leasing Company 2010 (2010年度金融租賃公司) by the CFV of the First Financial Daily; Financial Innovation Award 2010 (2010金融創新獎) by the 2010 Online Ranking of Financial

Wealth Management hosted by sohu.com (搜狐2010年金融理財網絡盛典評選); Top Ten Financial Leasing Enterprises of Excellence (融資租賃十佳企業) by the 2010 China Financial Leasing Annual Meeting (2010年中國融資租賃年會評選); and the Innovative Institution of Green Financial Services (綠色金融服務創新機構獎) by the 7th China International Finance Forum.

2. Minsheng Fund

Minsheng Royal Fund Management Co., Ltd. ("Minsheng Fund") is a fund management sino-foreign joint venture established by a bank under the approval of the China Securities Regulatory Commission. It was established in November 2008 with a registered capital of RMB200 million. As at the end of the reporting period, 60% equity interest of Minsheng Fund was held by the Company.

As at the end of the reporting period, the total assets and net assets of Minsheng Fund were RMB85.86 million and RMB70.63 million, respectively. The operating income and loss were RMB58.57 million and RMB54.90 million, respectively. The asset managed by four open-ended funds under Minsheng Fund amounted to RMB2,630 million, representing an increase of 84.04 % as compared with the end of the previous year. The annual net value of Minsheng Strong Bond Fund A (民生强債基金A類) grew by 9.83%, which was 10.35% above the market benchmark and was ranked 5th among 31 similar funds.

To face the intensifying competition, Minsheng Fund has undergone reform of sales organization in the reporting period. The sales system was reorganized in terms of sales channels instead of regions and dedicated sales departments were set up for different sales channels with differentiated marketing and customer services to facilitate overall development of the business.

3. Minsheng township banks

Minsheng township banks collectively refer to the township banks initiated and established by the Company. With centralized risk control and professional support of the Company, Minsheng township banks actively explored business models with local characteristics for small and medium enterprises (including micro enterprises) as well as financial business in rural areas. As an effective extension of the Company's business strategies for non-state-owned enterprises and small and micro enterprises, it boosted the expansion of market shares of the Company in various counties and towns. The Company accelerated the establishment of township banks in the reporting period, with 6 township banks set up in Chongqing, Hubei, Jilin, Sichuan and Henan. As at the end of the reporting period, the Company has established a total of 9 Minsheng township banks, outstanding deposits and outstanding loans of which in aggregate were RMB5,214 million and RMB3,499 million, respectively.

The three township banks the Company established during 2008 to 2009, namely, Pengzhou Township Bank Co., Ltd. in Sichuan, Cixi Minsheng Township Bank Co., Ltd. in Ningbo and Shanghai Songjiang Minsheng Township Bank Co., Ltd. achieved healthy and rapid development in the reporting period. As at the end of 2010, balance of deposits and outstanding loans of the 3 Minsheng township banks in aggregate amounted to RMB3,934 million and RMB2,775 million, representing increases of 54.38% and 89.94% as compared with the previous year, respectively. Net profit after tax in aggregate amounted to RMB62.58 million and ROAE was 22.33%. In terms of asset scale and profitability level, Shanghai Songjiang Minsheng Township Bank Co., Ltd. ranked top among the township banks in China.

In the reporting period, the Company clearly defined the principle in developing township banks as "consolidated and standardized development, centralized risk control, diversified and flexible operation, and sharing of resources", and prioritized risk control in township bank management. As at the end of the reporting period, assets quality of the township banks was satisfactory. No operation accident was recorded throughout the year.

X. Risk Management

The guiding principle of the Company's risk management regime is "Creating Value by Managing Risks". Its risk management system focuses on quality and effectiveness with the flexibility to deal with different businesses in terms of size or scale. The objective of the risk management of the Company is to support business development and strategic restructuring, to strengthen core competitiveness, to safeguard the long term interests of employees and customers so as to maximize the benefits of its shareholder value.

(I) Credit risk

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

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

At the beginning of the year, the Company issued its 2010 Guiding Opinion on Risk Policy (2010年度風險政策指導意見), which was the Company's first risk policy encompassing all business segments, all types of risks and all risk management procedures. The Guiding Opinion systematically analyzes the major risks of the financial market and their impact on the Company, based on in-depth study of global and domestic economic and financial trends, coupled with consideration of the Company's development needs and changes in macro-economic and other government policies anticipated by relevant business units. The Guiding Opinion serves as a reference for all business segments in the formulation of operation strategies. In addition, the Company optimised the differentiated credit policies for key industries based on the credit ratings to different industries and regional markets.

(II) Market risk

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

and reporting measures to govern authorization, credit extension and limit of credit. 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 net interest income and net value of the Company under different scenarios.

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

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

The Company endeavours to match amounts and duration of loans denominated in different currencies to control structural exposure of foreign exchange in its business operations. Mismatch may be hedged in the 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 increasing the utilization of foreign currencies. With respect to trading exposure in foreign exchange transactions, the Company mitigates exchange rate risks by establishing exposure limits and stop-loss limits.

In the reporting period, the Company formulated the General Provisions on Market Risk Management (市場風險管理基本制度), which specified the basic framework of market risk management (including its organization, function and procedure), and further specified the basic requirements of corporate governance and management structure of the Company in respect of market risk control.

(III) Operational risk

Operational risk refers to the risk of loss resulting from incompleteness or faults in internal procedures, human error and information technology ("IT") 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 flow and IT system failure. External risks include risks arising from external contingencies.

The Company has devoted to optimizing operation procedures for middle and back offices, specifying management structure and responsibilities of operational risk management to improve its quality and efficiency. With implementation of the New Basel II Accord, the Company is proactively using the opportunity to establish mechanisms for an operational risk management system as required by the New Basel II Accord. In this way, the Company aims to raise the standard of operational risk management and to formulate a scientific and comprehensive operational risk management system. Currently, a risk management system covering information technology, crisis and disaster recovery and outsourcing

activities has been set up based on the relevant regulatory requirements of the New Basel II Accord. Relevant assessment and reporting mechanisms have also been established to optimize the operational risk management system for the Company and strengthen the identification, measurement, supervision and control of operational risks on a comprehensive, scientific and timely basis.

Information technology risk management was the focal point of the operational risk management in 2010. While continuing with the installation of new core IT systems, the Company also endeavoured to upgrade, operate and maintain the existing IT systems and organized necessary disaster recovery and emergency drills to ensure stable operation of the IT system. The Internal Audit Department of the Company has further optimized and enhanced its internal auditing capacity for effective monitoring of information technology risk management.

(IV) Liquidity risk

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 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 the liquidity risk management policies and strategies. In 2010, the Company strengthened the headquarters' centralized fund management and allocation, and ensured effective management of liquidity risk by optimizing debt structure, improving the stability of deposits and lowering the maturity mismatch risk. Structural liquidity indicators such as liquidity ratio and core debt dependency improved significantly as compared with the beginning of the year.

(V) Implementation of New Basel II Accord

The year 2010 is the first year of the implementation by the Company of the New Basel II Accord. Currently, all projects are being implemented in stages as planned. Substantive progress has been made in the development of a legal person customer credit rating system. A model of customer rating and design of a rating management system have been completed. Design of the overall framework of a debt rating system has been finished. The internal rating project for the retail sector has come into full operation. The overall framework and associated planning and design of a market risk management system have been completed. The operational risk management project has also come into full operation.

(VI) Anti-money laundering

The anti-money laundering scheme of the Company proceeded well in 2010. By continuous improvement of relevant systems, the Company specified relevant operating procedures and provided the specific guidelines to anti-money laundering. Efforts were also made on the establishment of training system for the anti-money laundering team at different levels, an anti-money laundering expert tank and a high-calibre professional team have been established. In addition, the Company strengthened study of its major businesses and products to identify new risks in a timely manner. With the above measures, the Company has been in a leading position in anti-money laundering efforts in the industry.

XI. Prospects and Measures

As the first year of the 12th Five-Year Plan, 2011 will see changes in economic drivers, industrial structure, regional development and pattern of economic growth. Economic development is expected to be more diversified and sustainable. Financial market reform will be launched, the market will further develop and expand, and demand for financial products will increase significantly. In light of the above, the banking industry will embrace more growth potential. On the other hand, the allocation of economic resources between traditional and strategic emerging industries, among eastern, central and western regions of China; between large and small and medium enterprises; as well as between state-owned and non-state-owned sectors will also change gradually. Monetary policy tends to be prudent and a number of new regulations will be implemented on a centralized basis. There will be increasing competition in the banking industry. All these factors will impose challenges on the operation and management of the Company. In accordance with the "Five-year Development Outline" (五年發展綱要), the Company will hold on to its characteristics, give prominence to key businesses and strengthen management to accelerate reform, while continue to optimize business structure and effectively operational risks to ensure the successful implementation of the "second take-off" strategy. The Company will adopt the following measures to maintain a steady and healthy development:

- (I) The Company enhance research on macro environment to ensure coordinated operations. The Company will keep abreast of the changing external environment, in particular, the impact of the economic structure adjustment, industrial policy and regional development under the "12th Five-Year Plan" to the Company's business, the Company will keep track of the macro economic and regulatory policies to maintain orderly promotion of strategies. While maintaining steady growth, the Company will endeavour to optimize structures, develop distinctive characteristics and enhance operation efficiency.
- (II) The Company will take the opportunities of the economic transformation to push forward its strategies on non-state-owned enterprises. Sticking to the economic transformation, the Company will seize the favourable momentum for non-state-owned economies arising from the development of emerging strategic industries, service industries, modern agricultural industry and second and third-tier cities. The Company will formulate rational development plan to innovate product and service systems with "financial butler" (金融管家) service as the key, so as to facilitate the rapid and healthy development of non-state-owned enterprises.
- (III) The Company will further develop its small and micro enterprise finance business based on in-depth researches. Researches on industrial development, risk measurement and value assessment of small and micro enterprises will be reinforced to optimize business processes and management system. The Company will accelerate the construction of "credit factory" and put more efforts on cluster marketing. The guarantee system, products system, level of comprehensive services, effectiveness and efficiency of operation will be improved to build up brand advantages.
- (IV) The Company will further promote high-end retail business. The Company will actively seek business opportunities in the capital market and cooperate with fund managing and securities dealing companies to develop customized financial services and high-end wealth management platform. The Company will also reinforce strategic cooperation with non-state-owned and small and micro enterprises by integrating internal and external channel integration to offer high-end services to new customers.

- (V) The Company will speed up the product innovation and cross-selling and increase the revenue from intermediary business through various channels. The Company will improve the product innovation system to support business development in high yield markets and emerging markets. By optimizing product portfolio, streamlining business processes and coordinating cooperation among departments and business lines, the Company intends to build a customer-centric cross-selling system to offer comprehensive financial services to customers and improve its profitability of intermediary business.
- (VI) The Company will continue to maintain a steady growth of deposits. The Company will strengthen the cultivation of the customer bases as well as the development of products, and achieve the increase of deposits through products. New payment platforms such as online banking and other new areas will be further developed to procure the stabilization and increase of deposits through various channels. The Company will promote the development of business with high derivative deposits including asset custody, bills and institutional finance, while improving the derivative deposits capability of and overall return from small and micro enterprises.
- (M) The Company will optimize its resources allocation to improve overall operating efficiency. Through policies on loan pricing and extension, the Company will effectively maintain balance between assets and liabilities. Asset management will also be strengthened to improve the utilization of resources. The Company will also tighten its operating cost control and increase the input-output ratio.
- (MI) The Company will intensify capital management to facilitate the intensive operation. The Company will establish performance assessment system and capital limit management system with economic capital as the core. It will tighten examinations on risk-adjusted return and economic value added of its operation units, maximize the capital and resources utilization rate and reduce the misappropriation of capital. The role of capital management in business development planning, performance assessment and resources allocation will be further demonstrated. The Company will change the business mode under the business concept of capital rationing.
- (IX) The Company will further improve its comprehensive risk management system and strengthen risk management. The Company will continue the implementation of its 3-year risk management plan and the implementation of the New Basel II Accord by strengthening research on risk measurement and setting up exposure limit management covering all risks. To comply with the economic policies and requirements of the central government and regulatory authorities, the Company will strengthen risk control over major industries (such as the government financing project, the real estate sector, and regions and customers that are of high pollution, high consumption and excessive production capacity), regions and customers. The Company will also endeavour to optimize the disposal system of non-performing assets, carry out effective compliance checks and develop risk management system for product innovation in an aim to improve initiatives and foresight in managing risks.
- (X) The Company will refine its management system. The Company will introduce advanced management methods, fully implement score card assessment system, and push forward specific management systems for customer strategy and innovations. In addition, the Company will start kick off improvement programs for management system and operation management model of key business to improve the efficiency of management and operation and bring management model to a more scientific and comprehensive level.

(XI) The Company will enhance the coordination in conducting reforms to facilitate process-based banking construction. The Company will facilitate streamlining of processes and transformation management. The Company strives to achieve scientific, systematic and procedural reforms by adjusting organization structure, operation management model and business procedures. The Company will move forward with the SBU reform to innovate business model and product services, while enhance internal synergy and external cooperation to improve the customer-centric professional service level and overall development capabilities.

In conclusion, to cope with changes in the external environment, the Company will continue to focus on its strategic development targets of "private enterprises", "small and micro businesses" and "high-end retail customers". The Company will further proceed with process-based banking reform and promote its management. It will strive to accomplish all business tasks planned for the year and promote the accomplishment of the operating target of "distinctive bank" and "efficient bank" with the successful implementation of the "Second Take-off" strategy in an aim to maximize its market value.



I. Changes in Shares

(I) Changes in shares:

(Unit: Share)

	Changes over the 31 December, 2009 reporting period (+, -)			31 December, 2010		
				Release		
	Number of	Percentage	Profit	of restrictions	Number of	Percentage
	shares	(%)	distribution	on sale	shares	(%)
I. Shares subject to restriction						
on sales	290,201,000	1.30	_	-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	_	_
Of which:						
Overseas legal person						
shares	204,848,000	0.92	_	-204,848,000	_	_
Overseas natural						
person shares	85,353,000	0.38	_	-85,353,000	_	_
II. Shares not subject to						
restriction on sales	21,972,076,489	98.70	+4,452,455,498	+290,201,000	26,714,732,987	100
1. Ordinary shares in RMB	18,823,001,989	84.55	+3,764,600,398	_	22,587,602,387	84.55
2. Domestic listed foreign						
invested shares	_	_	_	_	_	_
3. Overseas listed foreign						
invested shares	3,149,074,500	14.15	+687,855,100	+290,201,000	4,127,130,600	15.45
4. Others	_	_	_	_	_	
III. Total number of shares	22,262,277,489	100.00	+4,452,455,498	_	26,714,732,987	100

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

(II) Shares subject to restriction on sales and restrictions

(Unit: '000 shares)

No.	Holders of shares subject to restriction on sales	Number of shares subject to restriction on sales	Expiry date of lockout period	Additional shares available for listing and trading	Remarks
1.	HKSCC Nominees Limited	290,200	26 May, 2010	_	All shares
					subject to
					restriction on
					sales held are
					listed

II. Issuance and Listing of Shares

(I) Issuance of shares in the three years immediately before the end of the reporting period

The Company launched its Initial Public Offering of ordinary shares dominated in RMB (A shares) on 27 November, 2000.

On 26 November, 2009, the Company successfully listed 3,321,706,000 overseas listed foreign invested shares (H shares). On 18 December, 2009, the Company exercised an over-allotment option of H share at the price of HK\$9.08 to allot 117,569,500 H shares. The Company raised a total of RMB26,750 million (net of commission and transaction levy). After such H share offering, the total share capital of the Company amounted to 22,262,277,489 shares.

(II) Total number of shares and changes in shareholding structure in the reporting period

At the beginning of the reporting period, the Company had a total of 22,262,277,489 shares. During the reporting period, the Company issued 4,452,455,498 bonus shares in total under the 2009 profit distribution plan. As at the end of the reporting period, the Company had a total of 26,714,732,987 shares.

(III) In the reporting period, the Company had no employee shares.

III. Issuance and Listing of Convertible Bonds

Subject to the approval by the CSRC (Zheng Jian Fa Xing Zi [2003] No.13), the Company issued RMB4,000 million convertible bonds on 27 February, 2003, which were listed on the Shanghai Stock Exchange on 18 March, 2003. The offering document and listing announcement were published on China Securities Journal, Shanghai Securities News and The Securities Times on 21 February, and 13 March, 2003, respectively.

The convertible bonds became convertible on 27 August, 2003. The conversion period was terminated and the bonds were delisted on 26 February, 2008. As of the close of the market on 26 February, 2008, RMB3,999,671,000 of "Minsheng Convertible Bonds" (100016) had been converted into 1,616,729,400 "Minsheng Bank" shares (600016) (including bonus shares and shares from rights issue), representing 11.17% of the total share capital of the Company, and convertible bonds of RMB329,000 remained unconverted, representing 0.008% of the total "Minsheng Convertible Bonds" issued. The principal and interests of these unconverted bonds were due and repaid in full on 26 February, 2008.

IV. Issuance of Financial Bonds, Subordinated Bonds and Hybrid Capital Bonds

Pursuant to the approval by the People's Bank of China ("PBOC") in its administrative permission (Yin Shi Chang Zhun Yu Zi [2006] No.3) and the approval by the CBRC (Yin Jian Fu [2006] No. 18), financial bonds with a total of RMB22,000 million were issued by the Company through a public offering in the interbank bond market in two installments in 2006 and 2007 respectively. Of which, the financial bonds totaling RMB10,000 million at a fixed interest rate of 2.88% for a term of three years were issued in 2006. As at 22 May, 2006, proceeds from the RMB10,000 million financial bonds, net of expenses of issuance, were fully credited to the account of the Company, and this public offering was thus completed. As at 22 May, 2009, the RMB10,000 million financial bonds issued in 2006 were due and repaid in full.

The financial bonds totalling RMB12,000 million were issued in 2007, of which the financial bonds of RMB6,000 million for a term of three years and the financial bonds of RMB6,000 million for a term of five years were not redeemable by the issuer before expiry. These bonds had floating rates and the par interest rate per annum was based on the sum of a benchmark rate plus a basic spread. The benchmark rate was the one-year deposit rate on the previous interest payment date, as published by the PBOC. The initial rate and the current benchmark rate of the three-year floating rate financial bonds were 3.67% and 3.06% respectively, with an initial basic spread of 0.61%. The value date of the financial bonds was 22 June, 2007 and the expiry date will fall on 22 June, 2010. The interests are paid on an annual basis. The initial rate and the current benchmark rate of the five-year floating rate financial bonds were 3.82% and 3.06% respectively, with an initial basic spread of 0.76%. The value date of the financial bonds was 22 June, 2007 and the expiry date will fall on 22 June, 2012. The interests are paid on an annual basis. As at 22 June, 2007, the proceeds from the RMB12,000 million financial bonds, net of expenses of issue, were fully credited to the account of the Company, and this issuance was thus completed. As at 22 June, 2010, the RMB6,000 million financial bonds of the Company issued in 2007 for a term of three years were due and repaid in full.

Pursuant to the approval by the PBOC (Yin Fu [2004] No.59) and the approval by the CBRC (Yin Jian Fu [2004] No.159), the Company issued subordinated bonds totaling RMB5,800 million, comprising RMB4,315 million bonds at a fixed rate of 5.1% and RMB1,485 million floating rate bonds based on an initial rate of 4.65% (a benchmark interest rate of 2.25% plus a basic spread of 2.4%), through a private placement in the interbank bond market. Where the PBOC revises its benchmark interest rates, the interest rate of the floating rate bonds will be adjusted accordingly. These subordinated bonds were issued for a term of ten years and the interests were paid on an annual basis. The proceeds from the RMB5,800 million subordinated bonds, net of expenses of issue, were fully credited to the account of the Company and thus this private placement was completed on 8 November, 2004. According to applicable rules, the proceeds from RMB5,800 million were fully accounted as supplementary capital. On 2 November, 2009, the Company exercised the early redemption option to redeem the subordinated bonds of RMB5,800 million in full.

Pursuant to the approval by the PBOC (Yin Fu [2005] No.112) and the approval by the CBRC (Yin Jian Fu [2005] No.309), the Company issued subordinated bonds totaling RMB1,400 million at fixed interest rate for a term of ten years through a private placement in the interbank bond market. Such bonds are redeemable at the discretion of the issuer at the end of the 5th year, with an initial interest rate of 3.68%. If the Company does not exercise any redemption option at the end of the 5th year, the interest rate for the remaining five years would be increased by 300BP on top of the interest rate applicable to the first five years, and the interests are paid on an annual basis. On 26 December, 2005, the proceeds from the RMB1,400 million subordinated bonds, net of expenses of issue, were fully credited to the account of the Company, and this private placement was thus completed. According to applicable rules, these proceeds of RMB1,400 million were fully accounted as supplementary capital. On 23 December, 2010, the Company exercised the early redemption option to redeem the subordinated bonds of RMB1,400 million in full.

Pursuant to the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2006] No.27) and the approval by the CBRC (Yin Jian Fu [2006] No.80), the Company issued a total of RMB4,300 million hybrid capital bonds for a term of 15 years through a public offering in the interbank bond market. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the tenth year but before the maturity date of the bonds. The bonds comprised fixed rate bonds and floating rate bonds. The fixed rate bonds, amounted to RMB3,300 million and were issued at an initial interest rate of 5.05% and the interest rate for the remaining five years will increase by 300BP on top of the initial interest rate applicable in the first ten years if the Company does not exercise any redemption option. The floating rate bonds amounted to RMB1,000 million and the par interest rate per annum was based on the sum of a benchmark rate plus a basic spread. The benchmark rate was the one-year time deposit rate published by the PBOC and the initial basic spread was 2%. If the Company does not exercise the early redemption option, an extra premium of 100BP will apply to the basic spread on a year-on-year basis from the 11th interest payment year. As of 28 December, 2006, the proceeds from the RMB4,300 million hybrid capital bonds, net of expenses of issue, were fully credited to the account of the Company and this issue of bonds was thus completed. According to applicable rules, these proceeds of RMB4,300 million were fully accounted as supplementary capital.

Pursuant to the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2009] No.8) and the approval by the CBRC (Yin Jian Fu [2009] No.16), the Company issued a total of RMB5,000 million hybrid capital bonds for a term of 15 years through a public offering in the interbank bond market. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the 10th year but before the maturity of the bonds. The bonds comprised fixed rate bonds and floating rate bonds. The fixed rate bonds, amounting to RMB3,325 million, were issued at an initial interest rate of 5.70% and the interest rate for the remaining five years will increase by 300BP on top of the initial interest rate applicable to the first ten years if the Company does not exercise any redemption option. The floating rate bonds amounted to RMB1,675 million and the par interest rate per annum was based on the sum of a benchmark rate plus a basic spread. The benchmark rate was the one-year time deposit rate published by the PBOC and the initial basic spread was 3%. If the Company does not exercise the early redemption option, an extra premium of 200BP will apply to the basic spread on a year-on-year basis from the 11th interest payment year. As of 26 March, 2009, proceeds from the RMB5,000 million hybrid capital bonds, net of expenses of issue, were fully credited to the account of the Company and this issue of bonds was thus completed. According to applicable rules, these proceeds of RMB5,000 million were fully accounted as supplementary capital.

Pursuant to the approval by the CBRC (Yin Jian Fu [2004] No.159) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2010] No.31), the Company issued another batch of revolving subordinated bonds at fixed interest rates totaling RMB5,800 million through a public offering in the interbank bond market. These subordinated bonds were issued for a term of ten years and the interests were paid on an annual basis. Subject to the approval by the CBRC, the Company might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of the bonds. The initial interest rate was 4.29% and the interest was paid on an annual basis. The proceeds from the RMB5,800 million subordinated bonds, net of expenses of issue, were fully credited to the account of the Company and thus this issue of bonds was completed on 17 June, 2010. According to applicable rules, the proceeds from RMB5,800 million were fully accounted as supplementary capital.

V. Shareholders

(I) The table below sets out the top ten shareholders of the Company and their shareholdings:

(Unit: shares)

Total number of shareholders				1,123,423				
Particulars of shareholdings of the top ten shareholders								
Name of shareholders	Type of	Charabaldinga		Shares subject to				
Name of Shareholders	shareholder	Shareholdings	Shares	restriction on sales				
HKSCC Nominees Limited	/	15.27%	4,080,551,068	_				
New Hope Investment Co., Ltd.	Domestic legal person	4.99%	1,333,586,825	_				
China Life Insurance Co., Ltd. — Traditional								
 Common Insurance Products — 005L 								
- CT001, SH	Domestic legal person	4.31%	1,151,307,314	_				
China Shipowners Mutual Assurance								
Association	Domestic legal person	3.39%	905,764,505	_				
Orient Group Incorporation	Domestic legal person	3.33%	888,970,224	_				
China SME Investment Co., Ltd.	Domestic legal person	2.76%	737,955,031	_				
China Oceanwide Holdings Group Co., Ltd.	Domestic legal person	2.62%	698,939,116	_				
Fuxin Group Co., Ltd.	Domestic legal person	2.15%	574,603,116	_				
Sichuan South Hope Industrial Co., Ltd.	Domestic legal person	2.09%	558,306,938	_				
Sino Life Insurance Co., Ltd. — Traditional								
Common Insurance Products	Domestic legal person	1.27%	339,172,488	_				

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	4,080,551,068	Overseas listed foreign invested shares (H shares)				
New Hope Investment Co., Ltd.	1,333,586,825	Ordinary shares denominated in RMB				
China Life Insurance Co., Ltd. — Traditional — Common Insurance Products — 005L — CT001, SH	1,151,307,314	Ordinary shares denominated in RMB				
China Shipowners Mutual Assurance Association	905,764,505	Ordinary shares denominated in RMB				
Orient Group Incorporation	888,970,224	Ordinary shares denominated in RMB				
China SME Investment Co., Ltd.	737,955,031	Ordinary shares denominated in RMB				
China Oceanwide Holdings Group Co., Ltd.	698,939,116	Ordinary shares denominated in RMB				
Fuxin Group Co., Ltd.	574,603,116	Ordinary shares denominated in RMB				
Sichuan South Hope Industrial Co., Ltd.	558,306,938	Ordinary shares denominated in RMB				
Sino Life Insurance Co., Ltd. — Traditional — Common Insurance Products	339,172,488	Ordinary shares denominated in RMB				
Statement on the related relationship or	Both of New Hope Inve	estment Co., Ltd. and Sichuan				
concert actions among the aforesaid shareholders	South Hope Industrial Co. Ltd. are controlled by New					
solution and an another and an analogous and an another and	Hope Group Co., Ltd. The Company is not aware of any					
		ip 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.

(II) 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 31 December 2010, the interests in the shares of the Company owned by following persons (other than the Directors, Supervisors and chief executives 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 are as follows:

Name of Substantial Shareholder	Class of shares	Long/ short position	Capacity	No. of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,891,893,763*	1 & 4	8.38	7.08
Sichuan New Hope Agri-Business Co., Ltd.	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,333,586,825*	1	5.90	4.99
New Hope Investment Co., Ltd.	А	Long	Beneficial owner	1,333,586,825*	1	5.90	4.99
Li Wei	A	Long	Interest held by the corporation controlled by the spouse of this substantial shareholder	1,891,893,763*	2 & 4	8.38	7.08
Liu Chang	A	Long	Interest held by the corporation controlled by this substantial shareholder	1,891,893,763*	3 & 4	8.38	7.08
Morgan Stanley	Н	Long	Interest held by the corporation controlled by this substantial shareholder	236,925,950	5	5.74	0.89
Morgan Stanley	Н	Short	Interest held by the corporation controlled by this substantial shareholder	224,378,218	5	5.44	0.84

* As far as the Company is aware, the above numbers of shares reflected the interests of the relevant substantial shareholders as at 31 December 2010. However, these numbers of shares were not reported in the respective disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Notes:

- 1. The 1,891,893,763 A shares comprised 558,306,938 A shares directly held by Sichuan South Hope Industrial Co., Ltd. and 1,333,586,825 A shares directly held by New Hope Investment Co., Ltd. Sichuan South Hope Industrial Co., Ltd. was wholly-owned by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and 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 558,306,938 A shares held by Sichuan South Hope Industrial Co., Ltd. and in the 1,333,586,825 A shares held by New Hope Investment Co., Ltd. Meanwhile, Sichuan New Hope Agri-Business Co., Ltd. was also deemed to have interests in the 1,333,586,825 A shares held by New Hope Investment Co., Ltd.
- 2. Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,891,893,763 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares is disclosed in this annual report in the section headed "Interests or Short Positions of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations").
- 3. Ms. Liu Chang held 36.35% of the issued share capital of New Hope Group Co., Ltd. (see note 1 above). According to the SFO, Ms. Liu was deemed to have interests in the 1,891,893,763 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).
- 4. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang had in the 1,891,893,763 A shares, as set out in the above table, were the same block of shares.
- 5. Morgan Stanley had a long position in 236,925,950 H shares and a short position in 224,378,218 H shares of the Company by virtue of its control over the following corporations:
 - 5.1 Morgan Stanley & Co. International plc. had a long position in 157,849,786 H shares and a short position in 146,151,427 H shares of the Company. Morgan Stanley & Co. International plc. was a wholly-owned subsidiary of Morgan Stanley UK Group, which in turn was a wholly-owned subsidiary of Morgan Stanley Group (Europe). Morgan Stanley Group (Europe) was owned as to 98.3% by Morgan Stanley International Limited, which in turn was a wholly-owned subsidiary of Morgan Stanley International Incorporated. Morgan Stanley International Incorporated was owned as to 90% by Morgan Stanley and 10% by Morgan Stanley Domestic Holdings, Inc. respectively. Morgan Stanley Domestic Holdings, Inc. was wholly owned by Morgan Stanley Capital Management, L.L.C., which in turn was a wholly-owned subsidiary of Morgan Stanley.
 - 5.2 Morgan Stanley & Co. Inc. had a long position in 39,812,594 H shares and a short position in 39,093,621 H shares of the Company. Morgan Stanley & Co. Inc. was a wholly-owned subsidiary of Morgan Stanley.
 - 5.3 MSDW Equity Finance Services I (Cayman) Limited had a long position in 39,031,170 H shares and a short position in 39,031,170 H shares of the Company. MSDW Equity Finance Services I (Cayman) Limited was a wholly-owned subsidiary of MSDW Offshore Equity Services Inc., which in turn was a wholly-owned subsidiary of Morgan Stanley.
 - 5.4 Mitsubishi UFJ Morgan Stanley Securities had a long position in 130,200 H shares of the Company. Mitsubishi UFJ Morgan Stanley Securities was owned as to 40% by Morgan Stanley Japan Holdings Co., Ltd., which was an indirect wholly-owned subsidiary of Morgan Stanley.

- 5.5 Morgan Stanley Capital (Luxembourg) S.A. had a long position in 102,200 H shares of the Company. Morgan Stanley Capital (Luxembourg) S.A. was owned as to 93.75% by Morgan Stanley International Incorporated, which was an indirect wholly-owned subsidiary of Morgan Stanley (see note 5.1 above).
- 5.6 Morgan Stanley Capital (Cayman Islands) Limited had a short position in 102,000 H shares of the Company. Morgan Stanley Capital (Cayman Islands) Limited was a wholly-owned subsidiary of Morgan Stanley.

Save as disclosed above and 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", the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 31 December 2010 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

- Extracts from the 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 borrow shares under a securities borrowing and lending agreement, or hold, write or issue financial instruments (including derivatives) under which, for example:

- (i) you have a right to require another person to take the underlying shares;
- (ii) you are under an obligation to deliver the underlying shares;
- (iii) you have a right to receive money if the price of the underlying shares declines; or

- (iv) you have a right to avoid a loss if the price of the underlying shares declines.
 - Extracts from "Disclosure of Interests Form Directors and instructions for completion of Form"

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

(III) Share pledge and lock-up in respect of shares held by shareholders with 5% or more equity in the Company

As at 31 December, 2010, no shareholder holds shares of the Company of 5% or more (other than HKSCC Nominees Limited).

(IV) Controlling shareholder/ultimate controller

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

(V) Shareholders with 5% or more equity in the Company

As at 31 December, 2010, no shareholder holds shares of the Company of 5% or more (other than HKSCC Nominees Limited).

I. Directors, Supervisors and Senior Management

(I) Basic Information

Name	Gender	Year of Birth	Position	Term of office	Shares held at beginning of the period (share)	Share held at end of the period (share)	Aggregate remuneration before tax received during the reporting period (RMB'000)	Remuneration received from shareholders or other related parties
DONG Wenbiao	M	1957	Chairman & Executive Director	23.3.2009–23.3.2012	-	-	7,154.8	No
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	23.3.2009–23.3.2012	-	-	860.0	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	23.3.2009-23.3.2012	-	-	840.0	Yes
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	23.3.2009-23.3.2012	-	-	795.0	Yes
WANG Yugui	M	1951	Non-executive Director	23.3.2009-23.3.2012	-	-	750.0	Yes
CHEN Jian	M	1958	Non-executive Director	23.3.2009-23.3.2012	-	-	680.0	Yes
WONG Hei	F	1962	Non-executive Director	23.3.2009-23.3.2012	-	-	785.0	Yes
SHI Yuzhu	M	1962	Non-executive Director	23.3.2009-23.3.2012	-	-	755.0	Yes
WANG Hang	M	1971	Non-executive Director	23.3.2009-23.3.2012	-	-	825.0	Yes
WANG Junhui	M	1971	Non-executive Director	23.3.2009-23.3.2012	-	-	780.0	Yes
LIANG Jinquan	M	1940	Independent Non-executive Director	23.3.2009-23.3.2012	-	-	-	No
WANG Songqi	M	1952	Independent Non-executive Director	23.3.2009-23.3.2012	-	-	940.0	No
Andrew WONG	M	1957	Independent Non-executive Director	23.3.2009-23.3.2012	-	_	1,110.0	No
QIN Rongsheng	M	1962	Independent Non-executive Director	9.9.2009-23.3.2012	-	-	1,045.0	No
WANG Lihua	M	1963	Independent Non-executive Director	9.9.2009-23.3.2012	-	_	850.0	No
HAN Jianmin	M	1969	Independent Non-executive Director	9.9.2009-23.3.2012	-	-	940.0	No
HONG Qi	M	1957	Executive Director, President of the Bank	23.3.2009-23.3.2012	-	_	6,844.8	No
LIANG Yutang	M	1958	Executive Director, Vice President of the Bank	23.3.2009-23.3.2012	-	-	5,696.1	No
QIAO Zhimin	М	1952	Chairman of the Supervisory Board, Employee Supervisor	23.3.2009-23.3.2012	-	-	6,410.7	No
XING Jijun	M	1964	Vice Chairman of the Supervisory Board	23.3.2009-23.3.2012	-	-	756.0	Yes
LU Zhongnan	M	1955	Supervisor	23.3.2009–23.3.2012	-	-	650.0	Yes
ZHANG Disheng	M	1955	Supervisor	23.3.2009-23.3.2012	-	-	605.0	Yes
XU Rui	F	1945	External Supervisor	23.3.2009-23.3.2012	-	-	665.0	No
WANG Liang	M	1942	External Supervisor	23.3.2009-23.3.2012	-	-	660.0	No
CHEN Jinzhong	M	1960	Employee Supervisor	23.3.2009-23.3.2012	-	-	3,971.6	No
WANG Lei	F	1961	Employee Supervisor	23.3.2009-23.3.2012	-	-	3,848.2	No
XING Benxiu	M	1963	Vice President of the Bank	10.8.2010-23.3.2012			1,402.8	No
SHAO Ping	M	1957	Vice President of the Bank	23.3.2009-23.3.2012	-	-	4,836.1	No
ZHAO Pinzhang	M	1956	Vice President of the Bank	23.3.2009-23.3.2012	-	-	4,836.1	No
MAO Xiaofeng	M	1972	Vice President of the Bank, Board Secretary	23.3.2009-23.3.2012	-	-	4,836.1	No
DUAN Qingshan	M	1957	Chief Financial Officer	19.4.2010-23.3.2012	-	-	3,157.4	No

Notes: 1. On 19 April, 2010, at the 9th meeting of the 5th session of the Board of Directors, Mr. Duan Qingshan was appointed as the Chief Financial Officer of China Minsheng Bank. The term of office of Mr. Duan is consistent with that of the 5th session of the Board of Directors. Ms. Wu Touhong ceased to act as the Chief Financial Officer.

- 2. On 10 August, 2010, at the 11th meeting of the 5th session of the Board of Directors, Mr. Xing Benxiu was appointed as the Vice President of China Minsheng Bank. The term of office of Mr. Xing is consistent with that of the 5th session of the Board of Directors.
- 3. Mr. Liang Jinquan, an Independent Non-executive Director of the Company, is a government official under direct management of central government ("中管幹部"). In accordance with the 2008 No.22 Circular issued by Central Commission for Discipline Inspection of the Communist Party of China ("中紀委") and based on his personal request, Mr. Liang has waived his director's remuneration for 2010.
- 4. As at the end of the reporting period, the Company had not implemented any incentive share option scheme.

(II) Current positions held by the Directors and Supervisors in the companies that are shareholders of the Company

Name	Name of the Company's shareholder company	Position	Term of Office
Zhang Hongwei	Orient Group Incorporation	Chairman	1993 — Present
Lu Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman	May 1999 — Present
Liu Yonghao	New Hope Investment Co., Ltd.	Chairman	2002 - Present
Wang Yugui	China Shipowners Mutual Assurance Association	General Manager	1993 — Present
Chen Jian	China SME Investment Co., Ltd.	Vice Chairman	1992 — Present
Wong Hei	Fuxin Group Co., Ltd.	Chairman	September 2001 — Present
Shi Yuzhu	Shanghai Giant Lifetech Co., Ltd.	Ultimate Controller	April 2001 — Present
Wang Hang	Sichuan South Hope Industrial Co., Ltd.	Chairman & President	September 2010 - Present
Wang Junhui	China Life Asset Management Company Limited	Vice President	2007 — Present
Xing Jijun	Orient Group Incorporation	President	February 2010 — Present

(III) Major working experience of current Directors, Supervisors and Senior Manager

Directors

Executive Directors

Mr. Dong Wenbiao, has been an Executive Director since 30 April, 2000. He is also the Chairman of the Board and the chairman of Strategic Development and Investment Management Committee under the Board. Mr. Dong is also a member of the Tenth and Eleventh Chinese People's Political Consultative Conference ("CPPCC"). Since 2007, Mr. Dong has been a vice chairman of the Committee for Economic Affairs of the CPPCC, a member of the All-China Federation of Industry and Commerce ("ACFIC") and the vice chairman of the All-China General Chamber of Industry and Commerce. Mr. Dong joined the Company as a vice president at the establishment of the Company and has been an Executive Director since April 2000. Mr. Dong was the President of the Company from April 2000 to July 2006, and became the Chairman in July 2006. Mr. Dong is an independent director of Fortis Haitong Investment Management Co. Ltd. Prior to joining the Company, Mr. Dong was the chairman and president of Haitong Securities Co., Ltd. from 1993 to 1995, a director of the Bank of Communications from 1995, the general manager and secretary of the party committee of the Zhengzhou branch of the Bank of Communications from 1991 to 1994 and a deputy director of Henan Finance and Management College from 1988 to 1991. Mr. Dong has over 29 years of experience in banking management and the financial and securities industries. Mr. Dong obtained a master's degree in economics from Xiamen University in 1993 and is a senior economist.

Mr. Hong Qi, has been an Executive Director since 8 January, 2004. He is also the President and a member of Strategic Development and Investment Management Committee and Nomination Committee under the Board. Mr. Hong is the vice president of China Chamber of International Commerce, a committee member of China Society for Finance and Banking, an executive committee member of China Society for International Finance and Banking, a council member of Financial Planning Standard Council of China, and a part-time professor of China Financial Academy. Mr. Hong was a Vice President of the Company from 2000 to March 2009 and became the President in March 2009. He was a director of the Business Department, Head Office of the Company from January, 1996 to September 1996. Mr. Hong acted as the vice general manager of our Beijing Administrative Department from September 1996 to April 1998 and promoted to the general manager from 1998 to 2000. Prior to joining the Company, Mr. Hong was the managing director and secretary of the party committee of the Beihai branch of the Bank of Communications from 1994 to 1995, a deputy director of the securities research institute of the Renmin University of China from 1993 to 1994, and a section chief at the headquarters of the PBOC from 1985 to 1991. Mr. Hong has over 25 years of experience in banking management and finance. Mr. Hong obtained his doctorate in economics from Renmin University of China in 1996.

Mr. Liang Yutang, has been an Executive Director since 23 March, 2009. He is also the Vice President and a member of Related Party Transactions Supervision Committee, Compensation and Remuneration Committee and Risk Management Committee under the Board. Mr. Liang joined the Company as a deputy general manager of the funds planning department at the establishment of the Company and was the general manager of the funds planning department and the general manager of the financial institutions department of the Company from 1996 to 2002. Mr. Liang was an assistant to our President from 2003 to 2005, the general manager of the Beijing Administrative Department of the Company from 2002 to 2007 and became our Vice President in February 2005. Before joining the Company, Mr. Liang was the manager of the integrated planning department of the Bank of Communications from 1994 to 1995, and the general manager of Yutong Real Estate Development and Investment Company of the Bank of Communications, Zhengzhou branch from 1992 to 1994. Mr. Liang was the deputy head of the academic secretariat of Henan Finance and Management College from 1991 to 1992, and the deputy director, director of the management teaching and researching department of Henan Finance and Management College from 1985 to 1991. Mr. Liang has over 29 years of experience in finance. Mr. Liang obtained a master's degree in banking and finance from Xiamen University in 1993 and is a senior economist.

Non-executive Directors

Mr. Zhang Hongwei, has been a Vice Chairman of the Board of the Company since 30 April, 2000. Mr. Zhang is a Non-executive Director and also a member of Strategic Development and Investment Management Committee and Nomination Committee under the Board. Mr. Zhang is the chairman of the board of Orient Group Industrial Co., Ltd., Orient Group Incorporation (listed on the Shanghai Stock Exchange (SSE: 600811)), Jinzhou Port Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 600190/900952)) and United Energy Group Limited (listed on The Stock Exchange of Hong Kong Limited (stock code: 0467)), the chairman of the board of Orient Group Investment Holding Co., Ltd. and a director of China Minzu Securities Co., Ltd. Mr. Zhang is also a member of the CPPCC, and the vice chairman of the All-China General Chamber of Industry and Commerce. Mr. Zhang was the vice chairman of the ACFIC from 1997 to 2007. Mr. Zhang was previously a member of the Standing Committee of the 10th CPPCC. Mr. Zhang obtained a master's degree in economics from Harbin Institute of Technology in 1997 and is a senior economist.

Mr. Lu Zhiqiang, has been a Vice Chairman of the Board of the Company since 16 July, 2006. Mr. Lu is a Non-executive Director and also a member of Strategic Development and Investment Management Committee and Compensation and Remuneration Committee under the Board. Mr. Lu had been a Director since the establishment of the Company until June 2003 and was re-elected as a Director in 2006. Mr. Lu is the chairman of the board and president of Oceanwide Group Co. Ltd. and China Oceanwide Holdings Group Co., Ltd., the chairman of Oceanwide Energy Investment Co., Ltd. (formerly known as Oceanwide Investment Co., Ltd. and was renamed on 17 January, 2011), Oceanwide Real Estate Group Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE:000046)) and a director of Haitong Securities Co., Ltd. (listed on the Shanghai Stock Exchange (SSE:600837)). Mr. Lu is also a member of the Standing Committee of the CPPCC and a vice chairman of the ACFIC. Mr. Lu was the Chief Supervisor of the Company from June 2003 to December 2004 and a deputy Chief Supervisor of the Company from December 2004 to June 2006. Mr. Lu obtained a master's degree in economics from Fudan University in 1995 and is a research fellow.

Mr. Liu Yonghao, has been a Vice Chairman of the Board of the Company since 23 March, 2009. Mr. Liu is a Non-executive Director, a member of Strategic Development and Investment Management Committee under the Board and was previously our Vice Chairman of the Board since the establishment of the Company until 2006. Mr. Liu is currently the chairman of the board of New Hope Group Co., Ltd., Sichuan New Hope Agri-Business Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 000876)), New Hope Investment Co., Ltd. and Shandong Liuhe Group Co., Ltd. Mr. Liu has been a member of the CPPCC since 1993 and a vice chairman of Committee for Economic Affairs of the CPPCC since 2003. Mr. Liu was previously the vice president of the China Society for Promotion of the Guangcai Program and vice chairman of the ACFIC.

Mr. Wang Yugui, was appointed on 3 December, 1995 and has been a Non-executive Director since the establishment of the Company. Mr. Wang is also a member of Risk Management Committee and Nomination Committee under the Board. He is the managing director of China Shipowners Mutual Assurance Association, an executive member of China Maritime Law Association and the China Association of Trade in Services, a director of Minsheng Securities Co., Ltd., and an arbitrator of the maritime arbitration commission of the China Council for the Promotion of International Trade. Mr. Wang has previously served as a director and as a supervisor of China Everbright Bank, a supervisor of Haitong Securities Co., Ltd., and a part-time lawyer of Beijing Jingwei Law Firm. Mr. Wang graduated from the English department of Beijing Second Foreign Language Institute in 1977 and is a senior economist.

Mr. Chen Jian, was appointed on 3 December, 1995 and has been a Non-executive Director since the establishment of the Company. Mr. Chen is also a member of Compensation and Remuneration Committee under the Board. Mr. Chen is the vice chairman of the board of China SME Investment Co., Ltd. Mr. Chen was previously the chairman of Beijing Maoyuanyuan Real Estates Development Company Limited and Beijing Huamao Entertainment Co., Ltd., a director of Hunan Laodie Agricultural Technology Co., Ltd., an editor of the Institute of Agricultural Economics of Chinese Academy of Agricultural Sciences, a reporter of the agricultural department of the People's Daily, a deputy secretary-general of China Foundation for Poverty Alleviation, and a director of the State Council's research office. Mr. Chen obtained a master's degree in administration of agricultural economics from the graduate school of Chinese Academy of Agricultural Sciences in 1985.

Ms. Wong Hei, has been a Non-executive Director of the Company since 16 June, 2003. Ms. Wong is also a member of Audit Committee and Related Party Transactions Supervision Committee under the Board. Ms. Wong is the chairman of the board of Fuxin Group Co., Ltd. Ms. Wong was previously the financial controller of Xiamen Fuxin Property Co., Ltd. and Fuxin Group Co., Ltd. Ms. Wong graduated from the Jimei Teachers College in 1982.

Mr. Shi Yuzhu, has been a Non-executive Director of the Company since 16 July, 2006. He is also a member of Audit Committee and Related Party Transactions Supervision Committee under the Board. Mr. Shi is the chairman of the board of Giant Investment Co., Ltd. and Shanghai Giant Network Science Technologies Co., Ltd., the chairman of the board and the CEO of Giant Interactive Group Inc. (listed on New York Stock Exchange (NYSE: GA)), an executive director of Stone Group Holdings Limited, a director of Shanghai Zhengtu Information Technology Co., Ltd. and the ultimate controller of Shanghai Giant Lifetech Co., Ltd. Mr. Shi was previously the chief executive officer of Stone Group Holdings Limited from 2004 to 2007. Mr. Shi obtained his bachelor's degree in mathematics from Zhejiang University in 1984. He also graduated as a research student from Shenzhen University in software science in 1990.

Mr. Wang Hang, has been a Non-executive Director of the Company since 16 July, 2006. He is also a member of Compensation and Remuneration Committee, Risk Management Committee and Nomination Committee under the Board. Mr. Wang is a director and vice president of New Hope Group Co., Ltd., the chairman and president of Sichuan South Hope Industrial Co., Ltd., the general manager of Beijing Shouwang Asset Management Co. Ltd. and the vice chairman of China Youth Entrepreneurs Association. Mr. Wang has been a non-executive director of Hebei Baoshuo Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 600155)) since 29 December, 2009. Mr. Wang was previously a civil servant at the general office of the PBOC, the chairman of the board of Kunming O-Park Co., Ltd., the consultant and chief operating officer of the corporate finance department of New Hope Group Co., Ltd. and the vice chairman of the board of Union Trust & Investment Ltd. Mr. Wang has a master's degree in economics from Peking University.

Mr. Wang Junhui, has been a Non-executive Director of the Company since 23 March, 2009. He is also a member of Strategic Development and Investment Management Committee and Related Party Transactions Supervision Committee under the Board. Mr. Wang has been the vice president of China Life Asset Management Company Limited since 2007. He has also been the Director of China Life Franklin Asset Management Company Limited since 2009 and the secretary of the party committee and president of China Life Investment Holding Company Limited since February 2011. Prior to this, Mr. Wang was the assistant to the president of China Life Asset Management Company Limited from 2004 to 2007, and an assistant to fund manager, a fund manager, director of investment department and assistant chief executive at Harvest Fund Management Co., Ltd. from 2000 to 2004. Mr. Wang was a committee member of the 10th and 11th sessions of All-China Youth Federation and the 9th and 10th sessions of Beijing Youth Federation. Mr. Wang obtained his doctorate in finance from Research Institute for Fiscal Science, Ministry of Finance in 2008.

Independent Non-executive Directors

Mr. Liang Jinquan, has been an Independent Non-executive Director of the Company since 16 July, 2006. He is also a member of Related Party Transactions Supervision Committee and Compensation and Remuneration Committee and the chairman of Nomination Committee under the Board. Mr. Liang is a member of the Standing Committee of the CPPCC, vice chairman of China Soong Ching Ling Foundation, and a consultant of China Council for the Promotion of Peaceful National Reunification. Mr. Liang previously worked at the Chinese Academy of Sciences, the Central Party School, the Organization Department of the Central Committee, the Publicity Department of the Central Committee, the Secretariat of the Central Committee, and the Communist Party of China ("CPC") Central Committee General Office. Mr. Liang was also the deputy director of Organization Department of the Party Committee for Organs Directly under the CPC, the chairman of the research office of the Party Committee for Organs Directly under CPC, a member of the standing committee of Party Committee for Organs Directly under the CPC, a member of the standing committee, the head of the publicity department and the deputy secretary, of the Party Committee of Yunnan Province, the deputy secretary general and member of the party committee of the 8th and 9th CPPCC, the secretary of the party committee and the first deputy chairman of ACFIC, the deputy general director of the United Front Work Department of CPC Central Committee and the vice chairman of China Overseas Friendship Association and secretary-general of China Council for the Promotion of Peaceful National Reunification. Mr. Liang graduated from the leaders' class of Party School of the Central Committee of CPC.

Mr. Wang Songqi, has been an Independent Non-executive Director of the Company since 16 July, 2006. He is also a member of Strategic Development and Investment Management Committee and Audit Committee and the chairman of Risk Management Committee under the Board. Mr. Wang is a deputy director of the Finance Research Center of the Chinese Academy of Social Sciences, the chairman of Beijing Venture Capital Association, a member of the standing committee of China Society for Finance and Banking, an independent director of Dalian United Venture Guarantee Co., Ltd. and an independent director of Bank of Communication's Schroder Fund Management Co., Ltd. Mr. Wang obtained his doctorate from Renmin University of China in 1989 and is currently a supervisor for doctorate candidates at the Chinese Academy of Social Science.

Mr. Andrew Wong, has been an Independent Non-executive Director of the Company since 16 July, 2006. He is also a member of Audit Committee, Risk Management Committee and Nomination Committee and the Chairman of Compensation and Remuneration Committee under the Board. Mr. Wong is a director of Henderson China Properties Limited and the senior advisor to Mr. Lee Ka Kit who is the vice chairman of the board of Henderson Land Development Company Limited. Mr. Wong is also an external director of Shenzhen Yantian Port Group Co., Ltd. and an independent non-executive director of New York Life Insurance Worldwide Ltd. Since 1 July, 2010, Mr. Wong has been appointed as a senior consultant of Keefe, Bruyette & Woods Asia Limited. Mr. Wong held various senior positions at the Royal Bank of Canada, including the assistant representative for China operations, representative of southern China, the branch manager of the Shanghai branch. Mr. Wong also held various positions at the Union Bank of Switzerland, including head of China desk and an executive director of debt capital markets. Mr. Wong previously also served as a director of China of Citicorp International Limited, a merchant banking arm of Citibank. Further, Mr. Wong was the head of Greater China business of Hang Seng Bank Limited and the managing director of corporate and investment banking — Greater China of DBS Bank Limited, Hong Kong. Mr. Wong has been a member of the CPPCC Shenzhen Committee since 2002.

Mr. Qin Rongsheng, has been an Independent Non-executive Director of the Company since 9 September, 2009. He is also a member of Compensation and Remuneration Committee and Nomination Committee and the chairman of Audit Committee and Related Party Transactions Supervision Committee under the Board. Mr. Qin is a professor of the Beijing National Accounting Institute, the vice president of the China Audit Society and the vice president of the China Association of Chief Financial Officers, as well as a member of the examination committee of Chartered Public Accountants of the Ministry of Finance and a member of the Auditing Standards Committee of China. Mr. Qin is also an independent director of Poly Real Estate Group Co., Ltd. (listed on the Shanghai Stock Exchange (SSE:600048)) and Changjiang Securities Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE:000783)). He is also a part-time professor of Tsinghua University, Renmin University of China, Zhongnan University of Economics and Law, Jiangxi University of Finance and Economics, Soochow University and Macau University of Science and Technology, as well as a part-time supervisor for doctorate candidates at the Renmin University of China. Mr. Qin was previously a member of the examination committee for security issuance under the CSRC and a member of the Examination Committee for Major Restructurings of Listed Companies of China, as well as an independent director of Aisino Co., Ltd. (listed on the Shanghai Stock Exchange (SSE:600271)), China International Marine Containers (Group) Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE:000039)), and UFIDA Software Co., Ltd. (listed on the Shanghai Stock Exchange (SSE:600588)). Mr. Qin obtained his doctorate from Renmin University of China in 1995 and a master's degree from Zhongnan University of Economics and Law in finance and economics in 1992.

Mr. Wang Lihua, has been an Independent Non-executive Director of the Company since 9 September, 2009. He is also a member of Related Party Transactions Supervision Committee, Compensation and Remuneration Committee and Nomination Committee under the Board. Mr. Wang is currently the president of the 1st session of Lawyers Association of Xicheng District of Beijing (比京市西城區律師協會), the managing partner of Beijing Tian Yuan Law Firm and executive councillor of the All China Lawyers Association. He is also an adviser of the consultant group to the Beijing Municipal Government and an expert of the Affiliate of International Chamber of Commerce in China, a member of the 2nd and 3rd sessions of the examination committee for mergers, acquisitions and restructurings of listed companies under the CSRC, and an independent director of Xinjiang Chalkis Co., Ltd. (listed on the Shenzhen Stock Exchange (SHE: 000972)). Mr. Wang was previously the director of the research office of the law school of Peking University, the vice president of the 7th session Beijing Lawyers Association, a member of the 7th and 8th sessions examination committee for security issuance under CSRC and a member of the 3rd and 4th sessions (the 1st session of the new series) examination committee for mergers, acquisitions and restructurings of listed companies under CSRC. Mr. Wang obtained a master's degree in economic law from Peking University in 1993.

Mr. Han Jianmin, has been an Independent Non-executive Director of the Company since 9 September, 2009. He is also a member of Audit Committee, Related Party Transactions Supervision Committee, Compensation and Remuneration Committee and Nomination Committee under the Board. Mr. Han is currently a director and managing partner of Ascenda Certified Public Accountants, member of the 1st and 2nd sessions of examination committee for security issuance on the growth enterprise board under the CSRC, as well as independent director of Beijing Mainstreets Investment Group Corporation (listed on the Shenzhen Stock Exchange (SHE:000609)), Shandong Polymer Bio-Chemicals Co. Ltd. (listed on the Shenzhen Stock Exchange (SHE:002476)) and Tianjin Bohai Commodity Exchange Ltd. Mr. Han has previously served in the Mudanjiang branch of the Bank of China, and a director and deputy accountant-in-chief of Beijing Zhongzhou Accounting Firm, a part-time supervisor of Industrial and Commercial Bank of China commissioned by Finance Commission of China, and a director and partner of Beijing Zhongzhou Guanghua Accounting Firm. Mr. Han obtained a master's degree in business administration from Peking University in 2008, and is a senior accountant, certified public accountant in PRC, certified public asset appraiser in PRC and certified tax agent in PRC.

Supervisors

Mr. Qiao Zhimin, has been an employee Supervisor since 15 January, 2007. Mr. Qiao is the Chairman of the Supervisory Board. He is also the convenor of the Supervisory Committee and a member of the Nomination and Remuneration Committee under the Supervisory Board. Mr. Qiao was previously the Vice Chairman of the 4th session of the Supervisory Board. Mr. Qiao was the director of the finance and accounting department of the China Banking Regulatory Commission, leader of the PBOC regulation team for the Industrial and Commercial Bank of China (director general level official) and served concurrently as a deputy director general of the regulatory department I of the PBOC, a deputy director general and an assistant inspector of the accounting department of the PBOC, a deputy general manager of the general planning department of the head office of the Bank of China, a deputy managing director, an assistant managing director and a division director of the Bank of China Luxemburg branch, and a deputy division director of the finance and accounting department of the head office of Bank of China. Mr. Qiao obtained a master's degree and is a senior accountant.

Mr. Xing Jijun, has been our Supervisor since 23 March, 2009. Mr. Xing is the Vice Chairman of the Supervisory Board of the Company. He is a member of the Supervisory Committee and the Nomination and Remuneration Committee under the Supervisory Board. Mr. Xing is also the president of Orient Group Incorporation (listed on the Shanghai Stock Exchange (SSE: 600811)) and a director of Jinzhou Port Co., Ltd. (listed on the Shanghai Stock Exchange (SSE: 600190)). Mr. Xing was previously a Director of the Company. He was also the chairman and general manager of Harbin Hatou Investment Co., Ltd., the chairman of Hafa Heat Company, Harbin Hua'er Chemical Co., Ltd., Harbin Taiping Heat Supply Co., Ltd., Harbin HI Heat Supply Co., Ltd. and Heilongjiang Shirble Electric-Heat Co., Ltd., the director of Founder Securities Co., Ltd., the vice chairman of Harbin Electric-Heat Co., Ltd., a director, a deputy general manager and an assistant manager of Harbin Investment Group Co. Ltd., a deputy director of the general office and the director of rules and regulation inspection department of the Municipal Land and Resources Bureau of Harbin. Mr. Xing obtained a doctorate and EMBA from Tsinghua University and is a senior economist.

Mr. Lu Zhongnan, has been a Supervisor of the Company since 15 January, 2007. He is a member of the Supervisory Committee and the Nomination and Remuneration Committee under the Supervisory Board. Mr. Lu is currently the vice Chairman and president of China Minzu Securities Co., Ltd. Prior to that, Mr. Lu was the independent director and director of New China Life Insurance Co., Ltd. from 2001 to 2008, and was a director of Orient Group Industrial Co., Ltd. from 2001 to 2005, and served at various positions at the Heilongjiang, Harbin and Shenyang branches of the PBOC from 1979 to 2001. Mr. Lu graduated from the class of graduate course for advanced studies in economics management and is a senior economist.

Mr. Zhang Disheng, has been a Supervisor of the Company since 15 January, 2007. He is a member of the Nomination and Remuneration Committee of the 5th Session of the Supervisory Board. Mr. Zhang is currently the chief executive officer and an executive director of Stone Group Holdings Limited. Prior to that, Mr. Zhang was the deputy executive officer and vice president of Stone Group Company from 1994 to 2000. Mr. Zhang is also a director of Stone Resources Limited, a company listed on Toronto Stock Exchange (stock code: SRH). Mr. Zhang obtained a master's degree from Ryutsu Keizai University in Japan and is a senior economist.

Ms. Xu Rui, has been an external Supervisor of the Company since 15 January, 2007. She is also the convenor of the Nomination and Remuneration Committee and a member of the Supervisory Committee of the 5th Session of the Supervisory Board. Ms. Xu was a consultant at the operation center of China Everbright Bank from 2006 to 2007, the chairman of the board of supervisors of China Everbright Bank from 2004 to 2006, the general manager of the internal audit department of China Everbright Holdings Company Limited from 2000 to 2004, and the head of the legal department of China Everbright Holdings Company Limited from 2000 to 2001. Prior to that, Ms. Xu served at Bank of China, Jiangsu branch from 1978 to 1999, officer of business department of Bank of China, New York branch from 1981 to 1983, assistant manager and then deputy general manager of Bank of China Jiangsu Trust and Consultancy Company from 1984 to 1989, head of loan department of Bank of China, Jiangsu Branch from 1990 to 1991, and also, president of Bank of China, Nanjing branch from 1992 to 1999. Ms. Xu obtained a bachelor's degree in English Language and Literature from Nanjing University in 1969 and is a senior economist.

Mr. Wang Liang, has been an external Supervisor of the Company since 23 March, 2009. He is also a member of the Supervisory Committee and the Nomination and Remuneration Committee under the Supervisory Board. Mr. Wang is currently a director of Dongguan Fenggang Yantian Corporate Development Co., Ltd. Prior to that, Mr. Wang was a Supervisor of the Company from 3 December, 1995 to 22 March, 2009. Mr. Wang was the chairman of Guangzhou Xinlian Co., Ltd., and Guangzhou Shanghui Economic Development Corporation and vice chairman of the Guangzhou Federation of Industry and Commerce from 1993 to 2003. Mr. Wang also served as vice dean of the Guangzhou Academy of Economic Research from 1991 to 1993. Mr. Wang obtained a bachelor's degree in accounting from Beijing School of Posts and Telecommunications (now Beijing Jiaotong University) in 1968. Mr. Wang is a senior accountant and a certified public accountant.

Mr. Chen Jinzhong, has been an employee Supervisor of the Company since 15 January, 2007. He is also a member of the Supervisory Committee under the Supervisory Board. Mr. Chen is currently the general manager of our Beijing Administrative Department. Mr. Chen joined the Company in 2000 and served as a division director, an assistant to the director, a deputy director and the director of the general office of the Company from 2000 to 2007. Since 2007, Mr. Chen has been the general manager of our Beijing Administrative Department. Prior to that, Mr. Chen served as assistant branch manager at the Baoding branch of the PBOC from 1996 to 1998, and as deputy director of the finance department and director of the general office of the Baoding Finance College from 1987 to 1996. Mr. Chen obtained his doctorate in economics and is a senior economist and an associate professor.

Ms. Wang Lei, has been an employee Supervisor of the Company since 15 January, 2007. She is also a member of the Supervisory Committee under the Supervisory Board. Ms. Wang is currently a credit assessment officer at the Eastern China Credit Approval Center of the Bank. Ms. Wang joined the Company in 1997, starting as a deputy section chief of the internal audit department at the Shanghai branch of the Company. Since then, Ms. Wang served as assistant to the branch manager at the Hongqiao and Huangpu branches of the Company in Shanghai from 1999 to 2000, general manager of the risk management department of the Shanghai branch of the Company from 2000 to 2001, general manager of the Shixi sub-branch of the Company in Shanghai from 2001 to 2003. Ms. Wang then served at the Credit Assessment Department of the Company in 2003 and has been a credit assessment officer at the Eastern China credit approval center of the Company since 2004. Prior to joining the Company, Ms. Wang worked at the Urumqi branch of the Bank of Communications from 1993 to 1996. Ms. Wang completed the class of graduate course in finance of East China Normal University in February 2001.

Senior Management

Mr. Hong Qi is an Executive Director and the President of the Company. Please refer to his biography under the paragraph "Directors — Executive Directors".

Mr. Liang Yutang is an Executive Director and a Vice President of the Company. Please refer to his biography under the paragraph "Directors - Executive Directors".

Mr. Xing Benxiu, has been appointed as a Vice President of the Company since July 2010. Mr. Xing joined the Company in 2010. Prior to joining the Company, Mr. Xing served as the Director of the Human Resources Department of CBRC from 2008 to June 2010, served as the Director-General and Secretary of the CPC Committee of Liaoning Bureau of CBRC from 2006 to 2008, served as the leader of the Preparatory Team for Xiamen Bureau of the CBRC, the Director-General and Secretary of the CPC Committee of Xiamen Bureau of CBRC from July 2003 to 2006, served as a division director of the Chinese Banking Supervision Division of the Banking Supervision Department I of the CBRC from April 2003 to July 2003, served as a deputy director of Chinese Banking Supervision Division of the Supervision Directorate I of the PBOC, and director of the Supervision Directorate from 1998 to 2003, served as a deputy division director of the Banking Operation and Management Division of PBOC from 1994 to 1998, served as a principle staff member of the Interest Rate Administration Directorate and a deputy division director of the Savings Division of the PBOC from 1991 to 1994, and served as a deputy principal staff member of the General Planning Directorate of the PBOC from 1988 to 1991. Mr. Xing obtained a master's degree in business administration from Liaoning University.

Mr. Shao Ping, is a Vice President of the Company, appointed in January, 2005. Mr. Shao is also the chairman of the Risk Management Commission of the Company. Mr. Shao joined the Company in 1995, and served as a deputy director, deputy general manager and general manager of our Corporate Banking Department from 1996 to 2000. He acted as managing director of our Shanghai branch and an assistant to our President from December 2000 to February 2005. Before joining the Company, Mr. Shao was deputy general manager of the Federation of Urban Credit Cooperatives of Weifang (Shandong) from 1993 to 1995, and general manager of the Urban Credit Cooperative of Weicheng District, Weifang City, Shandong Province from 1988 to 1993. He has been in banking management for over 21 years. He holds a doctorate degree in economics from Fudan University in Shanghai in 2008 and is a senior economist.

Mr. Zhao Pinzhang, is a Vice President of the Company, appointed in April 2008. Mr. Zhao is also the chairman of our Asset and Liability Management Commission. Mr. Zhao was previously an assistant to our President from 2005 to 2008, the chief credit officer and a Supervisor of the Company from 2003 to 2007, the general manager of the Credit Assessment Department of the Company from 2001 to 2007, a deputy general manager of the Risk Management Department of the Company from 2000 to 2001, and the deputy general manager of our Beijing Administrative Department from 1998 to 2000. Prior to joining the Company, Mr. Zhao was a deputy managing director of Liaoyuan branch of Bank of Communications, and a section chief of the Liaoyuan center sub-branch of China Construction Bank. Mr. Zhao has over 25 years of experience in banking management. Mr. Zhao obtained a master's degree in business and administration and is a senior economist.

Mr. Mao Xiaofeng, is a Vice President of the Company, appointed in April 2008. Mr. Mao is also the chairman of our Retail Banking Management Commission, the Board Secretary and one of the Joint Company Secretaries of the Company. Mr. Mao joined the Company as a deputy director of the general office of the Company in 2002 and has been the Board Secretary and Company Secretary of the Company since June 2003 and March 2004, respectively. Prior to joining the Company, Mr. Mao was a director of the general office of the Central Committee of Youth League Central Committee from 1999 to 2002, a deputy secretary of the Party Committee of the Zhijiang Dongzu Autonomous County of Hunan Province from 1995 to 1996, an assistant to the governor of the Zhijiang Dongzu Autonomous County of Hunan Province from 1994 to 1995 and the executive vice chairman of the All-China's Students Federation from 1992 to 1993. Mr. Mao obtained a master's degree in industrial and foreign trade from Hunan University in 1995, a doctorate in management from Hunan University in 1998, and a master's degree in public administration from the John F. Kennedy School of Government at Harvard University in the U.S.A. in 2000.

Mr. Duan Qingshan, has been appointed as the Chief Financial Officer of the Company since April 2010. Mr. Duan has also been appointed as the general manager of the Human Resources Department and director of Organization Department of Party Committee since November 2007. Mr. Duan joined the Company in 1996. He served as vice president, president and secretary of party committee of Taiyuan sub-branch of the Company from November 1996 to April 2002, and served as president and secretary of party committee of Taiyuan branch of the Company from May 2002 to October 2007. Prior to joining the Company, Mr. Duan successively served as a director of the Credit Division and Accounting Division of Yangqu sub-branch of PBOC from 1976 to 1987, and served as a director of Auditing Division of Taiyuan branch of PBOC from 1987 to 1996. Mr. Duan has over 35 years experience in banking management. Mr. Duan obtained a master's degree in business administration from Wuhan University in 2006 and he is a certified auditor. Mr. Duan was awarded as "National Excellent Innovative Entrepreneurs", "Best Corporate Culture Leader (企業文化建設優秀管理者)" and "Meritorious Entrepreneurs in Shanxi" in 2007, "Top Ten Best Financial Figures in Shanxi" (山西省十佳金融人物) in 2006, and "National Financial May 1st Labor Medal" and "Model Workers in Shanxi Province" in 2004.

Joint Company Secretaries

Mr. Mao Xiaofeng is the Board Secretary and the Joint Company Secretary of the Company. Please refer to his biography under the paragraph "Senior Management".

Ms. Soon Yuk Tai, aged 45, is the Joint Company Secretary of the Company appointed on 2 November, 2009. Ms. Soon is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Prior to joining Tricor Group in 2002, she was a senior manager of company secretarial services at Ernst & Young and Tengis Limited in Hong Kong. Ms. Soon is a chartered secretary and an associate of both the Institute of Chartered Secretaries and Administrators in United Kingdom and the Hong Kong Institute of Chartered Secretaries. Ms. Soon has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many listed companies.

(IV) Changes of Information of Directors

- 1. Mr. Lu Zhiqiang, a Non-executive Director of the Company, has ceased to be the vice chairman of Minsheng Life Insurance Co., Ltd. with effect from 25 May, 2010.
- 2. Mr. Liu Yonghao, a Non-executive Director of the Company, has ceased to act as the chairman of the board of supervisors of Minsheng Life Insurance Co., Ltd. with effect from 25 May, 2010.
- 3. Mr. Chen Jian, a Non-executive Director of the Company, ceased to act as the chairman of Beijing Maoyuanyuan Real Estates Development Company Limited with effect from 1 February, 2010.
- 4. Ms. Wong Hei, a Non-executive Director of the Company, has ceased to be the legal representative and chairman of the board of G-First OEIC Co., Ltd. with effect from 16 August, 2010.
- 5. Mr. Wang Hang, a Non-executive Director of the Company, was appointed as the chairman and president of Sichuan South Hope Industrial Co., Ltd. with effect from 16 September, 2010.
- 6. Mr. Wang Junhui, a Non-executive Director of the Company, was appointed as the secretary of the party committee and president of China Life Investment Holding Company Limited with effect from 23 February, 2011.
- 7. Mr. Liang Jinquan, an Independent Non-executive Director of the Company, was appointed as a consultant of Promoting Peaceful Reunification of China with effect from 10 May, 2010.
- 8. Mr. Qin Rongsheng, an Independent Non-executive Director of the Company, has ceased to be a member of the Accounting Technique Consultation Committee of China, the Auditing Technique Consultation Committee of China and the part-time professor of the Australian National University with effect from 28 November, 2010, 28 November, 2010 and 15 December, 2010 respectively.
- 9. Mr. Wang Lihua, an Independent Non-executive Director of the Company, was appointed as the president of the 1st session of Lawyers Association of Xicheng District of Beijing (北京市西城區律師協會) on 16 December, 2010.
- 10. Mr. Han Jianmin, an Independent Non-executive Director of the Company, has ceased to be the external accountant and independent member of loan committee of China Development Bank with effect from 1 August, 2010 and was appointed as an independent director of Tianjin Bohai Commodity Exchange Ltd. (天津渤海商品交易所股份有限公司) on 28 December, 2010. Mr. Han is also an independent director of Shandong Polymer Bio-Chemicals Co. Ltd., which was listed on the Shenzhen Stock Exchange (SHE:002476) on 15 September, 2010.

(V) Directors, Supervisors and Senior Management resigned in the reporting period and the reasons therefor

Ms. Wu Touhong ceased to act as the Chief Financial Officer of the Company due to other assignment on 19 April, 2010.

(VI) Service contracts of Directors and Supervisors

In accordance with Rules 19A.54 and 19A.55 of the Listing Rules of Hong Kong Stock Exchange, 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 of Directors or Supervisors (excluding the service contracts which will expire within one year or are determinable by the Group within one year without payment of compensation, other than statutory compensation).

II. Employees

As of the end of the reporting period, the Group had 31,454 employees, of which 30,931 were employees of the Company and 523 were employees of the subsidiaries of the Company. Divided by professional specialties, 3,171 were categorized as management team, 14,690 as marketing team, and 13,070 as technical team. The Company had 28,046 employees with degrees of diploma and above, accounting for 91% of the total. In



addition, the Company had 61 retired employees in the reporting period.

The guiding principles of the Company's remuneration policy in 2010 were to determine and allocate remuneration and resources with an aim to strengthen protection of major strategic assets, enhance capital control, streamline business structure and enhance the core values of the Company and to reinforce cost-effective management of operations according to the overall strategies of the Company and the needs for business development, as well as to provide full protection and incentives to staff under the Company's welfare policy by further improving the welfares and protections of staff and developing and exploring more new benefit policies so as to establish an all-round, multi-level, short-term and long-term combined welfare and protection system.

The Company attaches high importance to employee training. The Company has introduced and absorbed international advanced concepts and best practices of education and training, and has integrated various training resources to explore and create a comprehensive and diversified training system covering different levels and various areas, which is in accordance with international standards. The quality and ability of employees and labor value have been enhanced through training to support business development. In 2010, the Company held 2,980 training programs with 186,300 attendances, achieving a 100% coverage rate in a total of 9,668 days of training.

III. Business Network

As at the end of the reporting period, the Company had set up 30 branches in 30 cities across China, as well as one representative office in Hong Kong, with 509 banking outlets in total.

In the reporting period, Nanning Branch was successfully established.



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

Name of entity	Number of outlets	Head- count	Total assets (excluding deferred income tax assets) (in RMB million)	Address
Head Office	1	9,703	512,010	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Administrative Department	48	2,259	384,560	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	50	1,999	230,790	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	31	1,403	77,422	Guangzhou Minsheng Tower, No. 68 Liede Avenue, Tianhe District, Guangzhou
Shenzhen Branch	33	1,101	82,380	CMBC Building, 11th Xinzhou Street, Futian District, Shenzhen
Wuhan Branch	25	958	60,130	CMBC Building, No. 396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	19	899	64,250	No. 2, Bingzhou Bei Road, Taiyuan
Shijiazhuang Branch	23	960	51,198	No. 10, Xidajie, Shijiazhuang
Dalian Branch	16	570	27,984	No. 28, Yan'an Road, Zhongshan District, Dalian
Nanjing Branch	25	1,173	113,229	No. 20, Hongwu Bei Road, Nanjing
Hangzhou Branch	23	1,014	90,872	Yuanyang Building, No. 25, Qingchun Road, Hangzhou
Chongqing Branch	18	692	58,645	Tongjuyuanjing Building, No. 9, Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	15	631	37,052	CMBC Building, No. 78, Erhuan Nanlu Xiduan, Xi'an
Fuzhou Branch	16	596	25,560	China Travel Service Plaza, No. 173, Hudong Road, Fuzhou
Jinan Branch	14	884	47,609	No. 229, Leyuan Street, Jinan
Ningbo Branch	13	538	27,456	No. 166-168, Zhongshan Xi Road, Ningbo
Chengdu Branch	23	727	52,082	No. 2, Remin Nan Road 3 Duan, Chengdu
Tianjin Branch	15	619	31,982	1/F, Tianxin Building, No. 125, Weidi Road, Hexi District, Tianjin
Kunming Branch	15	399	23,464	Chuntian Yinxiang Building, No. 331, Huancheng Nan Road, Kunming
Quanzhou Branch	10	325	15,970	Kai Xiang Building, No. 336, Fengze Street, Quanzhou
Suzhou Branch	10	609	31,263	Block 23, Suzhou Times Square, Jinji Lake, Suzhou Industrial Park, Suzhou
Qingdao Branch	11	458	17,871	Zhong Gang Plaza, No. 18, Fuzhou Nan Road, Shinan District, Qingdao
Wenzhou Branch	8	357	17,204	No. 335, Xincheng Road, Wenzhou
Xiamen Branch	9	368	17,852	Lixin Plaza, No. 90, Hubin Nan Road, Xiamen
Zhengzhou Branch	11	382	27,832	CMBC Building, No. 1, CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	7	323	24,087	No. 669, Furong Zhong Road 1 Duan, Changsha
Changchun Branch	4	209	14,967	Jixin Building, No. 500, Changchun Street, Nanguan District, Changchun
Hefei Branch	3	195	12,717	Tian Qing Building, No. 135, Bozhou Road, Hefei
Nanchang Branch	4	256	21,147	No. 237, Xiangshan Bei Road, Donghu District, Nanchang
Shantou Branch	6	244	9,462	1-3/F, Huajing Plaza, No. 17, Hanjiang Road, Shantou
Nanning Branch	2	70	-	1/F, 8/F, 12/F, Guangxi Development Tower, No. 111-1 Minzu Avenue, Nanning
Hong Kong Representative Office	1	10		36/F, Bank of American Tower, 12 Harcourt Road, Central, Hong Kong
Inter-regions adjustment			-433,150	
Total	509	30,931	1,775,897	

Note: 1. 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.

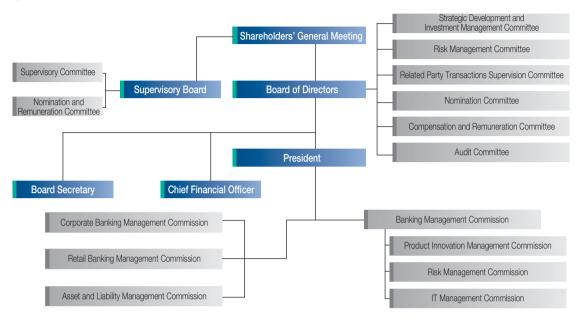
^{2.} Total headcount of the Head Office is the total number of the employees in the Real Estate Finance SBU, the Energy Finance SBU, the Trade Finance SBU, the Credit Card Center and the Financial Market SBU.

^{3.} Inter-region adjustments arise from the reconciliation and elimination of inter-region balances.





I. Corporate Governance Structure



II. Corporate Governance Overview

During the reporting period, the Company focused on establishing a transparent and efficient corporate governance system and achieved significant progress in system building, trainings for directors and supervisors, internal control and risk management. Details are as follows:

- 1. During the reporting period, the Company had coordinated and prepared a total of 73 meetings, including 1 Shareholders' General Meeting, 8 Board meetings, 49 meetings of the special committees of the Board, 4 meetings of the Supervisory Board and 11 meetings of the special committees of the Supervisory Board. Over 276 resolutions such as the Company's periodical reports, working reports of the Board of Directors and the Supervisory Board, working report of the President, financial budgets and final accounts, profit distribution proposals, major related-party transactions and the write-off of large amount of bad debts were approved in these 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 (Draft Amendment) (董事會議事規則(修訂草案)) and the Rules of Procedure for Meeting of the Supervisory Board (Revised) (監事會議事規則(修訂案)) and other measures, to further improve the corporate governance system.

- 3. Pursuant to the regulations and rules of the Provisional Measures on Performance Appraisal of Senior Management (高級管理人員盡職考評試行辦法), the Company formulated the detailed implementation rules to evaluate the performance of Senior Management appointed by the Board, and determined their remunerations and duties in accordance with the results to improve their capabilities in fulfilling duties, and to optimize the systematic, standard and regular performance evaluation system for the Senior Management.
- 4. The Board of Directors of the Company required the management to report the operation conditions and material matters of the Bank case by case through special presentations at non decision-making meetings, so as to obtain comprehensive understanding on the development of operation conditions, the SBU reform and Shang Dai Tong (商資通) business in a timely manner. During the reporting period, the Supervisory Board of the Company organised 3 trainings for the Supervisors, and invited the management and external professionals to provide special presentations and lectures on designated issues including the periodical reports, financial management and risk management of the Company, to enhance their knowledge on the progress of reform and management, as well as changes in external regulatory rules and updates on the work of the Company's Supervisory Board. In addition, the Company invited foreign experts to have a discussion with all Directors, Supervisors and the Senior Management in respect of "the economy, market condition and banking operation in the post-financial crisis era". The Company also made full use of the public education and training programs provided by regulatory authorities and arranged Directors and Supervisors in different groups to participate in the directors and supervisors training programs provided by regulatory authorities. All of our Directors and Supervisors satisfied the training requirements in relation to their qualifications by the regulatory authorities and improved their capabilities in carrying out duties.
- 5. In the reporting period, in view of macroeconomic financial situation and the actual situation of the Company, the Supervisory Board of the Company performed its supervisory responsibilities in accordance with the new regulatory requirements by attending the meetings of the Board and important business meetings of the senior management, and continued to explore and enhance the supervision and evaluations on the performance of Directors, Supervisors and Senior Management. The Supervisory Board formulated Report of Performance Appraisal of Board of Directors and Directors of 2010 by the Supervisory Board (監事會對董事會及董事2010年度履職評價報告), and issued the Report of Performance Appraisal of Senior Management and Its Members of 2010 by the Supervisory Board (監事會對高級管理層及其成員2010年度履職情況的評價報告) and Report of Performance Appraisal of Supervisors of 2010 (2010年度監事履職評價報告) respectively.
- 6. During the reporting period, the Board of Directors fully performed its responsibilities in respect of risk management and monitoring and carried out a lot of works in terms of risk policy guidance, risk evaluation and risk research, which strengthened the overall control and management of operational risks and enhanced our risk management level. The Company has formulated the Guidelines on Risk Management of China Minsheng Bank in 2010 (中國民生銀行2010年度風險管理指導意見), which expressly stated the view and requirements of the Board regarding the risk management of the Bank, defined the target of risk management of the year, and instructed the establishment of a comprehensive risk management system. The Board conducted risk assessment every half year to further improve its risk monitoring function. The Board also carried out studies on material risks from time to time to provide the references for the formulation of risk management policy.

- 7. During the reporting period, the Company continued to refine and strengthen the internal control management system in accordance with the requirements of relevant laws and regulations including the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》), Guidelines for Internal Control of Listed Companies (《上市公司內部控制指引》) and Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》). The Company further established various management rules and procedures for business operations based on the needs of business development and latest regulations and requirements imposed by regulatory authorities, so as to restructure and improve the existing internal control structure and policies. In addition, the Company continued its comprehensive internal control assessment of business departments. Based on the key elements of internal control outlined in the COSO Framework, the Basic Standard for Enterprise Internal Control (《企業內部控制評價指引》) and Guidelines for Internal Control of Commercial Banks (《商業銀行內部評價辦法》), we set up the framework for internal control assessment system, and carried out all-round internal control assessments on certain branches and SBUs in order to prevent operating risks effectively and ensure the consistent implementation of internal control policies, as well as to safeguard the standard operation and healthy development of the Company.
- 8. During the reporting period, the Company adhered to maintain "open and transparent" management of related-party transactions and regulated the development and ensured disclosure compliance in accordance with the regulations of the Hong Kong Stock Exchange and Shanghai Stock Exchange regarding related party transaction management, so to control risk and raise management efficiency. The Company also enhanced the completeness of information on related-party transactions database, streamlined the management process and improved its administration of related-party transactions by revising the relevant management rules.
- 9. During the reporting period, in view of the actual operation management of the Company, the Supervisory Board organized and conducted a special examination of the collaterals of the Company's corporate credit assets and a departure audit on the former of Chief Financial Officer. The Supervisory Board also organized supervisor teams to pay inspection visits to 8 branches and 2 Minsheng township banks. Based on the results of the inspections, the Supervisory Board submitted 22 management proposals to the Board and Senior Management, which ensured the compliance of our operation and facilitated healthy development of the Company.
- 10. A total of 7 issues of Newsletters of the Board of Directors (董事會工作通訊), 48 issues of Internal Circulars (內部 參考) and 16 issues of Newsletter of 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 among the Board of Directors, the Supervisory Board and the Senior Management, and among the Directors and Supervisors.
- 11. During the reporting period, the Company has disclosed all material information in a timely, accurate, true and complete manner and continued to enhance the transparency of the Company, ensuring all shareholders have equal opportunity to access the information of the Company. The Company has organized various investor events to effectively improve communications with investors and consolidate the Company's status and influence in capital market. Please refer to "Information Disclosure and Investor Relations" in this section for details.

12. During the reporting period, the Company won the Excellent Board of Directors (優秀董事會) in the 6th 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, won the award of "The Most 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)". In the selection for the best companies of the year organized by AsiaMoney (亞洲貨幣), the Company won the awards of "The Best Corporate Governance (最佳公司治理企業)" in China and "The Best Investor Relations (最佳投資者關係獎)". In addition, in the selection for the Excellent Board of Directors of Listed Companies in 2010 organised by Shanghai Stock Exchange, the Company was nominated for the award of "the Excellent Board of Directors (優秀董事會)".

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

The Company has complied with the provisions of the Code of Corporate Governance Practices set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange and has been dedicated to maintaining a high standard of corporate governance.

III. Board of Directors

The Board is an independent decision-making body of the Company, responsible for execution of the resolutions passed by the shareholders' general meetings; devising the Company's major principles, policies and development plans; deciding on the Company's operating plans, investment proposals and the establishment of internal management units; preparing annual financial budgets, final accounts and profit distribution plans; and appointing members of Senior Management. The Company's management team shall operate the Company independently and the Board of Directors shall not interfere with the daily operation and management of the Company.

(I) Composition of the Board

As at the end of the reporting period, the Board of the Company has 18 members, of which 9 are Non-executive Directors, 3 are Executive Directors and 6 are Independent Non-executive Directors. All Non-executive Directors held key positions in renowned enterprises and are experienced in management, banking and finance, while the 3 Executive Directors have been engaged in banking operation and management for a long time with extensive professional experience. The 6 Independent Non-executive Directors are experts in economic, finance, treasury, law and human resources. One of the Independent Non-executive Directors is from Hong Kong and has been familiar with the IFRS and practices of the Hong Kong capital market.

The members of the Board are professional and independent and have different experiences which help to ensure that the Board can make decision in a rational manner.

The Directors of the Company and their profiles are shown in "Directors, Supervisors, Senior Management and Employees" of this report. Among the members of the Board of the Company, Mr. Liu Yonghao is the Chairman and substantial shareholder of New Hope Group Co., Ltd.; Mr. Wang Hang is a director and the vice president of New Hope Group Co., Ltd. as well as the chairman and the president of Sichuan South Hope Industrial Co., Ltd. New Hope Group Co., Ltd. holds 100% equity interests of Sichuan South Hope Industrial Co., Ltd. Save for the above, the members of the Board are not related, including in terms of finance, business, family or other material relations or relevant relations. The status of Independent Non-executive Director has been indicated clearly in all communication of the Company which lists the name of Directors to comply with the provisions of the Listing Rules of the Hong Kong Stock Exchange.

(II) Responsibilities and duties of the Board

The Board of the Company may exercise the following functions and powers:

- 1. to convene shareholders' general meetings and to report its performance to shareholders;
- 2. to implement the resolutions passed at the shareholders' general meetings;
- 3. to decide on the Company's operational plans and investment plans;
- 4. to formulate the Company's proposed annual budget and annual final accounts;
- 5. to formulate the Company's profit distribution plans and plans for recovery of losses;
- 6. to formulate proposals for increases or reductions of the Company's registered share capital, issuance of bonds or other securities and listing plans;
- 7. to formulate proposals for material acquisitions, the purchase of the Company's shares, merger, division, dissolution and change of Company form;
- 8. to decide on external investments, purchases and sales of assets, pledges of assets, material guarantees, and related-party transaction matters within the scope authorized by the Company's shareholders' general meetings;
- 9. to decide on the establishment of the Company's internal management structure;
- 10. to appoint or remove the Company's President and Chief Financial Officer based on the recommendation of the Nomination Committee; to appoint or remove Board Secretary based on the recommendations of the Chairman of the Board; to appoint or remove the Senior Management, such as Vice Presidents and financial officers based on the recommendations of the President and to decide on matters relating to their remunerations, reward and the imposition of any disciplinary measures;

- 11. to approve the appointment or dismissal of President, Vice Presidents and other Senior Management of branches whose qualifications had been accredited by the CBRC;
- 12. to establish the Company's basic management system;
- 13. to formulate proposals for any amendment to the Company's Articles of Association;
- 14. to manage the Company's disclosure of information;
- 15. to propose at the shareholders' general meetings for the appointment or replacement of the Company's accounting firms for audit purpose;
- 16. to review working reports of the President of the Company and to examine the President's performance;
- 17. the Board shall establish a supervisory system to ensure that the management body will formulate a code of conduct and working principles for the management staff and the business personnel at all levels and that the regulatory documents will specifically require employees at all levels promptly report any possible conflict of interests, provide detailed rules and establish corresponding mechanism;
- 18. the Board shall establish an information reporting system that requires the Senior Management to report to the Board and Directors the operational issues of the Company regularly, and the reporting system shall cover provisions for the following issues: the scope of the information reported to the Board and Directors and the lowest reporting standards, the reporting frequency, the reporting method, the responsible body and liabilities arising from delayed or incomplete reporting and the confidentiality requirements; and
- 19. to exercise any other powers prescribed by the applicable laws, administrative regulations and departmental rules, as well as any other powers conferred by the Company's Articles of Association.

After the election by shareholders of the Company, the current term of office of Mr. Qin Rongsheng, Mr. Wang Lihua and Mr. Han Jianmin in the Board of Directors of the Company became effective from 9 September, 2009 and will expire on 23 March, 2012. The current term of office of other current Directors of the Company became effective from 23 March, 2009 and will expire on 23 March, 2012.

(III) Board meetings and contents of resolutions

During the reporting period, 8 board meetings were held by the Board of Directors to consider and approve major resolutions in relation to strategies, policies, finance and operation of the Company.

Meeting	Date	Publication	Date of disclosure
8th Meeting of the 5th session of the Board	22 February, 2010	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	23 February, 2010
9th Meeting of the 5th session of the Board	19 April, 2010	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	20 April, 2010
10th Meeting of the 5th session of the Board	29 April, 2010	(Exempted from announcement requirement according to relevant provisions)	
11th Meeting of the 5th session of the Board	10 August, 2010	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	11 August, 2010
12th Meeting of the 5th session of the Board	27 August, 2010	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	30 September, 2010*
13th Meeting of the 5th session of the Board	29 October, 2010	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	30 October, 2010
3rd Extraordinary Meeting of the 5th session of the Board	29 November, 2010	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	23 December, 2010*
4th Extraordinary Meeting of the 5th session of the Board	21 December, 2010	Shanghai Securities News, China Securities Journal, Securities Times and Financial Times	22 December, 2010

*Note: As the proposals being considered by the Board involve pending issues and disclosure of which may interfere the normal development of involved matters, the Company delayed the disclosure of relevant information.

On 29 April 2010, the "First Quarterly Report of 2010 of China Minsheng Banking Corp., Ltd." was considered and approved at the 10th Meeting of the 5th session of the Board.

In the above 8 meetings, approximately 83 resolutions in respect of 4 periodical reports, working reports of the Board of Directors, working reports of the President, financial budgets and final account reports, profit distribution proposals, major related-party transactions and the write-off of large amount of bad debts were approved.

The following table sets out the attendance records of Directors in the meetings of the Board in 2010:

	Attendance/Number
Directors	of Meetings
Dong Wenbiao	8/8
Zhang Hongwei	8/8
Lu Zhiqiang	8/8
Liu Yonghao	8/8
Wang Yugui	7/8
Chen Jian	8/8
Wong Hei	8/8
Shi Yuzhu	8/8
Wang Hang	8/8
Wang Junhui	8/8
Liang Jinquan	8/8
Wang Songqi	8/8
Andrew Wong	8/8
Qin Rongsheng	8/8
Wang Lihua	8/8
Han Jianmin	8/8
Hong Qi	8/8
Liang Yutang	8/8

(IV) Implementation of the resolutions of the Shareholders' General Meetings by the Board of Directors

According to the Resolution on 2009 Profit Distribution (關於2009年度利潤分配的決議) considered and approved at 2009 annual general meeting, the 2009 profit distribution plan of the Company was as follows: appropriation of 10% of the after-tax profit as stated in the financial report prepared under the CAS RMB1,201 million, as statutory surplus reserve; appropriation of RMB2,900 million for general reserve. The Profit distributable to shareholders at the end of the year was RMB12,358 million. On the basis of a total of 22,262,277,489 issued shares (including both A Shares and H Shares) as at close of the market on 31 December 2009, 2 bonus shares for every 10 shares and a cash dividend of RMB0.50 (before tax) for every 10 shares, for a total of 4,452,455,498 bonus shares and cash dividend of RMB1,113 million, will be distributed. The cash dividend will be denominated and declared in Renminbi and the holders of A Shares will be paid in Renminbi and the holders of H Shares will be paid in Hong Kong dollars. The actual amount of dividend to be paid in Hong Kong dollars will be determined based on the basic rate of Renminbi against Hong Kong dollars as announced by the PBOC as at the date of the annual general meeting. The above dividends distribution plan has been implemented by Board of the Company.

(V) Performance of Independent Non-executive Directors

The Board of the Company comprises 6 Independent Non-executive Directors. The qualification, number and proportion of Independent Non-executive Directors are in compliance with the provisions of the CBRC, CSRC, and the Listing Rules of the Shanghai Stock Exchange and Hong Kong Stock Exchange. During the reporting period, these Independent Non-executive Directors have duly performed their duties by maintaining communication with the Company through various means, such as on-site visits and conferences, attending the Board meetings and meetings of the special committees conscientiously, making suggestions actively and emphasizing on minority shareholders' interests.

1. On-duty policy for Independent Non-executive Directors

To better perform the duties of Independent Non-executive Directors and improve the effectiveness of the Board, the Board of the Company has adopted an on-duty policy since March 2007 pursuant to which Independent Non-executive Directors are required to work in the Bank for 1 to 2 days per month. The Company provided the offices and facilities for Independent Non-executive Directors. All Independent Non-executive Directors have complied with the onduty policy. The main duties of the Independent Non-executive Directors while they are on duty are: to study the works of their respective committees; to consider and determine the proposals put forwarded by the committees; to review work reports of the Senior Management or various departments of the head office; and to discuss and determine or amend any relevant corporate governance policy. During the reporting period, the Independent Non-executive Directors had worked in the Bank for 61 days in aggregate, had 13 meetings with the management and the relevant department staff and made more than 40 proposals. It is an innovative policy of the Company to allow the Independent Non-executive Directors to conduct professional study and provide professional advice to the Board, which greatly helped the Board to make scientific and independent decisions.

2. Rules Governing Independent Non-executive Directors' Work on Annual Reports

To further improve the corporate governance of the Company and have Independent Non-executive Directors closely involved in information disclosure to ensure the truthfulness, accuracy, completeness and timeliness of the information disclosed in the Annual Report of the Company, the Resolution on Involvement of Independent Non-executive Directors in the Preparation of Annual Report (獨立董事年報工作制度) was considered and approved at the 16th Meeting of the 4th session of the Board on 29 February 2008.

Pursuant to such resolution, Independent Non-executive Directors are required to perform their responsibilities and duties diligently in the process of preparation and disclosure of the Annual Report of the Company. The management of the Company shall report the operating results and material issues to the Independent Non-executive Directors within 60 days after the end of each financial year. The Independent Non-executive Directors may conduct investigation on certain issues if necessary. The Independent Non-executive Directors shall assess the qualification of the accounting firms to be engaged by the Company and the qualification of the certified public accountants responsible for the audit of the Annual Report of the Company. Upon the issuance of the preliminary audit opinion, the Independent Non-executive Directors shall hold at least one meeting with the auditor to discuss the issues found identified in the audit process before a Board meeting is convened to review the annual report.

Pursuant to such resolution, Independent Non-executive Directors have performed their responsibilities and duties diligently and strictly comply with the relevant provisions of the Company and regulatory authorities strictly in preparation and disclosure of the 2010 Annual Report of the Company. Independent Non-executive Directors have reviewed reports of the management on the operating results and material issues in 2010, maintained the communication with the accounting firm in respect of the annual audit and reviewed audit plans, report on pre-audit and audit from the accounting firm, and examined the actual operating results of the Company.

3. Other duties of Independent Non-executive Directors

The Independent Non-executive Directors shall give independent opinion on the following issues at the Board meetings or shareholders' general meetings:

- (1) Nomination, appointment and removal of Directors;
- (2) Appointment or removal of Senior Management;
- (3) Remuneration of Directors and Senior Management;
- (4) Major and very substantial related-party transactions between the shareholders, ultimate controllers and their respective related companies and the Company, and whether the Company has taken effective measures to collect outstanding payments;
- (5) Issues that Independent Non-executive Directors considered may damage the interests of minority shareholders;
- (6) Other issues stipulated in the Articles of Association of the Company.

The Independent Non-executive Directors of the Company also play important roles in various special committees of the Board. They acted as the convener of the meetings of the Nomination Committee, Compensation and Remuneration Committee, Audit Committee, Related Party Transactions Supervision Committee. At least one Independent Non-executive Director in each of the Audit Committee and Related Party Transactions Supervision Committee has professional accounting experience.

4. Attendance of the Independent Non-executive Directors of the meetings during the reporting period:

All Independent Non-executive Directors were responsible and diligent in attending the Board meetings during the reporting period.

Attendance record of the Independent Non-executive Directors to the Board meetings in 2010

	Number of	Attendance	Attendance	
Directors	meetings	in person	by proxy	Remarks
Liang Jinquan	8	7	1	Qin Rongsheng, Director, was appointed as
				a proxy to attend the 11th meeting of the
				5th session of the Board.
Wang Songqi	8	8	_	
Andrew Wong	8	8	_	
Qin Rongsheng	8	8	_	
Wang Lihua	8	7	1	Han Jianmin, Director, was appointed as a
				proxy to attend the 11th meeting of the 5th
				session of the Board.
Han Jianmin	8	7	1	Qin Rongsheng, Director, was appointed
				as a proxy to attend the 4th extraordinary
				meeting of the 5th session of the Board.

(VI) Chairman of the Board and President

The roles and duties of the Chairman of the Board and the President are performed by different persons with clearly defined responsibilities as provided by the Listing Rules of the Hong Kong Stock Exchange. The Chairman of the Board, Mr. Dong Wenbiao, is responsible for leading the Board and acting as the Chairman of Board. He shall ensure that all Directors are well informed of the issues to be discussed during the Board meetings. He is also responsible for the management of the operation of the Board and ensures that the Board shall discuss all major and relevant issues in a timely and constructive manner. In order to allow the Board to discuss all major and relevant issues in time, the Chairman of the Board maintains close contact with relevant Senior Management to ensure that the Directors can promptly receive appropriate, complete and reliable information for their consideration and review.

Mr. Hong Qi is the President of the Company. He is responsible for business operation of the Company and implementation of the strategies and business plans of the Company.

(VII) 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 Listing Rules of the Hong Kong Stock Exchange. The Company has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above-mentioned Code for the year ended 31 December, 2010. The Company also formulated the 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.

(VIII) Responsibility statement of Directors regarding preparation of account

All Directors of the Company had committed their responsibilities to the preparation of the Company's account for the year ended 31 December, 2010.

IV. Special Committees of the Board

Members, functions and powers of the 6 special committees of Board and their works in 2010 are as follow:

(I) Strategic Development and Investment Management Committee

1. Composition of the Strategic Development and Investment Management Committee and meetings in 2010

The Strategic Development and Investment Management Committee of the 5th session of the Board had 7 members. The Chairman of the Committee is Dong Wenbiao and the members are Zhang Hongwei, Lu Zhiqiang, Liu Yonghao, Wang Junhui, Wang Songqi and Hong Qi.

In 2010, the Strategic Development and Investment Management Committee convened 7 meetings and discussed 42 proposals. The attendance record is as follows:

Members	Attendance/Number of Meetings
Non-executive Directors	
Zhang Hongwei	7/7
Lu Zhiqiang	7/7
Liu Yonghao	6/7
Wang Junhui	7/7
Executive Directors	
Dong Wenbiao (Chairman of the Committee)	7/7
Hong Qi	7/7
Independent Non-executive Director	
Wang Songqi	7/7

2. Major achievements of the Strategic Development and Investment Management Committee in 2010

In 2010, the Strategic Development and Investment Management Committee, under the guidance of the Board, focused on the major works of the Board, which included accelerating the establishment of township banks smoothly, duly revising the Five-Year Development Outline (五年發展綱要), and effectively implementing capital management and centralized management, and played an active role in strengthening our corporate governance and fully performing the Board's functions.

(1) Revision of the Terms of Reference

The Strategic Development and Investment Management Committee revised and modified the Terms of Reference of the Strategic Development and Investment Management Committee (戰略發展與投資管理委員會工作細則), which was adopted by the resolution of the Board. The new terms of reference standardised the rules of procedures of the Strategic Development and Investment Management Committee and provided guidelines on works.

(2) Establishment of township banks

In 2010, the Company established 6 township banks, namely Qijiang Minsheng Township Bank, Tongnan Minsheng Township Bank, Ziyang Minsheng Township Bank, Meihekou Minsheng Township Bank, Wuhan Jiangxia Minsheng Township Bank and Changyuan Minsheng Township Bank. Meanwhile, the Company continued to streamline the process and system of the establishment of township banks, and established a sound system for the establishment, operation and management of township banks.

(3) Revision of the Five-year Development Outline (五年發展綱要)

The Five-year Development Outline was revised and implemented upon the approval by the Board.

(4) Capital management

Improvement of capital management system. Administrative Measures on Capital Allocation and Evaluation of the Board (董事會資本分配與考核管理辦法) was formulated by the Committee and was implemented after being considered and approved by the Board of Directors. The Committee also formulated the Detailed Rules of Capital Management Measures (資本管理辦法實施細則), Report on Capital Condition of the Bank in 2009 (2009年全行資本狀況報告) and Capital Use and Replenishment Plan in 2010 (2010年資本使用與補充計劃).

The Committee regularly assessed the use of capital. Assessments on the capital position as at the end of 2009 and the fist half of 2010 were conducted in January and July 2010 respectively, with relevant assessment reports submitted.

(5) Management of affiliated entities

The Committee strengthened the management on the budget and final accounts, the senior management, internal transactions, risks concentration and other major affairs of affiliated entities. The Company also optimised relevant management system and process, and implemented management measures in accordance with the actual situation of affiliated entities:

The Committee formulated overall proposals on the expansion of Minsheng township banks, which included strengthening the management of development and operation strategies as well as the operational and liquidity risk management of township banks, regulating and centralizing management of the core business and large and small amount payment systems, strengthening the internal and external supervision over internal and external audit of township banks, formulating the Guidelines on the Operation and Budget of Minsheng Township Banks in 2011 (民生村鎮銀行2011年經營及預算指引), and improving and standardising the brand management of township banks. The Committee assisted Minsheng Financial Leasing Co., Ltd. to strengthen its liquidity risk management and improve its capital adequacy. The Committee also provide assistance to Minsheng Royal Fund Management Co., Ltd. to further develop and improve its corporate governance.

(II) Nomination Committee

1. Composition of the Nomination Committee and meetings in 2010

The Nomination Committee under the 5th session of the Board comprised 9 members, the Chairman is Liang Jinquan and the members are Zhang Hongwei, Wang Yugui, Wang Hang, Andrew Wong, Qin Rongsheng, Wang Lihua, Han Jianmin and Hong Qi. The Nomination Committee convened 7 meetings and reviewed 11 proposals in 2010. The attendance record is as follows:

Members	Attendance/Number of Meetings
Non-executive Directors	
Zhang Hongwei	7/7
Wang Yugui	6/7
Wang Hang	7/7
Executive Director	
Hong Qi	7/7
Independent Non-executive Directors	
Liang Jinquan (Chairman of the Committee)	7/7
Andrew Wong	7/7
Qin Rongsheng	7/7
Wang Lihua	7/7
Han Jianmin	7/7

2. Nomination procedures and process adopted by the Nomination Committee

(1) Nomination procedures for Director candidates

(i) General procedures for the nomination of Director candidates

Method of election of the Company's Directors: after soliciting the opinions of the shareholders, the former Board of Directors will, in accordance with the relevant provisions of the Company's Articles of Association, submit a written proposal at the shareholders' general meeting containing the biographies and basic information of the candidates. The Nomination Committee of the Board of Directors is responsible for soliciting the opinions of shareholders, collecting the nomination proposals and examining the qualifications of the candidate to determine whether they comply with the qualification requirements for a director of a commercial bank under the Company Law, Commercial Banks Law and relevant laws, administrative regulations and departmental rules. After the review, the Nomination Committee will submit the proposal to the Board of Directors for their deliberation, after which the Board of Directors will submit a proposal at shareholders' general meeting for voting. Nominator shall obtain consent from nominee prior to the nomination. A Nomination Committee meeting shall be convened to examine whether the candidates meet the qualifications for a Director. If a shareholder or the Supervisory Board raises an objection to the list of Director candidates, he or it may submit a new proposal in accordance with the Articles of Association of the Company, pursuant to which the Nomination Committee shall examine the qualification of relevant candidates and submit the proposal to the Board of Directors for their determination as to whether the proposal should be further submitted at the shareholders' general meeting.

(ii) Special procedures for nomination of Independent Non-executive Director candidates

In accordance with the provisions of relevant laws, regulations and the Articles of Association of the Company, shareholders individually or jointly holding 1% or more of the issued shares of the Company, the Board of Directors or the Supervisory Board may nominate Independent Non-executive Director candidates for appointment via election by the shareholders' general meeting. Nominator shall obtain consent from nominee prior to the nomination. The nominator shall be fully aware of the occupation, education background, title, detailed work experiences and all part-time positions held by the nominee, and shall provide an opinion on the qualification and independence of the respective nominee to assume the position of Independent Non-executive Director. The nominee shall give a public declaration indicating that there is no relationship between him and the Company which would affect his independent judgment. A nominee shall possess the requisite qualification and independence under the Articles of Association of the Company. Before any shareholders' general meeting for the election of the Independent Non-executive Director is held, the Board of Directors shall disclose the above mentioned information in accordance with relevant requirements.

Prior to the date of the shareholders' general meeting at which the Independent Non-executive Directors will be elected, the Company shall submit relevant materials in connection with all of its nominees for Independent Non-executive Directors to the CSRC, the local office of the CSRC where the Company is located, the stock exchanges at which the shares of the Company are listed, and the CBRC. Where the Board of Directors raises any objection in respect of any nominee, its written opinion shall also be submitted to the above authorities. Where the CSRC raises any objection in respect of any nominee, such nominee may not serve as a candidate for Independent Non-executive Director, but he may serve as a Director candidate. During the shareholders' general meeting to elect the Independent Non-executive Director, the Board of Directors shall provide a statement on whether the CSRC raised any objection to any candidate.

(2) Criterion and standard of selection and recommendation of Director candidates

Directors shall possess knowledge, experiences and qualification to perform his/her duties with sound professional ethic, and passed the qualification review of the regulatory and management authority of the banking industry.

Independent Non-executive Director shall possess the following basic requirements:

- (i) obtains qualifications to serve as directors of listed commercial banks in accordance with the laws, administrative regulations and other relevant provisions;
- (ii) obtains a bachelor degree or above or with relevant professional qualifications in middle level or above;
- (iii) fulfils the independence requirement specified in the Articles of Association;
- (iv) is equipped with a basic knowledge of the operation of listed commercial banks, and is familiar with relevant laws, administrative regulations, rules and regulations; and is able to read, understand and analyze commercial bank's credit statistics and financial statements:

- (v) has more than five years of legal, economic, commercial banking or other working experience necessary for performance of the duties of independent non-executive directors;
- (vi) obtains other qualifications to serve as directors specified in the Articles of Association of the Company; and
- (vii) meets the requirements of the Listing Rules of Hong Kong Stock Exchange regarding the qualifications of independent non-executive directors.

(3) No candidate for Directors was nominated and the composition of the Board remained unchanged this year.

3. Major achievements of the Nomination Committee in 2010

In 2010, the Nomination Committee focused on the work plans of the Board, duly performed the duties under the Terms of Reference of the Nomination Committee under the Board (董事會提名委員會工作細則) and gave full play to the professional role of the committee. Improvements were also made in the recruitment and internal training of talents of the Company to enable a stable and healthy development of the Company. The major achievements of the Nomination Committee in 2010 were:

(1) Assessment of qualification of Senior Management

In 2010, the Nomination Committee examined the qualifications of candidates intending to serve as the senior management of the head office, presidents and vice presidents of branches and senior management of affiliated entities and shareholder companies based on the Terms of Reference of Nomination Committee under the Board (董事會提名委員會工作細則) and Administrative Measures on Seconded Senior Management (派出高級管理人員管理辦法). The Committee has examined the qualifications of 81 candidates during the year, which secured the stable operation of the Company.

(2) Revision and refinement of the Terms of Reference of the Nomination Committee under the Board (董事會 提名委員會工作細則)

In order to enhance the corporate governance level and to satisfy the new regulatory requirements after the offering of H Shares of the Company, according to Articles of Association and relevant laws and regulations, the Nomination Committee revised and refined relevant terms in respect of functions and powers, rules of procedures and working procedures in the Terms of Reference of the Nomination Committee under the Board (董事會提名委員會工作細則) based on the guidelines and opinions of the CBRC after onsite investigation.

(III) Compensation and Remuneration Committee

1. Composition of the Compensation and Remuneration Committee and meetings in 2010

The Compensation and Remuneration Committee of the 5th session of the Board has 9 members. The Chairman is Andrew Wong and the members are Lu Zhiqiang, Wang Hang, Chen Jian, Liang Jinquan, Qin Rongsheng, Wang Lihua, Han Jianmin and Liang Yutang. The Compensation and Remuneration Committee convened 3 meetings and reviewed 10 proposals in 2010.

The attendance record is as follows:

	Attendance/Number
Members	of Meetings
Non-executive Directors	
Lu Zhiqiang	3/3
Chen Jian	3/3
Wang Hang	3/3
Executive Director	
Liang Yutang	3/3
Independent Non-executive Directors	
Andrew Wong (Chairman of the Committee)	3/3
Liang Jinquan	3/3
Qin Rongsheng	3/3
Wang Lihua	3/3
Han Jianmin	3/3

2. Major achievements of the Compensation and Remuneration Committee in 2010

In 2010, the Compensation and Remuneration Committee of the Board performed duties as stipulated in the Terms of Reference of the Compensation and Remuneration Committee under the Board (董事會薪酬與考核委員會工作細則) in accordance with the Supervisory Guidelines on Sound Compensation in Commercial Banks (商業銀行穩健薪酬監管指引) and the strategies of remuneration management of the Board. The Committee further improved the remuneration and evaluation system of the management, conducted evaluation of performance of Senior Management and pushed forward the improvement of corporate governance of the Company. The major achievements of the Compensation and Remuneration Committee in 2010 were:

(1) Determination of benchmarks of key performance indicators (KPI) for Senior Management in 2010

In accordance with the Management Rules on Remuneration of Senior Management (高級管理人員薪酬管理制度), the performance remuneration of the Senior Management is pegged to their KPIs and increased the weighting of indicators for risk effectiveness. With reference to the 2010 Financial Budget Report (2010年度財務預算報告), the Compensation and Remuneration Committee set the benchmarks of KPIs in 2010, which provided a rational and effective basis for the year-end performance evaluation and remuneration distribution for Senior Management.

(2) Determination of annual remunerations of Directors and Senior Management

In compliance with the Rules on Remuneration of Directors and Supervisors (2008 Ammendment) (董事、監事薪酬制度 (2008修訂案)), and based on the evaluation on the performances of the Directors, the Committee determined Directors' annual remunerations for 2009.

In compliance with the Management Rules on Remunerations of Senior Management (高級管理人員薪酬管理制度) and the Management Measures of Venture Fund for Senior Management (高級管理人員風險基金管理辦法) and on the basis of the 2009 business operation indicators, the Committee evaluated the performances of the Senior Management appointed by the Board and determined their annual performance-based remunerations for 2009. Moreover, the Committee reviewed the remunerations of Directors and Senior Management disclosed in the 2010 Annual Report and considered that the remuneration was in compliance with the relevant remuneration policy of the Company.

(3) Organization of onsite investigation and recommendation to improve the competitiveness of remuneration

In order to boost the organic growth and sustainability of Minsheng Bank according to the guiding principles of our remuneration strategy, the Committee formed a research group and conducted a 3-month onsite investigation in 15 primary business units including branches and SBUs. The research group has interviewed over 100 employees and received around 60 feasible recommendations. Based on the onsite investigation and recommendations, the Investigation Report on Remuneration Competitiveness of the Compensation and Remuneration Committee under the Board (董事會薪酬與考核委員會薪酬競爭力調研報告) was formulated and submitted to the Committee for approval and then passed to the Management as its reference to improve remuneration competitiveness.

(4) Annual performance evaluation on Senior Management

In 2010, the Committee assessed the performance of Senior Management of the head office and presidents of the branch offices in 2009 in accordance with the Provisional Measures on Performance Appraisal of Senior Management (高級管理人員盡職考評試行辦法) and prepared a comprehensive assessment report. The Committee also commenced the assessment of the performance of Senior Management in 2010.

(5) Renewal of liability insurance of Directors, Supervisors and Senior Management

In order to safeguard the power, liability and rights of Directors, Supervisors and Senior Management arising from litigation and claims under the principle of equity, the Committee studied and reviewed the renewal plan of liability insurance of the Directors, Supervisors and Senior Management and the compensatory insurance of the Company upon expiry in compliance with the regulatory policies and relevant laws and regulations.

(6) Further optimisation of relevant systems for corporate governance

The Compensation and Remuneration Committee revised the Terms of Reference of Compensation and Remuneration Committee (薪酬與考核委員會工作細則) regarding its functions and powers, rules of procedures and working procedures according to the Listing Rules of the Hong Kong Stock Exchange and the regulatory advice from the CBRC and based on the actual working situation of the Committee in recent years. The Committee also reviewed and adopted the supplementary implementation measures of the Management Rules on Remuneration of Senior Management (高級管理人員薪酬管理制度) in order to enhance the effectiveness of the existing system. According to the newly launched regulatory guidelines on remuneration, the Committee revised the Management Measures of Venture Fund for Senior Management (《高管風險基金管理辦法》), taking into account of the deferred nature of risks in financial industry, to further enhance the system for linking remuneration payment and risk control. It reflected our long-term commitment on bearing and controlling risk.

(IV) Risk Management Committee

1. Composition of the Risk Management Committee and meetings in 2010

The 5th session of the Risk Management Committee comprised of 5 members. The Chairman of the Committee is Wang Songi, and the members of the Committee are Wang Yugui, Wang Hang, Andrew Wong and Liang Yutang.

Major duties of the Risk Management Committee include providing recommendations on decision-making for risk management regarding, among others, organization and structure, control procedures and methods to cope with risk based on the study of macroeconomic, financial and regulatory policies of China as well as the risk management system of the Company, supervising the Management of our business operations to continuously improve its risk management capability, evaluating the risk identification, management technique, risk control and compensation mechanism of the operation management of the Company and other duties conferred by the Board to the Committee.

The Risk Management Committee convened 12 meetings and reviewed 31 proposals in 2010. The attendance of the meetings is as follows:

Members	Attendance/Number of Meetings
Non-executive Directors	
Wang Yugui	9/12
Wang Hang	12/12
Executive Director	
Liang Yutang	11/12
Independent Non-executive Directors	
Wang Songqi (Chairman of the Committee)	12/12
Andrew Wong	11/12

2. Major achievements of the Risk Management Committee in 2010

In 2010, the Risk Management Committee considered and approved proposals such as Risk Control Guidelines of the Board in 2010 (董事會2010年度風險指導意見), Risk Assessment Report of the Board (董事會風險評估報告), Measures of Liquidity Risk Management (流動性風險管理辦法), Indicators of Liquidity Risk Control in 2010 (2010年流動性風險控制指標), the 2009 Annual Report of Information Technology Risk Management (2009年信息科技風險管理年度報告), Report of Reputation Risk (聲譽風險管理專題報告) and 2010 Bidding Plan for Risk Evaluation Programs of the Risk Management Committee under the Board of Director (2010年董事會風險管理委員會風險評估項目招標方案). The Committee also considered and approved the implementation report of the Risk Management Guidelines in 2009 (2009年度風險管理指導意見) and the Risk Management Guidelines in 2010 (2010年風險管理指導意見) implemented in the first half of the year proposed by the management. In addition, the Committee conducted quarterly research on risk management and studied risk management reports and the annual risk report in 2009 from the management. The Committee also reviewed and approved the businesses with excessive risks of the Board, studied and discussed the investigation report of the businesses of government financing platform, real estates and mid- to long-term loans of the Bank, the risk management research of the board of commercial banks, and the mid-term risk management indicators and its appetite from the Board.

(V) Audit Committee

The 5th session of the Board comprised of 6 members, in which 4 are Independent Non-executive Directors and 2 are Shareholder Directors. The Chairman of the Committee is Qin Rongsheng, and the members are Wong Hei, Shi Yuzhu, Andrew Wong, Wang Songqi and Han Jianmin.

The Audit Committee of the Board convened 7 meetings and reviewed 23 proposals in 2010. The attendance record is as follows:

Members	Attendance/Number of Meetings
Non-executive Directors	
Shi Yuzhu	6/7
Wong Hei	7/7
Independent Non-executive Directors	
Wang Songqi	4/7
Andrew Wong	7/7
Qing Rongsheng (Chairman of the Committee)	7/7
Han Jianmin	7/7

The Audit Committee of the Board of the Company is responsible for reviewing the annual, interim and quarterly financial reports of the Company to be submitted to the Board; providing opinions on the accuracy and reasonableness of the financial reports; reviewing the financial budgets, final accounts and substantial write-off of non-performing assets; evaluating the audit work of external auditors and providing recommendations on the engagement of auditors and their remunerations; supervising and directing the internal audit of the Company, evaluating the effectiveness of the internal control system of the Company and procuring the continuous improvement of the internal control system of the Company.

In 2010, adhering to the direction of the Board's Five-year Development Outline (五年發展綱要) and the requirements of the Board's annual working plan, the Audit Committee performed its duties in an independent, objective and prudent manner to ensure all tasks to be performed successfully, with an aim to provide open and transparent financial information disclosure and comprehensive and effective internal control system. The major achievements of Audit Committee in 2010 were as follows:

1. Coordination and supervision of the audit of the 2010 financial statements

According to the Terms of Reference of Audit Committee (審計委員會工作細則) and Regulations of Preparation of Annual Financial Statements of Audit Committee (審計委員會年報工作規程), the Audit Committee carefully directed and supervised the audit of 2010 financial statements. At the beginning of the audit, the Audit Committee discussed with PricewaterhouseCoopers Zhong Tian CPAs Limited Company about the schedule and rules of the audit. The Committee has reviewed annual operation reports and supervised the preparation of financial statements. During the audit process, it maintained close contact with the statutory auditor to sort out any problems encountered in the audit process and to ensure that the audit report can be submitted in time. After the audit firm has issued its preliminary opinion, the Committee reviewed the working report of the auditor and the financial statements of the Company and forwarded its voted written opinion to the Board for consideration. These processes ensured the audit and disclosure of our annual report to be in compliance with relevant regulations.

2. Supervision and guidance of the establishment of internal control system

The Audit Committee performed its duties under the Articles of Association to supervise and guide the establishment and operation of internal control system. Based on the Guidelines of Corporate Internal Control (企業 內部控制應用指引) and actual situation of the internal control of the Company, the Committee strengthened internal control management through various ways such as investigation, review, discussion and evaluation. The Committee evaluated the quarterly internal audit works and supervised the implementation of internal control system in order to prevent and mitigate risks in time. The Committee also carried out annual self-assessment of internal control according to the requirements of regulatory authorities. Moreover, the Committee organized investigation on the internal control of branches and SBUs. In 2010, the Audit Committee and the Audit Department jointly carried out investigations on the internal control of certain branches and SBUs, which included four branches in Quanzhou, Kunming, Qingdao and Suzhou and two SBUs, namely the Transportation Finance SBU and the Real Estate Finance SBU. The Committee observed the internal control system at these units to promote advanced internal control culture and provided guidelines on internal assessment. In addition, the Audit Committee organized discussions and seminars to refine internal control measures. In 2010, after taking into account the management opinions from external audit firms, the Audit Committee held special discussions on the preparation of regular financial statements and accounting treatment of the payment agency business with the Financial Accounting Department, Trade Finance SBU and the Legal and Compliance Department in order to improve its internal control measures. Through various internal control management measures, the Committee improved the internal control culture and the compliance of operation, enhanced the implementation of all relevant policies and problem-solving skills. These efforts ensured the effective mitigation of risks through internal control.

3. Review of relevant financial statements of the Company

In 2010, the Audit Committee held 7 special meetings to review the final account report, financial budget report and regular financial reports of the Company. The Committee also supervised the financial operation of the Company to ensure the truthfulness, accuracy and completeness of financial information.

4. Supervision on major asset disposals

The Committee supervised the write-off of doubtful debts in a prudent manner. In 2010, the Audit Committee reviewed the disposal of single material asset to safeguard the Company's assets security.

5. Evaluation and engagement of external auditor for annual audit

Based on the guidelines for external auditor of the Board of Directors of the Company, the Audit Committee revised the Measures on Recruitment and Engagement of Accounting Firms (會計師事務所招標聘任方法). The Committee evaluated the annual audit works carried out by the accounting firm to ensure that the external audit was objective and fair. The Committee also carried out bidding activities to recruit and engage accounting firms for the annual audit in 2011.

(VI) Related Party Transactions Supervision Committee

The 5th Related Party Transactions Supervision Committee of the Board comprised 8 members, including 4 Independent Non-executive Directors, 3 Shareholder Directors and 1 Executive Director. The Chairman of the Committee is Qin Rongsheng, and other members include Wong Hei, Shi Yuzhu, Wang Junhui, Liang Jinquan, Wang Lihua, Han Jianmin and Liang Yutang.

In 2010, 13 meetings were convened and 38 proposals were reviewed by the Related Party Transactions Supervision Committee.

The attendance record is as follows:

Member	Attendance/Number of Meetings
Non-executive Directors	
Wong Hei	13/13
Shi Yuzhu	9/13
Wang Junhui	13/13
Executive Director	
Liang Yutang	13/13
Independent Non-executive Directors	
Qin Rongsheng (Chairman of the Committee)	13/13
Liang Jinquan	13/13
Wang Lihua	13/13
Han Jianmin	13/13

In 2010, on the basis of the relevant rules of the Hong Kong Stock Exchange and Shanghai Stock Exchange, the Related Party Transactions Supervision Committee adhered to maintain "open and transparent" management of related party transactions as required by the Board, and duly performed its supervisory and management duties to improve connected transaction management by focusing on risk control, efficiency improvement, standardized development and compliant disclosure. In 2010, the major achievements of the Related Party Transactions Supervision Committee are as follows:

1. Revision of connected transaction management policies

The Committee revised and refined the connected transaction management policies based on the current situation of the Company and the applicable regulatory requirements, so as to enhance the management efficiency of connected transactions. Firstly, the Committee revised the Administrative Measures of Connected Transactions (關聯交易管理辦法) and reset the definitions of "related party", "connected transactions" and the scope of authority to fulfil the listing requirements for our A Shares and H shares are listed. Secondly, as the connected transactions are of the nature that involve rich contents, various fields and long management process, the Committee supervised the Management to standardize, at the operational level, the administrative procedures, organization structure, responsibilities of different departments, system of authorization, group credit granting and duties of management in respect of connected transactions, and formulated the Implementation Rules of Administrative Measures of Connected Transactions (關聯管理辦法實施細則) with specific and practicable rules to enhance the efficiency of management.

2. Supervision on the establishment of related party information database with updated and complete information of related parties

The Committee also strengthened the information collection, identification and determination system of related parties and connected transactions by exploring effective ways for information collection, simplifying the reporting procedure for related party information and clarifying the reporting responsibility of related parties. The Committee reported the information to relevant departments in a timely manner to ensure the compliance of the relevant transactions and the completeness and effectiveness of the disclosure of the transactions.

3. Approval of related-party items on a strict basis

The Committee reviewed credit lines to related parties in strict compliance with the approval procedures and the Terms of Reference of the Related Party Transactions Supervision Committee (關聯交易控制委員會工作細則). In 2010, the Committee held 13 meetings and reviewed 38 related—party matters.

4. Supervision on information disclosure of connected transactions

By enhancing the information reporting system, the Committee ensured the prompt report and disclosure of connected transactions by the relative departments in accordance with the requirements of the regulatory authorities.

V. The Supervisory Board

The Supervisory Board is the supervisory organization of the Company, which executes its powers and functions in accordance with the laws and regulations, such as the Company Law, applicable regulatory provisions and the Articles of Associations to promote the lawful operations and stable development of the Company and safeguard interests of the Company and investors. The Supervisory Board shall be accountable to the shareholders' general meetings.

(I) Composition of the Supervisory Board

As at the end of the reporting period, the Supervisory Board of the Company comprised of 8 members, including 3 Shareholder Supervisors, 2 External Supervisors and 3 Employee Supervisors. The 2 External Supervisors are experts in economic, finance and management; the 3 Shareholder Supervisors are major persons in charge in renowned companies in the PRC with extensive management experience and professional knowledge in finance; and the 3 Employee Supervisors have been engaged in management in banks for a long period of time, possessing extensive experiences.

The Supervisory Board is well structured. The Supervisors are independent and professional, which enables the Supervisory Board to fully perform its supervisory functions.

The list of Supervisors and their profiles are set out in the "Directors, Supervisors, Senior Management and Employees" of this report. The members of the Supervisory Board are not related (in terms of finance, business, family or other material relations or relevant relations).

(II) The functions and duties of the Supervisory Board

According to the Articles of Association, the Supervisory Board shall exercise the following powers:

- 1. to review the regular reports of the Company drafted by the Board and opine on the reports in writing;
- 2. to examine and supervise financial activities of the Company, and may (if necessary) engage another accounting firm to conduct independent auditing on financial status in the name of the Company;
- 3. to oversee the compliance of Directors, President, Vice Presidents, Chief Financial Officer and Board Secretary of the Company in performing their duties;
- 4. to demand any Director, President, Vice Presidents, Chief Financial Officer and Board Secretary of the Company rectify his/her conduct when such conduct is detrimental to the interests of the Company, and report such conduct to shareholders' general meetings or relevant regulatory authorities of China if necessary; and make proposals to remove any Directors and Senior Management if they breach any applicable laws, administrative regulations, the Articles of Association or resolutions of shareholders' general meetings;
- 5. to conduct audit over the issues in connection with the operation and decision making, risk management and internal control of the Company as and when necessary;
- 6. to make a departure audit, if required, in respect of any resigning director or member of Senior Management;
- 7. to issue opinions on the engagement of an accounting firm by the Company;
- 8. to propose to convene extraordinary shareholders' general meetings, and, if the Board fails to convene or chair such a meeting as required under the Company Law of the PRC, to convene or chair the shareholders' general meetings;
- 9. to propose to convene an extraordinary board meeting and submit proposals to the shareholders' general meeting;
- 10. to sue against Directors and Senior Management according to Article 152 of the Company Law of the PRC;
- 11. to investigate any irregularities in the operations of the Company if necessary, and may engage accounting firms, law firms or other professional firms to assist its work at the costs of the Company; and
- 12. to exercise other powers prescribed by the Articles of Association or conferred by the shareholders' general meeting.

Members of the Supervisory Board may be present at meetings of the Board and are entitled to voice their opinions at the meetings.

(III) The Supervisory Board meetings and contents of resolutions

During the reporting period, 4 meetings have been held by the Supervisory Board of the Company, the details and contents of the meetings are as follow:

Meeting	Date	Publication	Date of Disclosure
The 7th Meeting of the 5th session	19 April, 2010	Shanghai Securities News,	20 April, 2010
of the Supervisory Board		China Securities Journal,	
		Securities Times and Financial Times	
The 8th Meeting of the 5th session	29 April, 2010	(Exempted from disclosure pursuant	
of the Supervisory Board		to relevant regulations)	
The 9th Meeting of the 5th session	10 August, 2010	(Exempted from disclosure pursuant	
of the Supervisory Board		to relevant regulations)	
The 10th Meeting of the 5th session	29 October, 2010	(Exempted from disclosure pursuant	
of the Supervisory Board		to relevant regulations)	

The Supervisory Board considered and approved 10 proposals including the 2009 Annual Report, Quarterly Reports and Interim Report of 2010 and 2009 Working Report of the Supervisory Board, 2010 Work Plan of the Supervisory Board, Performance Assessment Report of Directors and Senior Management in 2009 by the Supervisory Board at the above meetings.

(IV) The attendance record of each Supervisor in 2010:

Supervisor	Attendance/Number of meetings
Qiao Zhimin	4/4
Xing Jijun	4/4
Lu Zhongnan	4/4
Zhang Disheng	4/4
Xu Rui	4/4
Wang Liang	4/4
Chen Jinzhong	4/4
Wang Lei	4/4

VI. Special Committees under the Supervisory Board

The Supervisory Board of the Company comprises of Nomination and Remuneration Committee and Supervisory Committee. Members, powers and functions of such committees and their works in 2010 are as follows:

(I) Nomination and Remuneration Committee

In accordance with the Resolution on the Composition of the Speicial Committees of the 5th Session of the Supervisory Board (關於公司第五屆監事會專門委員會組成成員的決議) considered and approved by the 1st Meeting of the 5th session of the Supervisory Board on 23 March, 2009, the 5th session of the Nomination and Remuneration Committee comprised of 6 members. The convener of the Committee is Xu Rui, and the members include Qiao Zhimin, Xing Jijun, Wang Liang, Lu Zhongnan and Zhang Disheng.

The major duties of the Nomination and Remuneration Committee under the Supervisory Board include: making recommendations to the Supervisory Board on the size and composition of the Supervisory Board; reviewing standards and procedures for election of Supervisors and making recommendations to the Supervisory Board; identifying qualified candidates of Supervisors; carrying out preliminary examination on qualification of the candidates of Supervisors nominated by shareholders and making recommendations; studying and formulating remuneration policy and budget of Supervisors and submitting reports to the shareholders' general meeting for approval after the same being considered and approved by the Supervisory Board; and performing other duties conferred by the Supervisory Board.

In 2010, the Nomination and Remuneration Committee under the 5th session of Supervisory Board convened 4 meetings and reviewed 6 proposals. The attendance record of each member is as follows:

	Attendance/Number
Member	of Meetings
Xu Rui	4/4
Qiao Zhimin	4/4
Xing Jijun	4/4
Wang Liang	4/4
Lu Zhongnan	4/4
Zhang Disheng	4/4

In 2010, based on the work plan of the Supervisory Board, the Nomination and Remuneration Committee under the 5th session of the Supervisory Board actively performed its duties and functions conferred by the Articles of Association and Terms of Reference of Nomination and Remuneration Committee under the Supervisory Board (監事會提名與薪酬委員會工作細則), carried out performance assessment of Supervisors, reviewed and approved the remuneration distribution plan for Supervisors, and organized and arranged trainings for Supervisors. All tasks in 2010 were completed and the functions of the Committee were performed in a more effective way. The major achievements of the Nomination and Remuneration Committee in 2010 were as follows:

1. Performance assessment and evaluation of Supervisors in 2010

During the reporting period, according to the provisions of the Provisional Measures on Performance Appraisal of Supervisors (監事履職評價試行辦法), on the basis of past experiences, the Committee continued to carry out performance assessment and evaluation of Supervisors. Through recording and compiling statistics of attendance record of each Supervisor at Supervisory Board meetings, special committee meetings and the Board meetings, participation record in investigation and training activities, involvement in reviewing proposals, as well as independent opinion and recommendations expressed, with reference to the self-assessment and cross-assessment results of all Supervisors, the Committee assessed the performance of all Supervisors in 2010. All Supervisors were able to perform their duties in accordance with relevant requirements and the assessment results of all Supervisors reached the level of "competent" or above

2. Review of remuneration distribution policies of Supervisors

According to the Articles of Association, the Nomination and Remuneration Committee under the Supervisory Board is responsible for reviewing and formulating the remuneration policy and budget of Supervisors. During the reporting period, the Committee reviewed the distribution of remunerations to the Supervisors in 2009 based on fundamental researches, and the result was submitted to the Supervisory Board for review together with the 2009 Annual Report and disclosed to the public accordingly.

3. Trainings for Supervisors

During the reporting period, the Committee arranged all Supervisors to participate in the training courses for directors and supervisors sponsored by Beijing Municipal Bureau of the CSRC, in which they all passed the examinations. The attendance rate of Supervisors was 100%. The Committee also invited relevant experts and head of relevant departments of the Company to hold special trainings for Supervisors on aspects closely related to the duties of Supervisors, including the latest regulatory policies, financial reports, operation management and business reforms. Furthermore, the Committee arranged Supervisors to participate in training activities organized by social training organizations in order to expand and enhance the professional knowledge and skills of Supervisors.

(II) Supervisory Committee

In accordance of the Resolution on the Composition of Special Committees of the 5th Session of the Supervisory Board (關於公司第五屆監事會專門委員會組成成員的決議) considered and approved by the 1st meeting of the 5th session of the Supervisory Board on 23 March, 2009, the Supervisory Committee under the 5th session of the Supervisory Board comprised 7 members. The convener of the Committee is Qiao Zhimin, and the members include Xing Jijun, Lu Zhongnan, Xu Rui, Wang Liang, Chen Jinzhong and Wang Lei.

The major duties of the Supervisory Committee under the Supervisory Board include: formulating proposals on the examination and supervision on the financial activities of the Company; formulating proposals on the departure audit of any resigning Director or Senior Management; formulating proposals on the examination and supervision on the operational decisions, risk management and internal control of the Company; and performing other duties conferred by the Supervisory Board.

In 2010, the Supervisory Committee under the 5th session of the Supervisory Board convened 7 meetings and reviewed 10 proposals. The attendance record of each members is as follows:

Member	Attendance/Number of Meetings
Qiao Zhimin	7/7
Xing Jijun	6/7
Xu Rui	7/7
Wang Liang	7/7
Lu Zhongnan	6/7
Chen Jinzhong	7/7
Wang Lei	7/7

In 2010, based on the work plan of the Supervisory Board, the Supervisory Committee under the 5th session of the Supervisory Board actively performed the duties and functions conferred by the Articles of Association and Terms of Reference of Supervisory Committee under the Supervisory Board (監事會監督委員會工作細則). The Supervisory Committee carried out special examinations, supervision on due diligence, inspection visits, which facilitated the supervision work of the Supervisory Board. The major achievements of Supervisory Committee under the Supervisory Board in 2010 were as follows:

1. Conducting special investigations and departure audits

According to the requirements of the Articles of Association, taking into account of the assignments of the Supervisory Board, the Committee conducted special investigation on collaterals and pledges of corporate credit assets and departure audits on the former Chief Financial Officer during the reporting period. In particular, the special investigation on collaterals and pledges of corporate credit assets was the first special investigation conducted in this business field since the establishment of the Company. The investigation sampled 1,881 cases of loans with an amount of RMB236.4 billion which involved most of the business units of the Company. On-site investigations were conducted in 18 branches and SBUs. The Supervisory Committee made 5 recommendations in respect of the findings of the inspections to improve the registration management, standardize the assessment procedures and refine the management information system of collaterals and pledges. Those recommendations were submitted to the Board of Directors and Senior Management and were implemented with great emphasis. The investigation and its follow-ups played a proactive role in improving the management of collateral and pledges, preventing relevant risks and safeguarding credit assets.

2. Launching inspection visits and providing recommendations on the management

During the reporting period, the Committee paid inspection visits to eight branches in Shantou, Guangzhou, Shenzhen, Jinan, Qingdao, Dalian, Wuhan and Kunming and two Minsheng township banks in Shanghai Songjiang and Zhejiang Cixi according to the work plan of the Supervisory Board and the progress of reform, restructuring and business transformation of the Company. The Supervisory Committee made 16 opinion and recommendations to enhance and improve the operational management based on the findings of the visits, which attracted great emphasis of the Board and the Senior Management.

3. Supervising due diligence assessment on the Board and the Senior Management and its members

During the reporting period, the Supervisory Committee under the Supervisory Board carried out supervision and assessment on due diligence of the Board and Senior Management and their members according to the regulatory requirements and relevant policies in respect to the supervision on performance of Directors and Senior Management formulated by the Supervisory Board of the Company, and continued to explore new supervisory measures on due diligence based on its experience. The Supervisory Committee reviewed due diligence records of the Directors and Senior Management, complied speech records of Directors at the Board meetings and the special committee meetings and their participation in topic studies and investigation activities, and observed the performance of duties of the Senior

Management in order to maintain a comprehensive and complete records of due diligence performance of Directors and Senior Management. The Supervisory Committee issued reports to the Board of Directors according to the results of supervision. At the end of the reporting period, the Supervisory Committee prepared a due diligence assessment report of Directors, Senior Management and its members based on the statistics and conclusions of the questionnaire surveys on the due diligence of the Directors and Senior Management, which was submitted to the Supervisory Board for review and then being submitted to the shareholders' general meeting as an attachment to the working report of the Supervisory Board.

4. Reviewing regular financial reports of the Company

The Committee enhanced the communication with the audit firms of the annual audit and closely monitored and supervised the truthfulness and completeness of the financial reports of the Company to ensure the preparation and the information disclosure of such reports in compliance with the laws and regulations. During the reporting period, the Committee reviewed the Company's annual report of 2009, quarterly reports and interim report of 2010 so as to supervise the financial operation of the Company and ensured the truthfulness, accuracy and completeness of the Company's financial information.

VII. The Decision-Making System of the Company

The highest authority of the Company is the Shareholders' General Meeting, which manages and supervises the operations of the Company through the Board of Directors and the Supervisory Board. The President is appointed by the Board of Directors and is fully responsible for the daily operations and management of the Company. The Company adopts a single-level legal person system. Branches are all non-independent accounting entities, operating under the authorization of the Head Office and report to the Head Office.

The Company has no controlling shareholders and is totally independent from its major shareholders in terms of business, personnel, assets, organizations and finance. The Company maintains independence and integrity in managing its own business and operations, and its Board of Directors, the Supervisory Board and internal department also operate independently.

VIII. Performance Evaluation and Incentive Mechanism for Senior Management

In accordance with the Management Rules on Remuneration of Senior Management (高級管理人員薪酬管理制度), the performance remuneration of the Senior Management is pegged to their KPIs. With reference to the 2010 Financial Budget Report (2010年度財務預算報告), the Compensation and Remuneration Committee of the Board set the benchmarks of the KPIs for 2010 and the Board determined the performance remuneration of Senior Management for 2010 based on their six KPI results, including the net profit and the risk-adjusted return on capital ratio. In accordance with the regulatory requirements, the Company has set up venture funds for Senior Management since 2009, which is accrued by a certain proportion of Senior Management's annual performance bonus.

(I) Remuneration policy for Senior Management of the Company

The remuneration policy for Senior Management of the Company is implemented to facilitate the accomplishment of development strategy and business target and reflects the principles of human resources management strategy and guidelines of the Company. The Company evaluated performance on the basis of the operation results of Senior Management so as to encourage Senior Management to develop together with the Company; formulated a fair and consistent remuneration policy for Senior Management with reasonable structure and market competitiveness; set up incentive and punishment system for Senior Management with simple and clear classification, and assessment of duties and performance evaluation; and remunerated Senior Management according to their duties, ability and contribution to operation result.

(II) Remuneration policy for Directors of the Company

The Company pays remuneration to all Directors in accordance with the Rules on Remuneration of Directors and Supervisors (2008 Revised draft) (董事、監事薪酬制度 (2008年修訂草案)). The remuneration of Directors comprises of annual fee, allowance for special committees, reimbursement for attending meetings and reimbursement for investigation.

IX. Appointment of accounting firm

According to the resolution adopted by the 2009 annual general meeting, the Company continues to engage PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as the auditors of the Company's 2010 annual financial statements prepared under CAS and IFRS.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company has been the auditor of the Company for 11 years. The remuneration paid in 2010 (including, but not limited to miscellaneous expenses such as traveling expenses, accommodation expenses and communication expenses) amounted at RMB10.61 million.

(Unit: RMB million)

Remuneration paid	2010	2009
Remuneration for audits	7.60	6.60
Remuneration for due diligence	2.56	_
Others	0.45	4.95
Total	10.61	11.55

X. Internal Control and Internal Audit

(I) Adequacy, effectiveness and completeness of internal control

1. Organization structure of internal control system

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

The internal control management system works effectively under the comprehensive legal person governance structure of the Company. The Board of Directors is responsible for ensuring the integrity and smooth implementation of the internal control system. The Audit Committee under the Board of Directors supervises and directs the establishment of the internal control system through review of internal control reports, inspection of internal control of each unit and self-evaluation on a regular basis. Risk Management Committee under the Board of Directors supervises risk status of the management by formulating annual risk management guidance and carries out evaluation and investigation on risk reports regularly. Through the investigations and the research carried out by the Audit Committee and the Risk Management Committee, the Board of Directors grasps the general internal control condition, researches relevant issues concerning the decision-making and suggests constructive ideas to the management. The management of the Company seriously implements the instructions and work plans of the Board 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 Supervisory Board, as required under the Company Law of PRC, relevant regulatory provisions and the Articles of Association, supervises whether the performances of the Board of Directors, senior management and its members are in compliance with the laws and regulations and is accountable to the Shareholders' General Meeting, in order to ensure the compliance and promote sound development of the Company's operation. The Company has formed an effective and standard internal control and management system that incorporates education, early warning, prevention, and incentive and punitive functions, where each department has clearly defined responsibility and cooperates with one another under mutual restriction and supervision.

2. Internal control system

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

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

3. Major internal control measures

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

During the reporting period, the Company refined and improved its internal control system by taking the following measures: (i) The Company made interim progress in the implementation of the New Basel II Accord and the establishment of comprehensive risk management system. For credit risk management, a rating system for legal person customers has been established and will be put into operation. The Company also outlined the market risk management system and commenced the establishment of operational risk management system; (ii) the Company proceeded with process-based banking construction and the optimization of the middle and back office operation system and continued to refine the organization structure, key process and governance mechanism, in order to establish a more reasonable internal control mechanism; (iii) in order to provide technical support to the effective implementation of its internal control system, the Company relied on information technology to continue to restructure the new core banking system and streamline all business processes by a customer-centric approach, and infiltrated its internal control into system control procedures of all business process; (iv) the Company strictly implemented "Three Measures and One Guideline" in the credit risk management, and enhanced the credit management and propelled depackaging of government financing platform, and strengthened the management of credit to group customers; (v) the Company strengthened the inspection on effectiveness of its internal control and risk management. Through specific examinations on business lines including credit, financial accounting and retail banking, and special activities including "Internal Control and Incident Prevention Year" campaign and anti-money laundering activities, the Company further enhanced its supervision and rectification mechanism of risk management and internal control, and further improved the internal control level of the Company.

4. Supervision and evaluation activities of internal control

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

During the reporting period, the Audit Department of the Company performed a comprehensive evaluation on internal control of the Real Estate Finance SBU and the Transportation Finance SBU, as well as eight branches in Taiyuan, Quanzhou, Ningbo, Kunming, Qingdao, Suzhou, Zhengzhou and Xiamen. Implementation of "Three Measures and One Guideline" was also evaluated. Such evaluation covered all businesses and management processes of the business units. Defects and omission in each of the important internal control procedures were identified and addressed. The internal control standard was classified into 5 grades objectively, reflecting the focus of internal control evaluation shifted from qualitative to quantitative assessment. The rating results were linked with the internal control evaluation results. These measures enhanced the effective application of evaluation results and the organic integration of internal audit evaluation with other risk factors, and substantially improved the overall internal control level of the Bank.

5. Culture of internal control

The Company attaches high importance to create and cultivate an outstanding corporate culture which conforms to requirements of modern commercial bank and has its own characteristics. Having reviewed, concluded, standardized and improved the existing corporate culture, the Company unified all operational management areas, such as internal control, marketing, risk management, incentives and assessment under the mission, vision and core concept set by the corporate culture and brand building. The Company has come up with operation philosophy, code of conduct and positive image of its own. The Company also addresses the establishment of corporate sub-culture focusing on business development and risk management, which has gradually evolved into a corporate culture system that is consistent to the core value, and helped to introduce all employees to proper business performance values, and prudent risk and compliance awareness.

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

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

According to the new requirements of the Basic Standard for Corporate Internal Control (企業內部控制基本規範) and Application Guidelines for Corporate Internal Control (企業內部控制應用指引) issued by the five ministries, including the Ministry of Finance, the Company continues to develop its process-based banking operations with a comprehensive risk management system and to enhance the operation management and risk prevention capability of all SBUs. The Audit Committee will, after fully taking account into the factors such as internal condition, risk evaluation, control measures, information communication and internal supervision, formulate working plan and implementation plan for the establishment of internal control system, carry out thorough restructuring on the businesses procedures and management system of the Company and evaluate the situation of internal control scientifically with an aim to achieve improvements and maintain sustainable growth. The Audit Committee will also organize and formulate a complete and compressive internal control management system according to the actual situation of the Company which will apply to all management level and all operating activities of the Company, so as to enhance the operation management level and risk prevention capability of the Company, and ensure the effective implementation of development strategies of the Company.

(II) Internal audit

The Company has an internal audit organization — Internal Audit Department. Under the leadership of the Audit Committee of the Board, the Company adopts an independent internal audit model with a vertical management structure topped by the head office. It has 4 regional internal audit centers in Northern China, Eastern China, Southern China and Mid-China. The Internal Audit Department is responsible for performing independent examination and evaluation on all business operations and management activities of the Company, monitoring and examining effectiveness of its internal control and carrying out evaluation and advisory activities for its internal control independently and objectively. To ensure the effectiveness and independence of the audit, material audit findings and internal control defects are directly reported to senior executives and the Audit Committee of the Board. The Company has set up a standardized internal audit system and an integrated audit examination system comprising on-site audit and off-site audit. Off-site audit system covers all assets and debt businesses. Audit on internal control, which is risk-oriented, 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.. The Company has initially achieved full coverage of audit on risk exposures in credit, operation, market and compliance.

The Company performed supervision and examination on internal control of business units through on-site audits, off-site audits, special audits and departure audits, which included 96 on-site audits, 36 off-site special audits, and 166 departure audits during the reporting period. The Internal Audit Department issued 417 audit reports and special study reports and 33 risk warnings and audit recommendations. The Company performed its supervision, evaluation and consultation duties in a more effective way. There was no incident happened in the Company. The examinations covered various lines of business, including corporate credit, financial management, personal credit, trade finance, bills and IT risk management. The problems identified in the audit were tracked and urged to be rectified, the persons responsible for the problems were held accountable. Collaborations among head office, branches and business management departments in resolving problem were also strengthened. In addition to conducting examination on overall business and process risks, the Department has made remarkable contributions to the continuous improvement of the internal control system and the enhancement of management level across the Bank.

XI. Information Disclosure and Investor Relations

(I) Information disclosure

The Company discloses its information in strict compliances with the regulations of the securities regulatory authorities and publishes all sorts of regular reports and interim reports in accordance with laws to ensure the timeliness, accuracy, truthfulness and integrity of its information disclosure and to ensure equal access to information for all shareholders. In 2010, the Company published 4 regular reports and over 27 interim reports (including documents of shareholders' meetings) in the Shanghai Stock Exchange. The Company also published over 60 announcements (including listing documents and circulars to shareholders) on the Hong Kong Stock Exchange.



The Board Secretary obtained excellent rating in the Shanghai Stock Exchange assessment on information disclosure for Year 2009–2010. The Company was ranked the seventh among all companies and the third among listing banks in the Information Disclosure Index of China's Listed Companies (2010) (中國上市公司信息披露指數) jointly announced by Economic Publishing House and 21st Century Business Review. The Company was also awarded "The Best Information Disclosure in China" (中國區最佳信息披露獎) under the annual award for the Best Corporate Governance by "AsiaMoney". In addition, the 2009 Annual Report of the Company was granted the ARC golden prize for financial data, the bronze prize for printing and preparation and the bronze prize for contents in an international annual report award election, the silver prize in the LACP 2009 Annual Report Election, and the "Best New Entry Award" (最優秀 新參賽年報) by Hong Kong Management Association.

(II) Investor relations

The Company attaches high importance to investor relations and has established a sound investor relation management system. The Company also continues to modify the investor relations website and to upgrade the phone answering system to fully utilize them for introduction and communication purposes. The Company answered over 500 phone calls from investors in 2010. Special issues on investor relations were published regularly to provide investors with a highly-efficient communication platform. During the reporting period, the Company published 12 volumes of special issues on investor relations.

During the reporting period, the Company proactively enhanced the effectiveness of communication with investors by adopting innovative measures and various activities.

1. The Company held various results presentations and roadshows successfully.

The Company successfully held investor discussion forums for the annual results, interim results and the first and third quarterly results by various means including onsite meetings, video conferences and telephone conferences. Over 500 analysts and investors attended those forums. During the reporting period, the Senior Management of the Company participated in various roadshow presentations to communicate with investors in Hong Kong and Shanghai on the operation and development strategies of the Company, which had boosted the confidence of investors in the Company.

2. The Company participated in investment forums and strategy seminars actively.

During the reporting period, the Company participated in 17 large-scale institutional investment forums and strategy seminars throughout the year and took initiatives in presenting its advantages and reform results, emphasizing its strategic positioning and sharing the latest progress of the "Second Take-off" at these occasions.

3. The Company carried out special researches and met visitors.

During the reporting period, the Company held various special researches on SBUs and invited analysts to carry out special researches on "Shang Dai Tong" (商貸通) to make in-depth communication and interaction with analysts and investors. The Company has also conducted 12 joint researches with large-scale domestic and foreign securities companies. During the reporting period, the Company received over 400 visits of analysts and investors.

During the reporting period, the Company obtained various local and international awards relating to investor relations, including the "Best Investor Relationship Award" (最佳投資者關係) from the "Finance Asia" magazine, which was the first financial institution winning this award in Mainland China and Hong Kong. The Company was elected as one of the top ten companies in The Twelfth Gold Bull Award for Top 100 PRC Listed Companies (第12屆中國上市公司金牛獎百強) by China Securities Journal (中國證券報). In the Gold Bull Award Gold Bull Award for Top 100 Financial Institutions (金牛百強獎金融行業榜), the Company was ranked the second among all companies and the first among listed banks. The Company also won the "China IR Innovation Award" (中國投資者關係IR創新獎) and the "Top 100 IR Companies in China" (中國投資者關係IR公司百強獎) in "The Fifth China Investor Relations Annual Conference" (第五屆中國投資者關係年會), and was honoured with the "Best Investor Relations Award in China" (中國區最佳投資者關係獎) in the award election for the Best Corporate Governance by "AsiaMoney".

Shareholders' General Meeting

I. Shareholders' General Meeting

On 18 June, 2010, the 2009 annual general meeting of the Company was convened in Beijing and attended in person. The following resolutions were considered and passed at the meeting: Resolution on the 2009 Annual Report, Resolution on the 2009 Work Report of the Board of Directors, Resolution on the 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 for 2010, Resolution on the Amendments to Rules of Procedure for Shareholders' General Meeting, Resolution on the Amendments to Rules of Procedure for Meeting of the Supervisory Board, Resolution on the Provision of Consolidated Facilities to Legend Holdings Ltd. and Resolution on Amendments to the Articles of Association. Please refer to China Securities Journal, Shanghai Securities News and Securities Times on 19 June, 2010 for details.

II. Election and Replacement of Directors, Supervisors and Senior Management

- On 19 April, 2010, the 9th meeting of the 5th Session of the Board of Directors adopted a resolution to appoint Mr Duan Qingshan as Chief Financial Officer of China Minsheng Bank for the same term as the 5th session of the Board of Directors in place of Ms Wu Touhong.
- On 10 August, 2010, the 11th meeting of the 5th Session of the Board of Directors adopted a resolution to appoint
 Mr Xing Bengxiu as a Vice President of China Minsheng Bank for the same term as the 5th session of the Board of
 Directors.



I. Performance of Principal Business and Financial Results

Please refer to "Management Discussion and Analysis".

II. Proposed Profit Appropriation Plan and Proposal for Conversion of Capital Reserves to Share Capital

The audited profit after tax of the Company in 2010 is RMB17,193 million. The Company has proposed its 2010 profit appropriation plan as follows: appropriation of 10% of the audited after-tax profit under the China Accounting Standards, being RMB1,719 million to the statutory surplus reserve; and appropriation of RMB2,900 million for general reserve. The profit distributable to shareholders as at the end of the year is RMB19,366 million. The Company plans to distribute cash dividend of RMB1.0 (before tax) for every 10 shares to holders of A Shares and H Shares registered in the Company's register of members on the Record Date as set out in the announcement regarding the profit distribution plans. On the basis of 26,714,732,987 issued shares (including A Shares and H Shares) as at market close on 31 December, 2010, a total of RMB2,672 million will be distributed. The cash dividend will be denominated and declared in Renminbi and the holders of A Shares will be paid in Renminbi whereas the holders of H Shares will be paid in Hong Kong dollars. The actual amount of dividend to be paid in Hong Kong dollars will be determined based on the basic rate of Renminbi against Hong Kong dollars as announced by the PBOC as at the date of the 2010 annual general meeting.

The above profit appropriation plan is subject to the approval of the 2010 annual general meeting and shall be implemented within two months upon adoption at the 2010 annual general meeting.

III. Distribution of Cash Dividends during the Past 3 Consecutive Years

(Unit: RMB million)

	2009	2008	2007
Cash dividends	1,113	1,506	724
Net profit	12,009	7,831	6,335
Cash dividend payout ratio (%)	9.27	19.23	11.43

Note: Net profit is the net profit of the Company.

IV. Investments

(I) Use of proceeds from previous funds raising

The funds raised were primarily used to supplement the Company's core capital and to improve its capital adequacy ratio.

(II) Major investment projects

1. Investment in Qijiang Minsheng Township Bank Co., Ltd. (綦江民生村鎮銀行股份有限公司)

On 19 April, 2010, the 9th meeting of the 5th session of the Board of Directors of the Company resolved to establish Qijiang Minsheng Township Bank Co., Ltd. with a registered capital of RMB60 million. Qijiang Minsheng Township Bank Co., Ltd. was established on 2 September, 2010 and the Company made a capital contribution in the amount of RMB30 million, representing 50% of the total share capital of such company.

2. Investment in Tongnan Minsheng Township Bank Co., Ltd. (潼南民生村鎮銀行股份有限公司)

On 19 April, 2010, the 9th meeting of the 5th session of the Board of Directors of the Company resolved to establish Tongnan Minsheng Township Bank Co., Ltd. with a registered capital of RMB50 million. Tongnan Minsheng Township Bank Co., Ltd. was established on 2 September, 2010 and the Company made a capital contribution in the amount of RMB25 million, representing 50% of the total share capital of such company.

3. Investment in Ziyang Minsheng Township Bank Co., Ltd. (資陽民生村鎮銀行股份有限公司)

On 19 April, 2010, the 9th meeting of the 5th session of the Board of Directors of the Company resolved to establish Ziyang Minsheng Township Bank Co., Ltd. with a registered capital of RMB80 million. Ziyang Minsheng Township Bank Co., Ltd. was established on 16 September, 2010 and the Company made a capital



contribution in the amount of RMB40.80 million, representing 51% of the total share capital of such company.

4. Investment in Meihekou Minsheng Township Bank Co., Ltd. (梅河口民生村鎮銀行股份有限公司)

On 19 April, 2010, the 9th meeting of the 5th session of the Board of Directors of the Company resolved to establish Meihekou Minsheng Township Bank Co., Ltd. with a registered capital of RMB50 million. Meihekou Minsheng Township Bank Co., Ltd. was established on 17 September, 2010 and the Company made a capital contribution in the amount of RMB25.50 million, representing 51% of the total share capital of such company.

5. Investment in Wuhan Jiangxia Minsheng Township Bank Co., Ltd. (武漢江夏民生村鎮銀行股份有限公司)

On 19 April, 2010, the 9th meeting of the 5th session of the Board of Directors of the Company resolved to establish Wuhan Jiangxia Minsheng Township Bank Co., Ltd. with a registered capital of RMB80 million. Wuhan Jiangxia Minsheng Township Bank Co., Ltd. was established on 26 September, 2010 and the Company made a capital contribution in the amount of RMB40.80 million, representing 51% of the total share capital of such company.

6. Investment in Changyuan Minsheng Township Bank Co., Ltd. (長垣民生村鎮銀行股份有限公司)

On 19 April, 2010, the 9th meeting of the 5th session of the Board of Directors of the Company resolved to establish Changyuan Minsheng Township Bank Co., Ltd. with a registered capital of RMB50 million. Changyuan Minsheng Township Bank Co., Ltd. was established on 27 December, 2010 and the Company made a capital contribution in the amount of RMB25.50 million, representing 51% of the total share capital of such company.

V. Operations and Performances of Major Subsidiaries and Investee Companies

- 1. As at 31 December, 2010, Minsheng Financial Leasing Co., Ltd., a subsidiary of the Company, had total assets of RMB41,482 million and net assets of RMB3,949 million, and posted a net profit of RMB495 million in 2010, representing an increase of 76%, 14% and 207%, respectively, as compared with those in 2009.
- 2. As at 31 December, 2010, Minsheng Royal Fund Management Co., Ltd., a subsidiary of the Company, had total assets of RMB86 million and net assets of RMB71 million, and posted a net loss of RMB54.90 million in 2010.
- 3. As at 31 December, 2010, Pengzhou Minsheng Township Bank Co., Ltd., a subsidiary of the Company, had total assets of RMB473 million and net assets of RMB68.85 million, and posted a net profit of RMB13.48 million in 2010, representing an increase of 20%, 24% and 675% respectively, as compared with those in 2009.
- 4. As at 31 December, 2010, Cixi Minsheng Township Bank Co., Ltd., a subsidiary of the Company, had total assets of RMB1,374 million and net assets of RMB122 million, and posted a net profit of RMB21.51 million in 2010, representing an increase of 99%, 22% and 3,426% respectively, as compared with those in 2009.
- As at 31 December, 2010, Shanghai Songjiang Minsheng Township Bank Co., Ltd., a subsidiary of the Company, had total assets of RMB8,787 million, total liabilities of RMB8,666 million and net assets of RMB121 million, and posted a net profit of RMB27.59 million in 2010.
- Qijiang Minsheng Township Bank Co., Ltd., a subsidiary of the Company, was established on 2 September, 2010.
 As at 31 December, 2010, it had total assets of RMB255 million and net assets of RMB59.77 million, and posted a net loss of RMB0.23 million in 2010.
- 7. Tongnan Minsheng Township Bank Co., Ltd., a subsidiary of the Company, was established on 2 September, 2010. As at 31 December, 2010, it had total assets of RMB274 million and net assets of RMB49.60 million, and posted a net loss of RMB0.40 million in 2010.
- 8. Ziyang Minsheng Township Bank Co., Ltd., a subsidiary of the Company, was established on 16 September, 2010. As at 31 December, 2010, it had total assets of RMB317 million and net assets of RMB76.13 million, and posted a net loss of RMB3.87 million in 2010.

- 9. Meihekou Minsheng Township Bank Co., Ltd., a subsidiary of the Company, was established on 17 September, 2010. As at 31 December, 2010, it had total assets of RMB400 million and net assets of RMB45.64 million, and posted a net loss of RMB4.36 million in 2010.
- 10. Wuhan Jiangxia Minsheng Township Bank Co., Ltd., a subsidiary of the Company, was established on 26 September, 2010. As at 31 December, 2010, it had total assets of RMB346 million and net assets of RMB78.50 million, and posted a net loss of RMB1.50 million in 2010.
- 11. Changyuan Minsheng Township Bank Co., Ltd., a subsidiary of the Company, was established on 27 December, 2010. As at 31 December, 2010, it had total assets of RMB74 million and net assets of RMB49.14 million, and posted a net loss of RMB0.86 million in 2010.
- 12. As at the end of 2010, China UnionPay Co., Ltd., of which the Company was an equity holder, completed 5,653 million inter-bank bank card transactions amounting to RMB11,380,000 million, representing increases of 23.27% and 45.75% respectively as compared with the corresponding period of the previous year.

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

(I) Listed companies in which the Company holds equity interests Nil.

(II) Equity interests of the Company in non-listed financial enterprises

	Registered capital	Shareholding	Nature and scope	Place of
	(in RMB million)	of the Company	of business	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
Qijiang Minsheng Township Bank Co., Ltd.	60	50%	Commercial banking	Chongqing
Tongnan Minsheng Township Bank Co., Ltd.	50	50%	Commercial banking	Chongqing
Ziyang Minsheng Township Bank Co., Ltd.	80	51%	Commercial banking	Sichuan
Meihekou Minsheng Township Bank Co., Ltd.	50	51%	Commercial banking	Jilin
Wuhan Jiangxia Minsheng Township Bank				
Co., Ltd.	80	51%	Commercial banking	Hubei
Changyuan Minsheng Township Bank				
Co., Ltd.	50	51%	Commercial banking	Henan

VII. 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.

VIII. Interests or Short Positions of the Directors, Supervisors and Chief **Executives in the Securities of the Company or its Associated Corporations** under Hong Kong Laws and Regulations

(I) As at 31 December 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	А	Long	Interest held by the corporation controlled by this substantial shareholder	1,891,893,763	1	8.38	7.08
Zhang Hongwei	Non-executive Director	А	Long	Interest held by the corporation controlled by this substantial shareholder	931,073,370	2	4.12	3.49
Wong Hei	Non-executive Director	A	Long	Interest held by the corporation controlled by this substantial shareholder	574,603,116	3	2.54	2.15
Lu Zhiqiang	Non-executive Director	A	Long	Interest held by the corporation controlled by this substantial shareholder	698,939,116	4	3.09	2.62
Shi Yuzhu	Non-executive Director	А	Long	Interest held by the corporation controlled by this substantial shareholder	146,640,000	5	0.65	0.55

Notes:

1. The 1,891,893,763 A shares comprised 558,306,938 A shares directly held by Sichuan South Hope Industrial Co., Ltd. and 1,333,586,825 A shares directly held by New Hope Investment Co., Ltd. Sichuan South Hope Industrial Co., Ltd. was wholly-owned by New Hope Group Co., Ltd., while New Hope Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and Sichuan New Hope Agri-Business Co., Ltd., respectively. New Hope Group Co., Ltd. held 45.7% 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 558,306,938 A shares held by Sichuan South Hope Industrial Co., Ltd. and the 1,333,586,825 A shares held by New Hope Investment Co., Ltd.

As Mr. Liu Yonghao held 63.65% (in which 1.31% was personally held by his spouse, Ms. Li Wei) of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,891,893,763 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. Liu Yonghao and the interests held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang 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 the shares and underlying shares of the Company under Hong Kong laws and regulations" in this annual report.

- 2. The 931,073,370 A shares comprised 888,970,224 A shares directly held by Orient Group Incorporation and 42,103,146 A shares directly held by Orient Group Industrial Co., Ltd. 27.98% of the issued share capital of Orient Group Incorporation was held by Orient Group Industrial Co., Ltd., of which 32.58% of the issued share capital was held directly by Mr. Zhang Hongwei and 30.11% of the issued share capital was held by him indirectly through Orient Group Investment Holdings Co., Ltd. 94% of the issued share capital of Orient Group Investment Holdings Co., Ltd. was held by Mingze Orient Investment Co., Ltd., which is wholly-owned by Mr. Zhang Hongwei.
- 3. The 574,603,116 A shares were held by Fuxin Group Co., Ltd., of which 51.03% of the issued share capital was held by Ms. Wong Hei.
- 4. The 698,939,116 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 96.7% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly owned by Oceanwide Estate Holdings Co., Ltd. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Oceanwide Estate Holdings Co., Ltd.
- 5. The 146,640,000 A shares comprised 31,800,000 A shares directly held by Giant Investment Co., Ltd. and 114,840,000 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 the issued share capital was held by Mr. Shi Yuzhu.
- (II) As at 31 December 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	Long/sh Position		t Consoity	Interest in	Note	Percentage of the
Name	Position	position	Capacity	share capital	Note	total registered capital (%)
Liu Yonghao	Non-executive	Long position	Interest held by the	RMB2,000,000	1	3.64
	Director		corporation controlled by			
			this substantial shareholder			

Note:

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

(III) As at 31 December 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	Long position	Interest held by the	RMB6,000,000	1	6.00
	Director		corporation controlled by			
			this substantial shareholder			

Note:

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

Save as disclosed above, as at 31 December 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 (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange, nor had they been granted such rights.

Please refer to the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" for the meanings of "long position", "short position" and "underlying shares".

Meaning of "associated corporation" as extracted from section 308 of the SFO is set out below:

"Associated Corporation", in relation to a listed corporation, means a corporation:

- (1) which is a subsidiary or holding company of the listed corporation or a subsidiary of the listed corporation's holding company; or
- (2) (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.

IX. Implementation of Administration System of Usage of External Information of the Company

The 9th meeting of the 5th session of the Board of the Company considered and approved the System of Administration of Delivery and Usage of External Information of the Company on 19 April, 2010. Pursuant to its rules, the Company has strengthened the administration of the delivery and usage of external information during the preparation, review and disclosure of regular reports and other material matters. Necessary procedures of circulation, review and disclosure of regular reports and other material matters are implemented to ensure that the Directors, Supervisors, senior management and other relevant personnel of the Company strictly comply with the obligation of confidentiality when preparing regular and interim reports and considering other material matters in order to prevent any leakage of confidential information.

X. Representation of the Board's Responsibility on Internal Control

The Board of the Company was responsible for the establishment, improvement and effective implementation of the internal control system. The purposes of the internal control system are to ensure the compliance of the operation, the security of assets and information contained in the financial report being true, complete and reliable, and to enhance operating efficiency so as to fully achieve the Company's operating strategies and targets. Only reasonable assurance of the above purposes could be provided as there are inherent limitations in the internal control system. The Board of Directors has carried out evaluation on the internal control system which came into effect from 31 December 2010 in accordance with the Basic Standard for Enterprise Internal Control (企業內部控制基本規範). The Company has engaged PricewaterhouseCoopers Zhong Tian CPAs Limited Company to conduct review and issue an opinion on the self-assessment report of internal control system of the Company.

XI. Execution of Insider Management System of the Company

The Company has conducted an internal inspection and is not aware of any insider making use of insider information to deal with shares of the Company before the disclosure of material sensitive information which will affect the share price of the Company.

The 9th meeting of the 5th session of the Board of Directors of the Company considered and approved the Administrative Measures on Insiders of the Company (公司內幕信息知情人管理制度) on 19 April, 2010. The Company has strictly followed the requirements of the registration system of insiders to carry out registration and filing of insiders. There is no information leakage up to now.

XII. Major Connected Transactions

In the reporting period, there was no major connected transactions of the Company. For the accounting treatments of related party transaction as at the end of the reporting period under the relevant accounting standards, please see "Related party transactions" in Note 38 to the Financial Statements.

XIII. Implementation of the Board of Directors' Risk Management Guidelines in 2010 and Guidelines for 2011

(I) Implementation of the Board of Directors' risk management guidelines in 2010

Considering the general economic development, regulatory environment and the Company's risk management practices, the Board of Directors of the Company formulated the Risk Management Guidelines in 2010 (2010年度風險管理指導意見) (the "Guidelines") to further strengthen its risk management functions, effectively perform its duties of guiding and evaluating the risk management and promote the comprehensive risk management process. The Guidelines set out the guiding concepts, targets and priorities of risk management of the Company in 2010 on the economic environment, financial regulatory policies as well as internal risk management. It also detailed requirements for its implementation and evaluation.

The Risk Management Committee under the Board of Directors is responsible for the consistent and overall implementation of the Guidelines. It monitors and evaluates its implementation every half year and reports the results to the Board of Directors for follow-up and feedback.

The management has made specific arrangement, formulated risk management guidelines for corresponding year, set targets and deadlines for all tasks of risk management according to the Guidelines. The management conducts self-inspection, self-evaluation and makes conclusion on the implementation of the Guidelines regularly and submits reports to the Risk Management Committee under the Board of Directors.

(II) Guidelines for 2011

In compliance with the relevant requirements of the regulatory authorities and considering the Company's risk management practices, the Board of Directors of the Company formulated the Risk Management Guidelines in 2011 (董事會2011年度風險管理指導意見) (the "2011 Guidelines") to effectively and accurately realize strategies and targets of risk management of the Board of Directors, strengthen establishment of comprehensive risk management system, enhance risk prevention capabilities, promote business development and strategic transformation, and provide guidance to the risk management of the Company in 2011. The 2011 Guidelines set out the guiding concepts, targets and suggestions of risk management of the Company in 2011, as well as detailed requirements for its implementation, which is summarized as follows:

1. Comprehensive risk management and implementation of the New Basel II Accord

Firstly, the Company shall speed up the implementation of the three-year plan for the risk management and the New Basel II Accord, and carry out accountability system to fully promote the comprehensive risk management and implementation of the New Basel II Accord. Secondly, it shall steadily promote the implementation of key projects of comprehensive risk management and New Basel II Accord in 2011. The Company shall fully utilize its external and internal resources to accelerate project development and expedite implementation of the New Basel II Accord.

2. Credit risk management

Firstly, the Company shall optimize the internal credit risk rating and application system. Secondly, the Company shall establish a standardized risk quota management system. Thirdly, the Company shall establish a differentiated loan pricing method based on overall risks to enhance credit approval standard and risk authorization as well as implement customer management on a namelist basis and differentiated credit policy for key industries. Fourthly, the Company shall facilitate the healthy development of business with small and micro enterprises by strengthening their risk management.

Fifthly, the Company shall optimize loan approval and post-loan management. Sixthly, the Company shall enhance the effectiveness in recovering and settling problem assets.

3. Market risk management

Firstly, the Company shall formulate and optimize its market risk management policy. Secondly, the Company shall improve market risk measurement capability. Thirdly, the Company shall enhance its monitor and control on market risks. Fourthly, the Company shall integrate and upgrade its market risk management system. Fifthly, the Company shall expedite the overall formulation of the framework of market risk management system and eventually establish a comprehensive market risk management system.

4. Operational risk management

Firstly, the Company shall optimize its management structure for operational risk and strengthen the prevention and control over operational risks. Secondly, the Company shall establish and optimize its operational risk management system. Thirdly, the Company shall adopt and optimize operational risk management tools and procedures.

5. Liquidity risk management

Firstly, the Company shall improve the centralized liquidity risk management system. Secondly, the Company shall optimize its policies and procedures of liquidity risk management. Thirdly, the Company shall optimize the liquidity risk limit management. Fourthly, the Company shall optimize its liquidity contingency financing mechanism. Fifthly, the Company shall realize the integrated liquidity risk management of its local and foreign currencies.

6. Compliance risk management

Firstly, the Company shall implement detailed compliance risk management. Secondly, the Company shall optimize all procedures of compliance risk management. Thirdly, the Company shall enhance implementation of regulatory policies.

7. Information technology risk management

Firstly, the Company shall optimize the planning of information technology risk management and enhance its implementation. Secondly, the Company shall optimize operation management to minimize IT risk. Thirdly, the Company shall enhance research and development capabilities of information technology in order to lower outsourcing risks. Fourthly, the Company shall endeavor to carry out risk prevention in launching the new core online banking system.

8. Other risks and management

(1) Reputation risk management

Firstly, the Company shall incorporate the reputation risk management into its corporate governance and comprehensive risk management system. Secondly, the Company shall regularly or spontaneously inspect, promptly identify and respond to material reputation events or violations that could cause significant reputation events.

(2) Audit

Firstly, the Company shall emphasize the risk management of new business, new product and new business channels as well as optimize its audit on internal control. Secondly, the Company shall conduct special audit on information technology risk management. Thirdly, the Company shall continue to optimize and expedite internal control assessment on operational units. Fourthly, the Company shall conduct professional audit on the implementation of

"Three Measures and One Guideline" and credit risk of industries which are affected by the national macroeconomic measures. Fifthly, the Company shall examine and audit the implementation of New Basel II Accord in stages.

(3) Inspection and examination

The Company shall strengthen the establishment of inspection and examination team, promote anti-corruption and compliance education, and establish ethical risk prevention system. It shall also promote the new accountability system to carry out anti-corruption and effectiveness inspections. Moreover, investigation and punishment on economic crime cases, responsibility incidents and violation of rules and regulations shall also be conducted.

XIV. 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.

XV. Opinions of the Auditors

The Company's 2010 financial statements prepared under the International Financial Reporting Standards were audited by PricewaterhouseCoopers, which issued a standard auditors' report with unqualified opinions.

XVI. Confirmation of the Independence of Independent Non-Executive Directors

None of the six Independent Non-executive Directors of the Company were involved in any matters set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange which would lead to concern over his independence. In addition, the Company has received annual confirmations in writing from each of the Independent Non-executive Directors with regard to his independence according to the requirements of the Listing Rules of Hong Kong Stock Exchange and therefore considers each of them to be independent.

XVII. 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 or 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).

XVIII. Sufficiency of Public Float

According to the public information obtained by the Company and to the knowledge of the Directors of the Company, the Directors confirmed that the Company maintained sufficient public float during the reporting period as required by the Listing Rules of Hong Kong Stock Exchange.

I. Activities of the Supervisory Board

(I) Improvement of policies, rules and procedures

The Supervisory Board amended the Rules of Procedures of the Meeting of the Supervisory Board (Revised) in 2010.

(II) Departure audits and special investigations

- 1. In May 2010, the Supervisory Board engaged intermediaries to perform departure audit on the former Chief Financial Officer of the Company.
- 2. From June to July 2010, the Supervisory Board engaged intermediaries to conduct special examination on the collaterals of corporate credit assets of the Company.

(III) Performance of Supervisors

- 1. According to relevant requirements under the Articles of Association and the Provisional Measures on Supervision of Due Diligence of Directors and Senior Management by the Supervisory Board, the Supervisory Board, based on its experience, conducted supervision on the performance of duties by the Board of Directors, the Senior Management and its members through continuously exploring new methods and approaches. During the year, in order to supervise and evaluate the due diligence performance of the Board of Directors, the Senior Management and its members in 2010, the Supervisory Board attended the Board meetings and the meetings of Senior Management, arranged review of due diligence records of the Directors and Senior Management, compiled speech records of Directors at meetings of the Board and Board Committees and their participation in studies and investigation activities, conducted questionnaire surveys on the due diligence of the Directors and Senior Management, organized special review and investigation, and enriched and perfected the supervision documents regarding the performance of duties by Directors and the Senior Management. The Supervisory Board prepared the Assessment Report of the Supervisory Board on Due Diligence of the Board of Directors and Directors in 2010 (監事會對董事會及董事2010年度履職情况的評價報告).
- 2. According to the provisions of the Provisional Measures of Performance Appraisal of Supervisors (《監事履職評價試行辦法》), the Supervisory Board seriously organized and conducted appraisal on due diligence of Supervisors. The Supervisory Board recorded and reviewed the attendance of every Supervisor at relevant meetings and the resolutions considered and the opinion expressed thereon by each of them, the participation of each Supervisor in the research, analysis, special examinations and training activities organized by the Supervisory Board, as well as the involvement of each Supervisor in the supervision over the due diligence performance of Directors and Senior Management. With reference to the self-assessment and cross-assessment results of every Supervisor, the Supervisory Board assessed the due diligence of every Supervisor and prepared the Assessment Report on Due Diligence of Supervisors in 2010 (《2010年度監事履職評價報告》).

(IV) Onsite researches and inspections

- 1. In March 2010, the Supervisory Board designated a investigation team (5 members in total) to visit Shantou, Guangzhou and Shenzhen branches, respectively. The purpose of the visit was to further understand the business development and operations of, as well as the major difficulties encountered by, these branches in Guangdong Province in recent years.
- 2. From June to July 2010, the Supervisory Board designated two investigation teams (6 members in total) to visit Jinan, Qingdao and Dalian branches, respectively. The purpose of the visit was to observe business development, featured operations, reform and innovation of, and the major difficulties encountered by, those branches.
- 3. In October 2010, the Supervisory Board designated two investigation teams (5 members in total) to visit Wuhan and Kunming branches, and township banks in Shanghai Songjiang and Zhejiang Cixi, respectively. The purpose of the visit was to understand the business development and internal control and the major operational difficulties of those subsidiaries, as well as the effectiveness and risk control of external investment of the Company.

(V) Recommendations on management

In the reporting period, the Supervisory Board made 22 recommendations to the Board of Directors and the Senior Management in respect of the issues observed from the visits and inspections, special examinations and departure audits. Relevant departments placed great emphasis on those recommendations and adopted measures which improved the management, reform, risk prevention and internal control of the Company. The Supervisory Board performed its supervisory duties effectively.

(VI) Improvement of the Supervisory Board

Firstly, to enable the Supervisors to have a better understanding of their own responsibilities and main duties, the Supervisory Board assisted Supervisors in learning the new requirements and rules of the regulatory authorities on corporate governance and routines of the supervisory board and the listing rules in Hong Kong and Shanghai. Secondly, the Supervisory Board held 3 training courses for Supervisors during the year. The Supervisory Board also arranged all Supervisors to attend the training courses for directors and supervisors of listed companies held by the Beijing Branch of the CSRC, performance improvement training for supervisors organized by external organizations and seminars held by the Supervisory Board, during which the latest development of corporate governance, financial analysis, regulatory provisions and work of the Supervisory Board were introduced to the Supervisors. Thirdly, the Supervisory Board improved its communication and exchange with other banks by arranging visits to the supervisory boards of other banks and replying letters and receiving visits of supervisory boards of other banks to share and learn and working methods and experiences of the supervisory boards of other banks. Fourthly, 16 issues of Newsletter, which contained up-to-date regulatory policies, material business management information of the Company and work updates of the Supervisory Board, were issued to all members of the Supervisory Board to further encourage them to perform their duties better.

II. Independent Opinion of the Supervisory Board

(I) Lawful operation of Company

The business operation of the Company complied with the requirements of the Company Law, Commercial Banking Law and the Articles of Association. All decision-making procedures were lawful and valid. The Supervisory Board is not aware of any breach of the applicable laws and regulations and the Articles of Association of the Company or any act detrimental to the interests of the Company or shareholders by any Directors or Senior Management in performing its duties.

(II) Authenticity of the financial statements

The annual financial statements of the Company had been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers in accordance with the CAS and IFRS, respectively. Standard unqualified auditors' reports had been issued accordingly. The Supervisory Board considers that the annual financial statements for the year of the Company reflect truthfully, accurately and completely the Company's financial position and business performance.

(III) Use of proceeds from fund-raising activities

On 26 November, 2009, the Company's shares were listed and traded on the Main Board of the Hong Kong Stock Exchange. A net proceeds of RMB26,750 million were raised and were used to supplement the core capital. PricewaterhouseCoopers Zhong Tian CPAs Limited Company had issued a "Verification Report on the Usage of Proceeds from Previous Funds Raising"(《對前次募集資金使用情況報告的鑒證報告》)in connection with the usage of proceeds from this fund-raising activity. The Supervisory Board considers that all proceeds from fund-raising activities during the year were used as supplementary capital of the Company to support the continuous growth of its businesses. The actual use of proceeds was consistent with those set forth in the Prospectus and in compliance with the relevant laws and regulations.

In 2010, the Company issued RMB5,800 million 10-year-term subordinated bonds in national inter-bank bond market. According to the relevant rules, the proceeds of RMB5,800 million were fully accounted as the supplementary capital of the Company. The Supervisory Board considers that the actual use of proceeds was consistent with those set forth in the relevant prospectus and in compliance with the relevant laws and regulations.

(IV) Acquisitions and disposal of assets

In the reporting period, the Company initiated and established 6 Minsheng township banks in different towns, including Ziyang and Meihekou, etc., with an aggregate investment of RMB187.6 million.

The Supervisory Board is of the opinion that the equity investment in the townships banks was in response to the national policies, and the decision-making procedures of the investment were in compliance with the relevant laws and regulations and the Articles of Associations. The investments were also consistent with the diversified development strategies of the Company. The Supervisory Board is not aware of any breach of relevant laws and regulations. The Supervisory Board is of the opinion that, with the increasing number of Minsheng township banks, the Company, as the major investor, shall further refine the development strategies, improve the management model and strengthen the supervision and management on the township banks, and enhance their profitability and risk resistance capacity.

In the reporting period, the Company did not dispose of any asset.

(V) Connected transactions

During the year, in order to comply with the regulations on connected transactions of the CBRC, Shanghai Stock Exchange, the Hong Kong Stock Exchange and other regulatory authorities, the Company revised the "Administrative Measures of Connected Transactions" (關聯交易管理辦法) and formulated the "Implementation Rules of Administrative Measures of Connected Transactions" (《關聯交易管理辦法實施細則》), pursuant to which, the Company further defined the management process of connected transaction and the responsibilities of relevant departments. The Related Party Transactions Management Committee and relevant departments of the management strengthened the management of connected transactions in accordance with relevant requirements, and the identification, approval and disclosure of connected transactions were in compliance with the relevant laws, regulations and the Articles of Associations. The Supervisory Board is not aware of any act prejudicial to the interests of the Company and its shareholders.

(VI) Internal control system

The Supervisory Board has already reviewed the 2010 Self-Evaluation Report on Internal Control of China Minsheng Banking Co., Ltd. 《中國民生銀行股份有限公司2010年度內部控制自估評價報告》 and there was no objection to the content of the report. In the reporting period, the Company placed great emphasis on the improvement of internal control and established and implemented a more complete, reasonable and effective internal control system. The internal control system was sound and comprehensive. The Supervisory Board is not aware of any material defect in internal control or implementation.

In view of the occurrence of incidents, including the temporary suspension of service of IT system due to fault on 3 February 2010 and the incident regarding the unusual pending order in the precious metal deferred transaction system resulting failure in transaction on 31 August 2010, the Supervisory Board considers that the Board of Directors and the Senior Management of the Company made great efforts to protect the customers' interests by adopting a series of measures. The Supervisory Board advises that, in order to further enhance the management standard of internal control, the Company should learn from the experience of those incidents and place more importance on internal control by improving the whole management system and procedures of operations and eliminating the risk of system failure. In addition, the Company should strengthen the risk management in launching the new core systems to ensure safe operations.

(VII) Risk Management

In 2010, the Company's risk management capability was further improved, giving that it further optimized the comprehensive risk management system and the implementation of the New Basel II Accord, formulated the liquidity risk management measures and risk control indicators, and improved its risk management over reputation risk. The Company attached high importance to the restructuring of business and risk control during the year. As a result, the business grew rapidly and the asset quality remained stable. The outstanding non-performing loans and non-performing loan ratio were under effective control. Furthermore, relevant departments strengthened the management and supervision on the write-off of doubtful debts and revised the "Administrative Measures on the Write-off of Doubtful Debts" (《呆賬核銷管理辦法》) in a timely manner. The Supervisory Board considers that the Company has achieved great improvement in terms of risk management. However, the Company shall further strengthen the centralized credit extension to group customers, post-loan management of small and micro enterprises customers, the risk management of new businesses and products as well as the reputation risk management of the Company. The Company should also pay close attention to the increasing loan migration rate and asset quality and the responsibilities in relation to the doubtful debt, and put more efforts in debt collection management after write-off of doubtful debt.

(VIII) Implementation of resolutions adopted at the general meetings

The Supervisory Board raised no objection to the reports and proposals submitted by the Board of Directors to the shareholders' general meetings in the reporting period and supervised the implementation of the resolutions adopted at the shareholders' general meeting. The Supervisory Board is of the opinion that the Board of Directors is capable of implementing such resolutions in an earnest manner.

III. Major Tasks of 2011

In 2010, the Supervisory Board performed their supervisory functions effectively under the Articles of Association. However, more emphasis and further improvements are needed in the following aspects: (i) the Supervisory Board should further revise the methods and measures for supervising and assessing the performance of Directors and Senior Management according to the Provisional Measures on Performance Appraisal of Directors of Commercial Banks (《商業銀行董事履職評價辦法(試行)》) recently issued by the CBRC; (ii) the Supervisory Board should pay attention to the operation and risk management of featured businesses of all units, in particular the financial business for small and micro enterprises, the progress and effectiveness of the SBU reform and the credit management of group customers according to the business strategies of the Board of Directors and the Senior Management; (iii) the Supervisory Board should pay close attention to the implementation of the diversification strategy, especially for the external investment.

In 2011, the Supervisory Board will supervise the progress of the Bank's transformation and maintain close communication with the Board of Directors and the Senior Management to implement various supervisory functions in accordance with the regulatory requirements of Hong Kong and Shanghai so as to perform its supervisory duties effectively. Major tasks of the Supervisory Board in 2011 include the following:

- 1. Convening the meetings of the Supervisory Board and attending the meetings of the Board of Directors and Senior Management. In 2011, the Supervisory Board will further enhance the effectiveness and efficiency of its meetings. Meetings of Supervisory Board and special committees will be convened when necessary to review the regular financial reports of the Company and other matters. Supervisors will attend some of the meetings of the Board of Directors and Board Committees, and the Senior Management and shareholders' general meetings to supervise the compliance of the agendas, procedures and decision-making process of these meetings.
- 2. Proceedings with special examinations, inspections and researches. In 2011, the Supervisory Board will focus on the unified credit management of group customers, risk of off-statement items, changes of loan migration rate and post-loan management of small and micro customers in accordance with the actual needs of the Company and applicable regulatory requirements. The Supervisory board will also conduct relevant special examination, and inspection visits.
- 3. Further improving the performance supervision and assessment of Directors and Senior Management. The Supervisory Board will further improve the performance assessment system in respect of Directors according to the Provisional Measures on Performance Appraisal of Directors of Commercial Banks (《商業銀行董事履職評價辦法 (試行)》) issued by the CBRC. The Supervisory Board will carry out performance supervision and assessment on Directors and Senior Management to assist the Board of Directors and Senior Management in refining the measures on capital control, related party transactions and system risk control in order to strengthen the management.
- 4. Enhancing the structure of the Supervisory Board. Firstly, the Supervisory Board will further modify the relevant policies and measures when necessary to regulate work procedures and enhance the efficiency of supervision. Secondly, the Supervisory Board will enhance the communication with regulatory authorities, the Board of Directors and the Senior Management to obtain up-to-date information regarding business operation and provide effective supervision. Thirdly, the Supervisory Board will organize trainings for Supervisors and strengthen their interaction to improve performance quality and efficiency of the Supervisors.

I. Material Litigation and Arbitration

In the reporting period, the Company had no litigation or arbitration which had significant impact on its operations. As of 31 December, 2010, there were 53 outstanding litigations with disputed amounts over RMB1 million involving the Company as plaintiff for RMB1,056.34 million and 36 litigations involving the Company as defendant for RMB208.37 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Company has strictly complied with the relevant 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 Company acquired and reconstructed the Zhongshang Tower at Lujiazui, Shanghai. The parties to the construction contract have fulfilled their contractual obligations and the progress of the construction has been smooth. The fitting out is completed and all office floors have been used.

The Company participated and won the bid for use right of Plot Z4 of Core Area of Beijing CBD located at East 3rd Ring Road, Chaoyang District, Beijing, Currently the Company is proceeding with land transfer process.

The progress of the construction of Shunyi Headquarter Base in Beijing has been satisfactory. The main structures of the 5 buildings, including the operation centre, have been completed and the topping out ceremony was held on 16 September 2010. The project was awarded the Great Wall Cup (結構長城盃). Constructions of the second structures and the main runner of the external curtain walls have been completed. Tender invitation for fitting out design, bid invitations for the ventilation and air-conditioning and fire prevention, bid invitation for elevators and tender invitation for low voltage electricity system of the buildings have been completed. Bid invitations for other specialized subcontract works and facilities with tentative prices are underway.

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. Other Major Events

- 1. The Company received the Decision on Administrative Approval from the PBOC (Yin Shi Chang Xu Zhun Yu Zi [2010] No. 31), pursuant to which, the approval was granted to the Company to issue subordinated bonds of no more than RMB5,800 million in national inter-bank bond market. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 29 May 2010.
- 2. The Company received the reply on the approval by the CBRC (Yin Jian Fu [2010] No. 519), approving the Hong Kong Representative Office of the Company to be upgraded to branch level. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 2 November 2010.
- Pursuant to the Bid-Winning Notice from Beijing Municipal Bureau of Land Resources, the Company won the bid for use right of Plot Z4 of Core Area of Beijing CBD located at East 3rd Ring Road, Chaoyang District, Beijing. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 23 December 2010.
- 4. The Company received the reply on the approval by the CBRC (Yin Jian Fu [2010] No. 625), pursuant to which, the approval was granted to the Company to issue subordinated bonds of no more than RMB10 billion. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 28 December 2010.
- 5. The Company received reply from the Guangxi Branch of the CBRC (Gui Yin Jian Fu [2010] No.386), approving the commencement of business operation of Nanning Branch of the Company. For details, please refer to China Securities Journal, Shanghai Securities News and Securities Times on 5 January 2011.

Social Responsibility





As part of its commitment to the core value of "serving and caring for the people", the Company keeps on strengthening its duty management to fulfill its social responsibilities and to become the preferred bank of stakeholders including shareholders, customers, talents and business partners.

I. Responsibility Management

The Company fully supported the theory concerning the social responsibility of Chinese enterprises and promoted the relevant system building by participating in the rating of the "Blue Book of Corporate Social Responsibility" (中國 企業社會責任報告評級) joining the "Expert Committee on Guidelines for Preparation of the Blue Book of Corporate Social Responsibility" (中國企業社會責任報告編寫指南專家委員會) to make recommendations and suggestions to the preparation of the "Guidelines for Preparation of the Blue Book of Corporate Social Responsibility" (《中國企業 社會責任報告編寫指南》) (CASS-CSR 2.0). The Company introduced new communication initiatives and extended communication channels for fulfilling its social responsibilities. The "Minsheng Times" (《民生時代》), an internal publication of the Company, presented "2010CSR Special Issue: The Outstanding Social Responsibility Cases of China Minsheng Bank" (中國民生銀行社會責任優秀案例). The Company organized a visit to the Yanhuang Art Museum for the MBA students of the "Corporate Social Responsibility" program of China Academy of Social Sciences, and held a talk on its objectives and practices of social responsibility. During the reporting period, the Company further strengthened its compliance management by completing the relevant self-assessment of the entire Company, formulated the "Guidelines for the Anti-money Laundering Contingency" (反洗錢突發事件應急處理工作指引) to enhance its ability in dealing with anti-money laundering contingencies. It launched anti-corruption education campaign with the theme of "Building Incorruptible Team to Serve the Second Take-Off" (鑄造勤廉團隊 ● 服務二次騰飛) for over 30,000 employees. The Company further improved its accountability system and optimized and implemented relevant rules and regulations to substantially implement anti-corruption measures.

II. Market Performance

The Company deepened the process-based banking reform, optimized the "customer-centric" organization system and established the governance model of dedicated committees. By implementing the operation strategy targeting at non-state-owned enterprises, the Company shared same development philosophy and ensured joint growth with non-state-owned enterprises in the same operation environment. It launched a wide array of comprehensive financial product packages to facilitate the development of non-state-owned economics. The Company established a threeparty cooperation system among the Bank, the chamber of commerce and enterprises with a view to providing financial services to SMEs in the industrial clusters, the industrial chain and the professional logistics market through the chamber of commerce and providing customized solutions for them. The Company further developed "Shang Dai Tong" (商貸 通) business by setting up a financial service hotline and a credit management system for small and micro enterprises to facilitate the financial service provision of standardization, scale, process-based, automation and quantitative management to small and micro enterprises. The Company also put more efforts in developing township banks by introducing innovative financial products and services for rural areas and increasing funding support to agriculture, rural areas and farmers. Focusing on the implementation of the New Basel II Accord, the Company improved its overall risk management and established a leading group presided over by the President and sub-groups to ensure the effective implementation of the New Basel II Accord. During the reporting period, the Company continued to optimize its risk contingency mechanism, set up onshore and offshore business recovery centers, and enhanced the response procedures for risk contingencies at the headquarters and branch level.



III. Harmonious Operation Environment

The Company established a three-level quality control system involving the headquarters, the operation centers and the technical teams to enhance the quality of customer services in respect of customer experience and internal control. The Company strived for financial innovation and launched personalized financial services tailored to diverse needs of customers. The Company further improved the customer information protection system by promulgating the "Notice on Strengthening Risk Control on the Information Management of Electronic Banking" (關於加强電子銀行信息管理風險控制的通知) and carried out self-inspection to secure the confidentiality of customer information. To protect customers' rights to know about bank charges, the Company posted notices of all electronic banking charges in conspicuous places at each operating outlets and through online banking system. Committed to its people-oriented philosophy, the Company made great efforts in the protection of the rights and interests of its employees and in the online education. The Company also bolstered its democratic style of management by organizing "Discussions on Culture of Minsheng Family" (民生家園文化大討論) and establishing an online interaction and exchange platform called "Speak from Your Heart" (有話大家説). The Company took great care of the living of its staff by helping them with their practical problems, looking after their mental health and mitigating their working and life pressure.

IV. Green Finance

The Company incorporated the green development concept into its development strategies and actively promoted green finance. By strictly implementing its credit policies on energy-saving and emission reduction projects, the Company increased its credit facilities for the ten major projects of energy-saving and emission reduction, technological innovation and transformation. The Company introduced the "Guidelines on Green Credit Policy" (綠色信貸政策指導意見) and made great efforts in the development and innovation of diversified and comprehensive green credit. The Company actively promoted the idea of "green office" by stipulating practical management policies and incorporating environmental protection into daily work and life of the employees. Great efforts were made in green procurement and technical environmental standards of products and materials were specified in the procurement documents with a preference to the products which feature energy-efficiency label, water-saving certification and environmental-friendly label.

V. Charity and Public Welfare

The Company actively held various charitable activities to make contributions to the society. The "Welfare Donation Fund of China Minsheng Bank" (中國民 生銀行公益捐贈基金) had been efficiently operated and was well received by the society. With its focus on the development poverty-stricken areas, Company continued to implement "Poverty Alleviation Provision" Information 貧模式) and helped 29 counties



and cities in 14 provinces to release 39 free advertisements which facilitated the selling of over 6 billion kilograms slowmoving agricultural products. The Company also supported the education, scientific research and medical and health works. The "Educational Poverty Alleviation Fund" (教育扶貧基金) donated by its employees has continued to support 4 target counties, namely Hua County and Fengqiu County in Henan Province, and Lintao County and Weiyuan County in Gansu Province. The "Incentive Fund for Chang E Project" (嫦娥工程獎勵基金) donated by the Company was set up for the encouragement and cultivation of moon exploration elites to facilitate the development of national astronautical sector. The "Special Fund for Research on Inhabitant Livelihood Index" (民生指數研究專項基金) was set up by the Company to support the "Research on Inhabitant Livelihood Index" (民生指數研究) project launched by the Financial and Economic Affairs Committee of the National People's Congress. The Company continued to make donation to the "China Red Ribbon Foundation" (中華紅絲帶基金) for the prevention and treatment of AIDS. The Company has actively supported the culture and art sector. The Yanhuang Art Museum (炎黃藝術館), sponsored by the Company, opened 223 days during the year and launched 13 exhibitions attended by nearly 250,000 visitors from 12 provinces and regions across China. The Company also concerned about the disappearing artistic heritage and launched a largescale fundraising activity named "Protecting Dunhuang" (守護敦煌) on 13 September 2010 to raise public awareness on protecting cultural heritage. In the same period, the Company hosted a spectacular art exhibition named "Getting into Dunhuang" (走近敦煌) to showcase more than 80 artworks and precious cultural relics. On 18 April 2010, Minsheng Modern Art Museum in Shanghai sponsored by the Company officially opened, which was the first charity art museum sponsored by a financial institution in China. The exhibition for its opening, "Thirty Years of Chinese Modern Arts" (中 國當代藝術三十年曆程), was one of the major cultural events in 2010. The establishment of Minsheng Modern Art Museum marked the Company's commitment to its social responsibilities in preserving and promoting cultural heritage. The Company also proactively provided relief for the victims of natural disasters; after the earthquake in Yushu, Qinghai Province, the Company promptly donated funds to help residents of the stricken areas. In fighting against the drought in Southwest China, the Company launched a relief campaign, "Show Your Compassion by Finding Water Sources" (獻愛心 ● 找水源), for people and livestock in Shizong County in Qujing and Chunlv County in Honghe Prefecture. The Company also promptly donated funds to help victims of the flood in Jilin Province and mudslide in Zhougu, Gansu

Social Responsibility

Province. In addition, the Company has initiated and encouraged its staff to take part in volunteer activities such as "Supporting Shanghai World Expo" (關注上海 • 參與世博) to provide assistance to both residents and tourists.

The Company's excellent commitment to the management and implementation of social responsibility was highly recognized by relevant government authorities, NGOs and mainstream media, which had significantly improved the competitiveness of the Company in terms of social responsibility in the industry. In 2010, the Company received various awards including the China Innovation Award for Eliminating Poverty (中國消除貧困創新獎), the Bank of Social Responsibility (最佳社會責任獎) and the Social Responsibility Award for Listed Companies (上市公司社會責任獎).

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

Dong Wenbiao
Chairman of the Board of Directors
China Minsheng Banking Corp., Ltd.
25 March 2011

Financial Reports

- I. Independent Auditor's Report
- II. Financial Statements (Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows)
- III. Notes to the Financial Statements
- IV. Unaudited Supplementary Financial Information for 2010



羅兵咸永道會計師事務所

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(Page 1 of 2)

To the shareholders of China Minsheng Banking Corp., Ltd.

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

We have audited the consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (together, the "Group") set out on page 147 to 275, which comprise the consolidated and the Bank's statement of financial position as of 31 December 2010, and the consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

(Page 2 of 2)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Bank and of the Group as of 31 December 2010, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 March 2011

Parewaterhouse Coopers

Consolidated Income Statement

(All amounts in Rmb millions unless otherwise stated)

er	Year ended 31 Dece		
2009	2010	Note	
53,441	70,776	6	Interest income
(21,201)	(24,903)	6	Interest expense
32,240	45,873		Net interest income
5,006	8,753	7	Fee and commission income
(342)	(464)		Fee and commission expense
4,664	8,289		Net fee and commission income
224	284	8	Net trading income
4,909	221	9	Net gain on disposal of available-for-sale securities
(5,307)	(5,504)	10	Impairment losses on assets
(20,539)	(25,452)	11	Operating expenses
(535)	(735)		Other operating expenses
15,656	22,976		Profit before income tax
(3,548)	(5,288)	13	Income tax expense
12,108	17,688		Net profit
			Net profit attributable to:
12,104	17,581		Equity holders of the Bank
4	107		Non-controlling interests
12,108	17,688		
			Earnings per share (expressed in Rmb per share)
0.51	0.66	14	- basic
0.51	0.66	14	— diluted
			Dividends
5,566	2,672	33	Final dividend proposed after the reporting date
	2,672	33	

The notes on page 156 to 275 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

(All amounts in Rmb millions unless otherwise stated)

		Year ended 31 Dec	ember
	Note	2010	2009
Net profit		17,688	12,108
Other comprehensive income/(loss):			
Available-for-sale securities — net, before tax	34	(528)	(4,245)
Available-for-sale securities — tax	34	134	1,055
Other comprehensive income/(loss) for the year, net of tax		(394)	(3,190)
Total comprehensive income for the year		17,294	8,918
Total comprehensive income attributable to:			
Equity holders of the Bank		17,187	8,914
Non-controlling interests		107	4
		17,294	8,918

The notes on page 156 to 275 are an integral part of these financial statements.

Consolidated Statement of Financial Position 149

(All amounts in Rmb millions unless otherwise stated)

		As at 31 Dece	ember
	Note	2010	2009
ASSETS			
Cash and due from banks and other financial institutions	15	130,059	66,312
Precious metals		279	265
Balances with central bank	16	262,238	221,590
Trading financial assets	17	6,024	4,747
Derivative financial assets	18	476	465
Placements with banks and other financial institutions	19	149,385	73,015
Loans and advances to customers	20	1,037,723	867,738
Investment securities:			
available-for-sale	21	35,192	49,035
held-to-maturity	21	128,610	57,142
 loans and receivables 	21	11,117	45,567
Finance lease receivables	22	29,288	16,874
Property and equipment	23	8,809	8,068
Deferred income tax assets	24	4,455	3,181
Other assets	26	20,082	12,393
Total assets		1,823,737	1,426,392

Consolidated Statement of Financial Position

(All amounts in Rmb millions unless otherwise stated)

		As at 31 Dece	ember
	Note	2010	2009
LIABILITIES			
Deposits from customers	27	1,416,939	1,127,938
Due to and placements from banks and other financial institutions	28	225,144	152,317
Borrowings from foreign governments		333	391
Borrowings from banks and other financial institutions		25,211	13,871
Derivative financial liabilities	18	368	395
Provisions		1,966	1,269
Debt securities in issue	29	21,496	23,060
Current income tax liabilities		4,940	3,870
Other liabilities	30	22,083	14,387
Total liabilities		1,718,480	1,337,498
EQUITY			
Share capital	31	26,715	22,262
Capital reserve	31	38,075	38,075
Surplus reserve	32	5,903	4,184
General reserve	32	13,822	10,904
Retained earnings	32	19,881	12,503
Reserve for fair value changes of available-for-sale securities	34	(288)	106
Capital and reserves attributable to the equity holders of the Bank		104,108	88,034
Non-controlling interests in equity		1,149	860
Total equity		105,257	88,894
Total oquity		100,201	00,004
Total equity and liabilities		1,823,737	1,426,392

Approved and authorized for issue by the Board of Directors on 25 March 2011.

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The notes on page 156 to 275 are an integral part of these financial statements.

Statement of Financial Position 151

(All amounts in Rmb millions unless otherwise stated)

		As at 31 Dece	mber
	Note	2010	2009
ASSETS			
Cash and due from banks and other financial institutions	15	128,854	65,080
Precious metals		279	265
Balances with central bank	16	261,628	221,505
Trading financial assets	17	6,024	4,747
Derivative financial assets	18	476	465
Placements with banks and other financial institutions	19	149,385	73,015
Loans and advances to customers	20	1,034,260	866,292
Investment securities:			
available-for-sale	21	35,192	49,035
held-to-maturity	21	128,235	57,102
 loans and receivables 	21	11,117	45,567
Investment in subsidiaries	25	2,998	2,810
Property and equipment	23	8,437	8,028
Deferred income tax assets	24	4,413	3,166
Other assets	26	9,012	7,010
Total assets		1,780,310	1,404,087

Statement of Financial Position

(All amounts in Rmb millions unless otherwise stated)

		As at 31 Dece	ember
	Note	2010	2009
LIABILITIES			
Deposits from customers	27	1,411,725	1,125,390
Due to and placements from banks and other financial institutions	28	217,607	149,382
Borrowings from foreign governments		333	391
Derivative financial liabilities	18	368	395
Provisions		1,966	1,269
Debt securities in issue	29	21,496	23,060
Current income tax liabilities		4,890	3,864
Other liabilities	30	18,366	12,463
Total liabilities		1,676,751	1,316,214
EQUITY			
Share capital	31	26,715	22,262
Capital reserve	31	38,063	38,063
Surplus reserve	32	5,903	4,184
General reserve	32	13,800	10,900
Retained earnings	32	19,366	12,358
Reserve for fair value changes of available-for-sale securities	34	(288)	106
Total equity		103,559	87,873
Total equity and liabilities		1,780,310	1,404,087

Approved and authorized for issue by the Board of Directors on 25 March 2011.

Chairman 738 18 Director and president 728 13 Director 258

The notes on page 156 to 275 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

(All amounts in Rmb millions unless otherwise stated)

			Attributabl	e to the equi	ity holders o	f the Bank			
							Reserve for		
							fair value		
							changes of		
							available-	Non-	
		Share	Capital	Surplus	General	Retained	for-sale	controlling	Total
	Note	capital	reserve	reserve	reserve	earnings	securities	interests	equity
Balance at 1 January 2010		22,262	38,075	4,184	10,904	12,503	106	860	88,894
Comprehensive income		_	_	_	_	17,581	(394)	107	17,294
Issue of ordinary shares by									
the subsidiaries		_	_	_	_	_	_	182	182
Appropriation to surplus reserve	32	_	_	1,719	_	(1,719)	_	_	_
Appropriation to general reserve	32	_	_	_	2,918	(2,918)	_	_	_
Cash dividends relating to 2009	33	_	_	_	_	(1,113)	_	_	(1,113)
Stock dividends relating to 2009	33	4,453	_	_	_	(4,453)	_	_	_
Others			_	_	_	_	_	-	_
Balance at 31 December 2010		26,715	38,075	5,903	13,822	19,881	(288)	1,149	105,257

		Attributable to the equity holders of the Bank							
							Reserve for		
							fair value		
							changes of		
							available-	Non-	
		Share	Capital	Surplus	General	Retained	for-sale	controlling	Total
	Note	capital	reserve	reserve	reserve	earnings	securities	interests	equity
Balance at 1 January 2009		18,823	14,768	2,983	8,001	6,009	3,296	792	54,672
Comprehensive income		_	_	_	_	12,104	(3,190)	4	8,918
Issue of ordinary shares		3,439	23,311	_	_	_	_	65	26,815
Appropriation to surplus reserve	32	_	_	1,201	_	(1,201)	_	_	_
Appropriation to general reserve	32	_	_	_	2,903	(2,903)	_	_	_
Cash dividends relating to 2008	33	_	_	_	_	(1,506)	_	-	(1,506)
Stock dividends relating to 2008	33	_	_	_	_	_	_	-	_
Others		_	(4)	_	_	_	_	(1)	(5)
Balance at 31 December 2009		22,262	38,075	4,184	10,904	12,503	106	860	88,894

The notes on page 156 to 275 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

(All amounts in Rmb millions unless otherwise stated)

		Year ended 31 De	cember
	Note	2010	2009
Cash flows from operating activities			
Profit before income tax		22,976	15,656
Troit before income tax		22,310	10,000
Adjustments for:			
Impairment losses on assets		5,504	5,307
Depreciation and amortization		1,072	721
Changes in provisions		697	660
Losses/(gain) on disposal of property and equipment and			
other long-term assets		8	(1)
Losses/(gain) from fair value changes		4	(44)
Net gains on disposal of available-for-sale securities		(221)	(4,909)
Interest expense on debt securities in issue and other financing activities		955	1,315
Interest income from investment securities		(5,272)	(5,480)
Payment of income tax		(5,358)	(1,963)
Net changes in operating assets and liabilities:			
Net increase in due from banks and other financial institutions		(16,962)	(1,917)
Net increase in precious metals		(14)	(155)
Net increase in restricted balances with central banks		(75,624)	(38,153)
Net increase in trading financial assets		(1,319)	(391)
Net increase in placements with banks and other financial institutions		(76,370)	(20,607)
Net increase in loans and advances to customers		(175,365)	(225,964)
Net increase in finance lease receivables		(12,609)	(11,797)
Net increase in other assets		(7,843)	(2,533)
Net increase in deposits from customers		289,001	342,152
Net increase/(decrease) in due to and placements from banks and			
other financial institutions		72,827	(7,931)
Net increase in borrowed from other financial institutions		11,340	11,271
Net increase in other liabilities		9,995	1,680
Net cash from operating activities		37,422	56,917

Consolidated Statement of Cash Flows

(All amounts in Rmb millions unless otherwise stated)

		Year ended 31 De	ecember
	Note	2010	2009
Cash flows from investing activities			
Proceeds from disposal of investment securities		132,626	112,225
Proceeds from disposal of property and equipment,		132,020	112,225
intangible assets and other long-term assets		106	53
Purchase of investment securities		(151,803)	(128,070)
		(151,603)	(120,070)
Purchase of property and equipment, intangible assets and		(4.450)	(4.007)
other long-term assets		(4,153)	(4,827)
Net cash utilised by investing activities		(23,224)	(20,619)
The cash diffice by investing activities		(20,224)	(20,010)
Cash flows from financing activities			
Capital received from minority shareholders of subsidiaries		182	65
Proceeds from issuance of debt securities		5,771	4,983
Proceeds from issuance of shares		_	26,763
Repayments for debt securities		(7,400)	(15,800)
Payments for interest		(2,003)	(1,437)
Payments for dividends			(1,506)
Proceeds from other financing activities		_	(5)
Net cash utilised (by)/from financing activities		(3,450)	13,063
Cach and each equivalents at the hearinning of the year		161 750	110 200
Cash and cash equivalents at the beginning of the year		161,750	112,302
Effect of foreign exchange rate changes		(281)	87
Cash and cash equivalents at the end of the year	35	172,217	161.750

The notes on page 156 to 275 are an integral part of these financial statements.

(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 obtained a primary listing of 350,000,000 ordinary shares 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 31 December 2010, the Bank has 30 tier one branches and 11 subsidiaries in China.

These consolidated financial statements are presented in millions of units of Renminbi ("Rmb"), unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on 25 March 2011.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

A New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

		Applicable for
		financial years
Standard/Interpretation	Content	beginning on/after
IAS 17 (amendment)	Leases	1 January 2010
IAS 27 (revised)	Consolidated and Separate	1 July 2009
	Financial Statements	
IAS 36 (amendment)	Impairment of assets	1 January 2010
IAS 39 (amendment)	Financial instruments: Recognition	1 July 2009
	and Measurement-eligible	
	hedged items	
IFRS 2 (amendment)	Share-based payment — Vesting	1 January 2009
	conditions and cancellations	
IFRS 3 (revised)	Business combinations	1 July 2009
IFRS 5 (amendment)	Non-current assets held for sale	1 January 2010
	and discontinued operations	
IFRIC 16	Hedges of a net investment in a	1 July 2009
	foreign operation	
IFRIC 17	Distribution of non-cash assets to	1 July 2009
	owners	
IFRIC 18	Transfers of assets from	1 July 2009
	customers	

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

		Applicable for
		financial years
Standard/Interpretation	Content	beginning on/after
IAS 1 (amendment)	Presentation of financial	1 January 2011
	statements	
IAS 24 (revised)	Related party disclosures	1 January 2011
IAS 32 (amendment)	Classification of rights issues	1 February 2010
IFRS 7 (amendment)	Financial instruments: Disclosures	1 January 2011
IFRS 9	Financial instruments part 1:	1 January 2013
	Classification and measurement	
IFRIC 13	Customer loyalty programmes	1 January 2011
IFRIC 14	Prepayments of a minimum	1 January 2011
	funding requirement	
IFRIC 19	Extinguishing financial liabilities	1 July 2010
	with equity instruments	

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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)

IFRS 9 and Additions to IFRS 9 were issued in November 2009 and October 2010, respectively, and replace those parts of IAS 39 relating to the classification and measurement of financial assets and financial liabilities. Key features are as follows:

Financial assets are required to be classified into one of two measurement categories: those to be measured subsequently at fair value or those to be measured subsequently at amortised cost. Classification is to be made on transition, and subsequently on initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

A financial instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only unleveraged payments of principal and interest. All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

In cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

While adoptions of IFRS 9 and Additions to IFRS 9 are mandatory from 1 January 2013, earlier adoption is permitted. 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.

For other standards and interpretations, the application is not expected to have a material effect on the Group's operating results or financial position.

Early adoption of standards

The Group did not early-adopt new or amended standards in 2010.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Consolidation

The consolidated financial statements of the Group comprise the financial statements of the parent entity and all consolidated subsidiaries, as of 31 December 2010.

Subsidiaries are companies in which the Group directly or indirectly holds the majority of the voting rights and over which it is able to exercise control and determine their financial and business policies in order to benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

Transactions, balances and intragroup gains on transactions between group companies are eliminated. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

2.3 Foreign currency translation

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Bank and all its subsidiaries is Renminbi ("Rmb"), which is also the presentation currency for these financial statements.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the forward rate is used at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date at when the fair value was determined.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.3 Foreign currency translation (Continued)

Foreign currency transactions are translated into the Rmb using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from settlements of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. All foreign exchange gains and losses recognized in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-forsale investments are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in the income statement, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported in income statement as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

2.4 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within "interest income" and "interest expense" in the consolidated income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

When the future cash flow or the expected life of financial assets or financial liabilities could not be estimated reliably, the Group adopted the contracted cash flow of the financial assets or financial liabilities throughout the contract period.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.5 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are recognized over that period, such as financial advisory fee. For other services, fee and commission income are recognized when the transactions are completed, such as settlement service fee.

2.6 Financial assets

2.6.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. Management determines the classification of its investments at initial recognition.

a Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. The Group does not have any financial assets in the second sub-category.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-making. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

b Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the entity intends to sell immediately or in the short term, which are classified as held for trading; (ii) those that the entity upon initial recognition designates as available-for-sale; or (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

c Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments, fixed maturities, which the Group has the positive intention and ability to hold to maturity, other than (i) those that the Group upon initial recognition designates as at fair value through profit or loss; (ii) those that the Group designates as available for sale and; (iii) those that meet the definition of loans and receivables.

(All amounts in Rmb millions unless otherwise stated)

Summary of significant accounting policies (Continued) 2

2.6 Financial assets (Continued)

2.6.1 Classification (Continued)

Held-to-maturity investments (Continued)

Other than in specific circumstances (e.g. sale of an insignificant amount of held-to-maturity investments at a time close to maturity), if the Group fails to hold them to maturity or reclassifies some to available-for-sale investments, it shall have to reclassify the remaining investments as available-for-sale investments, and re-measure them at fair value instead of amortized cost. After this reclassification, the Group shall not reclassify these investments as held-to-maturity in the current period and the following two full financial years.

Available-for-sale investments Ы

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or change in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-tomaturity investments or financial assets at fair value through profit or loss.

2.6.2 Recognition and measurement

Regular-way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale investments are recognized on trade-date — the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time the cumulative gain or loss previously recognized in the equity is recognized in the income statement. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the income statement.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.6 Financial assets (Continued)

2.6.3 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired, or when the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

2.7 Impairment of financial assets

a Financial assets carried at amortized cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.7 Impairment of financial assets (Continued)

a Financial assets carried at amortized cost (Continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.7 Impairment of financial assets (Continued)

a Financial assets carried at amortized cost (Continued)

When financial assets are uncollectible, it is written off against the related allowances for financial assets impairment. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated income statement. The reversal should not result in a carrying amount of the financial assets that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment reversed.

b Assets classified as available-for-sale

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in income statement — is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income statement, the impairment loss is reversed through the income statement.

2.8 Financial liabilities

2.8.1 Classification, recognition and measurement

The Group classifies its financial liabilities into the following two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities.

a Financial liabilities at fair value through profit or loss

This category has two sub-categories: financial liabilities held for trading and those designated at fair value through profit or loss at inception. The Group does not have any financial liabilities in the second sub-category.

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains and losses from changes in fair value are recognized in the income statement.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.8 Financial liabilities (Continued)

2.8.1 Classification, recognition and measurement (Continued)

b Other financial liabilities

Other financial liabilities are recognized initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the income statement over the period of the other financial liabilities using the effective interest method.

2.8.2 Derecognition

Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, canceled or expires.

2.9 Derivative financial instruments and embedded derivative financial instruments

Derivative financial instruments of the Group include forward, futures, swap and option contracts, and other financial instruments with one or more characteristics of the above features. A derivative financial instrument has all of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required
 for other types of contracts that would be expected to have a similar response to changes in market
 factors; and
- it is settled at a future date.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair values. Changes in the fair values of derivative financial instruments are included in net trading income, and reported under "derivative financial assets" and "derivative financial liabilities" on the consolidated statement of financial position.

An embedded derivative financial instrument is a derivative financial instrument embedded in a non-derivative host contract (the "host contract"), and the derivative financial instrument causes some or all of the cash flows that otherwise would be required by the contract to be modified, according to specified interest rate, financial instrument price, foreign exchange rate, index of prices or interest rate index, credit rating or credit index, or variables such as the conversion option of a convertible bond. An embedded derivative financial instrument is separated from the host contract and separately accounted for as a derivative financial instrument, when its economic characteristics and risks of the embedded derivative are not clearly and closely related to those of the host contract. It is recognized initially at and subsequently measured at fair value.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.9 Derivative financial instruments and embedded derivative financial instruments (Continued)

After an embedded derivative is separated from its host, the host contract, if it is a financial instrument, shall be accounted for as a financial asset or financial liability where appropriate.

While certain derivative transactions are intended to provide effective economic hedges under the Group's risk management positions, they do not qualify for hedge accounting under the specific rules in the revised IAS 39 and therefore changes in fair value are reported as net trading income. The Group has no derivative positions that are accounted for as hedges.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.11 Repurchase agreements and agreements to re-sell

Assets purchased under resale agreements are discounted bills, long-term receivables and loans purchased by the Bank at certain prices from the sellers under commitments to resell these items to the original sellers on a specified future date at predetermined prices. Assets sold under repurchase agreements refer to discounted bills, long-term receivables and loans sold by the Bank at certain prices under commitments to buy back the items on a specified future date at predetermined prices.

Assets purchased under resale agreements and assets sold under repurchase agreements are recognized at the transaction date at the actual amount paid or received and recorded as "assets purchased under resale agreements" and "assets sold under repurchase agreements" respectively upon initial recognition.

Assets purchased under resale agreements are classified as loans and receivables. Assets sold under repurchase agreements are classified as other financial liabilities. Both are measured at amortised cost using the effective interest method after initial recognition.

The discounted bills, related debt securities, long-term receivables and loans under repurchase agreements are deemed to be collateral provided to the counterparty and continue to be retained in the consolidated statement of financial position as assets under the relevant line items. The discounted bills, related debt securities, long-term receivables and loans under resale agreements are deemed to be collateral from the counterparty and are not recognized in the consolidated statement of financial position.

Refer to Note 19 for balances arising from agreements to re-sell and Note 28 for balances arising from repurchase agreements.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.12 Repossessed assets

Repossessed assets are initially recognized at fair value plus related costs when they are obtained as the compensation for the loans principal and interest. Subsequently, the repossessed collateral assets are measured at lower of carrying amount and fair value less costs to sell.

2.13 Investment properties

Investment properties, including buildings that have already been leased out that are held for the purpose of lease and buildings that is being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognised in income statement in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of the investment properties. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of the investment properties are as follows:

Annual			
depreciation	Estimated	Estimated	
rate	residual value	useful lives	
4.75%	5%	20 years	Buildings

When an investment property is transferred to an owner-occupied property, it is reclassified as property at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the property is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the depreciation method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.14 Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the property and equipment items.

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their anticipated useful lives as follows:

Buildings
Leasehold improvements
Office equipment
Transportation equipment
59-10 years
5years

No depreciation is provided on construction work in progress.

The Group performs an analysis of the assets' estimated residual values and estimated useful lives at each reporting date, and makes the adjustments if appropriate.

Property and equipment are periodically reviewed for impairment. Refer to Note 2.16 for additional accounting policy for the impairment.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

2.15 Intangible asset

Intangible assets include land use rights and computer software, and they are measured at cost.

Land use rights are amortized on the straight-line basis over their useful period. If the purchase costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the purchase costs are recognized as properties.

The Group performs an analysis of the assets' estimated useful lives and amortization method at each reporting date, and makes the adjustments if appropriate.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.16 Impairment of non-financial asset

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognized as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.17 Current and deferred income tax (Continued)

Deferred income tax related to fair value re-measurement of available-for-sale investments which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognized in the income statement together with the deferred gain or loss.

Deferred income tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity.

2.18 Debt securities in issue

Debt securities in issue by the Bank include financial bonds, subordinated bonds and hybrid capital bonds.

Debt securities in issue are recognized initially at fair value, being their issue proceeds (fair value of consideration received) less transaction costs incurred. Debt securities issued are subsequently stated at amortized cost. Any difference between proceeds net of transaction costs and the redemption value is amortized over the period of the borrowings using the effective interest method and is recognized in the income statement.

2.19 Employee benefits

Employee benefits mainly include salary, bonus, allowance, subsidy, welfare, social insurance and housing fund, labor union expenditures and personnel education as well as other expenditures for services provided by employees.

The employee benefits expense is recognized during the employees' servicing period, and is allocated to relevant cost and expenses accounts according to the nature of the service.

In accordance with the policies of relevant state and local governments, the Group's employees participate in various defined contribution retirement schemes managed by local Labor and Social Security Bureaus. The Group contributes to pension and insurance schemes administered by the local pension and insurance agencies using applicable contribution rates of the pension and insurance schemes stipulated in the relevant local regulations. Upon retirement of the employees, the local Labor and Social Security Bureaus are responsible for the payment of the basic retirement benefits to the retired employees.

Contributions made by the Group to the above retirement schemes are expensed in the income statement as incurred.

In addition to the basic social pension insurance, the Bank staff can also voluntarily participate in a defined contribution plan established by the Bank ("Pension Plan"). The Bank pays to the pension plan by a certain percentage of the total employee wages. It will be included in the "operating expenses" of the income statement when the Bank sets the accrue plan to the pension. The Group has no other substantial employee benefit commitment.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.20 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

2.21 Leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Title may or may not eventually be transferred. All leases other than finance leases are classified as operating leases.

a Operating lease

Rental income and expenses are charged in operating expenses in the income statement on a straightline basis over the period of the lease.

b Finance lease

The Group entered into finance lease transactions only as lessor till now, at the leasing commencement date, the minimum lease payments from the lessee is recognized as finance lease receivable and unguaranteed residual value is recognized at the same time. The difference between the sum of minimum lease payments and unguaranteed residual value and its present value is accounted for as unearned finance income charge.

The unearned finance income is amortized using the effective interest method over the period of the lease.

2.22 Contingent liabilities

Contingent liabilities are not recognized as a liability is expected to only be disclosed in the notes. If the situation changes, the contingent liabilities are recognized as liability when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2.23 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 profit or loss arising thereon are excluded from the financial statements, as they are not the assets of the Group.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.23 Fiduciary activities (Continued)

The Group also administers entrusted loans on behalf of third-party lenders. In this regard, the Group grants loans to borrowers, as an intermediary, at the direction of third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans, including their purpose, amounts, interest rates, and repayment schedule. The Group charges a commission related to its activities in connection with the entrusted loans, but the risk of loss is borne by the third-party lenders. Entrusted loans are not recognized in the statement of financial position of the Group.

2.24 Share capital

a Share issue costs

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

b Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders.

2.25 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition including: cash, unrestricted balances with central bank, amounts due from banks and other financial institutions, and short-term government securities.

2.26 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

(All amounts in Rmb millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.27 Segment reporting

The Group determines its operating segments on the basis of its internal organizational structure, management requirements and internal reporting practices, and determines its reporting segments and disclose segment information on the basis of operating segments.

An operating segment is a component of the Group that meets all the following requirements: (a) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the enterprise; (b) its operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance; and (c) discrete financial information, operating results and relevant accounting information, including cash flows, are available. If two or more operating segments have similar economic characteristics and meet certain conditions, they are aggregated into one operating segment.

The reports on an operating segment are consistent with those internal reports submitted to the chief operating decision maker. The chief operating decision maker responsible for allocating resources to and assessing performance of operating segments is determined to be the chief executive officer and special governance committees who make strategic decisions.

3 Financial risk management

(1) Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of various degree of risks or combination of risks. The core characteristic of financial business is undertaking risk. Risks are an inevitable consequence in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

As at 31 December 2010, the Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries of Minsheng Financial Leasing Co., Ltd, Minsheng Royal Fund Management Co., Ltd. and nine township banks respectively. Its subsidiaries as separate institutions, take responsibility for the financial risk management of corresponding business. In 2010, the financial risk which the commercial banking faced constitutes the main financial risk of the Group.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(1) Financial risk management (Continued)

The Bank has a Risk Management Committee under the Board of Directors, and Risk Management Committee is responsible for setting the overall risk management strategies of the Bank, monitoring the Bank's risk management and internal controls and assessing the overall risk position of the Bank. In accordance with the risk management strategies set by the Risk Management Committee, the Bank's senior management formulates relevant risk management policies, practices and procedures and drives their implementation and compliance.

The Bank has a Strategic Development and Investment Management Committee under the Board of Directors. The committee is responsible for the daily management of its subsidiaries; and the Bank is moving towards building its enterprise-wide risk management framework at the Group level.

The most significant types of risk to the Group are credit risk, market risk and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

(2) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities, which including loans to others, trade finance, treasury and leasing activities. There is also credit risk in off statement financial instruments, such as acceptances.

Currently, the Bank's Risk Management Committee is responsible for decision-making and centralized coordination in credit risk management and mitigation, and manages credit risks through a number of methods, including specialized credit assessment, centralized quality monitoring, and centralized management and collection of stressed assets.

a Credit risk measurement

(i) Loans and advances and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the China Banking Regulatory Commission ("CBRC") Guidelines for Risk Classification of Loans. The Guidelines for Risk Classification of Loans require financial institutions to classify their credit assets into five categories, namely pass, special mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off statement credit commitments as part of its overall credit management, applies credit limit management, and classifies key off statement items in accordance with the Guidelines for Risk Management of Loans. The Bank has also developed its Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation to guide its daily risk management of credit assets, following classification principles fully consistent with CBRC's Guidelines for Risk Classification of Loans.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

a Credit risk measurement (Continued)

(i) Loans and advances and credit commitments (Continued)

The core definitions of credit asset classifications in "Loan Risk Classifications Guiding Principles" are as follows:

Pass: The borrower can fulfill the contracts, and there is no sufficient reason to

suspect that the principal and interest of loans cannot be repaid in full on

time.

Special-mention: The borrower has the ability to make current payments, but there may

be some potential issues that could have adverse impact on the future

payments.

Substandard: The borrower's repayment ability has been impaired and its normal income

is insufficient to repay the loan principles and interest in full. Even with the enforcement of the related guarantee (if any), there may certain level of loss.

Doubtful: The borrower can't repay the principal plus the interest in full. Even with the

enforcement of guarantee (if any), there will be a significant loss.

Loss: After taking consideration of all possible recovery action or all necessary

legal proceedings, the outcome is likely to be little or no recovery.

(ii) Debt securities and other bills

For debt securities and other bills, the Group manages the credit risk exposures by setting limits to the external credit ratings of its investments. A credit rating of BBB or above (by Standard & Poor's or equivalent agencies) at the time of purchase is required for foreign currency debt securities investments. Rmb debt securities investments require a rating of A or above for long-term securities investments and a rating of A-1 or above for short-term securities investments from an external rating agency recognized by the PBOC. The risk control staff also regularly reviews the changes of credit ratings of issuers of securities held by the Group and makes risk management recommendations from both industry and enterprise perspectives for adjustments to risk management practices.

b Risk limit control and mitigation policies

The Group exercises risk concentration management and control over its counterparties, whether individual or group customers, industries and geographical areas.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to the acceptable risks for different individual or group customer counterparties, different industries and geographical areas. The Group monitors the risk status of these customers on a regular basis and reviews their risk positions at least once a year.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

b Risk limit control and mitigation policies (Continued)

The risk exposures to the borrowers, including banks, are further classified into on and off statement risk exposures and control has been applied to the daily risk limits of each class. The Bank also monitors on a daily basis the actual risk exposures in relation to the corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analysis of a customer's ability to repay interests and principals, and making appropriate adjustments to credit lines.

Other specific control and mitigation methods include:

(i) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantee from the business enterprise or individuals. The Group has specified the types of collaterals acceptable, mainly including the following:

- Real estate and land use rights;
- Machinery and equipment;
- Right to receive payments and accounts receivable;
- Financial instruments such as time deposits, debt securities and equities.

In order to minimize its credit loss, once indication of impairment has been identified with an individual loan, the Group will seek additional collateral from the counterparty or require additional guarantors.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(ii) Derivative instruments

In the Group, only the Bank is authorized to engage in financial derivative transactions. The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The credit risk of derivative instruments faced by the Bank is limited to the derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

3 Financial risk management (Continued)

(2) Credit risk (Continued)

b Risk limit control and mitigation policies (Continued)

(iii) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, such as those situations where the amount of credit commitment exceeds the original credit limit, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorizations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

c Impairment allowance policies

In accordance with accounting policies and regulations, if there is objective evidence that indicates the cash flow for a particular loan is expected to decrease, and the amount can be estimated, the loan is recorded as an impaired loan and the impairment loss is recognized in the income statement.

Note 2.7 illustrates the criteria that the Group uses to determine that there is an objective evidence of impairment loss.

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment loss is provided individually, the amount is determined by an evaluation of the incurred loss at reporting date on a case-by-case basis. In making such assessment, the Group considers the value of collateral held and expected future cash flows from the asset.

Impairment allowances are provided for the following portfolios according to historical data, experience and statistical techniques: (i) those consisting of homogenous assets that are individually below materiality thresholds; and (ii) those where losses that have been incurred but have not yet been individually identified with any specific asset within the portfolio.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

d Maximum exposure to credit risk before collateral held or other credit enhancements

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

	31 December		
	2010	2009	
Credit risk exposures relating to on statement assets are as follows:			
Balances with central bank	262,238	221,590	
Due from banks and other financial institutions	125,462	61,848	
Placements with banks and other financial institutions	149,385	73,015	
Trading financial assets	6,024	4,747	
Derivative financial assets	476	465	
Loans and advances to customers			
 Loans to corporate entities 	761,632	705,697	
 Loans to individuals 	276,091	162,041	
Investment securities			
 Debt securities 	174,794	151,619	
Finance lease receivables	29,288	16,874	
Other financial assets	13,220	11,090	
Subtotal	1,798,610	1,408,986	
Credit risk exposures relating to off statement items are as follows:			
Acceptances	308,584	216,657	
Letters of guarantee	50,115	45,593	
Letters of credit	30,062	15,094	
Trade finance arrangement*	24,267	24,349	
Unused credit card limits**	18,618	14,337	
Irrevocable loan commitment	5,629	5,422	
Finance lease commitment	1,898	1,841	
Subtotal	439,173	323,293	
Total	2,237,783	1,732,279	
I Ulai	2,231,103	1,732,279	

^{*} 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.

^{**} Unused credit card limits don't include those inactivated accounts. There are 1.44 million inactivated accounts at 31 December 2010 (2009: 2.03 million).

3 Financial risk management (Continued)

(2) Credit risk (Continued)

d Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

Bank

	31 December		
	2010	2009	
Credit risk exposures relating to on statement assets are as follows:			
·			
Balances with central bank	261,628	221,505	
Due from banks and other financial institutions	124,857	61,841	
Placements with banks and other financial institutions	149,385	73,015	
Trading financial assets	6,024	4,747	
Derivative financial assets	476	465	
Loans and advances to customers			
 Loans to corporate entities 	759,438	704,730	
 Loans to individuals 	274,822	161,562	
Investment securities			
 Debt securities 	174,419	151,579	
Other financial assets	7,490	5,789	
Subtotal	1,758,539	1,385,233	
Credit risk exposures relating to off statement items are as follows:			
Acceptances	308,012	216,555	
Letters of guarantee	50,115	45,593	
Unused credit card limits		· · · · · · · · · · · · · · · · · · ·	
Letters of credit	18,618 30,062	14,337 15,094	
		24,349	
Trade finance arrangement	24,267	· · · · · · · · · · · · · · · · · · ·	
inevocable loan committeent	5,629	5,422	
Subtotal	436,703	321,350	
Total	2,195,242	1,706,583	

e Placements with banks and other financial institutions

Group and Bank

	31 December	
	2010	2009
Neither past due nor impaired Impaired	149,385 —	73,015 —
Gross	149,385	73,015
Less: allowance for impairment loss	_	_
Net	149,385	73,015

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

e Placements with banks and other financial institutions (Continued)

(i) Neither past due nor impaired

The credit risk of placements with banks and other financial institutions that are neither past due nor impaired can be assessed by referring to characteristics of the counterparties.

Group and Bank

	31 December		
	2010	2009	
Banks	110,813	50,339	
Other financial institutions	29,072	21,476	
Others	9,500	1,200	
	149,385	73,015	

f Loans and advances to customers

Group

	31 Decemb	31 December	
	2010	2009	
Neither past due nor impaired	1,047,549	872,060	
Past due but not impaired	2,683	3,522	
Impaired	7,339	7,397	
Gross	1,057,571	882,979	
Less: allowance for impairment loss			
 individual assessment 	(3,583)	(4,378)	
 collective assessment 	(16,265)	(10,863)	
	(19,848)	(15,241)	
Net	1,037,723	867,738	

	31 December	
	2010	2009
Neither past due nor impaired	1,044,050	870,599
Past due but not impaired	2,683	3,522
Impaired	7,339	7,397
Gross	1,054,072	881,518
Less: allowance for impairment loss		
- individual assessment	(3,583)	(4,378)
 collective assessment 	(16,229)	(10,848)
	(19,812)	(15,226)
Net	1,034,260	866,292

3 Financial risk management (Continued)

(2) Credit risk (Continued)

f Loans and advances to customers (Continued)

(i) Neither past due nor impaired

The credit risk of loans and advances neither past due nor impaired was assessed by referring to "Loan Risk Classification Guiding Principles" of the CBRC.

	Corporate loans	Individual loans	Total
Group			
Group			
31 December 2010			
Pass	764,300	275,727	1,040,027
Special mention	7,495	27	7,522
Spoolal Montion	1,100		1,022
	771,795	275,754	1,047,549
31 December 2009			
Pass	703,053	159,496	862,549
Special mention	9,143	368	9,511
	712,196	159,864	872,060
Bank			
31 December 2010			
Pass	762,257	274,449	1,036,706
Special mention	7,317	27	7,344
	769,574	274,476	1,044,050
	100,011	27 1,110	1,011,000
31 December 2009			
Pass	702,076	159,012	861,088
Special mention	9,143	368	9,511
	711,219	159,380	870,599
	711,219	100,000	070,399

(ii) Past due but not impaired

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

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

f Loans and advances to customers (Continued)

(ii) Past due but not impaired (Continued)

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

Analysis of the assets overdue but not impaired by overdue days:

Group and Bank

	Up to 30 days	30 to 60 days	60 to 90 days	Over 90 days	Total
31 December 2010					
Loans to corporate					
entities	73	1	_	_	74
Loans to individuals	1,823	479	229	78	2,609
	1,896	480	229	78	2,683
31 December 2009					
Loans to corporate					
entities	65	75	6	219	365
Loans to individuals	1,764	619	381	393	3,157
	1,829	694	387	612	3,522

The Group has made individual impairment assessments on each of the overdue corporate loans, and no impairment has been identified.

All of the secured individual loans overdue for more than 90 days as well as unsecured individual loans and guaranteed individual loans (excluding credit card) overdue for more than 30 days are identified as impaired loans. All the credit card advances overdue than 180 days have been indentified as impaired loans by the Group.

The fair value of collateral held against loans and advances past due but not impaired amounts to Rmb1.35 billion as at 31 December 2010 (2009: Rmb2.58 billion).

The fair value of collateral was estimated by management based on the latest available external valuations and adjusted by the current realization experience and market situation.

3 Financial risk management (Continued)

(2) Credit risk (Continued)

f Loans and advances to customers (Continued)

(iii) Impaired Loans

Group and Bank

	31 Decembe	31 December	
	2010	2009	
Loans to corporate entities	6,538	6,538	
Loans to individuals	801	859	
	7,339	7,397	
% of total loans and advances	0.69%	0.84%	
Allowance for impairment losses			
 Loans to corporate entities 	(3,583)	(4,497)	
 Loans to individuals 	(614)	(645)	
	(4,197)	(5,142)	
Fair value of collateral held against impaired loans	3,644	2,680	

The collaterals mainly include housing properties and in addition land use rights, equity shares, machineries and equipments etc. The fair value of collateral was estimated by management based on the latest available external valuations and adjusted by the current realization experience and market situation.

Impaired loans and advances by type of guarantee:

Unsecured loans	636	788
Guaranteed loans	2,120	2,437
Secured loan		
 Collateralized loans 	4,049	3,527
 Pledged loans 	534	645
Total	7,339	7,397

(iv) Loans and advances rescheduled

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, reschedule credit terms generally as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or the assumption of the loan by a borrower with better repayment ability. Rescheduled loans amounted to Rmb2.41 billion as at 31 December 2010 (2009: Rmb3.74 billion).

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

f Loans and advances (Continued)

(iv) Loans and advances rescheduled (Continued)

Within impaired loans and advances, rescheduled loans and advances net of amounts overdue for no more than 90 days are as follows:

Group and Bank

	31 December	
	2010	2009
Loans and advances to customers	33	305
% of total loans and advances	0.00%	0.04%

g Finance lease receivables

Group

	31 December	31 December	
	2010	2009	
Neither past due nor impaired			
- Pass	29,071	16,494	
Special mention	645	256	
Past due but not impaired	_	357	
Gross	29,716	17,107	
Lance ellevision of facilities of lance			
Less: allowance for impairment loss	(400)	(000)	
 collective assessment 	(428)	(233)	
Net	29,288	16,874	

h Debt securities

Rmb denominated securities are analyzed below by issuer's credit risk classification.

	31 December 2010					
	Trading assets	Available- for-sale	Held-to- maturity	Loans and receivables	Total	
Government and quasi-						
government bonds Financial institutions	4,793	16,337	108,565	2,633	132,328	
bonds Financial institutions	_	239	929	6,605	7,773	
entrust products	_	_	_	1,879	1,879	
Corporate bonds	1,201	15,045	18,760	_	35,006	
_ Total	5,994	31,621	128,254	11,117	176,986	

3 Financial risk management (Continued)

(2) Credit risk (Continued)

h Debt securities (Continued)

Group

	31 December 2009					
	Trading	Available-	Held-to-	Loans and		
	Assets	for-sale	maturity	receivables	Total	
Government and quasi-						
government bonds	2,870	26,368	50,970	30,718	110,926	
Financial institutions						
bonds	_	640	404	9,687	10,731	
Financial institutions						
entrust products	_	_	_	5,162	5,162	
Corporate bonds	1,877	17,072	5,400		24,349	
Total	4,747	44,080	56,774	45,567	151,168	

Bank

	31 December 2010					
	Trading assets	Available- for-sale	Held-to- maturity	Loans and receivables	Total	
Government and quasi-						
government bonds Financial institutions	4,793	16,337	108,565	2,633	132,328	
bonds Financial institutions	_	239	554	6,605	7,398	
entrust products	_	_	_	1,879	1,879	
Corporate bonds	1,201	15,045	18,760	_	35,006	
Total	5,994	31,621	127,879	11,117	176,611	

		31 December 2009					
	Trading	Available-	Held-to-	Loans and			
	assets	for-sale	maturity	receivables	Total		
Government and quasi-							
government bonds	2,870	26,368	50,970	30,718	110,926		
Financial institutions							
bonds	_	640	364	9,687	10,691		
Financial institutions							
entrust products	_	_	_	5,162	5,162		
Corporate bonds	1,877	17,072	5,400	_	24,349		
Total	4,747	44,080	56,734	45,567	151,128		

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

h Debt securities (Continued)

The following tables show the Standard & Poor's rating on foreign currency securities.

Group and Bank

	31 December 2010					
	Trading	Available-	Held-to-			
	assets	for-sale	maturity	Total		
Foreign currency securities						
AAA	30	492	_	522		
AA- to AA+	_	36	289	325		
A- to A+	_	2,456	67	2,523		
Lower than A-	_	230	_	230		
Unrated	_	232	_	232		
Total	30	3,446	356	3,832		

Group and Bank

	31 December 2009					
	Trading	Available-	Held-to-			
	assets	for-sale	maturity	Total		
Foreign currency securities						
AAA	_	987	_	987		
AA- to AA+	_	113	298	411		
A- to A+	_	3,284	70	3,354		
Lower than A-	_	207	_	207		
Unrated	_	239	_	239		
Total		4,830	368	5,198		

The Group's debt securities are individually assessed for impairment. The Group's impaired debt securities are all foreign currency securities, of which the amortised value amounted to Rmb325 million as at 31 December 2010(2009:Rmb419 million). Impairment loss amounted to Rmb315 million (2009:Rmb391 million).

i Repossessed assets

Group and Bank

	31 December		
	2010	2009	
Repossessed assets — buildings	941	957	

Repossessed assets are sold as soon as practicable. Repossessed assets are classified as other assets in the consolidated statement of financial position.

(All amounts in Rmb millions unless otherwise stated)

Financial risk management (Continued) 3

(2) Credit risk (Continued)

Concentration of risks of financial assets with credit risk exposure

Credit risk increases when counter-parties are concentrated in the same industries or geographical regions. The Group conducts its credit business predominantly within mainland China, with major customers concentrated in a number of key industries. Different areas in China and different industries have their own unique characteristics in economic development, and therefore could present different credit risks to the Group.

The geographic segments can be divided into four main regions: Northern China, Eastern China, Southern China, Other locations.

- Northern China Including Minsheng Financial Leasing Co., Ltd, the Headquarters in Beijing as well as the following branches: Beijing, Taiyuan, Shijiazhuang and Tianjin;
- Eastern China Including Cixi Township Bank Co., Ltd, Songjiang Township Bank Co., Ltd. (2)and the following branches: Shanghai, Hangzhou, Ningbo, Nanjing, Jinan, Suzhou, Wenzhou, Qingdao, Hefei and Nanchang;
- Southern China Including Minsheng Royal Fund Management Co., Ltd and the following branches: Fuzhou, Guangzhou, Shenzhen, Quanzhou, Shantou and Xiamen;
- Other locations Including Meihekou Township Bank Co., Ltd, Pengzhou Township Bank Co., (4) Ltd, Tongnan Township Bank Co., Ltd, Changyuan Township Bank Co., Ltd, Qijiang Township Bank Co., Ltd, Ziyan Township Bank Co., Ltd, Wuhan Jiangxia Township Bank Co., Ltd. and the following branches: Xi'an, Dalian, Chongqing, Chengdu, Kunming, Wuhan, Changsha, Zhengzhou and Changchun.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

j Concentration of risks of financial assets with credit risk exposure (Continued)

(i) Geographical sectors

Financial assets other than debt securities

	Northern China	Eastern China	Southern China	Other locations	Total
	O I I I I	• • • • • • • • • • • • • • • • • • • •	Jimia .	iodationo	10141
31 December 2010					
Balances with					
central bank	244,236	10,950	2,688	4,364	262,238
Due from banks					
and other					
financial					
institutions	22,279	60,787	22,385	20,011	125,462
Placements with					
banks and other					
financial					
institutions	40,741	56,122	36,848	15,674	149,385
Gross loans and					
advances to					
customers	307,220	400,678	113,682	235,991	1,057,571
Less: allowance for					
impairment					
assets	(8,748)	(6,127)	(1,828)	(3,145)	(19,848)
Finance lease					
receivables	29,288	_	_	_	29,288
Other financial					
assets	7,088	2,411	1,201	2,996	13,696
Total	642,104	524,821	174,976	275,891	1,617,792

3 Financial risk management (Continued)

(2) Credit risk (Continued)

j Concentration of risks of financial assets with credit risk exposure (Continued)

(i) Geographical sectors (Continued)

Financial assets other than debt securities (Continued)

	Northern	Eastern	Southern	Other	
	China	China	China	locations	Total
31 December 2009					
Balances with					
central bank	200,811	11,329	3,092	6,358	221,590
Due from banks					
and other					
financial					
institutions	20,597	9,837	20,529	10,885	61,848
Placements with					
banks and other					
financial					
institutions	63,659	8,801	505	50	73,015
Gross loans and					
advances to					
customers	276,820	319,054	95,762	191,343	882,979
Less: allowance for					
impairment					
losses	(6,640)	(4,665)	(1,614)	(2,322)	(15,241)
Finance lease					
receivables	7,847	5,485	1,022	2,520	16,874
Other financial					
assets	5,101	1,689	2,425	2,340	11,555
Total	568,195	351,530	121,721	211,174	1,252,620

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

- j Concentration of risks of financial assets with credit risk exposure (Continued)
 - (i) Geographical sectors (Continued)

	Northern	Eastern	Southern	Other	
	China	China	China	locations	Total
31 December 2010					
Balances with					
central bank	244,236	10,491	2,688	4,213	261,628
Due from banks					
and other					
financial					
institutions	23,160	59,836	22,385	19,476	124,857
Placements with					
banks and other					
financial					
institutions	40,741	56,122	36,848	15,674	149,385
Gross loans and					
advances to					
customers	307,220	398,211	113,682	234,959	1,054,072
Less: allowance for					
impairment					
losses	(8,748)	(6,112)	(1,828)	(3,124)	(19,812)
Other financial					
assets	4,097	1,704	888	1,277	7,966
Total	610,706	520,252	174,663	272,475	1,578,096

3 Financial risk management (Continued)

(2) Credit risk (Continued)

Concentration of risks of financial assets with credit risk exposure (Continued)

(i) Geographical sectors (Continued)

	Northern	Eastern	Southern	Other	
	China	China	China	locations	Total
31 December 2009					
Balances with					
central bank	200,811	11,276	3,092	6,326	221,505
Due from banks					
and other					
financial					
institutions	20,596	9,834	20,529	10,882	61,841
Placements with					
banks and other					
financial					
institutions	63,659	8,801	505	50	73,015
Gross loans and					
advances to					
customers	276,820	317,849	95,762	191,087	881,518
Less: allowance for					
impairment					
losses	(6,640)	(4,653)	(1,614)	(2,319)	(15,226)
Other financial					
assets	3,803	1,101	711	639	6,254
Total	559,049	344,208	118,985	206,665	1,228,907

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

j Concentration of risks of financial assets with credit risk exposure (Continued)

(i) Geographical sectors (Continued)Financial assets — debt securitiesGroup

	Mainland China	North America	Europe	Other	Total
31 December 2010					
Trading financial					
assets	5,994	30	_	_	6,024
Available-for-sale					
debt securities	34,227	586	224	30	35,067
Held-to-maturity					
securities	128,320	_	149	141	128,610
Loans and					
receivables	11,117	_	_	_	11,117
Total	179,658	616	373	171	180,818

	Mainland	North			
	China	America	Europe	Other	Total
31 December 2009					
Trading financial					
assets	4,747	_	_	_	4,747
Available-for-sale					
debt securities	47,514	1,041	317	38	48,910
Held-to-maturity					
securities	56,843	_	154	145	57,142
Loans and					
receivables	45,567	_	_	_	45,567
Total	154,671	1,041	471	183	156,366

3 Financial risk management (Continued)

(2) Credit risk (Continued)

j Concentration of risks of financial assets with credit risk exposure (Continued)

(i) Geographical sectors (Continued)

Financial assets - debt securities (Continued)

Bank

	Mainland China	North America	Furana	Other	Total
	China	America	Europe	Other	Total
31 December 2010					
Trading financial					
assets	5,994	30	_	_	6,024
Available-for-sale					
debt securities	34,227	586	224	30	35,067
Held-to-maturity					
securities	127,945	_	149	141	128,235
Loans and					
receivables	11,117	_	_	_	11,117
Total	179,283	616	373	171	180,443

	Mainland	North			
	China	America	Europe	Other	Total
31 December 2009					
Trading financial					
assets	4,747	_	_	_	4,747
Available-for-sale					
debt securities	47,514	1,041	317	38	48,910
Held-to-maturity					
securities	56,803	_	154	145	57,102
Loans and					
receivables	45,567	_	_	_	45,567
Total	154,631	1,041	471	183	156,326

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(2) Credit risk (Continued)

Concentration of risks of financial assets with credit risk exposure (Continued)

(ii) Industry sectors

Group

	Government and quasi-	Financial					
	government	institution	Manufacturing	Real estate	Others	Individuals	Total
31 December 2010							
Balances with central bank	262,238	_	-	-	-	_	262,238
Due from banks and other							
financial institutions	_	125,462	-	-	-	_	125,462
Placements with banks and other							
financial institutions	-	149,385	-	-	-	-	149,385
Loans to corporate entities	-	17,995	139,314	126,147	478,176	-	761,632
Loans to individuals	-	-	-	-	-	276,091	276,091
Investment securities - debt							
securities	130,408	8,206	15,239	1,301	19,640	-	174,794
Finance lease receivables	-	-	13,681	2,910	12,697	-	29,288
Other financial assets	4,823	450	2,578	1,679	10,190	-	19,720
Total	397,469	301,498	170,812	132,037	520,703	276,091	1,798,610

	Government						
	and quasi-	Financial					
	government	institution	Manufacturing	Real estate	Others	Individuals	Total
31 December 2009							
Balances with central bank	221,590	-	-	-	-	-	221,590
Due from banks and other							
financial institutions	-	61,848	-	-	-	-	61,848
Placements with banks and other							
financial institutions	-	73,015	-	-	-	-	73,015
Loans to corporate entities	-	37,785	118,878	101,115	447,919	-	705,697
Loans to individuals	_	_	_	_	_	162,041	162,041
Investment securities - debt							
securities	112,222	16,550	6,317	1,302	15,228	-	151,619
Finance lease receivables	_	_	8,977	_	7,897	_	16,874
Other financial assets	2,870	226	1,292	3,120	8,794	_	16,302
Total	336,682	189,424	135,464	105,537	479,838	162,041	1,408,986

3 Financial risk management (Continued)

(2) Credit risk (Continued)

Concentration of risks of financial assets with credit risk exposure (Continued)

(ii) Industry sectors (Continued)

Bank

	Government and quasi- government	Financial institution	Manufacturing	Real estate	Others	Individuals	Total
31 December 2010							
Balances with central bank	261,628	-	-	-	-	-	261,628
Due from banks and other							
financial institutions	_	124,857	-	_	_	-	124,857
Placements with banks and other							
financial institutions	_	149,385	-	-	_	_	149,385
Loans to corporate entities	_	17,995	138,258	126,139	477,046	_	759,438
Loans to individuals	_	-	-	_	_	274,822	274,822
Investment securities - debt							
securities	130,408	7,936	15,239	1,301	19,535	_	174,419
Other financial assets	4,823	450	564	531	7,622	-	13,990
Total	396,859	300,623	154,061	127,971	504,203	274,822	1,758,539

Bank

	Government						
	and quasi-	Financial					
	government	institution	Manufacturing	Real estate	Others	Individuals	Total
31 December 2009							
Balances with central bank	221,505	-	-	-	-	-	221,505
Due from banks and other							
financial institutions	_	61,841	-	-	-	-	61,841
Placements with banks and other							
financial institutions	_	73,015	-	-	-	-	73,015
Loans to corporate entities	-	37,785	118,649	101,115	447,181	-	704,730
Loans to individuals	-	-	-	-	-	161,562	161,562
Investment securities - debt							
securities	112,222	16,510	6,317	1,302	15,228	-	151,579
Other financial assets	2,870	226	349	568	6,988	_	11,001
Total	336,597	189,377	125,315	102,985	469,397	161,562	1,385,233

As refer to note 20(2), the manufacturing sector includes manufacturing, mining, production and supply of electronic power, gas and water industry noted.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk

The Group is exposed to market risk, which is the risk of loss to the Group's on and off statement businesses caused by changes in prices (interest rate, exchange rate and stock price). Market risks include open positions in interest rate, exchange rate (including gold bullion) and equities, all of which are exposed to adverse movements in interest rates, exchange rates and stock prices.

The market risk faced by the Group mainly arises from the business activities of the Bank. The subsidiaries were exposed to an insignificant level of market risks. The Bank and its subsidiaries independently managed their own market risks.

The Bank divides its market risk exposures into either trading or non-trading portfolios. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market. Non-trading portfolios consist of held-to-maturity and available-for-sale securities held by the Bank and market risk exposures facing its loan and advance accounts.

Currently, the Asset and Liability Management Department takes responsibility in monitoring and controlling the market risk of non-trading accounts across the Bank. The Treasury and Capital Markets Department is responsible for the trading accounts and non-trading accounts of their department. Also, the Bank has established the practice of regular reporting to the senior management on market risks, including the monitoring and analysis of market risk changes and limits on net and gross positions by the two departments.

The Financial and Planning Department of Minsheng Financial Leasing Co., Ltd is responsible for the monitoring and control of market risks on the funds positions, while the Capital Market Department is responsible for the market risk management in the business operations of the department.

a Market risk measuring techniques

As part of market risk management, the Group adopts various strategies to mitigate risks. The Bank also enters into interest rate swaps to match the interest rate risks associated with fixed-rate long-term debt securities to which the fair value option has been applied.

The tools and techniques for measuring and controlling market risk are as follows:

The primary techniques applied for measuring and controlling market risks are mainly net position exposure analysis, stop loss, sensitivity analysis of interest rate and exchange rate, stress testing and scenario analysis. In response to the market conditions and leveraging available technologies, the Group is now able to use value at risk to measure market risks on certain financial instruments.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

a Market risk measuring techniques (Continued)

The Bank applies sensitivity analysis to estimate the interest rate and exchange rate risks arising from trading accounts and non-trading accounts, which means periodically calculating the gap between interest-earning assets and interest-bearing liabilities that would reach maturity or be subject to repricing during a certain period. Then, the Bank utilizes the gap data to carry out sensitivity analysis against movements of market interest rates and foreign exchange rates, in order to provide guidance on the adjustment of the repricing and maturity structure of interest-earning assets and interest-bearing liabilities. The Bank has set up a reporting system for sensitivity analysis, presenting the summary report on sensitivity analysis on a regular basis for review by senior management, for example, the Risk Management Committee.

b Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The subsidiaries do not engage in foreign exchange operations, and the Group's currency risks are concentrated in the Bank.

The Group's principal strategy in controlling currency risk is to substantially match its assets and liabilities in each currency and to maintain currency risk within established limits. The Bank has set exposure limits according to the guidelines established by the Risk Management Committee, the relevant regulatory requirements, and management's assessment of the current market condition. The Bank also manages its foreign capital sources and usage of foreign currencies to minimize potential currency mismatches. The Treasury and Capital Markets Department sets exposure and stop loss limits for foreign exchange risks within the scope of its departmental operations, and applies authority limits in managing foreign exchange risks.

The Group conducts sensitivity analysis on the net foreign currency position, to identify the impact to the income statement of potential movements in foreign currency exchange rates against the RMB. The impact of fluctuations (e.g. 1 percent fluctuation) in exchange rates is not considered by management to be significant to the income statement. Such analysis does not take into account the correlation effect of changes in different foreign currencies, any consequential changes in the foreign currency positions and the impact of changes in different foreign currencies on the Group's further actions, complex structural products, market prices and off statement products.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

b Currency risk (Continued)

The following table presents the Group's and the Bank's foreign exchange risk exposures at the reporting dates. The carrying value of financial instruments denominated in foreign currencies has been converted into Rmb. The column of the Rmb is included only for reference purposes.

агоар					
	RMB	USD	HKD	Others	Total
31 December 2010					
Cash and due from banks					
and other financial					
institutions	122,281	5,340	406	2,032	130,059
Balances with central bank	261,109	1,072	57	_	262,238
Placements with banks					
and other financial					
institutions	148,524	861	_	_	149,385
Loans and advances to					
customers	1,025,273	12,170	1	279	1,037,723
Investment securities	171,117	3,698	_	104	174,919
Finance lease receivable	29,288	_	_	_	29,288
Other financial assets	19,325	338	10	326	19,999
Total financial assets	1,776,917	23,479	474	2,741	1,803,611
Deposits from customers	1,400,204	13,536	864	2,335	1,416,939
Due to and placements					
from banks and other					
financial institutions	215,121	9,537	454	32	225,144
Borrowings from other					
financial institutions	25,211	_	_	_	25,211
Debt securities in issue	21,496	_	_	_	21,496
Other financial liabilities	15,918	567	6	355	16,846
Total financial liabilities	1,677,950	23,640	1,324	2,722	1,705,636
Net on statement					
financial position	98,967	(161)	(850)	19	97,975
Foreign currency					
derivatives	(41)	163	1	(54)	69
Credit commitments	387,737	46,627	70	4,739	439,173

3 Financial risk management (Continued)

(3) Market risk (Continued)

b Currency risk (Continued)

Grou	-
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	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 bank	220,528	995	67	_	221,590
Placements with banks					
and other financial					
institutions	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
Total financial assets	1,369,147	32,101	9,744	2,848	1,413,840
Total III alloial assets	1,503,147	52,101	3,744	2,040	1,410,040
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
Total financial liabilities	1,311,117	13,050	1,387	2,525	1,328,079
	,			,	
Net on statement					
financial position	58,030	19,051	8,357	323	85,761
Foreign currency					
derivatives	(31)	21	_	32	22
Credit commitments	281,917	37,288	189	3,899	323,293

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

b Currency risk (Continued)

	RMB	USD	HKD	Others	Total
31 December 2010					
Cash and due from banks					
and other financial					
institutions	121,076	5,340	406	2,032	128,854
Balances with central bank	260,499	1,072	57	_	261,628
Placements with banks					
and other financial					
institutions	148,524	861	_	_	149,385
Loans and advances to					
customers	1,021,810	12,170	1	279	1,034,260
Investment securities	170,742	3,698	_	104	174,544
Other financial assets	16,593	338	10	326	17,267
Total financial assets	1,739,244	23,479	474	2,741	1,765,938
Deposits from customers	1,394,990	13,536	864	2,335	1,411,725
Due to and placements					
from banks and other					
financial institutions	207,584	9,537	454	32	217,607
Debt securities in issue	21,496	_	_	_	21,496
Other financial liabilities	12,277	567	6	355	13,205
Total financial liabilities	1,636,347	23,640	1,324	2,722	1,664,033
Net on statement financial					
position	102,897	(161)	(850)	19	101,905
Foreign currency					
derivatives	(41)	163	1	(54)	69
Credit commitments	385,267	46,627	70	4,739	436,703

3 Financial risk management (Continued)

(3) Market risk (Continued)

b Currency risk (Continued)

Bank					
	RMB	USD	HKD	Others	Total
31 December 2009					
Cash and due from banks and other financial					
institutions	43,587	11,055	8,794	1,644	65,080
Balances with central bank	220,443	995	67	_	221,505
Placements with banks and other financial	ŕ				,
institutions	68,997	3,138	880	_	73,015
Loans and advances to	,	-,			,
customers	854,010	11,519	2	761	866,292
Investment securities	146,506	5,084	_	114	151,704
Other financial assets	13,436	310	1	329	14,076
Total financial assets	1,346,979	32,101	9,744	2,848	1,391,672
Deposits from customers Due to and placements from banks and other	1,110,813	11,133	1,247	2,197	1,125,390
financial institutions	147,619	1,612	133	18	149,382
Debt securities in issue	23,060	_	_	_	23,060
Other financial liabilities	8,381	305	7	310	9,003
Total financial liabilities	1,289,873	13,050	1,387	2,525	1,306,835
Net on statement financial					
position	57,106	19,051	8,357	323	84,837
Foreign ourrency derivetives	(01)	21		32	22
Foreign currency derivatives Credit commitments	(31)		189		
Credit Commitments	279,974	37,288	109	3,899	321,350

c Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to both fair value and cash flow interest rate risks arising from changes in the principal market interest rates.

Interest margins may increase as a result of such changes, but may reduce or suffer losses in the event that unexpected movements arise. The Group operates its business predominantly in mainland China under the interest rate scheme regulated by the PBOC. As PBOC has historically adjusted its benchmark interest rates for loans and deposits in the same direction (though not necessarily by the same quantum), the Group has primarily managed its exposure to interest rate risk through the management of the maturity profile of its loans and deposits.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

c Interest rate risk (Continued)

According to the requirement of PBOC, interest rates on loan denominated in Rmb could float based on the PBOC benchmark interest rates. Interest rates on discounted bills denominated in Rmb are determined in accordance with market prices. However, such interest rates cannot be set below the PBOC interest rates for re-discounted bills. Interest rates on deposit denominated in Rmb cannot be higher than the PBOC benchmark interest rates.

The Group closely monitors the trend of interest rate changes, follows the changes of market interest rates, performs scenario analysis, and adjusts the interest rates of deposits and loans in both Rmb and foreign currencies to manage interest rate risks.

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

			31 Decemb	er 2010		
					Non-	
	Up to 3	3 to 12	1 to 5	Over 5	interest	
	months	months	years	years	bearing	Total
Financial assets:						
Cash and due from banks and other financial						
institutions	123,990	1,472	_	_	4,597	130,059
Balances with central bank	262,238	_	_	_	_	262,238
Placements with banks and other financial						
institutions	122,615	26,770	_	_	_	149,385
Loans and advances to						
customers	895,825	129,555	9,745	2,598	_	1,037,723
Investment securities	38,467	51,911	60,386	24,030	125	174,919
Finance lease receivables	29,288	_	_	_	_	29,288
Other financial assets	11,856	3,845	1,026	39	3,233	19,999
Tatal financial accets	4 404 070	040 550	74 457	00.007	7.055	4 000 044
Total financial assets	1,484,279	213,553	71,157	26,667	7,955	1,803,611
Financial liabilities:						
Deposits from customers	992,109	408,028	16,715	87	_	1,416,939
Due to and placements from	002,100	400,020	10,710	0,		1,410,000
banks and other financial						
institutions	180,928	37,716	6,500	_	_	225,144
Borrowings from other	,	,	,			,
financial institutions	19,544	5,667	_	_	_	25,211
Debt securities in issue	1,737	7,093	_	12,666	_	21,496
Other financial liabilities	8,774	26	64	243	7,739	16,846
Total financial liabilities	1,203,092	458,530	23,279	12,996	7,739	1,705,636
T	004.40=	(0.4.4.0==;	45.050	40.074	0.10	0= 0==
Total interest repricing gap	281,187	(244,977)	47,878	13,671	216	97,975

3 Financial risk management (Continued)

(3) Market risk (Continued)

c Interest rate risk (Continued)

			31 Decemb	er 2009		
					Non-	
	Up to 3	3 to 12	1 to 5	Over 5	interest	
	months	months	years	years	bearing	Total
Financial assets:						
Cash and due from banks						
and other financial						
institutions	57,932	3,916	_	_	4,464	66,312
Balances with central bank	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
Total financial assets	1,137,683	170,490	65,028	30,621	10,018	1,413,840
Financial liabilities:						
Deposits from customers	917,697	190,981	18,774	486	_	1,127,938
Due to and placements	317,037	130,301	10,774	400		1,127,300
from banks and other						
financial institutions	121,989	02 200	7,000			150 217
	121,909	23,328	7,000	_	_	152,317
Borrowings from other	0.101	4.750				10.071
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
Total financial liabilities	1,054,906	231,297	29,988	7,517	4,371	1,328,079
Total interest repricing gap	82,777	(60,807)	35,040	23,104	5,647	85,761
rotal interest repricing gap	02,111	(00,007)	35,040	23,104	5,047	05,701

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

c Interest rate risk (Continued)

			31 Decemb	er 2010		
					Non-	
	Up to 3	3 to 12	1 to 5	Over 5	interest	
	months	months	years	years	bearing	Total
Financial assets:						
Cash and due from banks						
and other financial						
institutions	123,388	1,470	_	_	3,996	128,854
Balances with central bank	261,628	_	_	_	_	261,628
Placements with banks						
and other financial						
institutions	122,615	26,770	_	_	_	149,385
Loans and advances to						
customers	895,130	126,947	9,585	2,598	_	1,034,260
Investment securities	38,142	51,861	60,386	24,030	125	174,544
Other financial assets	6,203	3,845	1,026	39	6,154	17,267
Total financial assets	1,447,106	210,893	70,997	26,667	10,275	1,765,938
Financial liabilities:						
Deposits from customers	988,077	406,881	16,680	87	_	1,411,725
Due to and placements						
from banks and other						
financial institutions	176,891	34,216	6,500	_	_	217,607
Debt securities in issue	1,737	7,093	_	12,666	_	21,496
Other financial liabilities	8,567	26	64	243	4,305	13,205
Total financial liabilities	1,175,272	448,216	23,244	12,996	4,305	1,664,033
Total interest repricing gap	271,834	(237,323)	47,753	13,671	5,970	101,905

3 Financial risk management (Continued)

(3) Market risk (Continued)

c Interest rate risk (Continued)

			31 Decemb	er 2009		
					Non-	
	Up to 3	3 to 12	1 to 5	Over 5	interest	
	months	months	years	years	bearing	Total
Financial assets:						
Cash and due from banks						
and other financial						
institutions	57,925	3,916	_	_	3,239	65,080
Balances with central bank	221,505	_	_	_	_	221,505
Placements with banks and						
other financial institutions	61,287	11,628	100	_	_	73,015
Loans and advances to						
customers	757,830	96,981	9,154	2,327	_	866,292
Investment securities	14,659	54,420	54,508	27,992	125	151,704
Other financial assets	5,236	2,211	1,225	302	5,102	14,076
Total financial assets	1,118,442	169,156	64,987	30,621	8,466	1,391,672
Financial liabilities:						
Deposits from customers	915,575	190,557	18,772	486	_	1,125,390
Due to and placements						
from banks and other						
financial institutions	120,527	21,855	7,000	_	_	149,382
Debt securities in issue	_	12,175	4,135	6,750	_	23,060
Other financial liabilities	5,827	31	79	281	2,785	9,003
Total financial liabilities	1,041,929	224,618	29,986	7,517	2,785	1,306,835
Total interest reprising see	76,513	(EE 460)	25 001	23,104	5,681	84,837
Total interest repricing gap	70,013	(55,462)	35,001	23,104	0,001	04,037

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(3) Market risk (Continued)

c Interest rate risk (Continued)

If the interest rates move in parallel for 100 basis points on Jan 1,2011, the potential impact on the net interest income of the nest year is as follows:

Group

	31 Decen	nber
	2010	2009
	Gain/(loss)	Gain/(loss)
100 bps upward changes of interest rate	1,531	494
100 bps downward changes of interest rate	(1,531)	(494)

Bank

	31 December		
	2010	2009	
	Gain/(loss)	Gain/(loss)	
100 bps upward changes of interest rate	1,478	459	
100 bps downward changes of interest rate	(1,478)	(459)	

In performing the interest rate sensitivity analysis, the Group and Bank make the general assumptions in defining business terms and financial parameters, but have not considered the following:

- changes after the reporting date, as the analysis is performed based on the static gap at the time point of the reporting date;
- the impact of interest rate fluctuations on the customers' behaviours;
- the complicated relationship between complex structured products (e.g. embedded early redemption options and other derivative financial instruments) and interest rate fluctuations;
- the impact of interest rate fluctuations on market prices; and
- the impact of interest rate fluctuation on off statement products.

(4) Liquidity risk

Liquidity risk is the risk that the Group is unable to provide funds for maturing liabilities through asset realization at reasonable price on a timely basis.

The Bank and the subsidiaries manage their respective liquidity risks separately and independently, and the Bank manages the liquidity risk of all its branches.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

The Bank has exposure to daily calls on its available cash resources from overnight deposits, demand deposits, maturing deposits, loan draw downs, guarantees and other calls on cash settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

According to the Commercial Bank Law, the Rmb loan-to-deposit ratios is required to be within 75%. The Bank's Rmb loan-to-deposit ratio is in compliance with the requirements of the Commercial Bank Law and the CBRC requirement.

As at 31 December 2010, the Bank was required to maintain 17% of the total Rmb denominated deposits and 5% of the total foreign currency denominated balances with PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

a Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Assets and Liabilities Management Committee of the Bank (the ALM Committee) is responsible for formulating liquidity risk management policies. The Assets and Liabilities Management Department under the ALM Committee is responsible for daily liquidity risk management through the following procedures:

- Manages the day-to-day position through monitoring the future cash flow to ensure it meets the
 required fund position, including matured deposits and replenishment of funds for loan demand.
 The Bank actively participates in global money market transactions to ensure the Bank's funding
 requirements are satisfied.
- Sets ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to loan to deposit ratio, the deposit reserve ratio, liquidity ratio, and liquidity gap ratio, and guiding target ratios have been set for every branch.
- Monitors the liquidity ratio and liquidity gap ratio through the asset and liabilities management system, and performs liquidity scenario analysis and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity management decision is made based on the estimated liquidity requirements. A periodical reporting system is established to update the senior management of the latest information on liquidity risks in a timely manner.
- Monitors and enhances the maturity concentration risk of financial assets and hold an appropriate
 quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to
 fund its repayment obligations and business growth in the event of an interruption of cash flows
 due to whatever causes.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

b Maturity analysis

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

				31 Decen	nber 2010	2010			
	On	Up to 1	1 to 3	3 to 12	1 to 5	Over 5			
	demand	month	months	months	years	years	Overdue	Total	
Financial Assets:									
Cash and due from banks									
and other financial									
institutions	56,106	44,441	28,040	1,472	_	_	_	130,059	
Balances with central bank	262,238	_	-	-	-	_	_	262,238	
Placements with banks									
and other financial									
institutions	_	64,798	55,474	26,770	2,343	_	_	149,385	
Loans and advances to									
customers	_	58,456	94,359	458,572	288,355	133,657	4,324	1,037,723	
Investment securities									
 available-for-sale 	_	1,412	4,990	18,644	5,279	4,867	_	35,192	
 held-to-maturity 	_	8,628	16,145	24,101	61,940	17,796	_	128,610	
 loans and receivables 	_	_	681	1,444	3,007	5,985	_	11,117	
Finance lease receivables	_	848	1,224	6,345	18,613	2,258	_	29,288	
Other financial assets	16	2,460	1,441	12,337	2,851	894	_	19,999	
Total financial assets	318,360	181,043	202,354	549,685	382,388	165,457	4,324	1,803,611	
Financial Liabilities:									
Deposits from customers	652,411	194,012	145,686	285,754	138,489	587	-	1,416,939	
Due to and placements									
from banks and other									
financial institutions	36,608	64,384	66,827	43,991	13,070	264	_	225,144	
Borrowings from other									
financial institutions	_	760	5,750	17,592	720	389	_	25,211	
Debt securities in issue	-	-	-	-	6,095	15,401	_	21,496	
Other financial liabilities	132	2,245	846	10,177	2,544	902	_	16,846	
Total financial liabilities	689,151	261,401	219,109	357,514	160,918	17,543		1,705,636	

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

b Maturity analysis (Continued)

				31 Decen	nber 2009			
	On	Up to 1	1 to 3	3 to 12	1 to 5	Over 5		
	demand	month	months	months	years	years	Overdue	Total
Financial Assets:								
Cash and due from banks								
and other financial								
institutions	43,832	11,066	7,495	3,919	_	_	_	66,312
Balances with central bank	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
Total financial assets	265,422	120,616	115,510	395,335	357,137	154,665	5,155	1,413,840
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
Total financial liabilities	589,930	260,448	119,931	227,138	118,203	12,429	_	1,328,079

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

b Maturity analysis (Continued)

				31 Decem	nber 2010			
	On	Up to 1	1 to 3	3 to 12	1 to 5	Over 5		
	demand	month	months	months	years	years	Overdue	Total
Financial Assets:								
Cash and due from banks								
and other financial								
institutions	55,053	44,291	28,040	1,470	-	-	_	128,854
Balances with central bank	261,628	_	-	-	-	_	_	261,628
Placements with banks								
and other financial								
institutions	_	64,798	55,474	26,770	2,343	_	_	149,385
Loans and advances to								
customers	_	58,194	93,850	456,032	288,203	133,657	4,324	1,034,260
Investment securities								
available-for-sale	_	1,412	4,990	18,644	5,279	4,867	_	35,192
 held-to-maturity 	_	8,303	16,145	24,051	61,940	17,796	_	128,235
 loans and receivables 	_	-	681	1,444	3,007	5,985	-	11,117
Other financial assets		462	789	9,335	2,793	3,888		17,267
Tatal financial accets	040 004	477.400	400.000	507.740	000 505	100 100	4.004	4 705 000
Total financial assets	316,681	177,460	199,969	537,746	363,565	166,193	4,324	1,765,938
Electrical Policings								
Financial Liabilities:	040 400	400 557	445.000	004.007	400.454	F07		4 444 705
Deposits from customers	649,130	193,557	145,390	284,607	138,454	587	_	1,411,725
Due to and placements								
from banks and other	07.050	04.005	05 500	07.000	40.007			047.007
financial institutions	37,256	64,805	65,530	37,989	12,027	45.404	_	217,607
Debt securities in issue	-	-	-		6,095	15,401	_	21,496
Other financial liabilities	100	1,691	651	9,558	661	544	_	13,205
Total financial liabilities	686,486	260,053	211,571	332,154	157,237	16,532	_	1,664,033
Total illianolal liabilities	300,700	200,000	211,071	302,107	101,201	10,002		1,004,000

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

b Maturity analysis (Continued)

				31 Decem	nber 2009			
	On	Up to 1	1 to 3	3 to 12	1 to 5	Over 5		
	demand	month	months	months	years	years	Overdue	Total
Financial Assets:								
Cash and due from banks and other financial								
institutions	42,603	11,066	7,495	3,916	_	_	_	65,080
Balances with central bank	221,505	_	_	_	_	_	_	221,505
Placements with banks and other financial								
institutions	_	55,849	1,350	12,128	3,688	_	_	73,015
Loans and advances to								
customers	_	51,666	95,539	320,539	271,613	122,137	4,798	866,292
Investment securities								
- available-for-sale	_	613	2,004	5,672	27,796	12,950	_	49,035
 held-to-maturity 	_	580	4,828	11,014	32,630	8,050	_	57,102
 loans and receivables 	_	90	2,416	31,747	2,247	9,067	_	45,567
Other financial assets	_	277	582	6,085	2,986	4,146	_	14,076
Total financial assets	264,108	120,141	114,214	391,101	340,960	156,350	4,798	1,391,672
Financial Liabilities:								
Deposits from customers	551,411	187,305	108,132	194,911	82,645	986	_	1,125,390
Due to and placements								
from banks and other								
financial institutions	39,646	70,312	10,569	1,727	27,100	28	_	149,382
Debt securities in issue	_	_	_	6,088	6,087	10,885	_	23,060
Other financial liabilities	31	813	132	6,782	776	469	_	9,003
Total financial liabilities	591,088	258,430	118,833	209,508	116,608	12,368	_	1,306,835

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

c 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 inflows.

Group

			31 Decemb	per 2010		
	Up to 1	1 to 3	3 to 12	1 to 5	Over 5	
	month	months	months	years	years	Total
Financial Liabilities:						
Deposits from customers	855,814	147,369	298,137	156,836	639	1,458,795
Due to and placements						
from banks and other						
financial institutions	102,065	69,588	45,913	15,080	297	232,943
Borrowings from other						
financial institutions	763	5,935	18,008	862	442	26,010
Debt securities in issue	_	277	644	9,142	21,144	31,207
Other financial liabilities	2,359	804	1,358	2,498	732	7,751
Total financial liabilities						
(contractual maturity date)	961,001	223,973	364,060	184,418	23,254	1,756,706
Financial Assets:						
Total financial assets						
(expected maturity date)	505,640	215,154	581,491	478,204	232,383	2,012,872

_	31 December 2009									
	Up to 1	1 to 3	3 to 12	1 to 5	Over 5					
	month	months	months	years	years	Total				
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				
Total financial liabilities										
(contractual maturity date)	856,639	121,484	227,430	133,583	17,900	1,357,036				
Financial Assets:										
Total financial assets										
(expected maturity date)	393,459	120,275	394,477	427,321	211,290	1,546,822				

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

c Non-derivative cash flows (Continued)

Bank

	31 December 2010					
	Up to 1	1 to 3	3 to 12	1 to 5	Over 5	
	month	months	months	years	years	Total
Financial Liabilities:						
Deposits from customers	852,078	147,073	296,989	156,802	639	1,453,581
Due to and placements						
from banks and other						
financial institutions	103,154	68,189	39,728	13,873	_	224,944
Debt securities in issue	_	277	644	9,142	21,144	31,207
Other financial liabilities	1,773	609	946	612	374	4,314
Total financial liabilities						
(contractual maturity date)	957,005	216,148	338,307	180,429	22,157	1,714,046
Financial Assets:						
Total financial assets						
(expected maturity date)	502,152	213,135	570,269	450,628	231,721	1,967,905

Bank

_	31 December 2009					
	Up to 1	1 to 3	3 to 12	1 to 5	Over 5	
	month	months	months	years	years	Total
Financial Liabilities:						
Deposits from customers	743,468	109,173	199,664	92,725	1,123	1,146,153
Due to and placements						
from banks and other						
financial institutions	111,467	10,770	2,387	29,795	28	154,447
Debt securities in issue	_	277	6,616	8,737	16,347	31,977
Other financial liabilities	834	79	883	678	307	2,781
Total financial liabilities						
(contractual maturity date)	855,769	120,299	209,550	131,935	17,805	1,335,358
Financial Assets:						
Total financial assets						
(expected maturity date)	390,331	119,382	389,177	409,070	212,819	1,520,779

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

d 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, credit risk mitigation warrant.

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.

Group and Bank

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2010						
Interest rate						
derivatives	(6)	9	28	88	_	119
Credit derivatives	_	_	_	1	_	1
	(6)	9	28	89		120
31 December 2009						
Interest rate						
derivatives	(8)	4	2	6	_	4
Credit derivatives	_	_	_	1	_	1
	(8)	4	2	7	_	5

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

d Derivative cash flow

(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 Bank's 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.

Group and Bank

	Up to 1	1 to 3	3 to 12	1 to 5	Over 5	
	month	months	months	years	years	Total
31 December 2010 Foreign exchange derivatives — Cash outflow — Cash inflow	(10,902) 10,895	(8,259) 8,272	(10,065) 10,092	Ξ	Ξ	(29,226) 29,259
Precious metal derivatives — Cash outflow — Cash inflow	(762) 798	Ξ	(24) 24	Ξ	Ξ	(786) 822
Total cash outflow	(11,664)	(8,259)	(10,089)	_	_	(30,012)
Total dadit datilow	(11,004)	(0,200)	(10,000)			(00,012)
Total cash inflow	11,693	8,272	10,116	_	_	30,081
Group and Bank	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2009 Foreign exchange derivatives — Cash outflow — Cash inflow	(4,458) 4,491	(2,086) 2,087	(11,230) 11,234	_ _		(17,774) 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

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

e 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.

Group

	31 December 2010				
	No later than	1 to 5	Over 5		
	1 year	years	years	Total	
Acceptances	308,584	_	_	308,584	
Letters of credit	28,872	1,190	_	30,062	
Letters of guarantee	27,087	20,253	2,775	50,115	
Trade finance arrangement	24,267	_	_	24,267	
Unused credit card limits	18,618	_	_	18,618	
Capital commitments	3,087	5,209	_	8,296	
Financial lease commitments	1,898	_	_	1,898	
Irrevocable loan commitments	1,160	1,228	3,241	5,629	
Operating lease commitments	1,134	2,094	921	4,149	
Total	414,707	29,974	6,937	451,618	

	31 December 2009			
	No later than	1 to 5	Over 5	
	1 year	years	years	Total
Acceptances	216,657	_	_	216,657
Letters of credit	14,392	697	5	15,094
Letters of guarantee	19,225	24,334	2,034	45,593
Trade finance arrangement	24,349	_	_	24,349
Unused credit card limits	14,337	_	_	14,337
Capital commitments	790	2,509	_	3,299
Financial lease commitments	1,841	_	_	1,841
Irrevocable loan commitments	1,766	67	3,589	5,422
Operating lease commitments	875	2,557	852	4,284
Total	294,232	30,164	6,480	330,876

3 Financial risk management (Continued)

(4) Liquidity risk (Continued)

e Off statement items (Continued)

Bank

	31 December 2010				
	No later than				
	1 year	1 to 5 years	Over 5 years	Total	
Acceptances	308,012	_	_	308,012	
Letters of credit	28,872	1,190	_	30,062	
Letters of guarantee	27,087	20,253	2,775	50,115	
Trade finance arrangement	24,267	_	_	24,267	
Unused credit card limits	18,618	_	_	18,618	
Capital commitments	3,087	319	_	3,406	
Irrevocable loan commitments	1,160	1,228	3,241	5,629	
Operating lease commitments	1,120	2,054	884	4,058	
Total	412,223	25,044	6,900	444,167	

Bank

	31 December 2009			
	No later than	1 to 5	Over 5	
	1 year	years	years	Total
Acceptances	216,555	_	_	216,555
Letters of credit	14,392	697	5	15,094
Letters of guarantee	19,225	24,334	2,034	45,593
Trade finance arrangement	24,349	_	_	24,349
Unused credit card limits	14,337	_	_	14,337
Capital commitments	250	6	_	256
Irrevocable loan commitments	1,766	67	3,589	5,422
Operating lease commitments	867	2,537	852	4,256
Total	291,741	27,641	6,480	325,862

(5) Fair value of financial assets and liabilities

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level
includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange,
Frankfurt Stock Exchange, New York Stock Exchange) and exchanges traded derivatives like futures
(e.g. Nasdag, S&P 500).

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(5) Fair value of financial assets and liabilities (Continued)

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset
 or liability, either directly (ie as prices) or indirectly (ie derived from prices). This level includes the
 majority of the OTC derivative contracts, traded loans and issued structured debt. The Sources of input
 parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

a Financial instruments measured at fair value

Group and Bank

	31 December 2010			
	Level 1	Level 2	Level 3	
Financial assets at fair value through				
profit or loss				
 Trading securities 	30	5,994	_	
 Trading derivatives 	_	476	_	
Available-for-sale				
Securities	92	34,778	197	
Total	122	41,248	197	
Financial liabilities at fair value through				
profit or loss				
 Trading derivatives 	_	(368)	_	
Total	_	(368)	_	

Group and Bank

	31 December 2009			
	Level 1	Level 2	Level 3	
Financial assets at fair value through				
profit or loss				
 Trading securities 	_	4,747	_	
 Trading derivatives 	_	465	_	
Available-for-sale securities	67	48,284	559	
Total	67	53,496	559	
Financial liabilities at fair value through profit or loss				
- Trading derivatives		(394)	(1)	
Total	_	(394)	(1)	

There have been no significant transfers between level 1 and level 2 during the year of 2010.

3 Financial risk management (Continued)

(5) Fair value of financial assets and liabilities (Continued)

b Financial instruments not measured at fair value

The estimated fair values of the Group's financial assets and liabilities, of which the respective carrying value are different, are summarized as follows:

Group

	Carrying value	
	31 December	31 December
	2010	2009
Financial assets:		
Loans and advances to customers	1,037,723	867,738
Investment securities		
 Held-to-maturity 	128,610	57,142
 Loans and receivables 	11,117	45,567
Financial liabilities:		
Deposits from customers	1,416,939	1,127,938
Debt securities in issue and borrowings from foreign governments	21,829	23,451

And other off-statement credit commitments of the contract value of financial instruments refer to Note 36 (1).

	Fair value		
	31 December	31 December	
	2010	2009	
Financial assets:			
Loans and advances to customers	1,038,564	868,126	
Investment securities			
 Held-to-maturity 	127,013	57,023	
 Loans and receivables 	11,220	45,852	
Financial liabilities:			
Deposits from customers	1,417,231	1,128,625	
Debt securities in issue and borrowings from foreign governments	21,300	22,965	
Credit commitments	1,754	941	

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(5) Fair value of financial assets and liabilities (Continued)

b Financial instruments not measured at fair value (Continued)

Bank

	Carrying value		
	31 December	31 December	
	2010	2009	
Financial assets:			
Loans and advances to customers	1,034,260	866,292	
Investment securities			
 Held-to-maturity 	128,235	57,102	
 Loans and receivables 	11,117	45,567	
Financial liabilities:			
Deposits from customers	1,411,725	1,125,390	
Debt securities in issue and borrowings from foreign governments	21,829	23,451	

	Fair va	alue
	31 December	31 December
	2010	2009
Financial assets:		
Loans and advances to customers	1,035,101	866,680
Investment securities		
 Held-to-maturity 	126,638	56,983
 Loans and receivables 	11,220	45,852
Financial liabilities:		
Deposits from customers	1,411,997	1,126,076
Debt securities in issue and borrowings from foreign governments	21,300	22,965
Credit commitments	1,754	941

(i) Cash and due from banks and other financial institutions, finance lease receivables, placements with banks and other financial institutions, due to and placements from banks and other financial institutions and borrowings from other financial institutions.

Given these financial assets and liabilities have a maturity of less than a year or have floating interest rates, their book values approximate their fair value.

(ii) Loans and advances, and investment securities - loans and receivables

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

(All amounts in Rmb millions unless otherwise stated)

Financial risk management (Continued) 3

Fair value of financial assets and liabilities (Continued)

Financial instruments not measured at fair value (Continued)

Held-to-maturity investment securities

The fair value for held-to-maturity assets is based on "bid" market prices or broker/dealer price quotations.

(iv) Customer deposits

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

Debt securities in issue and borrowings from foreign governments (v)

Fair values of debt securities in issue and borrowings from foreign governments are based on quoted market prices. For bonds where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for the nature of the obligations with similar remaining maturities.

(vi) Credit commitments

The fair value of credit commitments is estimated based on the fair value of a similar financial instrument in the market. If there is no such information, its fair value will be measured using the discounted cash flow method.

Capital management

The capital management of the Group aims to ensure compliance with regulatory requirements, continuously improve its ability to mitigate risks and enhance the return on its capital. On this basis, the Group has set its capital adequacy objectives, and takes a range of measures, including budgeting/planning and performance measurement and limit management, to ensure the realization of management objectives, so as to meet the requirements for regulatory compliance, credit rating, risk premium and shareholder return, and to facilitate the Group's risk management, ensure the orderly expansion of the asset base and enhance the business structure and model.

In the recent years, the Bank's business scale has maintained a relatively rapid development trend, with an increase in the utilization of capital. In order to ensure the CAR is in line with regulatory requirements and to maximise the shareholders' return while controlling risks, the Group commits to establish and foster discipline to manage capital in the most economic and efficient manner. There is continuous improvement of capital occupation measurement mechanisms and the introduction of the planning and performance assessment that has return on capital as the primary performance indicator. At the same time, enhanced management is exercised in the use of capital, and management policies have been implemented to guide a balanced growth of assets in its business entities, help to reduce capital requirements and to improve the return on capital.

(All amounts in Rmb millions unless otherwise stated)

3 Financial risk management (Continued)

(6) Capital management (Continued)

The Group calculates and discloses its Capital Adequacy Ratio in accordance with "The Administrative Rules on Capital Adequacy Ratios of Commercial Banks" and other related rules and regulations issued by the CBRC, and the Accounting Standards for Business Enterprises issued by the Ministry of Finance ("MOF") in 2006 ("CAS").

The capital adequacy ratio and core capital adequacy ratio of the Group complied with the requirement of the CBRC.

	31 December		
	2010	2009	
Core Capital:			
Share Capital	26,715	22,262	
Capital reserve net of unrealized gain from available-for-sale securities	37,787	38,075	
Surplus reserve	5,903	4,184	
General reserve	13,822	10,904	
Retained earnings	18,112	12,471	
Non-controlling interest in equity	1,149	860	
Cara Carital	400 400	00.750	
Core Capital:	103,488	88,756	
Less: 50% of the investment in unconsolidated non-bank	(00)	(00)	
financial institutions	(62)	(62)	
Net Core Capital	103,426	88,694	
Supplementary Capitaly			
Supplementary Capital: Revaluation reserves		0.6	
General provision	15,308	86 10,438	
Hybrid capital bonds	9,300	9,300	
Long-term subordinated bonds	5,800	1,400	
Long-term subordinated bonds	5,000	1,400	
Total of the supplementary Capital (Max of the 100% of net Core capital)	30,408	21,224	
Total Capital	133,896	109,980	
Less: Investment in unconsolidated non-bank financial institutions	(124)	(124)	
Subordinated bonds issued by other commercial banks after	(124)	(124)	
1 July 2009	_	(2,200)	
Net Capital	133,772	107,656	
The Suprem		101,000	
Total risk-weighted assets	1,280,847	993,773	
Core capital adequacy ratio	8.07%	8.92%	
Capital adequacy ratio	10.44%	10.83%	

(All amounts in Rmb millions unless otherwise stated)

4 Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgments, which affect the carrying value of assets and liabilities, are set out below. It is impracticable to determine the effect of changes to either the key assumptions discussed below or other estimation uncertainties. It is possible that actual results may require material adjustments to the estimates referred to below.

(1) Impairment allowances on loans and advances

Besides impairment assessment for individually impaired loans, the Group reviews its loan portfolios to assess impairment regularly. In determining whether a provision for loan impairments should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults of borrowers. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(2) Fair value of derivative and other financial instruments

The Group establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

(3) Impairment of available-for-sale securities and held-to-maturity securities

The Group follows the guidance of IAS 39 in determining impairment of available-for-sale securities and held-to-maturity securities. The determination of impairment requires a high level of management judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and perspective of the investee, including industry and sector performance, technological changes, credit ratings, delinquency rates, loss provision coverage and counterparty risk.

(All amounts in Rmb millions unless otherwise stated)

4 Critical accounting estimates and judgements in applying accounting policies (Continued)

(4) Held-to-maturity securities

The Group classifies certain non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. Other than in specific circumstances (e.g. sale of an insignificant amount of held-to-maturity securities at a time close to maturity), if the Group fails to hold these securities to maturity or reclassifies some of the securities to available-for-sale securities, the Group shall have to reclassify any of the remaining held-to-maturity securities as available-for-sale securities, and measure them at fair value rather than amortized cost.

(5) Taxation

In the ordinary course of business, many transactions and calculations involve uncertainties in the ultimate tax determination, and significant estimates are required in determining the provision for business tax and income tax. The Group recognizes liabilities for anticipated tax inspection issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the business tax, income tax and deferred income tax provisions in the period during which such a determination is made.

5 Segment information

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group senior management, which is responsible for allocating resources to the reportable segments and assesses its performance.

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

Segment assets, liabilities, revenues, operating results and capital expenditures are measured based on the Group's accounting policies. The items of segment include those which can be directly attributable to the segment and can be assigned to the segment based on reasonable criteria. As part of the management of assets and liabilities, the Group's capital resource and application are allocated to various business segments through treasury business. The Group's FTP mechanism to deposit and loan interest rates and market interest rates as the benchmark, determined FTP with reference to different products and their period, the impact of internal trading have been offset when prepare consolidated statements.

(All amounts in Rmb millions unless otherwise stated)

5 Segment information (Continued)

The segment information is disclosed as following regions and lines:

Geography segment:

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

(All amounts in Rmb millions unless otherwise stated)

5 Segment information (Continued)

Спосор						
					Inter-	
	Northern	Eastern	Southern	Other	segment	
	China	China	China	locations	elimination	Total
2010						
20.0						
External Interest income	16,136	15,861	4,514	9,362	_	45,873
Inter-segment Interest (expense)/income	(1,594)	488	837	269	_	-
	(1,001)					
Net interest income	14,542	16,349	5,351	9,631	_	45,873
THE INTEREST INSTITUTE	14,042	10,040	0,001	0,001		40,010
Fee and commission income	5,786	1,505	600	862	_	8,753
Fee and commission expense	(235)	(112)	(64)	(53)		(464)
Tee and commission expense	(233)	(112)	(04)	(55)		(404)
Not fee and commission income	E EE4	4 202	F06	200		0.000
Net fee and commission income	5,551	1,393	536	809		8,289
Oranation	(40.050)	(C FFC)	(0.050)	(0.700)		(05.450)
Operating expense	(12,258)	(6,556)	(2,852)	(3,786)	_	(25,452)
Impairment losses on assets	(1,924)	(2,227)	(404)	(949)	_	(5,504)
Net other income	(193)	(36)	(1)			(230)
Total profit	5,718	8,923	2,630	5,705		22,976
As at 31 December 2010						
Segment assets	1,082,213	613,448	228,677	328,094	(433,150)	1,819,282
Unallocated						4,455
Total assets						1,823,737
Segment liabilities	(1,011,283)	(599,242)	(223,080)	(318,025)	433,150	(1,718,480)
oogmont llabilities	(1,011,200)	(333,272)	(220,000)	(010,023)	400,100	(.,, .0, .00)
Depreciation and amortization	568	209	127	168		1.070
Depreciation and amortization		209			_	1,072
Capital expenditure	3,561		167	152	_	4,153
Credit commitments	93,735	174,539	55,872	115,027		439,173

(All amounts in Rmb millions unless otherwise stated)

Segment information (Continued) 5

	Northern	Eastern	Southern	Other	Inter- segment	
	China	China	China	locations	elimination	Total
2009						
External Interest income	13,133	9,391	3,238	6,478	_	32,240
Inter-segment Interest (expense)/income	(2,366)	1,157	1,075	134	_	
Net interest income	10,767	10,548	4,313	6,612		32,240
Fee and commission income	3,287	888	479	352	_	5,006
Fee and commission expense	(174)	(70)	(64)	(34)		(342)
Net fee and commission income	3,113	818	415	318		4,664
Operating expense	(10,441)	(4,930)	(2,392)	(2,776)	_	(20,539)
Impairment losses on assets	(2,865)	(1,519)	(132)	(791)	_	(5,307)
Net other income	4,932	(139)	(73)	(122)		4,598
Total profit	5,506	4,778	2,131	3,241	_	15,656
As at 31 December 2009						
Segment assets Unallocated	925,604	482,244	205,114	251,198	(440,949)	1,423,211 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	80,219	122,879	38,002	82,194	_	323,294

(All amounts in Rmb millions unless otherwise stated)

5 Segment information (Continued)

The business segments can be divided into four lines: Corporate banking business, Retail banking business, Treasury business and Other business.

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

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.

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 profit and loss caused by foreign currency exchange and the effect to the profit and loss from internal fund surplus or shortage caused by interest-bearing assets and interest-bearing liabilities.

Other business — the Group's other businesses including the Group's investments, leasing business 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.

5 Segment information (Continued)

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

	Corporate banking	Retail banking	Treasury	Other business and		
	business	business	business	unallocated	Elimination	Total
2010						
Net interest income Include: inter-segment net	25,838	7,659	11,496	880	-	45,873
interest income	(827)	(1,459)	2,286	-	-	-
Net fee and commission income Include: inter-segment net fee and	5,252	1,470	1,125	442	-	8,289
commission income	44	-	-	(44)	-	-
Operating expense	(15,684)	(4,798)	(4,885)	(85)	_	(25,452)
Impairment losses on assets	(4,460)	(892)	64	(216)	_	(5,504)
Net other income	(571)	(3)	557	(213)		(230)
Total profit	10,375	3,436	8,357	808		22,976
As at 31 December 2010						
Segment assets	765,678	281,331	731,024	41,249	_	1,819,282
Unallocated						4,455
Total assets						1,823,737
Segment liabilities	(1,194,969)	(231,269)	(243,194)	(49,048)	_	(1,718,480)

(All amounts in Rmb millions unless otherwise stated)

5 Segment information (Continued)

				Other		
	Corporate	Retail		business		
	banking	banking	Treasury	and		
	business	business	business	unallocated	Elimination	Total
2009						
Net interest income	19,012	4,307	8,921	-	_	32,240
Include: inter-segment net interest income	(3,038)	490	2,548	_	_	_
Net fee and commission income	3,037	1,291	336	_	_	4,664
Include: inter-segment net fee and commission income	-	_	_	_	_	_
Operating expense	(12,561)	(3,032)	(4,946)	_	_	(20,539)
Impairment losses on assets	(4,415)	(582)	(302)	(8)	_	(5,307)
Net other income	(379)	(4)	9	4,972		4,598
Total profit	4,694	1,980	4,018	4,964	_	15,656
As at 31 December 2009						
Segment assets Unallocated	640,504	166,844	550,413	65,450	-	1,423,211 3,181
Total assets						1,426,392
Segment liabilities	(928,721)	(194,513)	(205,286)	(8,978)	_	(1,337,498)

6 Net interest income

	Year ended 31 De	cember
	2010	2009
Interest income:		
Loans and advances to customers		
Loans to corporate entities	41,394	33,786
Loans to individuals	12,080	6,737
Loans to discounted bills	2,744	2,676
Investment securities	5,272	5,478
Balances with central bank	· ·	
	2,912	1,941
Placements with banks and other financial institutions	2,713	1,767
Finance lease receivables	1,853	745
— Due from banks	1,808	311
	70,776	53,441
		,::-
Interest expense:		
 Deposits from customers 	(18,592)	(16,063
 Due to and placements from banks and other financial institutions 	(4,707)	(3,600
 Debt securities in issue 	(955)	(1,315
 Borrowings from banks and other financial institutions 	(647)	(221
- Others	(2)	(2
	(24,903)	(21,201
	(24,300)	(21,201
Net interest income	45,873	32,240
Included within interest income:		
Interest income on listed investments	4,491	4,047
Interest income on unlisted investments	781	1,431
Interest income accrual on identified impaired financial assets	170	178

7 Fee and commission income

	Year ended 3	Year ended 31 December		
	2010	2009		
Financial advisory services	2,858	1,577		
Custodian and other fiduciary service	1,764	633		
Credit commitments	1,462	926		
Bank card services	1,007	1,207		
Settlement services	924	299		
Securities underwriting services	335	135		
Others	403	229		
Total	8,753	5,006		

(All amounts in Rmb millions unless otherwise stated)

8 Net trading income

	Year ended 31 December		
	2010	2009	
Gain on exchange rate instruments	539	177	
(Loss)/gain on precious metal and other products	(168)	98	
Loss on interest rate instruments	(87)	(51)	
Total	284	224	

9 Net gain on disposal of available-for-sale securities

	Year ended 3	Year ended 31 December		
	2010	2009		
Net gain on disposal of Haitong securities	_	4,902		
Others	221	7		
Total	221	4,909		

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.

10 Impairment losses on assets

	Year ended 31 De	Year ended 31 December		
	2010	2009		
Loans and advances to customers	5,303	4,792		
Finance lease receivables	195	176		
Held-to-maturity securities	-	(54)		
Available-for-sale securities	(64)	356		
Others	70	37		
Total	5,504	5,307		

11 Operating Expenses

	Year ended 31 Dec	Year ended 31 December	
	2010	2009	
Staff costs, including directors' emoluments			
 Salary, including bonus 	7,839	6,658	
 Social insurance 	1,280	1,058	
Other benefits	1,723	1,428	
Business tax and surcharges	3,827	2,802	
Business development expenses	1,921	1,634	
Office expenses	1,900	1,578	
Lease expense, primarily for office	1,257	983	
Electronic equipment operating expenses	1,170	705	
Depreciation and amortization	1,041	721	
Automobile expenses	491	564	
Travelling expenses	368	291	
Mailing and telegraph expenses	366	332	
Conference expenses	270	225	
CBRC supervisory charges	103	138	
Others	1,896	1,422	
Total	25,452	20,539	

Auditors' remuneration included in the operating expenses as for the year ended 31 December 2010 was Rmb7.60 million (2009: Rmb6.60 million).

(All amounts in Rmb millions unless otherwise stated)

12 Directors and Supervisors' emoluments

	For the year	ended 31 Decembe	er 2010 (in thousands	of Rmb)
	Basic salaries,	Contributions		
	allowances	to pension	Discretionary	
	and benefits	schemes	Bonus	Total
Dong Wenbiao ⁽¹⁾	4,353	328	2,474	7,155
Hong Qi ⁽¹⁾	4,068	303	2,474	6,845
Qiao Zhimin ⁽¹⁾	3,672	278	2,461	6,411
Liang Yutang ⁽¹⁾	3,356	253	2,087	5,696
Chen Jinzhong ⁽¹⁾	1,878	154	1,940	3,972
Wang Lei	1,844	160	1,844	3,848
Andrew Wong	1,110	_	_	1,110
Qin Rongsheng	1,045	_	_	1,045
Han Jianmin	940	_	_	940
Wang Songqi	940	_	_	940
Zhang Hongwei	860	_	_	860
Wang Lihua	850	_	_	850
Lu Zhiqiang	840	_	_	840
Wang Hang	825	_	_	825
Liu Yonghao	795	_	_	795
Wong Hei	785	_	_	785
Wang Junhui	780	_	_	780
Xing Jijun	756	_	_	756
Shi Yuzhu	755	_	_	755
Wang Yugui	750	_	_	750
Chen Jian	680	_	_	680
Xu Rui	665	_	_	665
Wang Liang	660	_	_	660
Lu Zhongnan	650	_	_	650
Zhang Disheng	605	_	_	605
Liang Jinquan ⁽²⁾	_	_	_	_

⁽¹⁾ The above were actual amounts paid. In addition, the Bank defers part of the performance-based compensations to the executive directors and the chairman of the supervisory board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 29

⁽²⁾ Liang Jinquan waived emoluments for the year ended 31 December 2010.

(All amounts in Rmb millions unless otherwise stated)

12 Directors and Supervisors' emoluments (Continued)

	For the year ended 31 December 2009 (in thousands of Rmb)			of Rmb)
	Basic salaries,	Contributions		-
	allowances	to pension	Discretionary	
	and benefits	schemes	bonus	Total
Dong Wenbiao ⁽¹⁾	3,846	270	2,430	6,546
Hong Qi ⁽¹⁾	3,459	209	2,601	6,269
Qiao Zhimin ⁽¹⁾	3,308	209	2,267	5,784
Huang Diyan ⁽⁵⁾	233	_	4,770	5,003
Liang Yutang ⁽¹⁾	2,757	209	1,911	4,877
Chen Jinzhong	1,989	128	1,747	3,864
Wang Lei	1,985	133	1,589	3,707
Wang Tongshi ⁽³⁾	1,152	_	1,376	2,528
Andrew Wong	1,120	_	_	1,120
Wang Songqi	925	_	_	925
Lu Zhiqiang	865	_	_	865
Zhang Hongwei	860	_	_	860
Wang Hang	820	_	_	820
Zhang Ke(3)	808	_	_	808
Wong Hei	777	_	_	777
Xing Jijun	762	_	_	762
Wang Yugui	760	_	_	760
Shi Yuzhu	710	_	_	710
Chen Jian	690	_	_	690
Xu Rui	685	_	_	685
Wang Liang	667	_	_	667
Lu Zhongnan	660	_	_	660
Gao Shangquan ⁽³⁾	652	_	_	652
Zhang Disheng	622	_	_	622
Liu Yonghao ⁽⁴⁾	612	_	_	612
Wang Junhui ⁽⁴⁾	565	_	_	565
Qin Rongsheng ⁽⁴⁾	230	_	_	230
Wu Zhipan ⁽³⁾	220	_	_	220
Han Jianmin ⁽⁴⁾	215	_	_	215
Wang Lihua ⁽⁴⁾	197	_	_	197
Su Qingzan ⁽³⁾	195	_	_	195
Li Yu ⁽⁵⁾	185	_	_	185

⁽¹⁾ The above were actual amounts paid. In addition, the Bank defers part of the performance-based compensations to the executive directors and the chairman of the supervisory board, which are not included in the above disclosure. For details of the deferred payments, please refer to Note 38.

Liang Jinquan⁽²⁾

⁽²⁾ Liang Jinquan waived emoluments for the year ended 31 December 2009.

⁽³⁾ Zhang Ke, Gao Shangquan, Su Qingzan, Wu Zhipan and Wang Tongshi were no longer the directors at 31 December 2009.

⁽⁴⁾ Liu Yonghao, Wang Juhui, Wang Lihua, Qin Rongsheng and Han Jianmin were the new directors in 2009.

⁽⁵⁾ Li Yu and Huang Diyan were not the supervisors at 31 December 2009.

(All amounts in Rmb millions unless otherwise stated)

12 Directors and Supervisors' emoluments (Continued)

Of the 5 highest-paid individuals of the Group, 4 of them are members of the board of directors or supervisors (2009: 5), as shown in the above table, and they have 1 individual who is not a member of the board of directors or the supervisory board (2009: Nil), as shown below:

	Year ended 3	Year ended 31 December	
	2010	2009	
Basic salaries, allowances and benefits	2,496	_	
Contributions to pension schemes	266	_	
Discretionary bonus	2,087	_	
Total	4,849	_	

The Group had not paid any emoluments to the directors or supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 Income tax expense

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

	Year ended 31 D	Year ended 31 December	
	2010	2009	
Current taxes on income for the reporting period	6,456	4,607	
Current taxes referring to previous periods	(28)	(12)	
Total current tax	6,428	4,595	
Total deferred tax (Note 24)	(1,140)	(1,047)	
Income tax expense	5,288	3,548	

The applicable income tax rate (except for Shenzhen branch) is 25% as at 31 December 2010 (2009: 25%). For Shenzhen branch, the applicable income tax rate is 22% as at 31 December 2010 (2009: 20%).

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

	Year ended 31 D	Year ended 31 December	
	2010	2009	
Profit before income tax	22,976	15,656	
Income tax calculated at applicable rates	5,737	3,907	
Tax exemption on interest income from government bonds	(528)	(449)	
Non-deductible pension, entertainment and other expenses	105	111	
Others	(26)	(21)	
Income tax expense	5,288	3,548	

14 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. The Group has no dilutive potential ordinary shares for the year ended 31 December 2010 and 2009.

	Year ended 3	Year ended 31 December	
	2010	2009	
Profit attributable to equity holders of the Bank	17,581	12,104	
Weighted average number of ordinary shares in issue (in millions)	26,715	23,597	
Basic/Diluted earnings per share (in Rmb)	0.66	0.51	

15 Cash and due from banks and other financial institutions

Group

	31 Decemb	31 December	
	2010	2009	
Cash	4,597	4,464	
Due from banks and other financial institutions	,,,,,	.,	
Due from banks	122,747	59,948	
Due from other financial institutions	2,715	1,900	
	130,059	66,312	

Bank

	31 December	
	2010	2009
Cash	3,996	3,239
Due from banks and other financial institutions		
 Due from banks 	122,143	59,941
 Due from other financial institutions 	2,715	1,900
	128,854	65,080

(All amounts in Rmb millions unless otherwise stated)

16 Balances with central bank

Group

	31 Dece	31 December	
	2010	2009	
Restricted deposits	198,234	122,610	
Unrestricted deposits	64,004	98,980	
	262,238	221,590	

Bank

	31 December	
	2010	2009
Restricted deposits	197,713	122,534
Unrestricted deposits	63,915	98,971
	261,628	221,505

Restricted deposits are general reserve balance with central bank. The Group was required to maintain with the PBOC a restricted general reserve deposit equal to 17% (2009:13.5%) of Rmb deposits and 5% (2009: 5%) of foreign currency deposits as at 31 December 2010. Unrestricted deposits are maintained with the PBOC for liquidity purposes.

Restricted balance with central bank is not available for use in the Group's day-to-day operations.

17 Trading financial assets

Group and Bank

	31 December	
	2010	2009
Government and quasi-government bonds	4,823	2,870
Corporate bonds	1,201	1,877
Total	6,024	4,747

All of above bond investments are listed.

Trading financial assets pledged as collateral under repurchase agreements signed with other banks and other financial institutions as at 31 December 2010 amounted to Rmb1.99 billion (2009: Rmb2.03 billion). Please refer to Note 36 for detailed information.

(All amounts in Rmb millions unless otherwise stated)

18 Derivative financial instruments

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

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

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

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

The contractual/notional amounts of financial instruments serve only as a basis for comparison with financial instruments recognized 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 financial instruments become favorable (assets) or unfavorable (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.

(All amounts in Rmb millions unless otherwise stated)

18 Derivative financial instruments (Continued)

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

	Contract/	Fair value	es
	Notional Amount	Assets	Liabilities
Group and Bank			
31 December 2010			
Interest rate swaps	21,277	319	(260)
Currency forwards	11,215	77	(66)
Currency swaps	18,171	63	(41)
Precious metal swaps	762	16	_
Credit default swaps	366	1	(1)
Extension options	8,300	_	_
		476	(368)
Group and Bank			
31 December 2009			
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	_	_
		465	(395)

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

Credit risk weighted amount

Group and Bank

	31 December	
	2010	2009
Exchange rate contracts	12	23
Interest rate contracts	48	37
	60	60

18 Derivative financial instruments (Continued)

Credit risk weighted amount (Continued)

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

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

19 Placements with banks and other financial institutions

Group and Bank

	31 December	31 December		
	2010	2009		
Placements with banks and other financial institutions				
- Banks	110,813	50,339		
Other financial institutions	29,072	21,476		
- Others*	9,500	1,200		
	149,385	73,015		
Less: allowance for impairment losses — individually assessed	_			
Net	149,385	73,015		

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

The movement of allowance for impairment losses are as follows:

Group and Bank

	Year ended 31 December		
	2010	2009	
Opening balance	_	92	
Amount written off during the year as uncollectible	_	(92)	
Ending balance	_	_	

(All amounts in Rmb millions unless otherwise stated)

19 Placements with banks and other financial institutions (Continued)

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

Group and Bank

	31 December		
	2010	2009	
Discounted bills	104,801	46,861	
Government and quais-government bonds	5,708	1,070	
Finance lease receivables	2,343	4,088	
Corporate loans	80	280	
Total	112,932	52,299	

20 Loans and advances to customers

	31 Decemb	er
	2010	2009
Loans to corporate entities		
Corporate loans	752,639	676,084
 Discounted bills 	11,931	35,221
- Others	13,839	7,794
Subtotal	778,409	719,099
Loans to individuals		
— Shang Dai Tong*	158,986	44,809
 Mortgage loans 	97,494	99,619
Credit Cards	16,432	14,266
- Others	6,250	5,186
Subtotal	279,162	163,880
Loan and advances to customers, gross	1,057,571	882,979
Loan and advances to customers, gross	1,007,071	002,313
Less: allowance for impairment losses		
 Individually assessed 	(3,583)	(4,378)
- Collectively assessed	(16,265)	(10,863)
	(19,848)	(15,241)
Loan and advances to customers, net	1,037,723	867,738

20 Loans and advances to customers (Continued)

Bank

	31 Decemb	31 December		
	2010	2009		
Loans to corporate entities				
Corporate loans	750,501	675,154		
Discounted bills	11,847	35,174		
- Others	13,839	7,794		
Subtotal	776,187	718,122		
		,		
Loans to individuals				
 Shang Dai Tong* 	158,986	44,809		
 Mortgage loans 	97,494	99,615		
Credit Cards	16,432	14,266		
- Others	4,973	4,706		
Subtotal	277,885	163,396		
Loan and advances to customers, gross	1,054,072	881,518		
Less: allowance for impairment losses				
 Individually assessed 	(3,583)	(4,378)		
Collectively assessed	(16,229)	(10,848)		
	(19,812)	(15,226)		
Loan and advances to customers, net	1,034,260	866,292		

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

Discounted bills with a carrying amount of Rmb7.77 billion are bills pledged as collateral under repurchase agreements with banks and other financial institutions as at 31 December 2010 (2009: Rmb Nil). Please refer to Note 36 for detailed information.

(All amounts in Rmb millions unless otherwise stated)

20 Loans and advances to customers (Continued)

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

Loans and

	advances	Identified in	paired loans and	d advances	
	for which	For which	For which		
	allowance is	allowance is	allowance is		
	collectively	collectively	individually	Codetetel	Total
	assessed	assessed	assessed	Subtotal	Total
Group					
31 December 2010					
Gross loans and advances — Loans to corporate entities	771,871	_	6,538	6,538	778,409
Loans to individualsAllowance for impairment losses	278,361 (15,651)	801 (614)	(3,583)	801 (4,197)	279,162 (19,848)
Loans and advances to					
customers, net	1,034,581	187	2,955	3,142	1,037,723
Group					
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
			-,	_,	221,122
	Loans and				
		Identified in	paired loans and	d advances	
	advances for which	Identified in For which	npaired loans and For which	d advances	
	advances			d advances	
	advances for which	For which	For which		
	advances for which allowance is	For which allowance is	For which allowance is	d advances Subtotal	Total
Bank	advances for which allowance is collectively	For which allowance is collectively	For which allowance is individually		Total
Bank 31 December 2010	advances for which allowance is collectively	For which allowance is collectively	For which allowance is individually		Total
31 December 2010 Gross loans and advances	advances for which allowance is collectively assessed	For which allowance is collectively	For which allowance is individually assessed	Subtotal	
31 December 2010	advances for which allowance is collectively	For which allowance is collectively	For which allowance is individually		Total 776,187 277,885
31 December 2010 Gross loans and advances — Loans to corporate entities	advances for which allowance is collectively assessed	For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal 6,538	776,187
31 December 2010 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses Loans and advances to	advances for which allowance is collectively assessed 769,649 277,084 (15,615)	For which allowance is collectively assessed 801 (614)	For which allowance is individually assessed 6,538 (3,583)	Subtotal 6,538 801 (4,197)	776,187 277,885 (19,812)
31 December 2010 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses	advances for which allowance is collectively assessed	For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal 6,538 801	776,187 277,885
31 December 2010 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses Loans and advances to	advances for which allowance is collectively assessed 769,649 277,084 (15,615)	For which allowance is collectively assessed 801 (614)	For which allowance is individually assessed 6,538 (3,583)	Subtotal 6,538 801 (4,197)	776,187 277,885 (19,812)
31 December 2010 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses Loans and advances to customers, net	advances for which allowance is collectively assessed 769,649 277,084 (15,615)	For which allowance is collectively assessed 801 (614)	For which allowance is individually assessed 6,538 (3,583)	Subtotal 6,538 801 (4,197)	776,187 277,885 (19,812)
31 December 2010 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses Loans and advances to customers, net Bank 31 December 2009 Gross loans and advances	advances for which allowance is collectively assessed 769,649 277,084 (15,615)	For which allowance is collectively assessed 801 (614)	For which allowance is individually assessed 6,538 (3,583) 2,955	6,538 801 (4,197) 3,142	776,187 277,885 (19,812) 1,034,260
31 December 2010 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses Loans and advances to customers, net Bank 31 December 2009 Gross loans and advances — Loans to corporate entities	advances for which allowance is collectively assessed 769,649 277,084 (15,615) 1,031,118	For which allowance is collectively assessed 801 (614)	For which allowance is individually assessed 6,538 (3,583)	6,538 801 (4,197) 3,142	776,187 277,885 (19,812) 1,034,260
31 December 2010 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses Loans and advances to customers, net Bank 31 December 2009 Gross loans and advances	advances for which allowance is collectively assessed 769,649 277,084 (15,615)	For which allowance is collectively assessed 801 (614)	For which allowance is individually assessed 6,538 (3,583) 2,955	6,538 801 (4,197) 3,142	776,187 277,885 (19,812) 1,034,260
31 December 2010 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses Loans and advances to customers, net Bank 31 December 2009 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses	advances for which allowance is collectively assessed 769,649 277,084 (15,615) 1,031,118	For which allowance is collectively assessed	For which allowance is individually assessed 6,538 - (3,583) 2,955	6,538 801 (4,197) 3,142	776,187 277,885 (19,812) 1,034,260 718,122 163,396
31 December 2010 Gross loans and advances — Loans to corporate entities — Loans to individuals Allowance for impairment losses Loans and advances to customers, net Bank 31 December 2009 Gross loans and advances — Loans to corporate entities — Loans to individuals	advances for which allowance is collectively assessed 769,649 277,084 (15,615) 1,031,118	For which allowance is collectively assessed	For which allowance is individually assessed 6,538 - (3,583) 2,955	6,538 801 (4,197) 3,142	776,187 277,885 (19,812) 1,034,260 718,122 163,396

20 Loans and advances to customers (Continued)

(2) Loans to corporate entities by industries

Group

	31 December 2010		31 December 2009	
	Amount	(%)	Amount	(%)
Manufacturing	143,036	18.37	121,940	16.95
Real estate	129,424	16.62	103,713	14.42
Leasing and commercial services	107,736	13.84	94,644	13.16
Transportation, warehousing and				
postal service	69,248	8.90	75,137	10.45
Wholesale and retail	62,031	7.97	35,772	4.97
Mining	61,845	7.95	41,680	5.80
Water conservancy, environment and				
public utilities management	53,798	6.91	60,967	8.48
Public administration and social				
organizations	32,567	4.18	36,051	5.01
Production and supply of electronic				
power, gas and water	31,712	4.07	48,515	6.75
Construction	26,237	3.37	26,144	3.64
Education and community services	24,277	3.12	22,125	3.08
Financial services	18,112	2.33	37,835	5.26
Information transmission, IT service and				
software industry	3,933	0.51	3,816	0.53
Others	14,453	1.86	10,760	1.50
Total	778,409	100.00	719,099	100.00

Bank

	31 December 2010		31 December 2009	
	Amount	(%)	Amount	(%)
Manufacturing	141,974	18.29	121,706	16.94
Real estate	129,411	16.67	103,714	14.44
Leasing and commercial services	107,719	13.88	94,634	13.18
Transportation, warehousing and				
postal service	69,247	8.92	75,129	10.46
Mining	61,845	7.97	41,680	5.80
Wholesale and retail	61,409	7.91	35,297	4.92
Water conservancy, environment and				
public utilities management	53,798	6.93	60,967	8.49
Public administration and social				
organizations	32,447	4.18	36,043	5.02
Production and supply of electronic				
power, gas and water	31,712	4.09	48,510	6.76
Construction	26,133	3.37	26,071	3.63
Education and community services	24,260	3.13	22,020	3.07
Financial services	18,112	2.33	37,835	5.27
Information transmission, IT service and				
software industry	3,933	0.51	3,811	0.53
Others	14,187	1.83	10,705	1.49
Total	776,187	100.00	718,122	100.00

(All amounts in Rmb millions unless otherwise stated)

20 Loans and advances to customers (Continued)

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

		31 Dece	mber	
	2010		2009	
	Amount	(%)	Amount	(%)
Unsecured loans	274,969	26.00	254,221	28.79
Guaranteed loans	273,985	25.91	222,009	25.14
Secured loan				
 Collateralized loans 	416,654	39.39	306,658	34.73
Pledged loans	91,963	8.70	100,091	11.34
Total	1,057,571	100.00	882,979	100.00

(4) Movement of allowance for impairment losses:

			Loans to	
	Loans to corpo	rate entities	individuals	
	Individual	Collective	Collective	
	assessment	assessment	assessment	Total
Group				
Balance at 1 January 2010	4,378	9,024	1,839	15,241
New allowances	580	4,366	1,291	6,237
Releases	(934)	_	_	(934)
Reclassification	197	(197)	_	_
Amounts written off and exempted				
during the period as uncollectible	(612)	_	(161)	(773)
Unwinding of discount on allowance	(170)	_	_	(170)
Recovery after write-off	144	_	102	246
Exchange gain or loss	_	1	_	1
Balance at 31 December 2010	3,583	13,194	3,071	19,848
Bank				
Balance at 1 January 2010	4,378	9,014	1,834	15,226
New allowances	580	4,348	1,288	6,216
Releases	(934)	_	_	(934)
Reclassification	197	(197)	_	_
Amounts written off and exempted				
during the period as uncollectible	(612)	_	(161)	(773)
Unwinding of discount on allowance	(170)	_	_	(170)
Recovery after write-off	144	_	102	246
Exchange gain or loss	_	1	_	1
Balance at 31 December 2010	3,583	13,166	3,063	19,812

20 Loans and advances to customers (Continued)

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

			Loans to	
	Loans to corpo	rate entities	individuals	
	Individual	Collective	Collective	
	assessment	assessment	assessment	Total
Group				
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
Balance at 31 December 2009	4,378	9,024	1,839	15,241
Bank				
Balance at 1 January 2009	3,990	6,613	1,282	11,885
New allowances	1,227	2,631	993	4,851
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
Balance at 31 December 2009	4,378	9,014	1,834	15,226

21 Investment securities

	31 December	
	2010	2009
Available-for-sale securities	35,192	49,035
Held-to-maturity securities	128,610	57,142
Loans and receivables	11,117	45,567
	174,919	151,744
Analyzed as follows:		
 Listed in Hong Kong 	2,512	2,654
 Listed outside Hong Kong 	159,732	101,983
— Unlisted	12,675	47,107
	174,919	151,744

(All amounts in Rmb millions unless otherwise stated)

21 Investment securities (Continued)

Bank

	31 December	31 December	
	2010	2009	
Available-for-sale securities	35,192	49,035	
Held-to-maturity securities	128,235	57,102	
Loans and receivables	11,117	45,567	
	174,544	151,704	
Analyzed as follows:			
 Listed in Hong Kong 	2,512	2,654	
 Listed outside Hong Kong 	159,732	101,983	
- Unlisted	12,300	47,067	
	174,544	151,704	

Investment securities pledged as collateral under agreements signed with banks and other financial institutions as at 31 December 2010 amounted to Rmb8.68 billion (2009: Rmb3.26 billion). Such agreements included repurchase agreements with banks and other financial institutions, derivatives contracts, and negotiated deposits. Please refer to Note 36 for detailed information.

As a result of a change in intention, the Group reclassified Rmb22.13 billion available-for-sale securities to held-to-maturity securities during 2010 (2009: Nil).

21 Investment securities (Continued)

(1) Available-for-sale securities

Group and Bank

	31 December	31 December		
	2010	2009		
Debt securities at fair value				
Government and quasi-government bonds				
listed in Hong Kong	2,374	2,512		
listed outside Hong Kong	16,379	27,163		
unlisted	391	790		
Financial institutions bonds				
 listed in Hong Kong 	71	72		
listed outside Hong Kong	239	640		
unlisted	177	286		
Corporate bonds				
listed outside Hong Kong	15,436	17,447		
	35,067	48,910		
	· ·	-		
Equity securities at fair value				
Financial institutions securities				
- unlisted	125	125		
	125	125		
	35,192	49,035		

The Group's fair value changes relating to impaired available-for-sale securities have been charged to the consolidated income statement. The Group's impaired available-for-sale assets' book value amounted to Rmb889 million as at 31 December 2010 (2009:Rmb983 million). Impairment loss amounted to Rmb879 million (2009: Rmb955 million).

(All amounts in Rmb millions unless otherwise stated)

21 Investment securities (Continued)

(2) Held-to-maturity securities

Group

	31 December	31 December		
	2010	2009		
Government and quasi-government bonds				
 listed in Hong Kong 	67	70		
listed outside Hong Kong	108,564	50,969		
Financial institutions bonds				
 listed outside Hong Kong 	354	364		
unlisted	865	339		
Corporate bonds				
listed outside Hong Kong	18,760	5,400		
Gross	128,610	57,142		
Less: allowance for impairment losses – individually assessed	_			
Net	128,610	57,142		
Fair value of listed securities	126,599	56,782		

	31 Decembe	er
	2010	2009
Government and quasi-government bonds		
 listed in Hong Kong 	67	70
 listed outside Hong Kong 	108,564	50,969
Financial institutions bonds		
 listed outside Hong Kong 	354	364
unlisted	490	299
Corporate bonds		
 listed outside Hong Kong 	18,760	5,400
Gross	128,235	57,102
Less: allowance for impairment losses – individually assessed	_	_
Net	128,235	57,102
Fair value of listed securities	126,224	56,782

21 Investment securities (Continued)

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

Movement of allowance for impairment losses is as follows:

	Year ended 31 December		
	2010	2009	
Opening balance	_	54	
New allowances	_	_	
Recovery after write-off	_	(54)	
Ending balance	_	_	

(3) Loans and receivables

Group and Bank

	31 December		
	2010	2009	
Government and quasi-government bonds	2,633	30,718	
Financial institution bonds	6,605	9,687	
Financial institution entrust products*	1,879	5,162	
Total	11,117	45,567	

^{*} These financial institution entrust products are project loans arranged through underlying trust agencies.

All above loans and receivables are unlisted.

22 Finance lease receivables

	31 Dece	ember
	2010	2009
Finance lease receivables	35,035	19,383
Less: unearned finance income	(5,319)	(2,276)
	29,716	17,107
Less: allowance for impairment losses — collectively assessed	(428)	(233)
1	(- ',	(
Net	29,288	16,874

(All amounts in Rmb millions unless otherwise stated)

22 Finance lease receivables (Continued)

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

	Year ended	Year ended 31 December		
	2010	2009		
Opening balance	233	57		
New allowances	195	176		
Ending balance	428	233		

	31 December		
	2010	2009	
Gross investment in finance leases receivable:			
Not later than 1 year	10.069	4,900	
Not later than 1 year	10,068	<i>'</i>	
 Later than 1 year and not later than 5 years 	22,265	13,460	
Later than 5 years	2,702	1,023	
	35,035	19,383	
Unearned finance income on finance leases	(5,319)	(2,276)	
Present value of minimum lease payments, receivable	29,716	17,107	
The present value of minimum lease payments may be analysed as follows:			
 Not later than 1 year 	8,540	4,266	
 Later than 1 year and not later than 5 years 	18,884	11,950	
 Later than 5 years 	2,292	891	
	29,716	17,107	

Finance lease receivables pledged as collateral under repurchase and borrowings agreements with banks and other financial institutions as at 31 December 2010 amounted to Rmb10.47 billion (2009: Rmb5.03 billion). Please refer to Note 36 for detailed information.

23 Property and equipment

		Leasehold	Office	Motor	Operating leasing fixed	Construction	
	Buildings	improvements	equipment	vehicles	assets	in progress	Total
Group							
31 December 2010							
Original cost	6,855	1,881	3,215	252	300	355	12,858
Accumulated depreciation	(831)	(1,191)	(1,858)	(161)	(8)	_	(4,049)
Net value	6,024	690	4.057	91	292	355	0.000
Net value	0,024	690	1,357	91	292	300	8,809
Group							
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
Bank							
31 December 2010							
Original cost	6,848	1,881	3,172	243	_	328	12,472
Accumulated depreciation	(830)	(1,191)	(1,854)	(160)	_	_	(4,035)
Net value	6,018	690	1,318	83	-	328	8,437
Bank							
31 December 2009							
Original cost	3,916	1,606	2,812	218	_	2,921	11,473
Accumulated depreciation	(608)	(990)	(1,712)	(135)	_	_	(3,445)
Net value	3,308	616	1,100	83	_	2,921	8,028

(All amounts in Rmb millions unless otherwise stated)

23 Property and equipment (Continued)

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Operating leasing fixed assets	Construction in progress	Total
Group							
Net book value of balance at 1 January 2010 Additions Transfer in/(out) Disposals Depreciation charge	3,314 157 2,796 (21) (222)		1,119 606 — (226) (142)	86 36 - (6) (25)	- 300 - - - (8)	2,921 230 (2,796) —	8,068 1,618 — (279) (598)
Net book value of balance at 31 December 2010	6,024	690	1,357	91	292	355	8,809
Group							
Net book value of balance at 31 December 2009	3,314	628	1,119	86	_	2,921	8,068

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress	Total
Bank						
Net book value of balance						
at 1 January 2010	3,308	616	1,100	83	2,921	8,028
Additions	157	289	586	30	203	1,265
Transfer in/(out)	2,796	-	_	_	(2,796)	_
Disposals	(21)	(14)	(226)	(5)	_	(266)
Depreciation charge	(222)	(201)	(142)	(25)		(590)
Net book value of balance						
at 31 December 2010	6,018	690	1,318	83	328	8,437
Bank						
Net book value of balance at 31 December 2009	3,308	616	1,100	83	2,921	8,028

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

	31 Decembe	r
	2010	2009
Held outside Hong Kong		
on long-term lease (over 50 years)	877	159
on medium-term lease (10-50 years)	5,663	3,163
on short-term lease (less than 10 years)	174	620
	6,714	3,942

23 Property and equipment (Continued)

Bank

	31 Dec	ember
	2010	2009
Held outside Hong Kong		
on long-term lease (over 50 years)	871	159
on medium-term lease (10-50 years)	5,663	3,145
on short-term lease (less than 10 years)	174	620
	6,708	3,924

24 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:

Group

	Year ended 31 December	
	2010	2009
Opening balance	3,181	1,079
Recognized in the income statement	1,140	1,047
Tax charged directly to equity	134	1,055
Ending balance	4,455	3,181

	Year ended 31 December	
	2010	2009
Opening balance	3,166	1,078
Recognized in the income statement	1,113	1,033
Tax charged directly to equity	134	1,055
Ending balance	4,413	3,166

(All amounts in Rmb millions unless otherwise stated)

24 Deferred income taxes (Continued)

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

Group At 1 January 2010 2,928 218 316 3,4 Charged to the consolidated income statement 856 (7) 285 1,1 Charged directly to equity - 33 - At 31 December 2010 3,784 244 601 4,6 Group At 1 January 2009 2,062 343 125 2,5 Charged to the consolidated income statement 866 (208) 191 8 Charged directly to equity - 83 - At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity - 33 - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8 <th></th> <th>Assets impairment allowance</th> <th>Fair value</th> <th>Others</th> <th>Total</th>		Assets impairment allowance	Fair value	Others	Total
At 1 January 2010 Charged to the consolidated income statement Charged directly to equity At 31 December 2010 At 31 December 2009 At 31 December 2000 At		unowanoc	100000	Othoro	Total
Charged to the consolidated income statement 856 (7) 285 1,1	Group				
Charged to the consolidated income statement 856 (7) 285 1,1	At 1 January 2010	2,928	218	316	3,462
Charged directly to equity - 33 - At 31 December 2010 3,784 244 601 4,6 Group Charged 343 125 2,5 Charged to the consolidated income statement Charged to the consolidated income statement Charged directly to equity 866 (208) 191 8 Charged directly to equity - 83 - - At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged directly to equity - 33 - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	Charged to the consolidated				
At 31 December 2010 3,784 244 601 4,6 Group At 1 January 2009 2,062 343 125 2,5 Charged to the consolidated income statement 866 (208) 191 88 Charged directly to equity - 83 - At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity - 33 - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 88	income statement	856	(7)	285	1,134
Group At 1 January 2009 2,062 343 125 2,5 Charged to the consolidated income statement Charged directly to equity 866 (208) 191 8 At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity - 33 - - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	Charged directly to equity	_	33	_	33
Group At 1 January 2009 2,062 343 125 2,5 Charged to the consolidated income statement 866 (208) 191 8 Charged directly to equity - 83 - At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity - 33 - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8					
At 1 January 2009 2,062 343 125 2,5 Charged to the consolidated income statement Charged directly to equity — 83 — At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity — 33 — At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 88	At 31 December 2010	3,784	244	601	4,629
At 1 January 2009 2,062 343 125 2,5 Charged to the consolidated income statement Charged directly to equity — 83 — At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity — 33 — At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 88					
Charged to the consolidated income statement 866 (208) 191 8 Charged directly to equity — 83 — At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity — 33 — At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	Group				
Charged directly to equity — 83 — At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity — 33 — At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	At 1 January 2009	2,062	343	125	2,530
At 31 December 2009 2,928 218 316 3,4 Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity - 33 - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	Charged to the consolidated income statement	866	(208)	191	849
Bank At 1 January 2010 2,913 218 316 3,4 Charged to the income statement 829 (7) 285 1,1 Charged directly to equity - 33 - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	Charged directly to equity	_	83	_	83
At 1 January 2010 Charged to the income statement Charged directly to equity At 31 December 2010 At 31 December 2010 At 1 January 2009 Charged to the income statement Each State S	At 31 December 2009	2,928	218	316	3,462
Charged to the income statement 829 (7) 285 1,1 Charged directly to equity - 33 - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	Bank				
Charged to the income statement 829 (7) 285 1,1 Charged directly to equity - 33 - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	At 1 January 2010	2.913	218	316	3,447
Charged directly to equity - 33 - At 31 December 2010 3,742 244 601 4,5 Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8		· ·	(7)	285	1,107
Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	Charged directly to equity	_		_	33
Bank At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8					
At 1 January 2009 2,061 343 125 2,5 Charged to the income statement 852 (208) 191 8	At 31 December 2010	3,742	244	601	4,587
Charged to the income statement 852 (208) 191 8	Bank				
Charged to the income statement 852 (208) 191 8	At 1 January 2009	2,061	343	125	2,529
		852	(208)	191	835
Charged directly to equity – 83 –	Charged directly to equity	_	83	_	83
At 31 December 2009 2,913 218 316 3,4	At 31 December 2009	2,913	218	316	3,447

24 Deferred income taxes (Continued)

Deferred income tax liabilities

	Fair value gains	Others	Total
Group			
At 1 January 2010	(281)	_	(281)
Charged to the consolidated income statement	6	_	6
Charged directly to equity	101	_	101
At 31 December 2010	(174)	_	(174)
Group			
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)
Bank			
At 1 January 2010	(281)	_	(281)
Charged to the income statement	6	_	6
Charged directly to equity	101		101
At 31 December 2010	(174)	-	(174)
Bank			
At 1 January 2009	(1,451)	_	(1,451)
Charged to the income statement	198	_	198
Charged directly to equity	972	_	972
At 31 December 2009	(281)	_	(281)

(All amounts in Rmb millions unless otherwise stated)

25 Investment in subsidiaries

	31 December	
	2010	2009
Minsheng Financial Leasing Co., Ltd. ("Minsheng Leasing")	2,600.0	2,600.0
Minsheng Royal Fund Management Co., Ltd.		
("Minsheng Royal Fund Management")	120.0	120.0
Cixi Minsheng Township Bank Co., Ltd. ("Cixi Township Bank")	35.0	35.0
Pengzhou Minsheng Township Bank Co., Ltd. ("Pengzhou Township Bank")	20.0	20.0
Shanghai Songjiang Minsheng Township Bank Co., Ltd.		
("Songjiang Township Bank")	35.0	35.0
Qijiang Minsheng Township Bank Co., Ltd. ("Qijiang Township Bank")	30.0	_
Tongnan Minsheng Township Bank Co., Ltd. ("Tongnan Township Bank")	25.0	_
Meihekou Minsheng Township Bank Co., Ltd. ("Meihekou Township Bank")	25.5	_
Ziyang Minsheng Township Bank Co., Ltd. ("Ziyang Township Bank")	40.8	_
Wuhan Jiangxia Minsheng Township Bank Co., Ltd. ("Jiangxia Township Bank")	40.8	_
Changyuan Minsheng Township Bank Co., Ltd. ("Changyuan Township Bank")	25.5	_
	2,997.6	2,810.0

		Place of				
	Date of	incorporation	Principal	Registered	Nature of	Interest
Name	incorporation	and operation	activities	Capital	legal entity	held
Minsheng Leasing	2 April 2008	Tianjin China	Leasing	3,200	Limited company	81.25%
Minsheng Royal Fund Management	3 November 2008	Guangdong China	Fund management	200	Limited company	60%
Cixi Township Bank	30 December 2008	Ningbo China	Commercial bank	100	Limited company	35%*
Pengzhou Township Bank	12 September 2008	Sichuan China	Commercial bank	55	Limited company	36.36%*
Songjiang Township Bank	29 December 2009	Shanghai China	Commercial bank	100	Limited company	35%*
Qijiang Township Bank	2 September 2010	Chongqing china	Commercial bank	60	Limited company	50%*
Tongnan Township Bank	2 September 2010	Chongqing china	Commercial bank	50	Limited company	50%*
Meihekou Township Bank	17 September 2010	Jilin china	Commercial bank	50	Limited company	51%
Ziyang Township Bank	16 September 2010	Sichuan China	Commercial bank	80	Limited company	51%
Jiangxia Township Bank	26 September 2010	Hubei china	Commercial bank	80	Limited company	51%
Changyuan Township Bank	27 September 2010	Henan china	Commercial bank	50	Limited company	51%

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 consolidated financial statements.

26 Other assets

Group

	31 December	er
	2010	2009
Prepayments for leasing assets*	8,076	5,271
Interest receivable	5,169	4,234
Intangible assets	1,519	209
Other prepayments	1,502	958
Investment property	1,426	32
Repossessed assets	941	957
Deferred assets	471	103
Others	978	629
	20,082	12,393

	31 December	
	2010	2009
Interest receivable	5,089	4,227
Prepayments	1,469	958
Repossessed assets	941	957
Deferred assets	402	68
Intangible assets	182	196
Others	929	604
	9,012	7,010

^{*} Prepayments for leasing assets are the prepayments made by the Group for purchasing leasing assets under finance leases and operating leases.

(All amounts in Rmb millions unless otherwise stated)

27 Deposits from customers

Group

	31 Decem	31 December		
	2010	2009		
Demand deposits				
Corporate deposits	579,448	497,422		
 Individual deposits 	71,644	50,894		
Time deposits (including notice deposits)				
 Corporate deposits 	604,663	435,146		
 Individual deposits 	159,571	143,210		
Other deposits	1,613	1,266		
Total	1,416,939	1,127,938		
The security and margin deposits are analyzed as follows:				
Security deposits for acceptances	133,116	86,293		
Security deposits for letters of credit and letters of guarantee issued	12,462	6,865		
Other security deposits	32,752	13,507		
Total	178,330	106,665		

	31 Decemb	oer
	2010	2009
Demand deposits		
 Corporate deposits 	576,279	495,457
 Individual deposits 	71,240	50,794
Time deposits (including notice deposits)		
 Corporate deposits 	603,584	434,941
 Individual deposits 	159,011	142,932
Other deposits	1,611	1,266
Total	1,411,725	1,125,390
The security and margin deposits are analyzed as follows:		
Security deposits for acceptances	132,792	86,194
Security deposits for letters of credit and letters of guarantee issued	12,462	6,865
Other security deposits	32,752	13,490
Total	178,006	106,549

28 Due to and placements from banks and other financial institutions

Group

	31 Decei	mber
	2010	2009
Due to and placements from banks and other financial institutions		
 Due to banks 	134,194	86,025
 Due to other financial institutions 	90,950	66,292
Total	225,144	152,317

Bank

	31 Decer	31 December	
	2010	2009	
Due to and placements from banks and other financial institutions			
Due to banks	126,657	82,884	
Due to other financial institutions	90,950	66,498	
Total	217,607	149,382	

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

Group

	31 Dece	31 December	
	2010	2009	
Repurchase of:			
Finance lease receivables	8,606	4,347	
Discounted bills	7,773	_	
Debt securities	7,494	2,000	
Total	23,873	6,347	

	31 Decemb	31 December	
	2010	2009	
Repurchase of:			
Discounted bills	7,753	_	
Debt securities	7,494	2,000	
Total	15,247	2,000	

(All amounts in Rmb millions unless otherwise stated)

29 Debt securities in issue

Group and Bank

	31 December	
	2010	2009
Financial bonds (1)	6,095	12,175
Subordinated bonds (2)	5,911	1,401
Hybrid capital bonds (3)	9,490	9,484
	21,496	23,060

(1) Financial bonds

Group and Bank

	31 December	
	2010	2009
2007 Rmb6 billion Financial Bonds with floating interest $-$ 3 years $^{\tiny{(i)}}$	_	6,088
2007 Rmb6 billion Financial Bonds with floating interest $-$ 5 years $^{\tiny{(i)}}$	6,095	6,087
	6,095	12,175

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. 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. All 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

Group and Bank

	31 December	
	2010	2009
2005 Rmb1.4 billion Subordinated Bonds with fixed rate $-$ 10 years $^{\scriptsize{(1)}}$	_	1,401
2010 Rmb5.8 billion Subordinated Bonds with fixed rate $-$ 10 years $^{\tiny{(i)}}$	5,911	_
	5,911	1,401

29 Debt securities in issue (Continued)

(2) Subordinated bonds (Continued)

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 first to the fifth year. 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. On 23 December 2010, the Bank redeemed all the subordinated bonds issued in 2005 at face value.
- (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

Group and Bank

	31 December	
	2010	2009
2006 Rmb3.3 billion Hybrid Capital Bonds with fixed rate $-$ 15 years $^{\scriptsize{(1)}}$	3,294	3,291
2006 Rmb1 billion Hybrid Capital Bonds with floating rate - 15 years (ii)	998	997
2009 Rmb3.325 billion Hybrid Capital Bonds with fixed rate $-$ 15 years $^{\tiny{(ii)}}$	3,461	3,459
2009 Rmb1.675 billion Hybrid Capital Bonds with floating rate		
— 15 years ^(iv)	1,737	1,737
	9,490	9,484

(All amounts in Rmb millions unless otherwise stated)

29 Debt securities in issue (Continued)

(3) Hybrid capital bonds (Continued)

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.

According to the terms, the Bank has the option to redeem all or part of the bonds described above at face value on the last day on 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 the 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 the relevant regulation, these bonds qualify for inclusion as supplementary capital in the calculation of the Bank's capital adequacy ratio.

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

30 Other liabilities

Group

	31 December	
	2010	2009
Interest payable	8,774	5,931
Payroll and welfare payable	3,199	2,009
Deferred fee and commission income	1,626	1,043
Items in the process of clearance and settlement	1,474	1,047
Business tax payable	1,302	1,112
Guarantee deposits received as the finance lessor	2,172	1,146
Others	3,536	2,099
	22,083	14,387

Bank

	31 December	
	2010	2009
Interest payable	8,567	5,827
Payroll and welfare payable	3,142	1,981
Items in the process of clearance and settlement	1,474	1,047
Business tax payable	1,281	1,105
Deferred fee and commission income	1,246	1,043
Others	2,656	1,460
	18,366	12,463

31 Share capital and capital reserve

The total number of authorized ordinary shares is 26.72 billion shares as at 31 December 2010 with a par value of Rmb1 yuan per share, among which no shares was restricted on sale (2009:22.26 billion shares, among which 0.29 billion shares were restricted on sale). All issued shares are fully paid.

The Group's capital reserve is Rmb38.08 billion as at 31 December 2010, which mainly comprises capital premium (2009: Rmb38.08 billion).

All dividends or distributions declared, paid or made in respect of the A Shares and H Shares will rank pari passu with each other.

(All amounts in Rmb millions unless otherwise stated)

32 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under the relevant PRC Laws, the Bank is required to transfer 10% of its net profit, as determined under CAS, 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.

The Bank appropriated Rmb1.72 billion for the year 2010 (2009: Rmb1.20 billion).

(2) General reserve

Pursuant to circulars issued by 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.

The Bank appropriated Rmb2.90 billion to the general reserve for the year 2010 (2009: Rmb2.90 billion).

Pursuant to circulars issued by MOF in 2007, Minsheng Leasing appropriated 1% of its net profits, as determined under CAS, to general reserve, Minsheng Royal Fund Management appropriated 10% of its monthly fee income from securities investment fund management based on circulars issued by CSRC in 2006, and Minsheng nine township banks appropriated 1% of the aggregate amount of risk assets defined by MOF. In total the subsidiaries appropriated Rmb42.34 million (2009: Rmb3.64 million) of general reserve for the year ended 31 December 2010, including Rmb18.29 million (2009: Rmb2.50 million) attributable to the Bank.

(3) Retained earnings

As at 31 December 2010, the retained earnings contained statutory surplus reserve of 59 million contributed by subsidiaries (2009: Rmb19 million),Rmb40 million of which are the appropriation made by subsidiaries for the year ended 31 December 2010(2009: Rmb13 million). The retained earnings contained statutory surplus reserve contributed by subsidiaries can not be further distributed.

33 Dividends

In respect of 2010, cash dividends of Rmb2,672 million (0.10 per share and before tax) have been proposed. (2009: share dividends of 4,453 million, Cash dividends of Rmb1,113 million, 0.05 per share and before tax).

	Year ended 31 December	
	2010	2009
Dividends payable to equity holders of the Bank attributable to the year		
Proposed final dividend	2,672	5,566
Dividends payable to equity holders of the Bank attributable to the previous financial year, approved and paid during the year		
Final dividend paid	5,566	1,506

34 Reserve for fair value changes of available-for-sale securities

Group and Bank

	Year ended 31 De	Year ended 31 December	
	2010	2009	
Opening balance	106	3,296	
Change of fair value of available-for-sale securities	(241)	310	
Less: deferred income tax	61	(77)	
Transfer to profit or loss upon disposal	(223)	(4,911)	
Less: deferred income tax	57	1,221	
Impairment losses on available-for-sale	(64)	356	
Less: deferred income tax	16	(89)	
Ending balance	(288)	106	

35 Cash and cash equivalents

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

	31 December	
	2010	2009
Cash (Note 15)	4,597	4,464
Unrestricted balance with central bank (Note 16)	64,004	98,980
Original maturity within 3 months:		
 Due from banks and other financial institutions 	103,616	56,964
 Government and quasi-government bonds 	_	1,342
	172,217	161,750

(All amounts in Rmb millions unless otherwise stated)

36 Contingent liabilities and commitments

(1) Credit commitments

Group

	31 Decemb	31 December	
	2010	2009	
Acceptances	308,584	216,657	
Letters of guarantee	50,115	45,593	
Letters of credit	30,062	15,094	
Trade finance arrangement	24,267	24,349	
Unused credit card limits	18,618	14,337	
Irrevocable loan commitments	5,629	5,422	
Finance lease commitments	1,898	1,841	
	439,173	323,293	
Credit risk weighted amounts of credit commitments	182,868	137,757	

Bank

	31 December	
	2010	2009
Acceptances	308,012	216,555
Letters of guarantee	50,115	45,593
Letters of credit	30,062	15,094
Trade finance arrangement	24,267	24,349
Unused credit card limits	18,618	14,337
Irrevocable loan commitments	5,629	5,422
	436,703	321,350
Credit risk weighted amounts of credit commitments	182,619	137,752

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100%.

(2) Capital commitments

	31 December	
	2010	2009
Property and equipment		
 Contracted but not provided for 	6,700	3,299
 Authorized but not contracted for 	1,596	_
	8,296	3,299

36 Contingent liabilities and commitments (Continued)

(2) Capital commitments (Continued)

Bank

	31 December	
	2010	2009
Property and equipment		
 Contracted but not provided for 	1,810	256
 Authorized but not contracted for 	1,596	_
	3,406	256

The Group's management is confident that future net revenues and funding will be sufficient to cover these commitments.

(3) Operating lease commitments

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

Group

	31 Decembe	31 December	
	2010	2009	
Less than 1 year	1,134	875	
1 to 5 years	2,094	2,557	
Later than 5 years	921	852	
	4,149	4,284	

Bank

	31 December	
	2010	2009
Less than 1 year	1,120	867
1 to 5 years	2,054	2,537
Later than 5 years	884	852
	4,058	4,256

(4) Assets pledged

	31 December	
	2010	2009
Discounted bills (Note 20)	7,773	_
Trading financial assets (Note 17)	1,991	2,025
Investment securities (Note 21)	8,682	3,257
Finance lease receivables (Note 22)	10,468	5,033
	28,914	10,315

(All amounts in Rmb millions unless otherwise stated)

36 Contingent liabilities and commitments (Continued)

(4) Assets pledged (Continued)

Bank

	31 December	
	2010	2009
Discounted bills (Note 20)	7,753	_
Trading financial assets (Note 17)	1,991	2,025
Investment securities (Note 21)	8,682	3,257
	18,426	5,282

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 16). 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 repledged. The fair values of such accepted pledged assets were Rmb105.31 billion as at 31 December 2010 (2009: Rmb46.89 billion). Furthermore, there is Rmb7.74 billion (2009: Rmb Nil) pledged assets sold by the Bank but with the obligation to return such pledged assets at the expiration at 31 December 2010.

(5) Security underwriting

Group and Bank

	31 December	
	2010	2009
Medium- and short-term financing bills	13,050	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 Rmb4.81 billion as at 31 December 2010 (2009: Rmb4.35 billion). The original maturities of these bonds vary from 1 to 5 years. As the deposit base rate established by PBOC is currently lower than the yields on all issue of Certificate Treasury Bonds, management expects the amount of redemption before the maturity dates of those bonds will not be material.

36 Contingent liabilities and commitments (Continued)

(7) Legal proceedings

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

37 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 income or losses arising thereon are excluded from these financial statements, as they are not the assets of the Group.

The Group's balances of fund custodian operations were Rmb36.77 billion as at 31 December 2010 (2009: Rmb23.32 billion). The Group's balances of pension were Rmb3.19 billion as at 31 December 2010 (2009: Rmb1.50 billion). The Group's balances of credit assets management operations were Rmb78.26 billion as at 31 December 2010 (2009: Rmb75.98 billion). And the Group's balances of entrusted loans were Rmb38.81 billion as at 31 December 2010 (2009: Rmb33.01 billion).

38 Related party transactions

Related parties exist when one entity controls, jointly controls or has significant influence over another entity, or when entities are controlled or jointly controlled by another entity. Related parties can be individuals or other entities. The Group's related parties include: the shareholders with the power to exercise significant influence in the operational or financial decision-making of the Group, directors, supervisors and executive officers (key management personnel), their immediate close family members, and other entities that are controlled or, jointly controlled or significantly influenced by the above personnel.

The Group engages in transactions with related parties on commercial terms in the normal course of business, under pricing policies no more favorable than those offered to any independent third parties.

(1) Loans granted to related parties

	Year ended 31 December	
	2010	2009
Opening balance	2,581	1,814
Transfer in	250	3
Loans granted during the year	3,356	3,293
Loan repayments/transfers during the year	(2,787)	(2,529)
Ending balance	3,400	2,581
Interest income earned	133	102

(All amounts in Rmb millions unless otherwise stated)

38 Related party transactions (Continued)

(1) Loans granted to related parties (Continued)

No provisions have been recognised in respect of loans granted to related parties as at 31 December 2010 (2009: Nil).

Guaranteed loans amounted to Rmb2.48 billion as at 31 December 2010, collateralized loans amounted to Rmb0.86 billion as at 31 December 2010 and pledge loans amounted to Rmb0.06 billion as at 31 December 2010 were included in the above loans granted to related parties. (2009: Guaranteed loans amounted to Rmb1.28 billion, collateralized loans amounted to Rmb1.23 billion and unsecured loan amounted to 0.07 billion.)

The interest rates ranges of loans granted to related parties are from 5.10% to 7.23% for year ended 31 December 2010 (2009: from 2.48% to 5.84%).

(2) Deposits received from related parties

	Year ended 31 December	
	2010	2009
Opening balance	20,010	19,908
Transfer out	(170)	(18,445)
Transfer in	3,201	27,318
Deposits repaid during the year	(1,851,308)	(155,257)
Deposits received during the year	1,863,614	146,486
Ending balance	35,347	20,010

The interest expenses on the related parties' deposits have no material impact on the Group's income statement.

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

	31 Dece	31 December	
	2010	2009	
Deposits from related parties	35,347	20,010	
Due to banking related parties	2,878	2,812	
Loans secured with related party guarantees or collaterals	952	1,615	
Acceptance bills issued for related parties	363	240	
Investment securities issued by related parties	179	61	
Bills purchased under resale agreement, issued by related parties	160	10	
Advances received from related parties	122	122	
Loans purchased under resale agreement from related parties	80	280	
Letter of credit issued for related parties	3	_	
Discounted bills issued by related parties	1	32	

(All amounts in Rmb millions unless otherwise stated)

38 Related party transactions (Continued)

All the above related parties transactions do not have material impact on the Group's income statement.

(4) Services provided by related parties

The Bank uses the Minsheng Life Insurance Building as its office, and pay rental fees, property management fees and other fees regularly, in accordance with leasing contract between the Bank and Minsheng Life Insurance Company Limited. In August 2010, the leasing contract was terminated by the Bank and Minsheng Life Insurance Company Limited in advance due to the Bank's relocation.

The Bank entrusts to China Life Pension Company Limited the investment and management of its annuity

The above related parties transactions do not have material impact on the Group's income statement and statement of financial position in 2010 and 2009.

Transactions with key management personnel

The Group enters into transactions with key management personnel in the normal course of business, including loans and deposits transactions at interest rates no more favorable than those offered to any third parties. The balance of outstanding loans granted to key management personnel is Rmb3 million as at 31 December 2010, which have been included in the above loans granted to related parties (2009: 3 million).

Pre-tax compensations accrued to the key management personnel, including salaries and other short-term benefits, amounted to Rmb122 million as at 31 December 2010 (2009: Rmb101 million). Of which, pretax compensations for the executive directors, chairman of the supervisory board and executive officers included RMB49 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2009: RMB31 million and 50% above respectively) in accordance with relevant regulations of the state. The exact amounts of these deferred payments shall be determined at the end of their respective tenure with the Bank based on their performance and shall be paid out in a period of three years. If losses are incurred in their tenure and attributable to them, the Bank may decide not to paid part or all of the outstanding amounts as appropriate. No post-employment benefits, termination benefits or other long-term benefits were provided to the key management personnel during 2009 and 2010.

The transaction balance with subsidiaries

The transaction balance with the subsidiaries has no material impact on the financial statement and is eliminated in consolidation.

39 Events after the date of the consolidated statement of financial position

As at the date of this report, other than the dividends, the Group had no material subsequent event. Details on dividend distribution are reported under Note 33 Dividends.

Unaudited Supplementary Financial Information

(All amounts in Rmb millions unless otherwise stated)

1 Liquidity ratios

	31 Dec	ember
	2010	2009
RMB current assets to RMB current liabilities	33%	35%
Foreign currency current assets to foreign currency current liabilities	93%	126%

Liquidity ratio is calculated in accordance with the relevant provisions of the PBOC, the CBRC, and the Accounting Standards for Business Enterprises issued by the Ministry of Finance in 2006.

2 Currency concentrations

	USD	HKD	Other	Total
As at 31 December 2010				
Spot assets	23,512	474	2,691	26,677
Spot liabilities	(23,607)	(1,324)	(2,772)	(27,703)
Forward purchases	9,543	682	1,915	12,140
Forward sales	(9,380)	(681)	(1,969)	(12,030)
Net long/(short) position*	68	(849)	(135)	(916)
As at 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.

3 Loans and advances to customers

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

Group and Bank

	31 December 2010		31 December	er 2009
	Gross amount	% of total	Gross amount	% of total
Six months or less but over				
three months	295	0.03%	691	0.08%
One year or less than but over				
six months	434	0.04%	1,020	0.12%
Over one year	4,239	0.40%	4,955	0.56%
	4,968	0.47%	6,666	0.76%

3 Loans and advances to customers (Continued)

(2) Impaired loans by geographical area

Group and Bank

	Northern China	Eastern China	Southern China	Other locations	Total
31 December 2010					
Impaired loans	4,410	1,785	979	165	7,339
Allowance for impairment losses					
 Individually assessed 	2,412	890	259	22	3,583
 Collectively assessed 	317	121	98	78	614
31 December 2009					
Impaired loans	4,246	1,636	1,250	265	7,397
Allowance for impairment losses					
 Individually assessed 	2,796	875	596	111	4,378
 Collectively assessed 	447	142	108	67	764

(3) Overdue loans by geographical area

Group and Bank

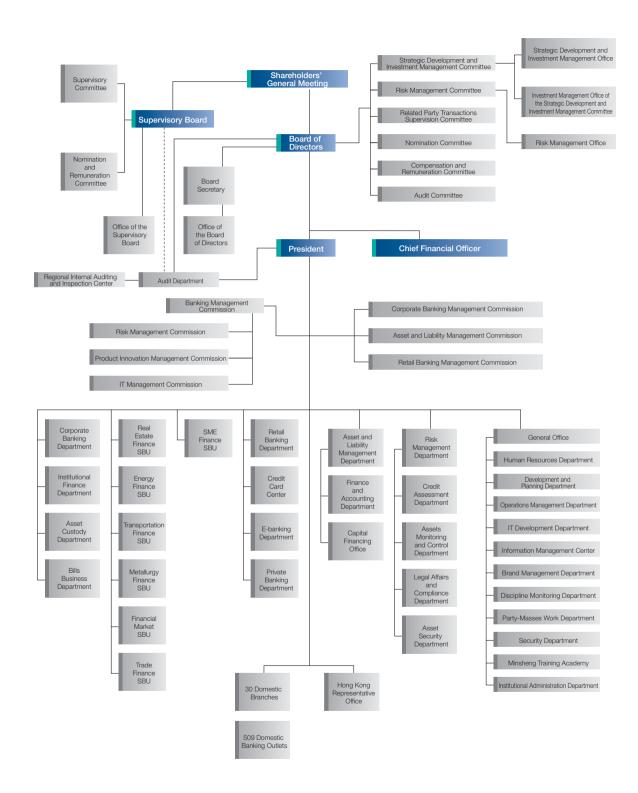
	Northern	Eastern	Southern	Other	
	China	China	China	locations	Total
31 December 2010					
Overdue	4,833	1,461	959	743	7,996
Allowance for impairment losses					
 Individually assessed 	2,108	501	178	17	2,804
 Collectively assessed 	498	158	114	98	868
31 December 2009					
Overdue	6,212	1,698	1,142	601	9,653
Allowance for impairment losses					
 Individually assessed 	2,653	635	332	41	3,661
 Collectively assessed 	760	158	191	85	1,194

Unaudited Supplementary Financial Information

(All amounts in Rmb millions unless otherwise stated)

4 Cross-border claims

	Asia Pacific excluding Mainland China	North America	Europe	Other	Total
31 December 2010					
Banks and other					
financial institutions	5	157	215	168	545
Public sector entities	_	473	_	_	473
Other	_	_	160	_	160
Total	5	630	375	168	1,178
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
Total	9,411	3,480	1,276	184	14,351



List of Entities

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■Shanghai

Shanghai Branch

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Tel· 021-61877000 Fax: 021-61877001

■Guangzhou

Guangzhou Branch

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Postal Code: 510623

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■Shenzhen

Shenzhen Branch

CMBC Building, 11th Xinzhou Street, Address:

Futian District, Shenzhen

Postal Code: 518034

Tel: 0755-82806002 0755-82806555 Fax:

■Wuhan

Wuhan Branch

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Taivuan Branch

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Hangzhou Branch

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Tel: 0571-87232682 0571-87239789 Fax:

■ Nanjing

Nanjing Branch

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■ Chongging

Chongqing Branch

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Fuzhou Branch

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Jinan Branch

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Ningbo Branch

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315040 Postal Code:

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Chengdu Branch

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Suzhou Branch

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Suzhou

Postal Code: 215021

Tel: 0512-62569022 Fax: 0512-62569005

■Qingdao

Qingdao Branch

Zhong Gang Plaza, No. 18, Address:

Fuzhou Nan Road,

Qinadao

Postal Code: 266071

0532-85978668 Tel· 0532-85978667 Fax:

■Wenzhou

Wenzhou Branch

Address: Development Building, No. 335,

Xincheng Road, Wenzhou

Postal Code: 325001

Tel: 0577-88903999 Fax: 0577-88903777

■Xiamen

Xiamen Branch

Address: 7/F, Lixin Plaza, No. 90,

Hubin Nan Road, Xiamen

Postal Code: 361004

Tel: 0592-2383388 0592-2682826 Fax:

■Zhengzhou

Zhengzhou Branch

Address: CMBC Building, No. 1,

> CBD Shangwu Waihuan Road. Zhengdong New District, Zhengzhou

Postal Code: 450008

0371-69166666 Tel: Fax: 0371-69166916

■Changsha

Changsha Branch

Address: No. 669, Furong Zhong Road 1 Duan,

Changsha

Postal Code: 410011

Tel: 0731-84907000 0731-84907010 Fax:

■Changchun

Changchun Branch

Address: Jixin Building, No. 500,

Changchun Street, Nanguan District,

Changchun

Postal Code: 130041

0431-88553293 Tel· Fax: 0431-88553099

■Hefei

Hefei Branch

Address: Tian Qing Building, No. 135,

Bozhou Road, Hefei

Postal Code: 230041

Tel: 0551-5682900 0551-5682901 Fax:

■ Nanchang

Nanchang Branch

Address: No. 237, Xiangshan Bei Road, Nanchang

Postal Code: 330008

0791-6751157 Tel: 0791-6761557 Fax:

■ Nanning **Naning Branch**

Address: 1, 8 & 12/F,

Guangxi Development Tower,

No. 111-1 Minzu Avenue, Nanning

Postal Code: 530022

0771-5772109 Tel: Fax: 0771-5772193

List of Agency Banks of China Minsheng Bank As of December 31, 2010, there are 1,208 agency banks in 103 countries or regions Europe Asia Africa Oceania

Asia	(31	countries	or	regions	596	agency	hanks)
ASIG	IJΙ	Countiles	OI	regions,	290	agency	Daliksi

China Hong Kong Macau	155 92 9	India Pakistan Lebanon	18 6	Bangladesh Jordan Qatar	6 2 2
Taiwan	40	Iran	10	Israel	6
Japan	38	The United	18	Oman	3
Singapore	56	Arab Emirates		Bahrain	2
South Korea	34	Cambodia	1	North Korea	1
Thailand	17	Nepal	3	Syria	3
Malaysia	16	Sandi Arabia	4	Mongolia	1
Indonesia	21	Kuwait	3		
Philippines	6	Vietnam	19		
		Sri Lanka	3		

Europe (37 countries, 398 agency banks)

Germany	72	Austria	15	Cyprus	1
England	42	Hungary	7	Belarus	1
Ireland	3	Belgium	11	Lithuania	2
Poland	5	Luxemburg	9	Norway	7
Switzerland	16	Portugal	6	Bulgaria	3
Netherlands	15	Romania	4	Bosnia and	1
France	16	Czech Republic	10	Herzegovina	
Spain	14	Slovakia	4	Latvia	1
Italy	55	Croatia	2	Ukraine	2
Sweden	12	Russia	13	Malta	3
Denmark	6	Slovenia	1	Albania	1
Greece	12	Serbia and	1	Kazakhstan	2
Finland	6	Montenegro			
		Turkey	17		



America	(16 countries	155 agency banks)

USA	95	The Dominican	1
Canada	14	Republic	
Peru	4	Uruguay	4
Chile	6	Cuba	1
Bahamas	1	Panama	3
Columbia	3	Bolivia	2
Argentina	4	Mexico	3
Brazil	12	Belize	1
		Guatemala	1

Oceania (3 countries, 28 agency banks)

New Zealand Australia Fiji	6 21 1	Egypt Tunisia South Africa Mauritius Kenya Namibia	8 3 3 2 1	Sudan Morocco Algeria Libya Nigeria Ghana	
		Namibia Zambia	1 1	Gabon	
		Cameroon	1	Ethiopia	







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